IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) AND WHO ARE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, NOT A RETAIL INVESTOR).

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum following this notice (the "**Offering Memorandum**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. The Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

Confirmation of your representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) persons who are not U.S. persons (as defined in Regulation S) and who are outside the United States purchasing in an offshore transaction outside the United States in reliance on Regulation S; provided that investors resident in a member state of the European Economic Area (the "**EEA**") are not retail investors (as defined herein). The Offering Memorandum is being sent at your request. By accepting the e-mail or other electronic transmission and accessing the Offering Memorandum, you shall be deemed to have represented to each of the Initial Purchasers (as defined in the attached Offering Memorandum), being the senders of the Offering Memorandum, that:

(1) you consent to delivery of such Offering Memorandum by electronic transmission; and

(2) either:

   (a) you and any customers you represent are QIBs; or

   (b) (i) you and any customers you represent are not U.S. persons and (ii) the e-mail address that you gave us and to which the electronic transmission has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and

(3) if you are resident in a member state of the EEA, you are not a retail investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of the product approval process of the Manufacturers, as defined in the Purchase Agreement (as defined herein), the target market assessment in respect of the securities described in this Offering Memorandum has led to the conclusion that: (i) the target market for such securities is eligible counterparties ("**ECPs**") and professional clients only, each as defined in Directive 2014/65/EU, as amended ("**MiFID II**"); and (ii) all channels for distribution of such securities to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (a "**Distributor**") should take into consideration the Manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA (as defined herein) retail investors: The securities described in the attached Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II); or (ii) a customer within the meaning of Directive 2016/97/EU, as amended (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**"), for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers (as defined in the attached Offering Memorandum) or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the respective Issuer in such jurisdiction. Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls the Initial Purchasers, the Issuer, the Group (each term, as defined in the attached Offering Memorandum), any of their respective directors, officers, employees or agents or affiliates of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and the hard copy version available to you on request from the Initial Purchasers.

This preliminary offering memorandum is being distributed for information purposes only and is subject to completion and amendment (which may be material) without notice. This preliminary offering memorandum shall not, and is not intended to, constitute or contain any offer of invitation to sell or the solicitation of any offer to buy and may not be used as, or in connection with any offer or invitation to sell or a solicitation of any offer to buy any of the Notes.

This preliminary offering memorandum is being distributed for information purposes only and is subject to completion and amendment (which may be material) without notice. This preliminary offering memorandum shall not, and is not intended to, constitute or contain any offer to sell or the solicitation of any offer to buy and may not be used as, or in connection with any offer or invitation to sell or a solicitation of any offer to buy any of the Notes.

SUBJECT TO COMPLETION, DATED JULY 15, 2019

PRELIMINARY OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

Victoria PLC

€330,000,000 % Senior Secured Notes due 2024

Victoria PLC, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), is offering (the "**Offering**") €330,000,000 aggregate principal amount of its % Senior Secured Notes due 2024 (the "**Notes**"). The Notes will be issued pursuant to an indenture (the "**Indenture**") to be dated on or about , 2019 (the "**Issue Date**"), among, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), and National Westminster Bank plc, as security agent (the "**Security Agent**").

Interest on the Notes will accrue from the Issue Date, payable semi-annually in arrears on and of each year, commencing on , 2020. The Notes will mature on , 2024. The Issuer may redeem the Notes in whole or in part at any time on or after , 2021 at the redemption prices set forth in this preliminary offering memorandum (the "**Offering Memorandum**"). At any time prior to , 2021, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described in this Offering Memorandum. Prior to , 2021, the Issuer may redeem on one or more occasions up to 40% of the original aggregate principal amount of the Notes (including any Additional Notes (as defined herein)) using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 50% of the original aggregate principal amount of the Notes (including any Additional Notes) remains outstanding after the redemption. Prior to , 2021, the Issuer may redeem up to 10% of the original aggregate principal amount of the Notes (including any Additional Notes) during each 12-month period commencing on the Issue Date at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any. The Issuer may also redeem all, but not less than all, of the Notes at a price equal to 100% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of such Notes. See "*Description of the Notes—Optional Redemption*." Upon the occurrence of certain defined events constituting a change of control or upon certain asset sales, each holder of Notes may require the Issuer to repurchase all or a portion of the Notes at the purchase prices set forth in this Offering Memorandum. See "*Description of the Notes—Certain Covenants—Change of Control*" and "*—Limitation on Asset Sales*."

The Notes will be the senior obligation of the Issuer and, on the Issue Date, will be guaranteed on a senior basis (the "**Issue Date Guarantees**" and, each, an "**Issue Date Guarantee**") by certain subsidiaries of the Issuer incorporated in England and Wales and Australia (collectively, the "**Issue Date Guarantors**," and each of them, an "**Issue Date Guarantor**"). On or about the Issue Date, the Notes and the Issue-Date Guarantees will be secured on a first-priority basis by security interests over certain shares and assets of the Issuer and the Issue Date Guarantors incorporated in England and Wales and Australia (collectively, the "**Issue Date Collateral**"). Within 90 days of the Issue Date (the "**Post-Closing Date**"), the notes will be guaranteed on a senior basis (the "**Post-Closing Guarantees**," and together with the Issue Date Guarantees, the "**Guarantees**") by certain subsidiaries of the Issuer incorporated in Spain (the "**Post-Closing Guarantors**," and each of them, a "**Post-Closing Guarantor**" and, collectively with the Issue Date Guarantors, the "**Guarantors**"). On the Post-Closing Date, the Notes will be secured on a first-priority basis by security interests over the issued share capital of the Post-Closing Guarantors (the "**Post-Closing Collateral**," and together with the Issue Date Collateral, the "**Collateral**"). The Notes and the Guarantees will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer or the relevant Guarantor that is not expressly subordinated in right of payment to the Notes or the Guarantees, as applicable, including debt incurred under the New Revolving Credit Facility and the New Term Loan Facility (each as defined herein), and will rank senior in right of payment to any existing and future debt that is expressly subordinated in right of payment. The Notes and the Guarantees will be effectively subordinated to all of the existing and future indebtedness of the Issuer and the Guarantors that is secured by property or assets that do not also secure the Notes and the Guarantees, to the extent of the value of such property and assets securing such indebtedness. The Notes and the Guarantees will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of subsidiaries that do not provide Guarantees. Pursuant to the terms of the Intercreditor Agreement (as defined herein), in the event of a distressed disposal of the Collateral or an enforcement of the security interests over the Collateral, counterparties to certain hedging obligations, if any, and creditors under the New Revolving Credit Facility may, in certain circumstances, including upon repayment and cancellation of the New Term Loan Facility, be repaid with the proceeds from the enforcement of the Collateral in priority to the Notes. The security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture governing the Notes and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness, including indebtedness that receives priority to the Notes with regards to proceeds from the enforcement of Collateral. The Guarantees may be released in certain circumstances. The validity and enforceability of the Guarantees and the security and the liability of the Guarantors and security providers will be subject to the limitations described in "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*."

There is currently no public market for the Notes. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (the "**Exchange**"). The Exchange is not a regulated market pursuant to the provisions of Directive 2014/65/EU. There can be no assurance that the Notes will be listed on the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. Settlement of the Notes is not conditional on such admission. The Exchange is a market designated for professional investors. Securities admitted to trading on the Exchange are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Memorandum.

The Notes will be issued in the form of one or more global notes in book-entry form. The Issuer expects that the Notes will be deposited and registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about the Issue Date. Interests in a global note will be exchangeable for the relevant definitive Notes only in certain limited circumstances. See "*Book-Entry; Delivery and Form*."

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 24.

Issue Price: % plus accrued and unpaid interest, if any, from the Issue Date

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, this offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A under the U.S. Securities Act ("Rule 144A"). You are hereby notified that the Initial Purchasers (as defined herein) of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside of the United States, this offering is being made to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). See "*Plan of Distribution*" and "*Notice to Investors*" for additional information about eligible offerees and resale restrictions.

Joint Global Coordinators

Credit Suisse **HSBC** **ING** **NatWest Markets**

Joint Bookrunner

BBVA

The date of this Offering Memorandum is , 2019.

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum is a confidential document that the Issuer (together with its subsidiaries, "**we**," "**us**" or "**our**") is providing only to prospective purchasers of the Notes. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You must not:

- use this Offering Memorandum for any other purpose;
- make copies of any part of this Offering Memorandum or give a copy of it to any other person; or
- disclose any information in this Offering Memorandum to any other person, other than a person retained to advise you in connection with the purchase of the Notes.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither we nor the Initial Purchasers (as defined below) shall have any responsibility for any of the foregoing legal requirements.

The Offering is being made in reliance on (i) an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering and (ii) a transaction pursuant to Regulation S that is not subject to the registration requirements of the U.S. Securities Act. The Notes have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any other jurisdiction. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "*Notice to Investors*." The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited.

None of the U.S. Securities and Exchange Commission (the "**SEC**"), any U.S. state securities commission, non-U.S. securities authority or other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective purchasers of the Notes must rely on their own examination of the Issuer and the terms of the Offering Memorandum, including the merits and risks involved. In addition, neither the Issuer nor any Initial Purchaser nor any of the Issuer's or its respective representatives is making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. In accordance with normal and accepted market practice, neither the Trustee (as defined below), the Security Agent (as defined below), the Paying Agent (as defined below), the Registrar (as defined below), nor the Transfer Agent (as defined below) is responsible for the contents of this offering memorandum or expresses any opinion as to the merits of the Notes under this offering memorandum. You should consult your own advisors as to legal, business, tax, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes and you must obtain all applicable consents and approvals; neither the Issuer nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this Offering Memorandum or in the Issuer since the date of this Offering Memorandum.

Credit Suisse Securities (Europe) Limited, HSBC Bank plc, ING Bank N.V., London Branch, NatWest Markets Plc and Banco Bilbao Vizcaya Argentaria, S.A. (each an "**Initial Purchaser**" and, collectively, the "**Initial Purchasers**") make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering

Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past, the present or the future.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including in the "*Description of the Notes*" and "*Book-Entry; Delivery and Form*," is subject to a change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear or Clearstream, we accept no further responsibility in respect of such information.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

We reserve the right to withdraw this Offering at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part for any reason or for no reason, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The Issuer has applied to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (the "**Exchange**"). The Issuer cannot guarantee that its application for admission to the Exchange will be approved or permission to deal in the Notes will be granted as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

IN CONNECTION WITH THIS OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

Notice to investors in the United States

This Offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Notice to Investor*s."

This Offering Memorandum is being provided (1) to U.S. investors that we reasonably believe to be "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

Notice to certain investors

Professional Investors and eligible counterparties ("ECPs") Only Target Market. Solely for the purposes of each Manufacturer's (as defined in the Purchase Agreement (as defined herein)) product approval process, the target market assessment in respect of the Notes described in this Offering Memorandum has led ECPs to the conclusion that: (i) the target market for such Notes is ECPs and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of such Notes to ECPs and professional clients are appropriate. Any Distributor should take into consideration the Manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors. The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Australia. This Offering Memorandum is not, and is not intended to be, a disclosure document within the meaning of the *Corporations Act 2001* (Cth) of Australia ("**Australian Corporations Act**"). No action has been taken by the Issuer or the Initial Purchasers that would permit a public offering of the Notes in Australia. This Offering Memorandum has not been, and no prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Notes has been or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**"). Accordingly, no offer or invitation for applications for the issue, sale or purchase of the Notes may be made in Australia (including an offer or invitation which is received by a person in Australia) and no draft, preliminary or definitive prospectus, offering circular, disclosure document, advertisement or other offering material relating to the Notes may be distributed or published in Australia unless:

- the aggregate consideration payable on acceptance of the offer or invitation by each offeree or invitee is at least AUD $500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;
- such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia;
- the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Australian Corporations Act; and
- the offer, invitation or distribution complies with all applicable laws, regulations and directives in Australia relating to the offer, sale and resale of the Notes in Australia and in the jurisdiction in which such offer, sale and resale occurs.

You have been sent this offering circular on the basis that, among other matters, if you are a resident of Australia, you are a wholesale client for the purposes of section 761G of the Australian Corporations Act or otherwise a person to whom disclosure is not required under Part 6D.2 or Chapter 7 of the Australian Corporations Act.

Spain. The Notes may not be offered, sold, resold or distributed in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws. Offers of Notes in Spain shall only be directed specifically at, or made to, professional clients and eligible counterparties, as defined in Articles 205 and 207 of the Spanish Securities Market Act ("*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores" tal y como ha sido modificado por el "Real Decreto Ley 14/2018, de 28 de septiembre, por el que se modifica el texto refundido de la Ley de Mercado de Valores para adaptarla al paquete MiFID II*"), as amended and restated from time to time. Neither the Notes nor this Offering Memorandum have been registered with the Spanish Securities Market Commission ("*Comisión Nacional del Mercado de Valores"*) and therefore this Offering Memorandum is not intended for any public offer of the Notes in Spain.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

PRESENTATION OF FINANCIAL INFORMATION

Historical Financial Data

We present in this Offering Memorandum the historical financial information listed below.

The Issuer

The Issuer is a public limited company incorporated under the laws of England and Wales. The Issuer was incorporated as Victoria Carpet Holdings PLC on December 1, 1933, changing its name to Victoria PLC on July 14, 1997. The Issuer is a holding company and has no business operations of its own. The only significant assets of the Issuer are shares in its direct and indirect subsidiaries and certain intercompany loans. For further information, see "*Summary—Corporate and Financing Structure*."

We prepare our financial statements on the basis of a 52-week or 53-week financial period. For the purposes of this Offering Memorandum, we refer to the 52 weeks ended March 30, 2019 as the "**2019 financial year**," the 52 weeks ended March 31, 2018 as the "**2018 financial year**" and the 52 weeks ended April 1, 2017 as the "**2017 financial year**."

This Offering Memorandum includes the following consolidated financial statements of the Victoria Group:

- the audited consolidated financial statements, including the notes thereto, of the Victoria Group as of and for the 52 weeks ended April 1, 2017 (the "**2017 Group Financial Statements**");
- the audited consolidated financial statements, including the notes thereto, of the Victoria Group as of and for the 52 weeks ended March 31, 2018 (the "**2018 Group Financial Statements**"); and
- the audited consolidated financial statements, including the notes thereto, of the Victoria Group as of and for the 52 weeks ended March 30, 2019 (the "**2019 Group Financial Statements**").

The 2017 Group Financial Statements, the 2018 Group Financial Statements and the 2019 Group Financial Statements are herein collectively referred to as the "**Group Financial Statements**."

The Group Financial Statements have been audited by Grant Thornton UK LLP and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "**IASB**") and adopted by the European Union ("**IFRS**").

The Group Financial Statements included elsewhere in this Offering Memorandum should be read in conjunction with the relevant notes thereto. Unless otherwise indicated, all financial information contained in this Offering Memorandum with respect to the Victoria Group has been prepared in accordance with IFRS.

Operating Segment Reporting

Our current operating segments are (i) UK & Europe—Ceramic Tiles, (ii) UK & Europe—Soft Flooring and (iii) Australia. Prior to the 2019 financial year, we presented our soft flooring and hard flooring operating businesses in the United Kingdom and Continental Europe as a single operating segment ("UK & Europe"). We believe our current operating segment presentation better illustrates our operating results given our significant operations in both soft and hard flooring. To facilitate comparability of our operating segments, we have presented certain financial information for the 2018 financial year in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Comparison of results of operations for the 52 weeks ended March 31, 2018 and the 52 weeks ended March 30, 2019—Revenue by operating segment*" on the same segmental basis as our 2019 Group Financial Statements. See "*Definitions—UK & Europe—Ceramic Tiles*" and "*Definitions—UK & Europe—Soft Flooring*." For further information, please see Note 1 to our 2019 Group Financial Statements.

Pro Forma Financial Information

This Offering Memorandum includes certain unaudited *pro forma* financial information (the "**Unaudited *Pro Forma* Financial Information"**), including *Pro Forma* Revenue, *Pro Forma* EBITDA, Adjusted *Pro Forma* EBITDA and *Pro Forma* EBITDA margin. We present the Unaudited *Pro Forma* Financial Information to illustrate (i) the estimated full run-rate impact of the Saloni Acquisition on our historical results of operations for the 2018 financial year, as if such acquisition had occurred on April 1, 2018,

(ii) our normalized costs had we not sustained a business interruption relating to the reorganization of our logistics operations in the United Kingdom and (iii) the run-rate impact of our installation of a new manufacturing line at Serra's production facility.

The Unaudited *Pro Forma* Financial Information described above is based on available information and certain assumptions that we believe are reasonable. The Unaudited *Pro Forma* Financial Information is presented for information purposes only and is not intended to represent or be indicative of the results of operations that we would have reported had the transactions or events described above actually occurred at the beginning of the applicable periods, and the Unaudited *Pro Forma* Financial Information does not purport to project our results of operations or financial condition for any future period. Our actual results may differ significantly from those reflected in the Unaudited *Pro Forma* Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited *Pro Forma* Financial Information. The Unaudited *Pro Forma* Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Further, certain of the financial information of Keraben Grupo, S.A.U. and Cerámica Saloni, S.A.U. used to prepare the Unaudited Pro Forma Financial Information has been prepared in accordance with generally accepted Spanish accounting standards ("**Spanish GAAP**") which differ from IFRS in certain material respects. Though we believe there were no material differences as between the financial information of these entities as presented in accordance with Spanish GAAP and as presented in accordance with IFRS, we have not performed a reconciliation of such financial information to IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited *Pro Forma* Financial Information have been audited or reviewed. See "*Summary Historical Consolidated Financial Information and Other Data*."

The Unaudited *Pro Forma* Financial Information should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Group Financial Statements included elsewhere in this Offering Memorandum.

As Adjusted Financial Information

This Offering Memorandum includes unaudited financial information, presented on an as adjusted basis, to illustrate the effect the Offering would have had on certain of our financial results for the 52 weeks ended March 30, 2019 or on our financial position as of March 30, 2019, as applicable.

The unaudited as adjusted financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position we would have reported had the Offering been completed as of March 30, 2019, in the case of our as adjusted cash and cash equivalents, as adjusted senior debt and as adjusted net senior debt, and as of April 1, 2018, in the case of our as adjusted interest expense. The unaudited as adjusted financial information should not be taken as indicative of our future consolidated results of operations or financial position. Our historical results may not be indicative of our future results following completion of the Offering. The unaudited as adjusted financial information has not been prepared in accordance with IFRS or any other generally accepted accounting standards.

The unaudited as adjusted financial information should be read in conjunction with the information contained in "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Group Financial Statements included elsewhere in this Offering Memorandum.

Non-IFRS Measures

This Offering Memorandum contains certain financial measures and ratios, including Underlying EBITDA, Underlying EBITDA margin, *Pro Forma* Revenue, *Pro Forma* EBITDA, Adjusted *Pro Forma* EBITDA, *Pro Forma* EBITDA margin, Operating Cash Flow before interest, tax and exceptional items, Operating Cash Flow Conversion, Underlying Operating Profit and Underlying movement in net working capital that are not required by, or presented in accordance with IFRS (the "**Non-IFRS Measures**").

We present these Non-IFRS Measures because they are measures our management use to assess operating performance, and we believe that they and similar measures are widely used in our industry as a means of evaluating a company's operating performance and financing structure, and because we believe they present helpful comparisons of financial performance between periods by excluding the distorting effect of certain non-recurring items. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS standards or other generally accepted accounting principles. The Non-IFRS Measures are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating profit or profit from continuing operations or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating, investing or financing activities. We define these Non-IFRS Measures as follows:

- Underlying EBITDA consists of earnings before interest, tax, depreciation, amortization and exceptional items (as discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*");
- Underlying EBITDA margin consists of Underlying EBITDA divided by revenue;
- *Pro Forma* Revenue consists of revenue adjusted to give *pro forma* effect to the estimated full run-rate impact of the Saloni Acquisition, as if such acquisition had occurred on April 1, 2018;
- *Pro Forma* EBITDA consists of Underlying EBITDA adjusted to give *pro forma* effect to the estimated full run-rate impact of the Saloni Acquisition, as if such acquisition had occurred on April 1, 2018;
- Adjusted *Pro Forma* EBITDA consists of *Pro Forma* EBITDA as further adjusted to give effect to (i) our normalized costs had we not sustained a business interruption relating to the reorganization of our logistics operations in the United Kingdom and (ii) the run-rate impact of our installation of a new manufacturing line at Serra's production facility;
- *Pro Forma* EBITDA margin consists of *Pro Forma* EBITDA divided by *Pro Forma* Revenue;
- Operating Cash Flow before interest, tax and exceptional items consists of Underlying EBITDA before non-cash items and after Underlying movement in net working capital;
- Operating Cash Flow Conversion consists of Operating Cash Flow before interest, tax and exceptional items divided by Underlying EBITDA;
- Underlying Operating Profit consists of operating profit before the impact of exceptional items and amortization of acquired intangibles;
- Underlying movement in net working capital consists of movements in working capital before the impact of exceptional items; and
- Like-for-like revenue growth represents the growth in our revenue shown on a constant currency basis and adjusted to remove the impact of acquisitions and restructuring effects.

Underlying EBITDA, *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA may be defined differently from the corresponding terms under the Indenture. Underlying EBITDA, *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA have limitations as analytical tools, and you should not consider them in isolation. Some of the limitations of Underlying EBITDA, *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA are:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and Underlying EBITDA, *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA do not reflect any cash requirements that would be required to make such replacements;
- they do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate these measures differently from the way we do, limiting their usefulness as comparative measures.

Because of these limitations, Underlying EBITDA, *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and by using these Non-IFRS Measures only to supplement your evaluation of our performance.

Unaudited Non-IFRS Aggregated Financial Information

We also present in this Offering Memorandum certain unaudited non-IFRS aggregated financial information (the "**Unaudited non-IFRS Aggregated Financial Information**"), including:

- Revenue for the 2017 financial year adjusted to give full-year effect to our acquisitions of Ezifloor, Avalon, GrassInc, Dunlop, Keraben, Serra and Saloni as if all such acquisitions had occurred on the first day of the period;
- Revenue for the 2018 financial year adjusted to give full-year effect to our acquisitions of Keraben, Serra and Saloni as if all such acquisitions had occurred on the first day of the period;
- Underlying EBITDA for the 2017 financial year adjusted to give full-year effect to our acquisitions of Ezifloor, Avalon, GrassInc, Dunlop, Keraben, Serra and Saloni as if all such acquisitions had occurred on the first day of the period; and
- Underlying EBITDA for the 2018 financial year adjusted to give full-year effect to our acquisitions of Keraben, Serra and Saloni as if all such acquisitions had occurred on the first day of the period and further adjusted to give effect to (i) our normalized costs had we not sustained a business interruption relating to the reorganization of our logistics operations in the United Kingdom and (ii) the run-rate impact of our installation of a new manufacturing line at Serra's production facility.

The Unaudited non-IFRS Aggregated Financial Information is presented on a constant currency basis, using the exchange rates set forth in Note 8 of our 2019 Group Financial Statements.

We believe that presenting this Unaudited non-IFRS Aggregated Financial Information is useful to investors for purposes of evaluating our financial performance on a like-for-like basis, as our revenue and Underlying EBITDA as reported in the 2017 Group Financial Statements and the 2018 Group Financial Statements do not give effect to the full-year impact of our acquisitions of Keraben, Serra, Saloni (including Sanicova), Ezi Floor, Avalon, GrassInc and Dunlop, as applicable. The Unaudited non-IFRS Aggregated Financial Information has not been prepared in accordance with the requirements of the Prospectus Directive, Regulation S-X of the U.S. Securities Act, IFRS or any other generally accepted accounting standards or been audited or reviewed. Further, certain of the financial information of Keraben Grupo, S.A.U. and Cerámica Saloni, S.A.U. used to prepare the Unaudited non-IFRS Aggregated Financial Information has been prepared in accordance with Spanish GAAP which differs from IFRS in certain material respects. Though we believe there were no material differences as between the financial information of these entities as presented in accordance with Spanish GAAP and as presented in accordance with IFRS, we have not performed a reconciliation of such financial information to IFRS.

The Unaudited non-IFRS Aggregated Financial Information is based on available information for the relevant acquired companies prior to their respective acquisitions, including audited financial statements, unaudited interim financial statements, due diligence reports, internal management accounts and certain assumptions and estimates. Unlike these acquired companies, some of which prepared their financial statements on the basis of varying financial year-ends, we prepare our financial statements on the basis of a 52-week or 53-week financial period (ended April 1, 2017, March 30, 2018 and March 31, 2019 in the case of the periods presented in this Offering Memorandum). As a result, in the case of Serra, no historical accounts are available for a portion of the 2017 financial year. Accordingly, summarized financial information provided by management has been used to supplement the historical financial information of Serra for purposes of the 2017 financial year. The Unaudited non-IFRS Aggregated Financial Information is presented for information purposes only and is not intended to represent or be indicative of the results of operations that we would have reported had the transactions or events described above actually occurred at the beginning of the applicable periods, and the Unaudited non-IFRS Aggregated Financial Information does not purport to project our results of operations or financial condition for any future period. Our actual results may differ significantly from those reflected in the Unaudited non-IFRS Aggregated Financial Information for a number of reasons, including, but not limited to, differences in assumptions or estimates used to prepare the Unaudited non-IFRS Aggregated Financial Information. The Unaudited non-IFRS Aggregated Financial Information should be considered in addition to, as opposed to a substitution for, the Group Financial Statements.

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the rounded numerical data in the narrative description thereof.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the various markets or regions in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from publicly available information and independent industry publications. In particular, certain information has been derived from Global Flooring (January 2019) published by The Freedonia Group (the "**Freedonia Report**").

The Freedonia Report includes data obtained from The Freedonia Group's own research as well as data derived from other industry reports and publicly available information.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that there can be no assurance as to the accuracy and completeness of such information. We believe that these industry publications are reliable, but we have not independently verified any of the data from third-party sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Offering Memorandum.

We cannot assure you that any of the assumptions underlying any statements regarding the flooring industry are accurate or correctly reflect our position in the industry. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this Offering Memorandum should be viewed with caution and no representation or warranty is given by any person, including us or the Initial Purchasers, as to their accuracy.

Certain statements in this Offering Memorandum regarding the flooring industry are not based on published statistical data or information obtained from independent third-parties, but are based solely on our experience, our estimates, and our own investigation of market conditions at the time of this Offering Memorandum. We cannot assure you that any of these studies or estimates are accurate, and none of our internal surveys or information have been verified by any independent sources. While we are not aware of any misstatements regarding our estimates presented herein, our estimates involve risks, assumptions and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Memorandum.

CERTAIN DEFINITIONS

In this Offering Memorandum, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined. In particular, capitalized terms set forth and used in the sections entitled "*Description of Certain Financing Arrangements*" and "*Description of the Notes*" may have different meanings from the meanings given to such terms used elsewhere in this Offering Memorandum.

"Acquisitions"	The Saloni Acquisition, together with our acquisitions of Keraben, Serra, Ezi Floor, Avalon, GrassInc and Dunlop;
"Australian dollars," "AUD," "AUD$"	Australian dollars, the currency of the Commonwealth of Australia;
"Avalon"	Avalon B.V.;
"BGF Loan"	The unsecured loan facility established under an agreement entered into by Victoria PLC with the Business Growth Fund in the aggregate principal amount of £10 million, which matures in 2021 and further described in "*Description of Certain Other Financing Arrangements*";
"Collateral"	Together, the Issue Date Collateral and the Post-Closing Collateral, as further described in "*Description of the Notes—Security*";
"Continental Europe"	Europe excluding the United Kingdom;
"Dunlop" or "Dunlop Flooring"	Dunlop Flooring, incorporated under the laws of Australia as Primary Flooring Pty Ltd;
"euro" or "€"	Euro, the currency of the member states of the European Union participating in the European Monetary Union;
"Exchange"	The International Securities Market of the London Stock Exchange;
"Existing Revolving Credit Facility"	The £60 million (equivalent) multi-currency revolving credit facility established under the Existing Term and Revolving Credit Facility Agreement, which is expected to be cancelled on or about the Issue Date;
"Existing Term and Revolving Credit Facility Agreement"	The term and revolving credit facility agreement governing the Existing Term Loan Facility and Existing Revolving Credit Facility entered into on August 5, 2018, as amended, restated and modified, from time to time, among, *inter alios*, Victoria PLC, as borrower, HSBC Bank plc and Barclays Bank PLC, as lenders, and Barclays Bank PLC, as agent and as security agent and further described in;
"Existing Term Loan Facility"	The €445.0 million senior secured term loan under the Existing Term and Revolving Credit Facility Agreement, which is expected to be repaid in full on or about the Issue Date with the proceeds of the Offering and drawings under the New Term Loan Facility;
"Ezi Floor"	Ezi Floor Limited;
"GrassInc"	GrassInc. B.V.;
"Group," "Victoria Group," "we," "us" and "our"	The Issuer and its subsidiaries;
"Guarantees"	Together, the Issue Date Guarantees and the Post-Closing Guarantees, as further described in "*Description of the Notes—Guarantees*";

"Guarantors"	Together, the Issue Date Guarantors and the Post-Closing Guarantors;
"IFRS"	International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as adopted by the European Union;
"Indenture"	The indenture governing the Notes to be entered into on the Issue Date among, *inter alios*, the Issuer, the Guarantors named therein and the Trustee;
"Initial Purchasers"	Collectively, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, ING Bank N.V., London Branch, NatWest Markets Plc and Banco Bilbao Vizcaya Argentaria S.A.;
"Intercreditor Agreement"	The intercreditor agreement entered into on or prior to the Issue Date, among, *inter alios*, the Issuer, the Trustee and National Westminster Bank plc as facility agent and security agent;
"Interfloor" or "Interfloor Group" . .	Interfloor Group Limited and its subsidiaries;
"Issue Date"	On or about , 2019, the date on which the Notes will be delivered in book-entry form through a common depositary for Euroclear and Clearstream;
"Issue Date Collateral"	The collateral securing the Notes on the Issue Date, as further described in "*Description of the Notes—Security*";
"Issue Date Guarantees"	The guarantees of the Notes to be granted on the Issue Date by the Issue Date Guarantors;
"Issue Date Guarantors"	Victoria Midco Holdings Limited, Victoria Carpets Limited, Westex (Carpets) Limited, Abingdon Flooring Limited, Interfloor Limited, View Logistics Limited, The Victoria Carpet Company Proprietary Limited, Quest Flooring Pty Ltd and Primary Flooring Pty Ltd;
"Issuer"	Victoria PLC, a public limited company incorporated under the laws of England and Wales;
"Keraben"	Keraben Grupo, S.A.U.;
"Midlands Distribution Center"	The Group distribution center in Kidderminster, England;
"Millennium"	Millennium Weavers Europe N.V.;
"New Revolving Credit Facility"	The £60.0 million (equivalent) multi-currency revolving credit facility established under the Senior Facilities Agreement and further described in "*Description of Certain Financing Arrangements—Senior Facilities Agreement*";
"New Term Loan Facility"	The £143.2 million amortizing term loan established under the Senior Facilities Agreement and further described in "*Description of Certain Financing Arrangements—Senior Facilities Agreement"*;
"Notes"	The €330.0 million aggregate principal amount of % Senior Secured Notes due 2024 offered hereby;
"Post-Closing Date"	A date that is within 90 days from the Issue Date;
"Post-Closing Date Collateral"	The collateral securing the Notes on the Post-Closing Date, as further described in "*Description of the Notes—Security*";
"Post-Closing Guarantees"	The guarantees of the Notes to be granted on the Post-Closing Date by the Post-Closing Guarantors;
"Post-Closing Guarantors"	Keraben Grupo, S.A.U. and Cerámica Saloni, S.A.U.;

"pounds sterling," "GBP," "Sterling" or "£"	Pounds sterling, the currency of the United Kingdom of Great Britain and Northern Ireland;
"Saloni"	Cerámica Saloni, S.A.U. and its consolidated subsidiaries;
"Saloni Acquisition"	Our acquisition of 100% of the share capital of Saloni and its sister company Sanicova, which was completed on August 7, 2018;
"Sanicova"	Sanicova, S.L.U.;
"Security Documents"	Those agreements entered into on or prior to the Issue Date among, *inter alios*, the Security Agent named therein, the Issuer and the Guarantors creating or purporting to create security interests in the Collateral. See "*Description of the Notes—Security—Security Documents*;
"Senior Facilities Agreement"	The senior facilities agreement dated June 25, 2019, pursuant to which the New Term Loan Facility and the New Revolving Credit Facility will be made available among, *inter alios*, Victoria PLC, as borrower, Credit Suisse AG, London Branch, The Governor and Company of the Bank of Ireland, Banco Bilbao Vizcaya Argentaria S.A. London Branch, HSBC UK Bank plc, ING Bank NV and National Westminster Bank plc, as lenders and National Westminster Bank plc as agent and as security agent;
"Serra"	Ceramiche Serra S.p.A.;
"Southern Distribution Center"	The Group distribution center in Hemel Hempstead, England;
"Transactions"	Has the meaning ascribed to it in "*Summary—The Transactions*";
"UK & Europe—Ceramic Tiles"	Our operating segment comprised of our ceramic tile operating businesses;
"UK & Europe—Soft Flooring"	Our operating segment comprised of our soft flooring, underlay, flooring and flooring accessories and other flooring operating businesses located in the United Kingdom and Continental Europe;
"U.S. dollars," "USD," "US$" or "$"	U.S. dollars, the currency of the United States of America;
"U.S. Exchange Act"	The U.S. Securities Exchange Act of 1932, as amended;
"U.S. Securities Act"	The U.S. Securities Act of 1933, as amended; and
"Whitestone"	Whitestone Carpets Holdings Limited.

EXCHANGE RATE INFORMATION

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as pounds sterling per $1.00 and pounds sterling per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither we nor the Initial Purchasers represent that the pound sterling amounts referred to below could be or could have been converted into U.S. dollars or euro at any particular rate indicated or any other rate.

	Pounds sterling per 1.00 dollar			
	High	**Low**	**Average[(1)]**	**Period end**
Year				
2016	0.8226	0.6753	0.7407	0.8106
2017	0.8285	0.7362	0.7767	0.7395
2018	0.7991	0.6981	0.7500	0.7846
	High	**Low**	**Average[(2)]**	**Period end**
Month				
January 2019	0.7946	0.7590	0.7754	0.7621
February 2019	0.7811	0.7518	0.7685	0.7518
March 2019	0.7695	0.7527	0.7597	0.7695
April 2019	0.7751	0.7593	0.7675	0.7668
May 2019	0.7931	0.7606	0.7787	0.7918
June 2019	0.7966	0.7845	0.7889	0.7877
July 2019 (through July 10, 2019)	0.8021	0.7914	0.7967	0.7991

(1) The average of the exchange rates on the last business day of each month during the relevant period.

(2) The average of the exchange rates on each business day during the relevant period.

The Bloomberg Composite Rate (London) on July 10, 2019 was £0.7991 per $1.00.

	Pounds sterling per 1.00 euro			
	High	**Low**	**Average[(1)]**	**Period end**
Year				
2016	0.9105	0.7329	0.8192	0.8545
2017	0.9295	0.8356	0.8764	0.8889
2018	0.9092	0.8644	0.8849	0.8984
	High	**Low**	**Average[(2)]**	**Period end**
Month				
January 2019	0.9027	0.8657	0.8853	0.8726
February 2019	0.8822	0.8547	0.8722	0.8580
March 2019	0.8692	0.8514	0.8582	0.8636
April 2019	0.8670	0.8538	0.8621	0.8600
May 2019	0.8839	0.8516	0.8710	0.8839
June 2019	0.8965	0.8853	0.8911	0.8948
July 2019 (through July 10, 2019)	0.8998	0.8939	0.8969	0.8998

(1) The average of the exchange rates on the last business day of each month during the relevant period.

(2) The average of the exchange rates on each business day during the relevant period.

The Bloomberg Composite Rate (London) on July 10, 2019 was £0.8998 per €1.00.

The above rates may differ from the actual rates used in the preparation of the financial information appearing in this Offering Memorandum. Our inclusion of these exchange rates is not meant to suggest that the U.S. dollar or euro amounts actually represent such pounds sterling amounts or that such amounts could have been converted into pounds sterling at any particular rate, if at all. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes "forward-looking statements," within the meaning of the U.S. securities laws and certain other jurisdictions, based on our current expectations and projections about future events, including statements under the headings "*Presentation of Industry and Market Data*," "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Business*" and other sections.

All statements other than statements of historical facts included in this Offering Memorandum, including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, including those identified under the "*Risk Factors*" section in this Offering Memorandum. These include, but are not limited to:

- our ability to successfully anticipate consumer preferences and trends within the flooring industry;
- high competition in the flooring industry;
- the reproduction of our designs and innovations by competitors and customers;
- whether consumers choose alternative flooring solutions over our products;
- the impact of our acquisitions and expansions into new markets as well as our ability to integrate them into the Group;
- economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation and construction end-markets;
- fluctuations in the pricing of raw materials;
- the failure of or significant disruptions to our information systems and software;
- the failure to comply with data protection regulation;
- complete or partial uninsured losses;
- fluctuations in currency exchange rates;
- our ability to attract new customers and retain existing customers as a result of disruptions to the production or delivery of our products;
- our ability to attract and retain senior management and other key employees;
- significant damage to any of our facilities resulting in a production disruption;
- manufacturing defects or liability claims and ensuing adverse publicity;
- adverse changes in environmental and other regulatory regimes;
- our ability to comply with environmental and other regulations and obtain government permits and approvals;
- the withdrawal of the United Kingdom from the European Union;
- increased costs of labor, labor disputes, work stoppages or union organizing activity which could have a negative impact on our operations;
- our lack of formal purchase arrangements with a substantial majority of our customers;
- changes in tax rates, tax liabilities or tax accounting rules;
- our reliance on third party performance of supply and distribution services;
- potential future regulatory restrictions and/or compliance risks involving antitrust, anti-money laundering, anti-bribery and anti-corruption laws;
- compliance risks related to export control laws and regulations; and
- other risks associated with the Notes and our structure discussed under "*Risk Factors*."

Words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "might," "plan," "possible," "project," "should," "suggest," "target," "will," "would" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct.

We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statement that we make in this Offering Memorandum speaks only as of the date on which it is made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results. We urge you to read the sections of this Offering Memorandum entitled "*Presentation of Industry and Market Data*," "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate.

TRADEMARKS AND TRADE NAMES

We own or have rights to trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of its respective holder.

SUMMARY

This summary highlights selected information about us and about this Offering contained elsewhere in this Offering Memorandum. The following summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum. Before making an investment decision, you should read this entire Offering Memorandum carefully, including the Group Financial Statements and the notes thereto and the other financial information contained in this Offering Memorandum, as well as the risks described under "Risk Factors" and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Certain defined terms used herein are defined elsewhere in this Offering Memorandum.

Overview

We are a leading international designer, manufacturer and distributor of innovative flooring products across the United Kingdom, Continental Europe and Australia, established in 1895 and publicly listed since 1963. In each of our product segments, we have leading market positions in the markets in which we operate. We are a leading Continental European ceramic tile manufacturer. In soft flooring, we are the largest carpet manufacturer in the United Kingdom, the second largest carpet manufacturer in Australia and the largest flooring underlay manufacturer in both countries, in each case by volume. We manufacture and supply a diversified range of products, including carpet, ceramic tiles, flooring underlay, luxury vinyl tile ("**LVT**"), artificial grass and flooring accessories. The majority of our products are for residential use, with a particular focus on the improvement and repair ("**I&R**") end-market. We primarily target mid- to upper-market product segments of the flooring industry as well as certain niche product segments. Our customer base is diverse and focused on small, independent retailers with whom we can differentiate ourselves from competitors by offering superior service.

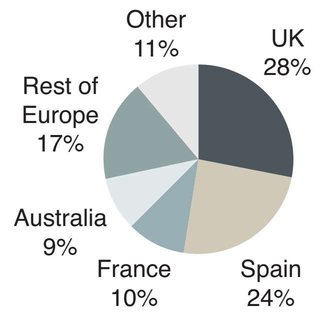
We group our reported operating segments by product category and manufacturing geography. These segments, broadly divided into ceramic tile and soft flooring offerings, comprise: (i) UK & Europe—Ceramic Tiles, consisting of our ceramic tile manufacturing businesses in Spain and Italy; (ii) UK & Europe—Soft Flooring, consisting predominantly of our carpet, flooring underlay, artificial grass, LVT and flooring accessories businesses in the United Kingdom and Continental Europe; and (iii) Australia, consisting of our (predominantly carpet and flooring underlay) soft flooring businesses in Australia. In the 2019 financial year, ceramic tile accounted for 62.2% of our Adjusted *Pro Forma* EBITDA, with soft flooring and other products accounting for the remaining 38.8% of our Adjusted *Pro Forma* EBITDA.

For the 2019 financial year, we generated £612.3 million of *Pro Forma* Revenue and £107.1 million of Adjusted *Pro Forma* EBITDA (17.1% *Pro Forma* EBITDA margin). While we have grown largely through strategic acquisitions since 2013, like-for-like revenue growth was 4.6%, 1.6% and 2.0% for the 2017, 2018 and 2019 financial years, respectively.

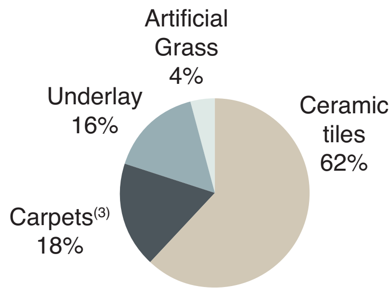
Our revenue and Underlying EBITDA is diversified across a variety of products and geographies. Through a series of strategic acquisitions, we have developed a balanced operating model across ceramic tiles and soft flooring, offering a diversified product portfolio of flooring products, both in terms of product category and target price point. Although originally focused on soft flooring offerings, we have gained scale in the large and fragmented flooring industry through a combination of acquisitions and organic initiatives to become a major competitor in both the soft and hard flooring markets. In particular, our recent acquisitions of Keraben, Serra and Saloni have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic exposure.

The following charts set forth our Adjusted *Pro Forma* EBITDA by destination geography and product segment for the 2019 financial year.

FY19 EBITDA by geography(1)



FY19PF EBITDA by product(2)



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(1) Geographic split is based on underlying EBITDA split by destination.

(2) This split assumes a consistent margin on sales across all geographies and for each business unit.

(3) Includes small amounts attributable to LVT and other products.

We have gained scale in the large and fragmented flooring industry through a combination of acquisitions and organic initiatives to become a major competitor in both the soft and hard flooring markets. To build on the competitive advantage of our soft flooring capabilities, we expanded into the complementary flooring underlay market by adding flooring underlay operations in both the United Kingdom and Australia in 2015 and 2016, respectively. This was achieved through the acquisitions of Interfloor in 2015 and Ezi Floor in 2016, flooring underlay manufacturers based in the United Kingdom, and the 2016 acquisition of Dunlop, a flooring underlay manufacturer based in Australia. In response to robust growth in demand for artificial grass, we further expanded into the artificial grass market through our acquisitions of GrassInc and Avalon in the Netherlands in 2017. We entered the ceramic tile segment in Continental Europe through our acquisitions of Serra (Italy) and Keraben (Spain) in 2017, and of Saloni (Spain) in 2018. These strategic acquisitions have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic footprint. We believe we have achieved an optimal level of integration with respect to our recent strategic acquisitions, enabling us to develop a balanced operating model across ceramic and soft flooring, offering a diversified product portfolio of flooring products.

We have a highly successful multi-brand strategy with over 30 brands encompassing mid- to upper-priced products. These include 14 carpet brands covering a broad range of wool and synthetic products, such as Victoria, Whitestone Weavers, StainFree and Quest; Westex and Hugh Mackay, two of our premium carpet brands; Duralay, Dunlop and Tredaire, leading and innovative flooring underlay brands; Keraben and Saloni, mid- to upper-market ceramic tile brands; Distinctive and Heartridge, under which we sell high-end LVT products; and GrassInc and Avalon, under which we sell artificial grass products for a wide range of applications, including lawns, parks, sports grounds and indoor applications.

We benefit from economies of scale through our consolidated manufacturing facilities in the United Kingdom, Spain, Italy and Australia. Our business is selectively vertically integrated, comprising three components: (i) the design and specification of the majority of our products; (ii) the manufacturing of the substantial majority of our products, with limited outsourcing in circumstances in which doing so is financially and operationally beneficial; and (iii) the distribution of our products based on their product category and customer proposition, which maximizes the turnover of our inventory and product efficiency. We believe that this balanced approach to vertical integration creates robust margins and increases our competitive advantage in our target markets. We believe we have competitive advantages in the markets in which we operate, including our design capabilities, large-scale and efficient in-house manufacturing facilities and our long-standing direct relationships with retailers across all operating businesses.

We operate ten manufacturing sites in the United Kingdom and Continental Europe and three manufacturing sites in Australia. Our integrated in-house capabilities allow us to operate our production facilities flexibly, varying production levels to meet demand, while maintaining a low fixed cost base, high efficiency and rigorous quality control. Where advantageous to do so, we have consolidated the design, manufacturing and distribution of certain products.

Our core markets are the United Kingdom, Continental Europe and Australia, where we employ over 3,000 people across more than 20 sites. The largest end-market for our products is the improvement and repair ("**I&R**") end-market, and, therefore, our business is less exposed to the economic cycles that otherwise commonly affect the smaller, cyclical construction end-market. We sell the substantial majority of our products in the same geographical segments in which they are manufactured, placing us in close proximity to our customer bases across core markets. Our relationships with our customers, the thousands of flooring retailers and small number of distributors and direct sales customers we supply across the United Kingdom, Continental Europe and Australia, are central to our success. We primarily sell directly to retailers. In the United Kingdom, our 3,000-plus customers range from independent retailers to distributors and large format chains. Some of these relationships, across operating geographies, are multi-generational and we believe the strength and depth of these relationships represent a significant competitive advantage. When coupled with our expansion since 2013, these relationships allow us to offer a broad range of products to our customers and further our cross-selling opportunities. We benefit from a large, diverse customer base with limited concentration. For the 2019 financial year, our top ten customers constituted 18.0% of our revenue, with our largest customer constituting less than four percent of our revenue.

Our Competitive Strengths

Market-leading business with a focus on branded mid- to high-end products

We have built a market-leading business across our core markets with a wide product range and global production and distribution capabilities. We are the largest carpet manufacturer in the United Kingdom, with approximately 12% market share, the second largest carpet manufacturer in Australia, with approximately 14% market share, and the largest flooring underlay manufacturer in both jurisdictions, in each case by volume as of March 30, 2019. We are also a leading Continental European ceramic tile manufacturer in the mid- to upper-market ceramic tile segment by volume, with approximately 7% market share.

Our focus on upper-market products across the majority of our product segments is driven by the stronger and more resilient margins they generate as compared to lower-end flooring products. Upper-market product sales are generally less volatile than sales in the lower-end market, as end-consumers in the upper-market generally have more stable spending habits; unlike many products in the lower-end market, mid- to high-end products also benefit from brand recognition, especially among retailers and wholesalers who are able to differentiate on the basis of brand quality and brand customer service.

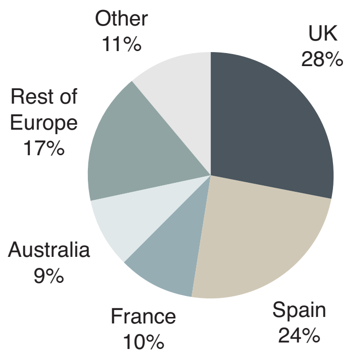
We believe that our market-leading positions across our key end-markets, together with our wide product range and our global distribution capabilities allow us to closely track and adapt to customer behavior while adjusting our production levels to match demand. Specifically, as a result of our presence in multiple product segments, our vertical integration and significant contacts across retailers, we are able to receive substantial feedback as to end-consumer trends in design and supply volumes on a timely basis.

Diversified business across products, geographies and customers

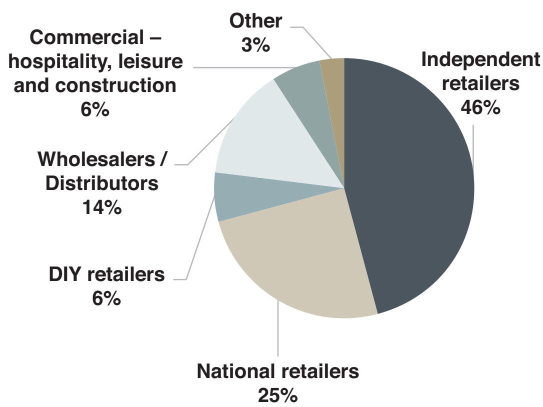
We have a diverse product portfolio consisting of wool and synthetic broadloom carpets, ceramic tiles, laminate, flooring underlay, LVT and other hardwood flooring products, artificial grass, carpet tiles and flooring accessories. These products are spread across over 30 brands. Notably, while we have sought to selectively expand our product portfolio, we have strategically elected not to enter into product markets characterized by low margins and high price competition, such as linoleum. We primarily target the mid- to upper markets and employ a commercially focused product development process to proactively manage our margins. Our design, quality control, production and cost control processes inform one another and are designed to yield product specifications that align with our target customers' price points while optimizing margins.

Our customer relationships and manufacturing flexibility also aid diversification of our product portfolio. Our close relationships with our customers provide us with valuable feedback and enable us to adapt to changes in end-customer preferences. We are also able to avoid large-scale product warehousing because of our ability to rapidly scale production on short notice, allowing us to maintain lean inventory levels which further aid product diversification.

The evolution of our product range has been targeted and deliberate, underpinned by selective acquisitions through which we have increased production flexibility and our product and geographical diversification. As a result of this careful expansion, we are not overly dependent on any particular product segment, with ceramic tile products, carpet products (including flooring underlay and accessories) and artificial grass constituting 62.1%, 33.5% and 4.4% of our Adjusted *Pro Forma* EBITDA for the 2019 financial year, respectively. Additionally, we are not unduly dependent on any particular brand (with Keraben constituting the largest proportion of our revenues in the 2019 financial year at 19.2%) or geographical segment and have the flexibility to produce and serve multiple geographies and shift production as needed based on fluctuations in demand. In the 2019 financial year, 71.7% of our Underlying EBITDA by product destination was generated outside of the United Kingdom. The chart below sets forth our Underlying EBITDA by product destination for the 2019 financial year.



Through our portfolio of over 30 brands, we offer a broad, differentiated and continuously evolving product portfolio for a variety of end-markets, including residential, office and hospitality and leisure. The breadth of these offerings provide us with a diverse customer base consisting of independent retailers, national retailers, Do-It-Yourself ("**DIY**") retailers and buying groups, with over 3,000 customers in the United Kingdom, over 2,000 customers in Continental Europe and approximately 800 customers in Australia. These retailers are highly diversified across specialist, non-specialist, general and DIY sales channels. The chart below sets forth our customer distribution by sales channel (as a proportion of revenue) through the 2019 financial year.



Significantly, the vast majority of our products are sold directly to independent flooring retailers rather than third-party distributors, which we believe drives brand loyalty and long-term relationships. Our involvement in the supply chain tends to end at distribution, with products rarely being sold directly to consumers, optimizing margins. Unlike some of our competitors, a minority of our revenue is generated from large retail chains. In the 2019 financial year, 52.2% of our revenue comes from independent retailers (including DIY retailers) while 25.3% comes from large retail chains. Additionally, in the 2019 financial year, our top ten customers constituted 18.0% of our revenue, with our largest customer constituting less than four percent of our revenue.

We believe that the breadth of our product offering and the diversity of our revenue streams support the resilience of our business and that our sales of products across a number of attractive flooring segments increases our cross-selling opportunities, visibility and pricing power. We further believe that our broad product offering, expansive geographic footprint and diverse base of customers strengthen our position as a leading designer, manufacturer and distributor of innovative flooring products while positioning us for future growth.

Stable flooring market dominated by the less cyclical improvement and repair end-market

The United Kingdom, Continental European and Australian flooring markets are stable, mature and attractive end-markets. Our core markets, the United Kingdom, Continental Europe and Australia, are expected to undergo stable economic growth in the coming years. According to the Freedonia Report, this economic growth is expected to translate into increased overall demand in the flooring industry across our core markets. The combined United Kingdom, Continental European and Australian flooring market is forecast to grow at a compound annual growth rate ("**CAGR**") of 1.3% between 2017 and 2022, with the I&R end-market forecast to grow at a CAGR of 1.4% over the same period. The hard flooring market is expected to experience the most substantial growth in the global flooring industry over this period, with a CAGR of 3.3%. Global demand for resilient flooring (consisting primarily of vinyl, rubber and linoleum) is expected to grow at a CAGR of 3.9%, followed by non-resilient flooring (consisting primarily of ceramic, laminate and wood) at a CAGR of 3.1%. We believe that our rapid and successful expansion into the hard flooring market in Continental Europe, as well as our sizeable presence in Australia supported by our current optimization initiatives, collectively enable us to defend our position and take advantage of these growth trends.

In addition to the stable growth forecast for the flooring industry generally, our business benefits specifically from our focus on the I&R end-market. The I&R end-market in the United Kingdom and Continental Europe is approximately five to six times larger than the new construction end-market and has limited dependence on new construction activity. Demand for new flooring in the new construction end-market tends to lag overall growth in new construction and is typically more volatile than the I&R end-market due to the cyclical nature of new construction activity. Conversely, the I&R end-market, which is driven by consistent wear-and-tear damage and the desire to upgrade the appearance of existing homes, is characterized by greater price inelasticity and is typically less susceptible to business cycles. Based on the composition of our customer base, we believe that over 75% of our revenues are generated from the I&R end-market.

Established market position in an industry with high barriers to entry

Over the course of our operating history, we have developed sufficient scale, expertise and breadth of product offering to succeed notwithstanding the significant barriers to entry in the flooring industry. We believe this business model would be difficult to replicate due to the following structural barriers to entry:

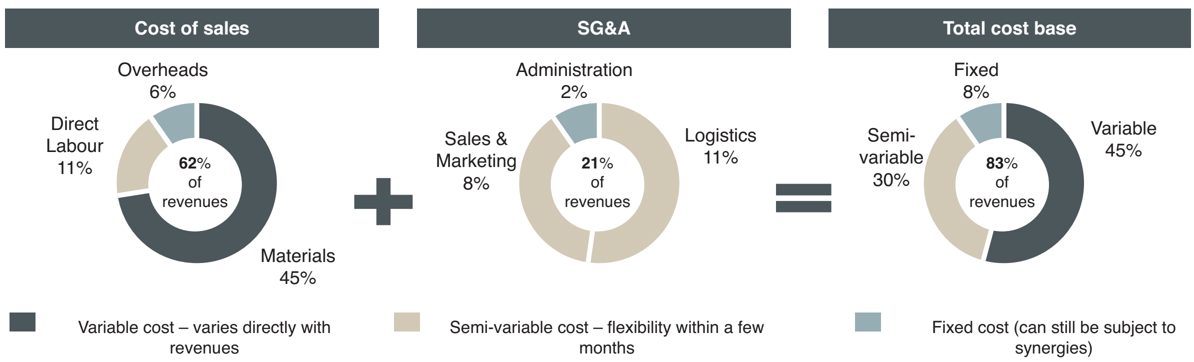
- **Fragmented customer base:** Our broad customer base is dominated by independent retailers, with whom we enjoy long-standing and, we believe, mutually beneficial relationships;
- **Proximity to customers:** Carpets are large, non-palletized goods and ceramic tiles are heavy, making both products difficult and expensive to transport. High transportation costs provide a barrier to low-cost international manufacturers from distributing their products within our geographical segments. Our operating businesses manufacture their products in close proximity to their customers and end-users, allowing us to minimize logistical costs;
- **Difficulty in contract manufacturing:** Long production runs are required in our industry in order to enable cost-effective manufacturing. As a result, contract manufacturing is generally not a feasible alternative to the owned production capabilities, which has been our approach;
- **Strength of brands:** We have a diverse portfolio of over 30 brands that we believe enjoy strong recognition with customers. New competitors in the mid- to upper-markets in which we operate would need to develop (organically or via costly acquisition) significant brand recognition in order to compete on a material level;
- **Capital barriers:** New entrants seeking to establish operations locally would face significant up-front capital costs; and
- **Product understanding and technical know-how:** We have been in continuous operation since 1895, currently employing 18 managing directors with an average of 20 years of industry expertise. Our "team-of-teams" structure ensures that these expert local managers and their respective management teams exercise valuable discretion over the diverse products, customers and geographic markets with

which they are intimately familiar, in conjunction with our highly-experienced group-level management team.

We believe these barriers to entry protect our business from both the threat of inexpensive, international imports as well as new entrants to our local markets.

Low operational gearing through a flexible cost base, concerted efficiency-driving efforts and low capital expenditure requirements

We benefit from low operational gearing, with approximately 54% of our cost base (which represents approximately 45% our revenues) for the 2019 financial year varying directly with revenue. A further 36% of our cost base (which represents approximately 30% of our revenues) for the 2019 financial year is semi-variable, with the ability to adapt within a few months. We have been able to maintain this low operational gearing despite being a manufacturing business by automating certain processes and because our equipment generally has a very long useful life. We also benefit from multiple production sites with the flexibility, capacity and cost structure to vary production levels, enabling our business to maintain efficiency in favorable markets and resilience through the more challenging parts of the business cycle. The following diagram sets forth the components of our cost base, expressed in percentage of revenues, as a function of variability.



Further, as much of our plant and equipment is relatively inexpensive and can be replaced on a modular basis, our business requires a limited amount of maintenance capital expenditures relative to our cash flows. Of our capital expenditures for the 2019 financial year, £23.5 million related to maintenance and £20.9 million related to growth. While our maintenance capital expenditures have increased on an absolute basis over the last three years, our maintenance capital expenditures as a percentage of our total revenue remained relatively stable, at 3.3%, 3.3% and 4.1% for the 2017, 2018 and 2019 financial years, respectively.

We have also increased efficiencies across our business by consolidating production in locations with excess capacity while rationalizing our manufacturing footprint. At the same time, we enhanced our logistics capabilities in the United Kingdom, which is our largest geographical segment. In 2017, we began the reorganization of our United Kingdom manufacturing footprint and logistics operations to improve productivity, manufacturing capacity and customer service. This process included the closure of our Kidderminster factory, which we completed in September 2017, and the relocation of our distribution center in the Midlands, which we completed in 2018. Closure of the Kidderminster factory resulted in our United Kingdom carpet production being shared between two factories located in Yorkshire and South Wales. We are in the process of implementing a similar initiative in Australia, which will result in the consolidation of our two flooring underlay factories into a single, enlarged facility located in Sydney. We have made further efficiency gains with the opening of our Southern Distribution Center near London, servicing all of our United Kingdom and Continental European carpet brands, and we are exploring possible further efficiency gains with a potential new distribution center in northern England.

Strong financial performance with proven resilience during economic downturns

We were resilient throughout the financial crisis, increasing revenue in each of 2006-2011. Our focus on the less cyclical I&R end-market made us less susceptible to the worst effects of the financial crisis, during which time consumers opted for less expensive forms of home improvement. While we shifted our sales mix to lower than average selling prices in order to protect sales volumes, we were able to utilize our flexible cost base to maintain our margins.

Since the financial crisis, we have expanded our product portfolio, developed a more efficient production footprint and introduced optimized inventory management. We now offer an expanded product portfolio and have shifted from a pure carpeting business to a hard and soft flooring group, with a range of carpet, ceramic tiles, flooring underlay, LVT and artificial grass products. As a result of our increased scale through acquisitions and various operational initiatives, we also possess a more efficient production footprint and better inventory management. We believe that these changes have strengthened our business and leave us poised to capitalize once the macroeconomic backdrop improves, especially as we have also diversified geographically in both manufacturing and sales without over-exposure to any single geographic market.

Since the change in our management in 2012, we have experienced a period of accelerated growth coupled with improvements in EBITDA margins, increasing from 7.2% in the 52 weeks ended March 29, 2014 (the "**2014 financial year**") to 16.8% in the 2019 financial year. These increases followed a restructuring in the 52 weeks ended March 30, 2013 (the "**2013 financial year**") that included a one-off stock rationalization and mill consolidation to reduce excess capacity. Further, we have maintained consistently high Operating Cash Flow Conversion of 109.8%, 99.4% and 95.4% in the 2019, 2018 and 2017 financial years, respectively. This strong free cash flow generation has allowed us to de-lever following new acquisitions, and has been supported by relatively limited working capital requirements and stable capital expenditures that have grown in proportion to the growth in our business since 2014.

Proven acquisition track record and ability to realize synergies

Since 2013, we have participated in the consolidation of a fragmented industry and believe we have built a reputation as a credible acquirer. Though we aim to maximize the realization of synergies following an acquisition, our strategy is primarily focused on acquiring high-quality, high-margin targets that we intend to operate as stand-alone propositions. We seek to acquire businesses that are growing and profitable, with high-quality facilities and products as well as competitive advantages in production and distribution. Our acquisition targets generally possess sustainable above-average margins and are led by committed and capable management teams. We believe this focus on stand-alone business value allows us to minimize our downside acquisition risk while maintaining room for synergistic upside potential.

Since the change in Group management in 2013, we have made 13 acquisitions, including our acquisitions of Keraben and Serra in 2017 and of Saloni in 2018. Over this period, our Underlying EBITDA has grown from £2.3 million in the 2013 financial year to £96.3 million in the 2019 financial year, and our Adjusted *Pro Forma* EBITDA for the 2019 financial year was £107.1 million.

Our increased scale through acquisitions has given us significant opportunities for margin improvement. We possess better buying power for raw materials and have consolidated our manufacturing, distribution, warehousing and logistics capacity. Additionally, the acquisition of production capacity and development of distribution facilities in close proximity to our clients is also a competitive advantage, as the high levels of customer dispersion typical in the flooring industry can generate substantial distribution costs. Our strategically located distribution facilities allow us to minimize these costs and access customers in a timely and cost-effective manner. Through our increased scale, we have also been able to rationalize product lines, improve working capital management through SKU reduction and take advantage of cross-selling products through new distribution channels. As a result of the above, our acquisition strategy has resulted in realized margin synergies, as evidenced by the increase in our Underlying EBITDA margin from 3.3% in the 2013 financial year to 16.8% in the 2019 financial year.

We have a long history of creativity and innovation in the flooring industry, both technical and aesthetic, and we are well-positioned to develop, together with our customers, design concepts and create innovative products that are tailored to consumers' tastes and preferences. Our strategic acquisitions in the ceramic tile and artificial grass segments position us to continue to offer products tailored to a contemporary audience. In particular, our recent acquisitions of Keraben, Serra and Saloni have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic exposure. We continue to introduce new product collections every year to meet consumer preferences and trends.

Experienced management team with proven track record of sustainable value creation

We have a strong and experienced management team that has positioned us for continued growth and development. Geoffrey Wilding, responsible for our rapid and successful expansion, joined the Group as Executive Chairman in 2012 and drives overall Group strategy. The 2019 financial year was Philippe

Hamers' second full year as our Chief Executive Officer. Mr. Hamers has over 25 years of experience in the flooring industry, most recently chairing Europe's largest carpet manufacturing operation before assuming his role with us.

We operate a "team-of-teams" structure that minimizes cost friction and red tape, while capitalizing on local expertise and allowing organic local strategies to flourish. Our international operating strategy is generated centrally by Group-level management, including budgeting, capital expenditure planning and cross-business operations. Complementing our Group-level strategy, we maintain a decentralized structure with managing directors responsible for the day-to-day management of each of our core operating businesses. Within the limits of our overall strategy and objectives, each managing director develops their own strategy and tactics (reviewed by the Board) to deliver their targets.

Our management team has a strong track record of identifying value-accretive acquisition targets, integrating the acquired companies and identifying and achieving synergies. In selectively growing our operations, we look for mature businesses with modern, well-invested production facilities, committed management teams, established distribution channels and competitive advantages in the relevant target market. Once a business has been acquired, we have historically been able to deliver significant production and purchasing synergies, which continue to drive growth in operating margins and improved like-for-like performance, as evidenced by five consecutive years of increasing EBITDA margins.

An important part of our acquisition strategy is our focus on retaining the management teams at the operating companies we acquire, which is a strategy that has proved successful for the Group. We have retained nearly all members of management in post-acquisition earn-out periods and, out of the 13 acquisitions made by the Group since 2013, eight are either post earn-out or did not have an earn-out period. In addition, our divisional management teams have extensive experience in the flooring industry and we believe that their collective industry knowledge, technical expertise, and customer and supplier relationships will enable them to continue to grow our business and execute our strategies.

Strategy

Our group-level strategy since 2013 has led to key successes, transforming us into a diversified international flooring manufacturer. Since 2013, we have built meaningful scale with 13 value-accretive acquisitions. Though we remain committed to pursuing further selective acquisitive growth, we are now well-positioned to take advantage of our scale by focusing on organic growth and development. Coupled with our short- and long-term initiatives to drive commercial and operational synergies, we believe our future group-level strategy will help us achieve our growth targets.

Continue to generate sustainable organic top-line growth in selected product segments

Our growth since 2013 has created a consolidated platform in carpeting, flooring underlay, flooring accessories, ceramic tile and LVT products. While the Group has grown over this period largely through strategic acquisitions, like-for-like growth was 4.6%, 1.6% and 2.0% for the 2017, 2018 and 2019 financial years, respectively. We intend to continue to utilize our platform in order to defend our market position, develop new products, and leverage our distribution channels to drive organic top-line growth.

When investing in our organic development, we target product segments in which we benefit from existing high margins and where we can increase operational efficiencies. For example, we benefit from high margins in our ceramic tile segments, and have planned investments in Keraben to increase ceramic production capacity. These investments include the development of a new production plant anticipated to begin production in 2020, the installation of new clay atomizers in floor and wall plants designed to increase clay reception capacity and the installation of new inkjet printing machines for wall and floor pressing and glazing processes. Additionally, in the 2019 financial year, we completed the installations of a continuous clay mill and floor tile production plant within Keraben facilities, fueling production synergies across Saloni and Keraben, and a further carpet finishing line in South Wales to grow our Australian carpet manufacturing capabilities. We are in the process of implementing a similar initiative in Australia, which will result in the consolidation of our two flooring underlay factories into a single, enlarged facility located in Sydney. We have strengthened our UK logistics network, including through the establishment of our new Southern Distribution Center and the relocation of our Midlands Distribution Center. In addition to optimizing our cost base, these initiatives are a competitive advantage as they allow our customers to distribute their products more efficiently, which we believe will drive increased sales.

While our primary focus is on sales to retailers and the I&R market, we also aim to grow our contract offering directly to end-market consumers, particularly within the hospitality and leisure and construction end-markets. Though our Whitestone operating business currently services clients within these end-markets, we have identified these end-markets as targets for organic expansion as our existing presence is minimal. In light of our growing ceramic tile and LVT product offerings, we have begun designing and creating products specifically for these product segments with our sales teams concentrating marketing efforts in these areas.

We are also making targeted investments into new product development and associated marketing materials, aided by our selective acquisitions in new strategic areas in which we believe there is superior and sustainable market growth and high margins. For example, we have expanded into the attractive Continental European ceramic tile industry with our acquisitions of Keraben, Saloni and Serra. Non-resilient flooring, mostly consisting of the ceramic tile segment, remains the most popular flooring solution across Continental Europe. Additionally, our acquisitions of GrassInc and Avalon give us a foothold in the rapidly expanding global artificial grass industry. We believe there are large, underpenetrated markets for these and other products and we intend to leverage the scale of our footprint and our diverse distribution channels in order to capitalize on these opportunities.

Acquisitive growth to realize margin-driving synergies and integration

We are a consolidator in a highly fragmented industry and believe we have built a reputation as a disciplined and credible acquirer. Through a combination of acquisitions and organic initiatives, the Group has grown from having Underlying EBITDA of £2.3 million in the 2013 financial year to Adjusted *Pro Forma* EBITDA of £107.1 million for the 2019 financial year.

This growth supports our belief that the flooring market is suitable for further consolidation. Manufacturing in our industry is characterized by many small, inefficient and privately owned manufacturers. Further, we have been insulated from large-scale competition within the United Kingdom and Continental Europe as the largest global manufacturers operate in the United States.

Small manufacturers offer potential economies of scale, stable backgrounds and typically operate in the I&R end-market, which is less sensitive to economic cycles. Most carpet manufacturers trade at or below net asset value and, therefore, incumbent owners are often keen to exit. With many retiring owners lacking a succession plan, we are seen as an ideal buyer among few buying players in the market. We are constantly sourcing new opportunities for acquisitive growth and aim to make two-to-three high-quality, complementary acquisitions per year.

The acquisition origination process begins with a long list of market participants. Our policy is to avoid acquiring turnarounds, so we only invest in currently profitable and cash-generative businesses. After months of contact with the target's management, and due diligence on the target's operating sites and financials, we consider commercial and cultural fit, possible synergies and terms of the possible acquisition. In addition to our focus on well-run businesses with strong management teams, we stress contingent structuring of consideration, to motivate the target and to share downside risk. With strong, rational adherence to our acquisition strategy, we have been able to limit our downside risk.

Our growth through acquisitions has allowed us to use our scale to drive operating margins. After an acquisition, we maintain the target's customer-facing teams, such as design, branding, sales and marketing. This feet-on-the-ground approach allows for product and brand differentiation while simultaneously maintaining responsiveness to dynamic customer demand. At the same time, operational integration drives the realization of cost-savings synergies in procurement, production, logistics and IT. These initiatives result in better buying terms with suppliers of raw materials, better working capital management through SKU reduction and rationalization of product lines and manufacturing assets. Importantly, our acquisition strategy creates the potential for further future consolidation of manufacturing capacity. We are able to realize depot, fleet and load consolidation for a more efficient logistical process. More efficient retail network relationships created through consolidation also yield commercial synergies such as product bundling and cross-selling while further driving sales growth and SKU reduction.

Generate free cash flow to enable de-leveraging

A hallmark of a successful flooring business is its generation of free cash flow and high cash conversion rates. These are due to the longevity of flooring manufacturing plants, the relatively low capital requirements of those plants, relatively inelastic demand, and price inelasticity. When coupled with our synergistic acquisitions, we have consistently been able to consolidate production capability, increasing utilization, reducing SKUs, increasing stock turnover and establishing favorable trading terms with suppliers and customers. Together, these elements have the effect of further increasing our free cash flow. High free cash flow, in turn, allows us to rapidly de-lever.

Although much of our historical growth has been through acquisitions, we have successfully maintained stable net leverage in part by funding certain of these acquisitions through equity offerings. Maintaining low leverage ensures the long-term health of the Group and gives us headroom for further acquisitions. We have *pro forma* senior net leverage of 3.1x as of March 30, 2019, and, excluding transaction fees and expenses, the Transactions are leverage neutral. We intend to use our cash flow to decrease our overall leverage.

History

We were established in 1895 as a carpet manufacturing business and have grown to an international scale in subsequent years. We have been publicly listed since 1963, moving from the London Stock Exchange's Main Market to its AIM Market in 2013. When Geoffrey Wilding joined as Executive Chairman in 2012, a new board was appointed to conduct a full strategic review of the Group. In 2014, Mr. Wilding acquired a controlling stake in the Group. Since our formation, we have grown beyond our initial soft flooring offerings and gained scale through acquisitions in the fragmented flooring industry diversifying both by product and geography.

Since 2013, we have made 13 acquisitions across the United Kingdom, Continental Europe and Australia to become an international player in the flooring industry. In late 2017, we expanded our position in Continental Europe, with the acquisition of Serra in Italy and Keraben in Spain. Both Serra and Keraben are Continental European hard flooring manufacturers. Also, in early 2017, in response to the robust growth of the artificial grass market, we gained artificial grass-manufacturing capability through our acquisitions of GrassInc and Avalon in the Netherlands. We have additionally acquired the business and assets of Millennium in 2017, a carpet distribution business based in Belgium, further enhancing our presence in the UK high-volume market. In August 2018, we further increased our presence in the Continental European hard flooring market with our acquisition of Saloni, a Spanish ceramic tile manufacturer.

In 2013, Victoria Carpets Limited, one of our core historic operating subsidiaries, was awarded the Queen's Royal Warrant and further supplied the red carpet for the wedding of Prince William and Catherine Middleton, Duke and Duchess of Cambridge.

As a public limited company listed on the London Stock Exchange, with board oversight including three non-executive directors, we have implemented strong corporate governance policies and a robust compliance framework across our group.

The Transactions

On August 7, 2018, we acquired the business and assets of Saloni, a Spanish ceramic tile manufacturer with significant presence in the Continental European ceramic tile industry. In connection with our acquisition of Saloni, we entered into the Existing Term and Revolving Credit Facility Agreement, which provided for term borrowings under the Existing Term Loan Facility of €445.0 million as well as aggregate multi-currency borrowings under the Existing Revolving Credit Facility of up to an equivalent of £60.0 million. We used drawings under the Existing Term Loan Facility, together with proceeds from the offering of new ordinary shares: (i) to fund the consideration payable for our acquisition of Saloni on August 7, 2018; (ii) to repay certain existing indebtedness of Saloni; (iii) to repay certain existing indebtedness of the Victoria Group; and (iv) for general corporate purposes.

On June 25, 2019, we entered into the Senior Facilities Agreement with Credit Suisse AG, London Branch, The Governor and Company of the Bank of Ireland, Banco Bilbao Vizcaya Argentaria S.A. London Branch, HSBC Bank plc, ING Bank NV and National Westminster Bank plc as lenders, providing for term borrowings under the New Term Loan Facility of £143.2 million as well as multi-currency borrowings under the New Revolving Credit Facility of up to an equivalent of £60.0 million. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement*." Drawings under the New Term Loan Facility as well as the proceeds of the Offering will be used to repay and cancel the Existing Term Loan Facility and the Existing Revolving Credit Facility. We expect the New Revolving Credit Facility to remain undrawn as of the Issue Date. See "*Capitalization.*"

We refer to the Offering, the entry into and borrowing under the Senior Facilities Agreement and the repayment and cancellation of the Existing Term Loan Facility and the Existing Revolving Credit Facility as the "Transactions." See "*Use of Proceeds*," "*Capitalization*" and "*Description of the Notes*."

Use of Proceeds

We estimate that the aggregate gross proceeds of the Offering will be €330.0 million. On the Issue Date, we will use the proceeds of the Offering, together with drawings under the New Term Loan Facility, (i) to repay and cancel the Existing Term Loan Facility and the Existing Revolving Credit Facility, (ii) for general corporate purposes, which may include, without limitation, the funding of one or more acquisitions and (iii) to pay the fees and expenses in connection with the Transactions. See "*—The Transactions*" and "*Use of Proceeds*."

The following table illustrates the estimated sources and uses of funds in connection with the Offering. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees, expenses and commissions. For descriptions of our current and anticipated indebtedness following the offering of the Notes and the use of proceeds therefrom, see "*Description of Certain Financing Arrangements*" and "*Capitalization*."

Sources	(£ million)[1]	Uses	(£ million)
Notes offered hereby	283.9	Repayment of Existing Term Loan Facility	382.8
New Term Loan Facility	143.2	General corporate purposes[2]	31.4
		Estimated fees, expenses and commissions[3]	12.9
Total Sources	**427.1**	**Total Uses**	**427.1**

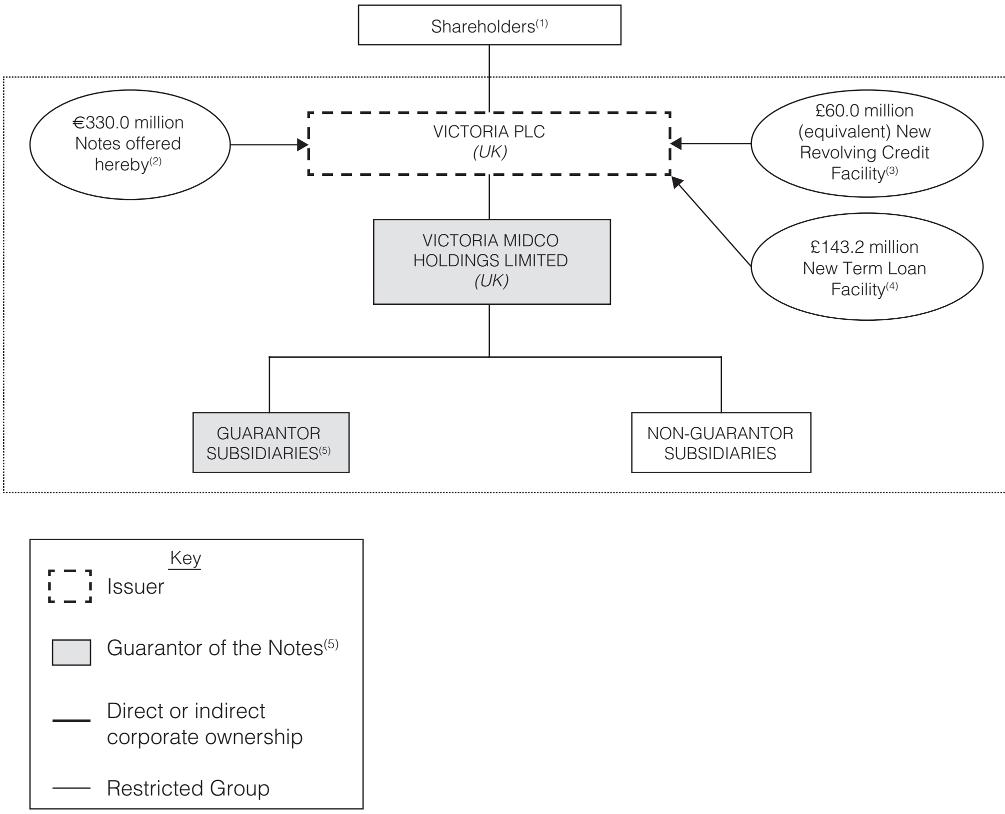
(1) We have translated certain euro amounts into pounds sterling at the rate of €1.1624 = £1.00, which was the period-end exchange rate used in our 2019 Group Financial Statements as of March 30, 2019. As of July 10, 2019, the exchange rate quoted by Bloomberg was €1.112 = €1.00. You should not view such translations as a representation that such pound sterling amounts actually represent such euro amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate, on such date or any other date. Assumes issuance at par.

(2) General corporate purposes may include, without limitation, the funding of one or more acquisitions.

(3) Represents underwriting fees and commissions, other estimated transaction costs and professional fees and expenses to be paid in connection with the Transactions.

CORPORATE AND FINANCING STRUCTURE

The following chart illustrates our simplified corporate structure and principal indebtedness after giving *pro forma* effect to the Transactions, as described under "*Use of Proceeds.*" For a summary of the debt obligations referred to in this chart, see "*Description of Certain Financing Arrangements*," "*Description of the Notes*" and "*Capitalization*." This chart does not include all of our subsidiaries or all of our debt obligations.



(1) Victoria PLC is a public limited company listed on the AIM market of the London Stock Exchange. As of July 8, 2019, through Camden Holdings Limited, our Executive Chairman, Geoffrey Wilding, was Victoria PLC's second largest shareholder with 17.89% of its share capital, after Invesco Limited, which holds 28.97% of its share capital. Other shareholders account for the remainder of the shares, only one of which having a shareholding greater than ten percent (The Spruce House Partnership LP with 14.81%).

(2) The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with any of the Issuer's existing and future senior indebtedness that is not expressly subordinated in right of payment to the Notes, including obligations under the New Revolving Credit Facility and the New Term Loan Facility, and will rank senior in right of payment to any existing and future debt that is expressly subordinated in right of payment. The Notes will be effectively subordinated to all of the existing and future indebtedness of the Issuer that is secured by property or assets that do not also secure the Notes, to the extent of the value of such property and assets securing such indebtedness. The Notes will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of subsidiaries that do not provide Guarantees. Subject to the terms of the security documents, on or about the Issue Date, the Notes and the Guarantees will be secured by (i) a first priority share charge over all of the issued share capital of the Guarantors incorporated in England and Wales (which, in the case of Victoria Midco Holdings Limited, will include only its ordinary shares) and Australia; (ii) first priority fixed and floating charge over substantially all of the present and future assets of the Issuer and the Guarantors incorporated in England and Wales; and (iii) a first priority security interest over substantially all of the present and future assets of the Guarantors incorporated in Australia. Within 90 days of the Issue Date, the Notes and/or the Guarantees, as applicable, will be secured by a first priority pledge over all of the issued share capital of the Guarantors incorporated in Spain. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes—Security*."

(3) On June 25, 2019, we entered into the Senior Facilities Agreement, providing for multi-currency borrowings under the New Revolving Credit Facility of up to an equivalent of £60.0 million. We expect that the New Revolving Credit Facility will be undrawn on the Issue Date. The New Revolving Credit Facility will be secured on a first-priority basis by the Collateral and will be guaranteed by the same subsidiaries of the Issuer that guarantee the Notes. Pursuant to the terms of the Intercreditor Agreement, in the event of a distressed disposal of the Collateral or an enforcement of the security interests over the Collateral, counterparties to certain hedging obligations, if any, and creditors under the New Revolving Credit Facility may, in certain circumstances, including upon repayment and cancellation of the New Term Loan Facility, be repaid with the proceeds from the enforcement of the Collateral in priority to the Notes. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement*."

(4) On June 25, 2019, we entered into the Senior Facilities Agreement, establishing the £143.2 million New Term Loan Facility. The New Term Loan Facility will be secured on a first-priority basis by the Collateral and will be guaranteed by the same subsidiaries of the Issuer that guarantee the Notes. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement*."

(5) The Notes will be guaranteed on a general, senior basis by the Guarantors, which on the Issue Date will be Victoria Midco Holdings Limited, Victoria Carpets Limited, Westex (Carpets) Limited, Abingdon Flooring Limited, Interfloor Limited, View Logistics Limited, The Victoria Carpet Company Proprietary Limited, Quest Flooring Pty Ltd and Primary Flooring Pty Ltd. On the Post-Closing Date, the Notes will be further guaranteed by Keraben Group S.A.U. and Cerámica Saloni S.A.U. Each Guarantee will be a senior obligation of the relevant Guarantor and will rank *pari passu* in right of payment with all of such Guarantor's existing and future obligations that are not expressly subordinated in right of payment to such Guarantee, including obligations under the New Term Loan Facility and the New Revolving Credit Facility, and will rank senior in right of payment to any existing and future debt that is expressly subordinated in right of payment. Each Guarantee will be effectively subordinated to any existing and future secured obligations of such Guarantor that is secured by property or assets that does not also secure the Guarantees, to the extent of the value of such property or assets so securing such indebtedness. The Guarantees may be released in certain circumstances. The Guarantors represented 89.5% of our Adjusted *Pro Forma* EBITDA for the 2019 financial year, 86.9% of our *Pro Forma* Revenue for the 2019 financial year and 86.6% of our *pro forma* total assets (excluding acquired intangibles and goodwill arising on consolidation) as of March 30, 2019. The validity and enforceability of the Guarantees and the liability of the Guarantors will be subject to the limitations described in "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*."

THE OFFERING

The following overview of the Offering contains basic information about the Notes, the Guarantees and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, the Guarantees and the Collateral including certain definitions of terms used in this overview, see "*Description of the Notes*."

Issuer	Victoria PLC, a public limited company incorporated under the laws of England and Wales.
Notes Offered	€330,000,000 aggregate principal amount of Senior Secured Notes due 2024.
Issue Date	, 2019.
Issue Price	% plus accrued interest, if any, from the Issue Date.
Maturity Date	, 2024.
Interest Rate	% per annum.
Interest Payment Dates	Semi-annually in arrears on and of each year, commencing on , 2020. Interest on the Notes will accrue from the Issue Date.
Denominations	The Notes will be issued in denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Notes in denominations of less than €1,000 will not be available.
Ranking of the Notes	The Notes will: • be general, senior obligations of the Issuer, secured as set forth below under "*—Security*"; • rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the obligations of the Issuer under the New Revolving Credit Facility and the New Term Loan Facility; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors.
Guarantees	The Issuer's obligations under the Notes will be guaranteed (collectively, the "**Issue Date Guarantees**") on a senior basis by Victoria Midco Holdings Limited, Victoria Carpets Limited, Westex (Carpets) Limited, Abingdon Flooring Limited, Interfloor Limited, View Logistics Limited, The Victoria Carpet Company Proprietary Limited, Quest Flooring Pty Ltd and Primary Flooring Pty Ltd (collectively, the "**Guarantors**") as of the Issue Date.

	Within 90 days of the Issue Date (the "**Post-Closing Date**"), the Issuer's obligation under the Notes will be guaranteed (the "**Post-Closing Guarantees**" and, together with the Issue Date Guarantees, the "**Guarantees**") on a senior basis by Keraben Grupo, S.A.U. and Cerámica Saloni, S.A.U. (together, the "**Post-Closing Guarantors**" and, together with the Issue Date Guarantors, the "**Guarantors**"). The obligations of each Guarantor will be limited as described under "*Description of the Notes—Guarantees*." Each Guarantee will be subject to certain contractual and legal limitations. See "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations.*" Each Guarantee will be subject to the terms of the Intercreditor Agreement, including certain payment blockage, standstill and turnover provisions. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" Each Guarantee will be subject to release under certain circumstances. See "*Description of the Notes—Guarantees—Release of the Guarantees.*" The Guarantors represented 89.5% of our Adjusted *Pro Forma* EBITDA for the 2019 financial year, 87.8% of our *Pro Forma* Revenue for the 2019 financial year and 86.6% of our *pro forma* total assets (excluding acquired intangibles and goodwill arising on consolidation) as of March 30, 2019. As of March 30, 2019, on a *pro forma* basis after giving effect to the Transactions, the Group would have had £335.5 million of net senior financial debt (none of which would have been incurred at subsidiaries that will not guarantee the Notes) excluding unamortized debt issuance costs.
Ranking of the Guarantees	The Guarantee of each Guarantor will: • be a general senior obligation of the relevant Guarantor, secured as set forth below under "*—Security*"; • rank *pari passu* in right of payment with any existing and future Indebtedness of the relevant Guarantor that is not expressly subordinated in right of payment to such Guarantee, including the obligations of such Guarantor under the New Revolving Credit Facility and the New Term Loan Facility; • rank senior in right of payment to any existing and future indebtedness of such Guarantor that is expressly subordinated in right of payment to such Guarantee; and • be effectively subordinated to any existing or future indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Guarantee to the extent of the value of the property and assets securing such other indebtedness.
Security	On or about the Issue Date, the Notes will be secured by: • a first priority share charge over all of the issued share capital of the Guarantors incorporated in England and Wales (which, in the case of Victoria Midco Holdings Limited, will include only its ordinary shares) and Australia; • a first priority fixed and floating charge over substantially all of the present and future assets of the Issuer and the Guarantors incorporated in England and Wales; and • a first priority security interest over substantially all of the present and future assets of the Guarantors incorporated in Australia.

	(collectively, the "**Issue Date Collateral**"). Within 90 days of the Issue Date, the Notes and/or the Guarantees, as applicable, will be secured by a first priority pledge over all of the issued share capital of the Guarantors incorporated in Spain (the "Post-**Closing Date Collateral**," together with the Issue Date Collateral, the "**Collateral**"). The Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. For more information on the security interests granted, see "*Description of the Notes—Security*" and for more information on potential limitations to the security interests, see "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes and Our Structure.*" The security interests over the Collateral may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes and Our Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee,*" "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Security.*"
Additional Amounts	All payments by or on behalf of the Issuer or any Guarantor (or any surviving entity) under or with respect to the Notes or any Guarantee will be made free and clear of, and without withholding or deduction for taxes, unless required by law. If any withholding or deduction for or on account of any taxes imposed by any relevant taxing jurisdiction is required, the Issuer, the Guarantor or surviving entity, as the case may be, will pay such additional amounts as may be necessary to ensure that the net amount received by each holder of the Notes after such withholding or deduction will be not less than the amount the holder would have received if such taxes had not been required to be withheld or deducted, subject to certain exceptions. See "*Description of the Notes—Guarantees—Additional Amounts*."
Optional Redemption of Notes .	Prior to , 2021, the Issuer may redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of such Notes plus the applicable "make-whole" premium set forth in this Offering Memorandum, plus accrued and unpaid interest to, but excluding, the redemption date. Prior to , 2021, the Issuer may redeem on one or more occasions up to 40% of the original aggregate principal amount of the Notes (including any Additional Notes) using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 50% of the original aggregate principal amount of the Notes (including any Additional Notes) remains outstanding after the redemption. Prior to , 2021, the Issuer may redeem up to 10% of the original aggregate principal amount of the Notes (including any Additional Notes) during each 12-month period commencing on the Issue Date at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.

	On or after , 2021, the Issuer may redeem all or a portion of the Notes at the redemption prices set forth in this Offering Memorandum under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest to, but excluding, the redemption date. See "*Description of the Notes—Optional Redemption*."
Redemption for Taxation	In the event of certain developments affecting taxation, the Issuer may redeem the Notes, as applicable, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Optional Redemption—Redemption Upon Changes in Withholding Taxes*."
Original Issue Discount	The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. In that event, U.S. investors generally will be required to include OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method, regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. investors will generally include any OID in income in advance of the receipt of cash attributable to such income. For more information, see *"Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations."*
Change of Control	Upon the occurrence of certain events constituting a "change of control," the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash of 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. See "*Description of the Notes—Certain Covenants—Change of Control*."
Tender Offers	In connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes (excluding any early tender or incentive fee). See "*Description of the Notes—Optional Redemption—General*."
Certain Covenants	The Indenture will contain covenants that, among other things, limit the ability of the Issuer and its restricted subsidiaries to: • incur additional debt and issue guarantees and preferred stock; • make certain payments, including dividends and other distributions, with respect to outstanding share capital; • make certain investments or loans, including participating in joint ventures; • repay or redeem subordinated debt or share capital; • create or incur certain liens; • impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Issuer; • sell, lease or transfer certain assets, including shares of any of our restricted subsidiaries;

- guarantee certain types of our other indebtedness without also guaranteeing the Notes;
- effect a merger or consolidation of, or sell, all or substantially all of our assets or all of the assets of certain companies within the Group;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if and for as long as the Notes achieve and maintain investment-grade ratings. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*."

Each of these covenants is subject to a number of important limitations and exceptions as described under "*Description of the Notes—Certain Covenants*."

Transfer Restrictions .... The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Use of Proceeds .... On the Issue Date, we will use the proceeds of the Offering, together with drawings under the New Term Loan Facility, (i) to repay and cancel the Existing Term Loan Facility and the Existing Revolving Credit Facility, (ii) for general corporate purposes and (iii) to pay the fees and expenses in connection with the Transactions. See "*Use of Proceeds*."

No Prior Market .... The Notes will be new securities for which there is no prior market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Listing .... Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market.

Governing Law .... The Indenture, the Guarantees therein and the Notes will be governed by the laws of the State of New York. The Intercreditor Agreement and the Senior Facilities Agreement will be governed by English Law. The Security Documents will be governed by the laws applicable to the relevant asset.

Trustee .... Deutsche Trustee Company Limited.

Principal Paying Agent .... Deutsche Bank AG, London Branch.

Registrar and Transfer Agent .. Deutsche Bank Luxembourg S.A.

Security Agent .... National Westminster Bank plc.

Risk Factors .... Investing in the Notes involves substantial risks. You should carefully consider all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section of this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth the summary historical consolidated financial information and other data as of the dates and for the periods indicated below for the Victoria Group. The summary consolidated financial information as of and for the 52 weeks ended April 1, 2017, the 52 weeks ended March 31, 2018 and the 52 weeks ended March 30, 2019 has been derived from the Group Financial Statements included elsewhere in this Offering Memorandum.

We prepare our financial statements on the basis of a 52-week or 53-week financial period. The 2019 financial year, 2018 financial year and the 2017 financial year were 52-week periods.

This Offering Memorandum also includes certain Unaudited *Pro Forma* Financial Information, which we present to illustrate (i) the estimated full run-rate impact of the Saloni Acquisition on our historical results of operations for the 2018 financial year, as if such acquisition had occurred on April 1, 2018, (ii) our normalized costs had we not sustained a business interruption relating to the reorganization of our logistics operations in the United Kingdom and (iii) the run-rate impact of our installation of a new manufacturing line at Serra's production facility.

The Unaudited *Pro Forma* Financial Information presented below is based on available information and certain assumptions that we believe are reasonable. The Unaudited *Pro Forma* Financial Information is presented for information purposes only and is not intended to represent or be indicative of the results of operations that we would have reported had the transactions described below actually occurred at the beginning of the applicable periods and as of the dates presented, and the Unaudited *Pro Forma* Financial Information does not purport to project our results of operations or financial condition for any future period. Our actual results may differ significantly from those reflected in the Unaudited *Pro Forma* Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited *Pro Forma* Financial Information. The Unaudited *Pro Forma* Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting Unaudited *Pro Forma* Financial Information have been audited or reviewed.

We further present certain unaudited financial information on an *as adjusted* basis, to illustrate the effect the Transactions would have had on certain of our financial results for the 52 weeks ended March 30, 2019 or on our financial position as of March 30, 2019, as applicable. The unaudited as adjusted financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position we would have reported had the Transactions been completed as of March 30, 2019, in the case of our as adjusted cash and cash equivalents, as adjusted senior debt and as adjusted net senior debt, and as of April 1, 2018, in the case of our as adjusted interest expense. The unaudited as adjusted financial information should not be taken as indicative of our future consolidated results of operations or financial position. Our historical results may not be indicative of our future results following completion of the Offering. The unaudited as adjusted financial information has not been prepared in accordance with IFRS or any other generally accepted accounting standards.

You should also read the following information in conjunction with the "*Presentation of Financial Information*," "*Risk Factors*," "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Historical consolidated financial information of Victoria Group

Summary Income Statement Data of Victoria Group

	For the financial year ended		
	April 1, 2017	March 31, 2018	March 30, 2019
		(£ million)	
Revenue	**330.4**	**424.8**	**574.4**
Cost of sales	(220.8)	(279.4)	(370.1)
Gross profit	**109.6**	**145.4**	**204.3**
Distribution costs	(54.9)	(59.4)	(71.1)
Administrative expenses (excluding non-underlying and exceptional items)	(21.5)	(38.6)	(66.0)
Other operating income	0.5	1.4	3.1
Underlying operating profit	**33.7**	**48.8**	**70.3**
Amortization of acquired intangibles	(4.4)	(11.2)	(22.5)
Exceptional and non-underlying items	(2.6)	(11.2)	(23.8)
Statutory operating profit	**26.7**	**26.4**	**24.0**
Finance costs			
Underlying finance costs	(4.3)	(8.0)	(13.1)
Non-underlying finance (costs)/income	(3.6)	(5.0)	(14.6)
Profit before tax	**18.8**	**13.4**	**(3.7)**
Taxation	(6.2)	(4.8)	(4.2)
Profit for the period from continuing operations	**12.6**	**8.6**	**(7.9)**
Profit for the period	**12.6**	**8.6**	**(7.9)**

Summary Balance Sheet Data of Victoria Group

	As of		
	April 1, 2017	March 31, 2018	March 30, 2019
	(£ million)		
Non-current assets			
Goodwill	59.8	188.1	223.7
Intangible assets other than goodwill	66.3	210.3	241.4
Property, plant and equipment	41.8	142.9	190.6
Investment property	0.2	0.8	0.2
Investments in associates	—	1.0	—
Deferred tax assets	5.0	4.6	5.8
Total non-current assets	173.1	547.7	661.7
Current assets			
Inventories	73.1	100.3	140.5
Trade and other receivables	55.1	88.2	116.0
Cash at bank and in hand	28.0	54.0	66.4
Total current assets	156.2	242.5	322.9
Total assets	**329.2**	**790.2**	**984.6**
Current liabilities			
Trade and other current payables	82.8	121.5	168.6
Current tax liabilities	4.3	1.0	—
Other financial liabilities	0.6	3.0	10.4
Total current liabilities	87.7	125.5	179.0
Non-current liabilities			
Trade and other non-current payables	19.9	29.2	19.5
Other non-current financial liabilities	116.1	306.1	392.3
Deferred tax liabilities	15.2	54.7	66.1
Retirement benefit obligations	11.1	9.1	7.8
Total non-current liabilities	162.3	399.1	485.7
Total liabilities	**250.0**	**524.6**	**664.7**
Net assets	**79.2**	**265.6**	**319.9**
Equity			
Share capital	4.5	5.9	6.3
Share premium	52.5	229.8	288.7
Retained earnings	16.5	26.7	20.6
Foreign exchange reserve	5.0	2.9	2.3
Other reserves	0.8	0.3	2.0
Total Equity	**79.3**	**265.6**	**319.9**

Summary Cash Flow Statement Data of Victoria Group

	For the financial year ended		
	April 1, 2017	**March 31, 2018**	**March 30, 2019**
		(£ million)	
Net cash flow from operating activities before movements in working capital	**42.8**	**53.3**	**75.0**
Net cash inflow from operating activities	**31.7**	**37.0**	**52.4**
Net cash used in investing activities	**(57.3)**	**(316.3)**	**(133.0)**
Net cash generated in financing activities	**33.4**	**306.6**	**88.8**
Net increase in cash and cash equivalents	**7.8**	**27.3**	**8.2**
Cash and cash equivalents at beginning of period	19.1	28.0	53.1
Effect of foreign exchange rate changes	1.1	(2.2)	(1.1)
Cash and cash equivalents at end of period	**28.0**	**53.1**	**60.2**

Other Pro Forma Financial Data of Victoria Group

	For the financial year ended March 30, 2019
	(£ million)
Underlying EBITDA(1)	96.3
Pro Forma Revenue(2)	612.3
Pro Forma EBITDA(3)	104.5
Adjusted *Pro Forma* EBITDA(3)	107.1
Pro Forma EBITDA Margin(4)	17.1%

(1) Underlying EBITDA represents our earnings before interest, tax, depreciation, amortization and exceptional items (as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"). Underlying EBITDA is not a financial measure that is required by or presented in accordance with IFRS and should not be considered in isolation or as a substitute for measures of our operating performance reported in accordance with IFRS. See "*Presentation of Financial Information—Non-IFRS Measures*."

The following table provides a reconciliation of our statutory operating profit to our Underlying EBITDA:

	For the financial year ended March 30, 2019
	(£ million)
Statutory operating profit	24.0
Amortization of acquired intangibles	22.5
Exceptional and other non-underlying items(a)	23.8
Underlying operating profit	**70.3**
Depreciation	25.9
Amortization of IT software	0.4
Underlying EBITDA	**96.3**

(a) Represents exceptional items, including (i) one-off professional fees in connection with the assessment and completion of acquisitions during the year; and (ii) one-off reorganization costs, including redundancy costs, in relation to the Group's manufacturing and logistics operations, as well as other corporate restructuring.

(2) The following table presents a reconciliation of our revenue to our *Pro Forma* Revenue:

	For the financial year ended March 30, 2019
	(£ million)
Revenue	574.4
Adjustment for the Saloni Acquisition(a)	37.9
***Pro Forma* Revenue**	**612.3**

(a) This adjustment gives *pro forma* effect to our acquisition of Saloni (including Sanicova) as if it had occurred on April 1, 2018. The revenue attributable to Saloni (including Sanicova) for the period from April 1, 2018 to August 7, 2018, the date on which the acquisition was completed, has been extracted from Saloni's and Sanicova's quarterly management accounts for this period.

(3) In this Offering Memorandum, we present *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA for the 2019 financial year as additional measures of our operating performance. The presentation of *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA is based upon a number of significant assumptions and estimates, which we believe are reasonable and have summarized below. We encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. There can be no assurance, however, that our estimates and assumptions are or will prove accurate in all material respects. These amounts have not been, and, in certain cases, cannot be, audited, reviewed or verified by an independent accounting firm. *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA are presented for informational purposes only and is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our results of operations for the 2019 financial year had each of the items for which an adjustment is made occurred as of the dates indicated and may not be comparable to the consolidated financial information of the Victoria Group included elsewhere in this Offering Memorandum. Our actual results may differ significantly from those reflected in our *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA.

The following table provides a reconciliation of our Underlying EBITDA to our *Pro Forma* EBITDA and Adjusted *Pro Forma* EBITDA:

	For the financial year ended March 30, 2019
	(£ million)
Underlying EBITDA	96.3
Adjustment for the Saloni Acquisition[(a)]	8.2
Pro Forma EBITDA	104.5
Adjustment to normalize for the effect of UK logistics reorganization[(b)]	2.4
Adjustment to give effect to planned changes to Serra's manufacturing plant[(c)]	0.2
Adjusted *Pro Forma* EBITDA	**107.1**

(a) This adjustment gives *pro forma* effect to our acquisition of Saloni (including Sanicova) as if it had occurred on April 1, 2018. The EBITDA attributable to Saloni (including Sanicova) for the period from April 1, 2018 to August 7, 2018, the date on which the Saloni Acquisition was completed, has been extracted from Saloni's and Sanicova's quarterly management accounts for this period. See "*Presentation of Financial Information—Non-IFRS Measures*."

(b) This adjustment reflects management's estimate of the incremental EBITDA that would have been generated during the 2019 financial year had logistics not been disrupted due to the reorganization of our logistics operations in the United Kingdom. We completed this reorganization during 2018. See "*Business—Warehouse and Distribution*."

(c) This adjustment reflects management's estimate of the incremental EBITDA that would have been generated during the 2019 financial year had production not been disrupted due to the planned removal of an existing red body tile production line and the installation of a new porcelain production line. This adjustment does not give effect to any assumed uplift in volume or profitability from the sale of porcelain products being manufactured by the new production line.

(4) *Pro Forma* EBITDA margin represents *Pro Forma* EBITDA as a percentage of *Pro Forma* Revenue.

As Adjusted Financial Data of Victoria Group

	As of and for the financial year ended March 30, 2019
	(£ million)
As adjusted cash and cash equivalents[(1)]	91.6
As adjusted senior debt[(2)]	427.1
As adjusted net senior debt[(3)]	335.5
Ratio of as adjusted net senior debt to Adjusted *Pro Forma* EBITDA	3.1x
As adjusted interest expense[(4)]	
Ratio of as adjusted interest expense to Adjusted *Pro Forma* EBITDA	x

(1) As adjusted cash and cash equivalents reflect our cash and cash equivalents as of March 30, 2019, as adjusted to give effect to the Transactions (including the expected use of proceeds from the Offering).

(2) As adjusted senior debt includes debt outstanding under the Notes and the New Term Loan Facility. In addition, the New Revolving Credit Facility provides for aggregate borrowings of up to an equivalent of £60.0 million. We are subject to £3.3 million of contingent ancillary facilities under the New Revolving Credit Facility in relation to certain deferred consideration with respect to our acquisition of Serra. We expect that the New Revolving Credit Facility will be undrawn as of the Issue Date. As adjusted senior debt does not include amounts drawn under the BGF loan as it is unsecured and does not benefit from credit support from our operating subsidiaries. See "*Description of Certain Financing Arrangements—BGF Loan*." As adjusted senior debt is presented for illustrative purposes only and does not purport to represent what our senior debt would have been had the Transactions occurred on March 30, 2019, nor does it purport to project our senior debt for any future period or our financial position at any future date. We have translated certain euro amounts into pounds sterling at the rate of €1.1624 = £1.00, which was the period-end exchange rate used in our 2019 Group Financial Statements as of March 30, 2019.

(3) As adjusted net senior debt represents as adjusted senior debt net of as adjusted cash and cash equivalents. As adjusted net senior debt is presented for illustrative purposes only and does not purport to represent what our net senior debt would have been had the Transactions occurred on March 30, 2019, nor does it purport to project our net senior debt for any future period or our financial position at any future date. We have translated certain euro amounts into pounds sterling at the rate of €1.1624 = £1.00, which was the period-end exchange rate used in our Group Financial Statements as of March 30, 2019.

(4) As adjusted interest expense represents the interest expense on our as adjusted net senior debt. As adjusted interest expense excludes amortized debt issuance cost incurred in connection with the Offering and excludes original issue discount, if any. As adjusted interest expense is presented for illustrative purposes only and does not purport to represent what our interest expense would have been had the Transactions occurred on April 1, 2018, nor does it purport to project our interest expense for any future period or our financial position at any future date.

RISK FACTORS

An investment in the Notes involves risks. Before investing in the Notes, you should consider carefully the following risk factors and all information contained in this Offering Memorandum. Additional risks and uncertainties of which we are not aware or that we believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operations or prospects. If any of these events occur, our business, financial condition, liquidity, results of operations or prospects could be materially and adversely affected, the Issuer may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Related to Our Industry and Our Business

The success of our business is contingent on understanding consumer preferences and identifying trends.

Flooring products are subject to changing consumer tastes and trends and must appeal to a broad range of consumers whose preferences cannot always be predicted. The extent of our success depends in large part on our ability to follow, gauge and react to trends in home decoration and changing consumer preferences in a timely manner. In particular, as we continue to expand into new markets, we must continue to meet the demands of new consumers who may have different tastes and follow different trends. For example, we noted a significant increase in demand in the United Kingdom and Continental Europe for artificial grass and consequently acquired artificial grass manufacturers in Continental Europe to incorporate this into our product offering. If we are unable to identify or respond effectively to consumer preferences and demand, we may experience back orders, order cancellations or overstock, any of which would have a negative effect on our business. There can be no assurance that we will be able to launch competitive products in a timely or successful manner in response to shifts in consumer demand. Our failure to further develop and introduce new products attractive to the market could cause our reputation to suffer and our products to become uncompetitive or obsolete, which could reduce our market share and cause our sales to decline. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. See "*—Consumers may choose alternative flooring solutions over our products*."

The flooring industry is highly competitive.

The Group operates in mature and highly competitive markets in which we face significant competition from local flooring manufacturers in the United Kingdom, Continental Europe and Australia, and, to a lesser degree, from international manufacturers with respect to certain palletized products like LVT. Certain of our competitors may have greater resources and access to capital than we do, which may afford them a competitive advantage in the innovation, production and distribution of new or existing products. The arrival of new competitors, new products or new technologies developed by competitors could also affect our competitive position. There can be no assurance that we will be able to maintain our margins with respect to our competitors, particularly if new entrants gain access to one or more of our markets, or if competition intensifies for any other reason. Maintaining our competitive position could also require additional investments in new products and new manufacturing facilities, or further development of our distribution network, marketing and sales activities. These competitive pressures could lead to reduced demand for our products or force us to lower our prices, which would negatively impact our margins. Such events could have a material adverse effect on our business, financial condition and results of operations.

The designs of our products are not commercially protected and can be reproduced by our competitors.

The duplication of designs and innovations is a routine feature of the industry in which we operate, which functions on the continued renewal of products in accordance with constantly evolving consumer and market trends. We therefore do not substantially rely on intellectual property and have no material proprietary rights relating thereto, aside from registered trademarks over our brand names. In keeping with industry practice, as our designs are, in general, not registered, our products have historically been and may continue to be reproduced by our competitors. As we have little recourse to prevent the reproduction of our products, if our competitors expand the reproduction of products that we have designed, and/or sell reproductions of our products to our customers at lower prices, our market share and/or operating profit may decline, which could have a material adverse effect on our business, financial condition and results of operations.

Consumers may choose alternative flooring solutions over our products.

We derive most of our revenues from the manufacture of soft flooring offerings, such as carpeting and carpet tiles, and ceramic tile products. Consumer preferences may shift and they may begin to prefer other flooring solutions due to changes in market trends, technological advancements in flooring products, or personal preference and we may lack sufficient scale and geographical footprint with respect to our flooring offerings in order to benefit from this shift. There can be no assurance that the products we offer will remain competitive within the general flooring market, or that consumers will continue to purchase flooring products in line with previous purchasing habits. We have invested significantly in our carpet and ceramic tile offerings and manufacturing capacity and, to the extent consumers in any one market or over multiple markets choose alternative flooring solutions, or if carpet and ceramic tile products were to fall out of favor in one or multiple markets, this could have a material adverse effect on our business, financial condition and results of operations.

Our strategy to acquire new businesses and enter into new markets may fail or advance at a slower pace than planned, limiting the potential growth of our revenue.

We intend to increase revenue and profitability by expanding into new product and geographical markets.

As part of our growth strategy, we evaluate opportunities for acquiring complementary businesses that may supplement, but not replace, our internal organic growth. Since 2016, we have acquired Ezi Floor, Dunlop Flooring, Avalon, GrassInc, Millennium, Keraben, Serra and Saloni (including Sanicova). However, there can be no assurance that we will be able to identify and purchase suitable complementary businesses or assets in the future. Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expense. We may experience difficulties in integrating future acquired entities into our business, incur higher than expected costs and not realize all the anticipated benefits or synergies of these acquisitions, such as in logistics and manufacturing, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers.

In addition, the success of any acquisition depends in part on our ability to integrate the acquired company and retain key management personnel, which may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. The failure to successfully integrate these acquired businesses could adversely affect our financial condition and results of operations. Moreover, our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less favorable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. Our acquisition strategy could further impact our financial statements, resulting in the recognition of goodwill and intangible assets upon consolidation of these entities, as further described in our Group Financial Statements. There can be no assurance that we will be successful in completing business acquisitions or successfully integrating previously acquired companies.

The future success of acquisitions may be affected if we fail to adequately assess the commercial aspects of an acquisition target, such as in our revenue projections, list of competitors or margin analyses. We may also fail to correctly estimate customer demand in a local market or may be unable to successfully establish our products in a new location. This risk is elevated in new international markets where our lack of experience may make it more difficult to assess customer preferences and local tastes. Although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover all operational deficiencies or material liabilities of an acquired business for which we may be responsible as a successor owner or operator, and actual developments may differ significantly from our expectations. Further, our market research analysis may prove to be inadequate, particularly due to factors that are difficult to assess due to insufficient data, such as in periods when market conditions are changing. As a result, our investments in new locations may not yield the anticipated returns that could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our industry is affected by economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation markets.

The flooring industry depends heavily on consumer confidence and the residential and commercial redecoration and renovation markets, which can be affected by the cyclical nature of the general economy. Though we are not significantly exposed to the new construction end-market, the construction end-market is traditionally a large driver of demand in the flooring industry and is also affected by the cyclical nature of the economy. Our business tends to be influenced, in particular, by changes in consumer confidence, in disposable income, interest rates and the availability of credit. These factors can cause fluctuations in demand, and, as a result, in our sales volumes and margins. For example, the global economic downturn in 2008 and 2009 had a negative impact on the flooring industry and on our business.

Economic activity remains dependent on highly accommodative macroeconomic policies and is subject to downside risks. The implementation of policies that are or are perceived to be less consumer-friendly may restrict economic recovery, and as such, there can be no assurance of a favorable change in consumer confidence. Such trends are also influenced by overall economic growth and a large number of other economic and socio-political variables, including interest rates, governmental economic policies, public spending and allocations for infrastructure, or a combination of the above factors. Further economic downturns could impact consumer confidence, and therefore discretionary spending habits, and could cause the industry to deteriorate in the future, which could have a material adverse effect on our business, financial condition and results of operations. See "*—Our operations require the use of several different currencies, exposing us to both transaction and translation effects of exchange rate fluctuations that could adversely affect our profitability, costs and ability to repay indebtedness or comply with certain maintenance covenants*."

Our business is exposed to fluctuations in the pricing of raw materials.

Raw material expenses represented 28.9% of our revenue for the 2019 financial year. Certain essential raw materials that we use, such as wool, synthetic yarn, polyurethane foam, clay and natural gas, may be subject to fluctuations in price and demand, and prices may increase to the point where these raw materials affect our profitability. Fluctuations and price volatility, more broadly, may be due to a number of factors that are beyond our control, including the availability of supply (including supplier capacity constraints); general economic conditions; currency fluctuations; competitive demand by other industries for the same raw materials; and the availability of complementary and substitute materials. There can be no assurance that the essential raw materials that we require to manufacture our products will continue to be available at commercially reasonable prices in the future.

In the event of a future increase in raw material prices, we may be unable to pass the resulting additional costs on to our customers in a timely manner, or at all, as we do not have a contractual right to pass such cost increases on to our customers. A failure to otherwise mitigate increased costs could result in lower margins, customer loss or revenue reductions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

A failure of, or a malicious attack in relation to, our IT systems could adversely affect our reputation, business and results of operations.

Our business is dependent on the normal operation of our IT systems and networks and its performance could be materially adversely affected by a failure of our IT systems and networks to operate normally in the event of any major failures or bugs in or breakdowns of any of the IT systems or networks (including hardware and software) which result in significant or repeated disruption or loss or interruption in or to their use. In addition to these risks, with the growing incidence of hacking and other forms of cyber-attacks, our IT systems and networks have been, and may in the future be, subject to malicious attacks, including cyber-attacks or the deliberate, accidental or negligent insertion of software viruses or other malicious code, any of which may disrupt or interrupt their normal operation, prevent access to data, cause data loss or corruption, damage or destroy some or all of our systems, cause an unexpected plant or process shutdown or may lead to safety and reliability risks in our computerized industrial control systems. Attempts may be made to gain unauthorized access to, or deliberately breach, our IT systems and networks in order, for example, to manipulate our proprietary business data or customer information, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences including breaches of Data Protection Act 2018 and the General Data Protection Regulation, and could harm our reputation.

A failure to comply with data protection regulation could adversely affect our reputation and result in adverse regulatory and financial consequences including fines and penalties.

The EU-wide General Data Protection Regulation (Regulation (EU) 2016/679) (the "**GDPR**") and the U.K. Data Protection Act 2018 significantly change the UK/EU/EEA data protection landscape. These regulations strengthen the rights of individuals (data subjects), impose stricter controls over the processing of personal data by both controllers and processors of personal data and impose stricter sanctions with substantial administrative fines and potential claims for damages from data subjects for breach of their rights. The GDPR also offers data subjects the option to allow privacy organizations to litigate on their behalf, including collecting potential damages, which may result in a substantial increase in claims being brought. Should a serious data breach occur, the GDPR provides for increased obligations to notify regulators and data subjects whose personal data has been compromised and may result in the imposition of significant sanctions and penalties, which will require heightened escalation and notification processes with associated response plans. If a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a cyber-attack, the failure of our IT security systems, employee negligence or the actions of our vendors, we may be subject to legal claims by individuals, fines or other enforcement action which could result in adverse regulatory and financial consequences and could harm our reputation.

We may be subject to losses that might be completely or partially uninsured.

We maintain insurance policies with respect to certain operating risks, including product liability, damage to property (including buildings, plants, machinery and stock, including as a result of catastrophic events such as fire, flood, storms and earthquakes), industrial accidents and directors' and officers' liability. There can be no assurance that the level of insurance we maintain is appropriate for the risks to our business or adequate to cover all potential claims. Certain types of losses may not be covered by our insurance policies and may be either completely or partially uninsurable or not insurable on commercially reasonable terms. A completely or partially uninsured loss suffered by us could have a material adverse effect on our business, financial condition and results of operations. Further, we may not be able to obtain future insurance coverage at current levels or at all, and our premiums may increase significantly on the coverage that we maintain or obtain in the future.

Our operations require the use of several different currencies, exposing us to both transaction and translation effects of exchange rate fluctuations that could adversely affect our profitability, costs and ability to repay indebtedness or comply with certain maintenance covenants.

We currently conduct our business operations across multiple jurisdictions, including the United Kingdom, Belgium, the Netherlands, Spain, Italy and Australia. Our businesses are subject to risks normally associated with international operations, including currency fluctuation risks and local business risks.

Out of our total costs, 17.4% are denominated in a currency other than the local operating currency. In particular, certain of our raw materials are purchased in foreign currencies, particularly in the case of our United Kingdom and Australian businesses, which have raw material expenses denominated in euro and U.S. dollars. As a result, our financial condition and results of operations are exposed to risks related to currency exchange rate fluctuations. Fluctuations in exchange rates may also affect the relative competitive position of our manufacturing facilities, as well as our ability to market our products successfully in other markets.

Our sales are principally invoiced in currencies other than the pound sterling and are then translated into pounds sterling at the applicable exchange rates for inclusion in our financial statements. Therefore, fluctuations in the value of the pound sterling relative to the euro and Australian dollar in any given period could materially adversely affect our business, financial condition and results of operations. Moreover, our customers may demand that we reduce our prices where any changes in currency exchange rates may have been beneficial to our operations. We are exposed to currency fluctuations when we convert currencies that we receive from the sales of our products into our reporting currency to pay salaries and other costs.

Movements in exchange rates between our reporting currency (the pound sterling) and foreign currencies can also affect our ability to comply with financial covenants pertaining to our outstanding debt. We have raised, and will in the future continue to raise, financing in currencies (principally the euro and Australian dollar) other than our functional currency. As at March 30, 2019, after giving *pro forma* effect to the Transactions, 35.1% of our consolidated indebtedness was denominated in pounds sterling and 64.9% was denominated in euro. In addition, a significant proportion of our capital expenditures are denominated in currencies other than the pound sterling. As a result, to the extent that the pound sterling declines in value against the currency in which indebtedness is denominated or in which capital expenditure is to be incurred and we do not have sufficient cash flows in the respective currency to service such debt or capital expenditure, the effective cost of servicing such indebtedness or making such capital expenditure may be higher.

In addition, exchange rate movements may also affect our available headroom in respect of certain financial covenants pertaining to our outstanding debt. We evaluate exchange rate risks from time to time and hedge our risks by entering into financing agreements in the currency to which we are exposed, and by using financial exchange rate derivative instruments. Our foreign currency hedging strategies may not adequately protect our results of operations or balance sheet position from the effect of exchange rate fluctuations, which may result in losses or may limit any benefit that we might otherwise receive from favorable movements in exchange rates. Any significant adverse fluctuations in currency exchange rates could have a material adverse effect on our business, financial condition and results of operations.

As a result, strengthening of the pound sterling against the euro or Australian dollar will result in a decrease in our net sales as reported in pound sterling, which could materially adversely affect our business, financial condition and results of operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market Risk—Currency Risk*."

Our currency hedging exposes us to risks.

Although it is impossible to hedge against all currency risks, we use derivative financial instruments in order to reduce the substantial effects of currency fluctuations on our cash flows and financial condition. We have entered into, and expect to continue to enter into, forward exchange contracts to hedge our residual exposure to the pound sterling.

As with all hedging instruments, there are risks associated with the use of such instruments. While limiting to some degree our risk from fluctuations in currency exchange rates by utilizing such hedging instruments, we potentially forgo benefits that might result from other fluctuations in currency exchange rates. We are also exposed to the risk that our counterparties to hedging contracts will default on their obligations. We manage exposure to counterparty credit risk by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. However, any default by such counterparties might have an adverse effect on our business, financial condition and results of operation.

Disruptions to the production or delivery of our products could impact our ability to attract new customers and retain existing customers.

Our ability to produce and deliver our products on time is a significant element in attracting new customers and retaining existing customers. On-time delivery is particularly important to our large retail and wholesale customers. Though we do own certain of our transportation infrastructure, a small number of our operating businesses deliver products through third-party services. We therefore have some dependency on the timely performance of these third-party service providers. Our ability to deliver products on time may be adversely affected by events or circumstances beyond our control, including, but not limited to, unforeseen events causing the shutdown of one or more of our production facilities, unforeseen increases in order volumes as a result of changes to the competitive landscape or otherwise, the failure of third-party freight carriers to meet scheduled delivery times, any prolonged shortage of freight capacity or other extended disruption of transport services, disruptions to transportation infrastructure, including roads or rail networks, or the failure of our IT platform. If we are unable to produce and deliver our products in accordance with the timetable specified by our customers and maintain our on-time service delivery record, we may be unable to attract new customers or retain existing customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to attract, integrate, manage and retain qualified personnel or key employees.

Our future performance depends to a significant degree upon the continued contributions of our senior management team—a concentrated group of highly experienced individuals, including managing directors of our principal brands and operating companies.

Though our high-level operating strategy is generated at the Group level (including budget, capital expenditure planning and cross-business operations), we maintain a decentralized structure with managing directors individually responsible for the day-to-day management of the individual operating businesses. Within the limits of our overall strategy and objectives, each manager develops their own plan and tactics (reviewed by the Board) to deliver their targets. Thus, the loss of any member of our senior management team, including our managing directors, could harm our ability to operate effectively. To the extent that the services of members of our senior management team may be unavailable for any reason, we would be required to hire other personnel to manage and operate our Group. There can be no assurance that we would be able to locate or employ such senior personnel with the requisite level of experience on acceptable terms or on a timely basis.

Our future success also depends upon our ability to identify, attract, develop and retain qualified employees, including those with long-standing relationships with our suppliers and customers and those with relevant technical expertise. We compete with other companies to recruit and hire from a limited pool of potential employees with the required skill set and/or industry experience due to, among other things, a shortage of potential employees with the requisite skills and experience in the industry. In addition, the training of new employees requires a large amount of our time and resources.

If one or more of our key personnel resigns to join a competitor, the loss of such personnel and any resulting loss of existing or potential customers to any such competitor could harm our business. Our failure to maintain competitive compensation packages, including equity incentives, may also be disruptive to our business. In addition, we may be unable to prevent the disclosure or use of our technical knowledge, practices or procedures by departed personnel. If we cannot attract, train and retain qualified personnel or retain our senior management, this could have a material adverse effect on our business, financial condition and results of operations.

Significant damage to any of our facilities could cause a production disruption.

We have manufacturing facilities across the United Kingdom, Continental Europe and Australia. Our facilities generally specialize in a particular product segment, making it difficult to replace production in one facility with production from another. If a disruption occurs at one or more of these production facilities, we could experience temporary shortfalls in production, an increase in our production costs, or quality issues, which could have a material adverse effect on our results of operations.

The production at our plants could be adversely affected by extraordinary events, including fire, explosion, release of high-temperature steam or water, structural collapse, machinery failure, chemical spill, mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, earthquake, flood, windstorm or other severe weather conditions. Although we carry insurance covering losses at these facilities and insurance to cover interruptions in our business, that insurance is subject to limitations such as deductibles and maximum liability amounts and therefore may not cover all of our losses or recover the business lost to our competitors. We may incur losses that are outside of the coverage of our insurance policies. In the future, we may not be able to obtain insurance coverage at current levels or at all, and our premiums may increase significantly on the coverage that we maintain. As a result, we could experience significant losses if any of our manufacturing facilities were damaged or ceased operation for any other reason, and there can be no assurance that we would be able to completely or partially use our other production facilities to compensate for or mitigate the effects of any such shutdowns. Any disruptions at our production facilities could compromise our production capacity and thereby have a material adverse effect on our business, financial condition and results of operations.

For example, our South Wales factory experienced a roof collapse in January 2018, which damaged one of two finishing lines for several weeks. The shutdown of this finishing line impacted operations, margins and sales. Although we received compensation for these losses through our insurance provider, we may in the future incur losses that are outside the coverage of our insurance policies.

We may be affected by manufacturing defects or liability claims or may otherwise be subject to adverse publicity.

The success of our business depends on the quality and reliability of our products and our customer relations. In the event that our products repeatedly fail to satisfy our customers' requirements, our reputation and sales volumes could suffer. We may be required to manufacture at our own expense replacement products if they fail to meet our customers' standards, expectations and/or the applicable health and safety standards of the country in which a product is distributed, and we may be subject to product liability claims in connection with the foregoing. We may incur significant expenditures as a result of product recalls or product liability claims. We may also suffer other commercial and financial consequences in connection with manufacturing defects or product liability claims, including fines and payments to customers in respect of destroyed inventory, out-of-stock penalties and consumer complaints. Furthermore, if our products fail to meet our customers' specifications, the customer relationship may be terminated.

Any manufacturing defects or product liability claim against us could also subject us to adverse publicity. In addition, we may be subject to adverse publicity relating to other matters, including, but not limited to, product quality, brand image, complaints, production facilities and employee relationships. Adverse publicity may negatively impact our reputation, regardless of whether the allegations are valid. The negative impact of adverse publicity relating to any of our products, brands or production facilities may extend far beyond the product, brand or facility involved to affect some or all of our other products, brands and facilities. Any such adverse publicity may have a material adverse effect on our business, financial condition and results of operations.

We are required to comply with environmental and other regulations and obtain government permits and approvals.

We are required to obtain and comply with numerous permits, approvals, licenses and certificates from the respective government authorities of each jurisdiction in which we operate, particularly in relation to health, safety (including the security of our facilities) and environmental regulations. The process of obtaining and renewing necessary permits can be lengthy and complex. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with applicable environmental laws or regulations, may result in the delay or temporary suspension of our operations and sales and may subject us to penalties and other sanctions, all of which may have a material adverse effect on our business, financial condition and results of operation.

The environmental, health, hygiene and safety regulations with which we must comply relate primarily to industrial safety, carbon and other emissions, and discharge of chemicals or dangerous substances (including industrial waste and chemicals used in our production processes, such as dyes); their use, production, traceability, handling, transport, storage and elimination or exposure to such substances; and the remediation of industrial sites and environmental clean-up. Such regulations more heavily affect our ceramic tile manufacturing business than our carpet manufacturing business.

Legislation in these areas typically has become broader and stricter over time, and enforcement has tended to increase (resulting also in contractual obligations and responsibilities in these areas being imposed on the Group). In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. Complying with these regulations may require us to incur significant expense, especially in relation to spillages of dyes and other chemicals. We cannot predict the amount of any increase in capital expenditure or operating expenses that we may incur to comply with applicable environmental or other regulatory requirements, or whether we will be able to pass on these costs to our customers through price increases. Additionally, the tightening of regulations applicable to certain substances that we use could force us to use more expensive substances, change our formulations, decreasing the profitability of our products.

It is difficult to anticipate changes to the foregoing laws and regulations or to their interpretation, which could lead to significant expense or investment. If we are unable to obtain or comply with required permits and approvals for our operations, or in the event of the possible imposition of fines or undertaking of capital investments in the aforementioned cases, this could have a material adverse effect on our business, financial condition and results of operations.

The result of the UK referendum on withdrawal from the European Union may have a negative effect on economic conditions, financial markets and demand for our products and services, which could materially adversely affect our business, results of operations and financial condition.

We are based in and have significant operations within the United Kingdom. Following a national referendum in June 2016, on 29 March 2017, the Government formally initiated the withdrawal process for the United Kingdom's departure from the European Union ("**Brexit**"). The terms of withdrawal are subject to ongoing negotiations which are expected to last until at least October 2019. The outcome of the referendum and the terms of withdrawal have created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom. Until the terms of Brexit become clear, it is not possible to determine the impact Brexit may have on our business. Depending on the terms of Brexit, the United Kingdom could lose access to the single European Union market and customs union (and the Government has stated its expectation that the United Kingdom will lose such access) resulting in an impact on the general and economic conditions in the United Kingdom, which could directly impact the financial condition of our customers which could have a negative impact on our revenues. A significant weakening of economic conditions in the United Kingdom could also affect internal demand for our products as a byproduct of potentially slowed activity in the residential and commercial renovation markets. See "*—Our industry is affected by economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation markets.*"

Increased costs of labor, labor disputes, work stoppages or union organizing activity could have a negative impact on our operations.

During the 2019 financial year, we had an average headcount of 3,043 employees, predominantly in the United Kingdom and Continental Europe (87.2%) and Australia (12.8%). Our ability to meet our labor needs while controlling labor costs is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, wage rates, union membership levels and activity among our employees and changes in employment and labor or other workplace regulation. Our labor costs could also increase due to, among other things, any potential re-characterization of independent contractors as employees or other challenge to employment or compensation arrangements with our personnel. If we were unable to pass on such higher costs to our customers or otherwise mitigate such increases, these higher labor costs could have a material adverse effect on our business, financial condition and results of operations.

As our business is labor intensive, maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. As a result, any deterioration of the relationships with our employees, increased costs of labor, including the costs of employee benefits plans, labor disputes, work stoppages or union organizing activity, could delay or impede production and have a material adverse effect on our financial condition and operations. As a portion of our manufacturing employees are represented by unions and covered by collective bargaining or similar agreements, we often incur costs attributable to periodic renegotiation of those agreements, which may be difficult to project. We are also subject to the risk that strikes or other conflicts with organized personnel may arise or that we may become the subject of union organizing activity at our facilities that do not currently have union representation. Prolonged negotiations, conflicts or related activities could also lead to costly work stoppages and loss of productivity. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We do not have formal purchase arrangements with a substantial majority of our customers.

We do not have formal purchase arrangements with a substantial majority of our customers, including many of our long-standing customers. We typically deal with our customers on a non-exclusive basis and with no minimum purchase obligations or fixed terms. In addition, as a result of the competitive markets in which we operate and the continued consolidation of our customer base, our customers may be able to demand purchase arrangements that are less favorable to us or could simply elect to discontinue their purchases, which could materially adversely impact our business. To the extent any of our competitors offer more attractive purchasing terms to one or more of our customers, or if we attempt to materially increase margins, we may lose customers. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Changes in international tax rates, tax liabilities or tax accounting rules could affect future results.

As a multinational group, we are subject to taxation in various jurisdictions. Significant judgment is required to determine worldwide tax liabilities, including, among other reasons, because tax laws and regulations in effect in the various countries in which we operate do not always provide clear and definitive guidelines. Our effective tax rates and tax exposure could be affected by changes in the composition of our earnings in countries or jurisdictions with higher or lower tax rates, changes to transfer pricing rules, changes in the valuation of our deferred tax assets and liabilities, our ability to utilize tax losses and tax credits, changes to interest deductibility or other changes in the tax laws and the way such tax laws are applied by tax administrations (possibly with retroactive effect), including through tax arrangements issued by the relevant competent tax authorities.

Non-recoverable VAT rates could increase in the future in other countries in which we operate. If we do not increase the prices of our products to match the increase in VAT, our profitability margins will be negatively impacted. If we pass the increase in VAT on to our customers by raising the prices of our products, the demand for our products may decline, materially and adversely affecting our business, financial condition and results of operations. Furthermore, we have VAT risks arising out of the operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

Certain markets in which we operate have transfer pricing mechanisms that require transactions involving associated companies to be at arm's length. Arrangements between members of our group, such as intra-group transactions involving management services, royalties, information technology service fees, cash-pooling arrangements, intra-group loans and consultancy fees, are typically carried out on an arm's-length basis. However, if the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's-length basis and successfully challenge those arrangements, the amount of tax payable by the relevant member or members of the group, in respect of both current and previous years, may increase materially and penalties or interest may be payable. Furthermore, any failure to file transfer pricing documentation evidencing the outcome of applied pricing principles, should they be requested by the relevant tax authorities, may result in penalties.

In addition, we are subject to regular audits of our income tax returns by the tax authorities in the various countries in which we operate. From time to time various governments together with the European Union and the Organization for Economic Co-operation and Development make substantive changes to tax rules and the application of rules to companies, including changes potentially impacting our ability to defer taxes on international earnings. We regularly assess the likelihood of favorable or unfavorable outcomes in tax audits and amendments to tax laws and regulations in order to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different from the treatment reflected in our historical income tax provisions and accruals. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Changes in how tax authorities view our structure could have an adverse impact on our operating results.

Our effective tax rate and tax liability is based on the application of current income tax laws, regulations and treaties. Although to date, tax authorities have not questioned our interpretation of the application of current laws, regulations and treaties, these authorities could challenge our interpretation in the future, resulting in an additional tax liability or adjustment to our income tax provision that could increase our effective tax rate. In addition, tax laws, regulations or treaties enacted in the future may cause us to revalue our deferred tax assets and result in a material increase to our effective tax rate. A change in relevant income tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could result in an audit adjustment or revaluation of our deferred tax assets that may cause our effective tax rate and tax liability to be higher than what is currently presented in the consolidated financial statements, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The Unaudited non-IFRS Aggregated Financial Information included herein does not necessarily reflect what our results will be going forward or would have been historically had the relevant acquisitions occurred as of the dates assumed and no undue reliance should be made in respect of such information.

This Offering Memorandum includes certain Unaudited non-IFRS Aggregated Financial Information intended to give effect to the full-year impact of our acquisitions of Keraben, Serra, Saloni (including Sanicova), Ezi Floor, Avalon, GrassInc and Dunlop, as applicable for the 2017, 2018 and 2019 financial years. The Unaudited non-IFRS Aggregated Financial Information is based on available information for the relevant acquired companies prior to their respective acquisitions, including audited financial statements, unaudited interim financial statements, due diligence reports, internal management accounts and certain assumptions and estimates. Unlike these acquired companies, some of which prepared their financial statements on the basis of varying financial year-ends, we prepare our financial statements on the basis of a 52-week or 53-week financial period (ended April 1, 2017, March 30, 2018 and March 31, 2019 for the periods presented in this Offering Memorandum). In addition, in certain cases no historical accounts are available for portions of the relevant period for certain entities. Accordingly, the Unaudited non-IFRS Aggregated Financial Information includes management estimates of the aggregate impact of these acquired company results prior to year-end consolidation with the Group based upon the nearest available financial information and assumptions that management believes are reasonable. The Unaudited non-IFRS Aggregated Financial Information has not been prepared in accordance with the requirements of the Prospectus Directive, Regulation S-X of the U.S. Securities Act, IFRS or any other generally accepted accounting standards and has not been audited or reviewed. In addition, the Unaudited non-IFRS Aggregated Financial Information does not necessarily reflect what our results will be going forward or would have been historically had the relevant acquisitions occurred as of the dates assumed. Investors are cautioned not to place undue reliance on such information. Our actual results may differ significantly from those reflected in the Unaudited non-IFRS Aggregated Financial Information for a number of reasons, including, but not limited to, differences in assumptions or estimates used to prepare the Unaudited non-IFRS Aggregated Financial Information. The Unaudited non-IFRS Aggregated Financial Information should be considered in addition to, as opposed to a substitution for, the Group Financial Statements.

Our reliance on third parties may subject us to risk and may disrupt or have an adverse impact on our operations.

We rely upon third parties for various services, including for the transportation of our products and for the provision of certain of our raw materials. Although we specify performance standards with our suppliers and providers, we do not ultimately control their performance, which may make our operations vulnerable to their performance failures. In addition, our failure to adequately monitor and regulate the performance of our third-party vendors could subject us to additional risk. Reliance on third parties also makes us vulnerable to changes in our vendors' businesses, financial condition and other matters outside of our control, including their violations of laws or regulations, which could increase our exposure to liability or otherwise increase the costs associated with the operation of our business. The failure of our providers to perform as expected or as contractually required could have a negative effect on our reputation with our customers and could result in significant disruptions and costs to our operations and to the services we provide to our clients, which could have a material adverse effect on our business, financial condition and results of operations.

Our business could be affected by various legal and regulatory compliance risks, including those involving antitrust, sanctions, anti-money laundering, anti-bribery or anti-corruption laws and regulations.

We are subject to various legal and regulatory requirements and risks in the countries in which we have facilities or sell our products, involving compliance with antitrust, anti-money laundering, anti-bribery, anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. We are also required to comply with applicable sanctions administered or enforced by the European Union and any member state thereof, the United Kingdom, the United States and any other relevant sanctions authorities. In recent years, there has been a general increase in both the frequency and severity of enforcement under such laws. The application of these laws and regulations to our business is sometimes unclear. We may be unaware of developments in such laws and regulations and any of our employees, contractors, agents and licensees or third party suppliers and providers involved in our sales may take actions in violation of such policies, any of which may subject to legal or regulatory action by foreign or domestic governments or regulators.

Our existing compliance controls may not be sufficient in order to prevent or detect inadequate practices, fraud and violations of law by our intermediaries, consultants, sales agents and employees. In the case that any intermediaries, consultants, sales agents or employees with whom we cooperate receive or grant inappropriate benefits or use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties, loss of orders and harm to our reputation. Especially given our worldwide operations, group structure, size and the extent of our cooperation with intermediaries, consultants and sales agents, our internal controls, policies and risk management may not be adequate. If we are subject to an enforcement action or found to be in violation of such laws, this may result in significant penalties, fines or sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to carry out acquisitions or mergers due to regulatory restrictions on business acquisitions and mergers or we may become subject to antitrust regulations as a consequence of our position in certain markets.

Future acquisition opportunities and mergers may require approvals from antitrust authorities under antitrust regulation in force at the time in any one of a number of jurisdictions. If such approvals of a proposed acquisition or merger prove necessary, approval of the transaction may require, based on the relevant antirust authority's evaluation of prevailing market conditions and our position in the market, that we divest certain businesses in order to carry out the transaction. We may also be prohibited by antitrust authorities from carrying out the transaction. Furthermore, we could, as a consequence of our strong positions in certain of our markets, be considered by antitrust regulatory authorities to have a dominant position which could subject us to certain limitations in our ability to act on the market by adjusting our prices or otherwise. Any of these factors could materially adversely affect our ability to execute our strategy and our business, financial condition and results of operations.

Our international sales are subject to risks in relation to compliance with various jurisdictions' economic sanctions and export control laws and regulations.

We sell our products internationally and are therefore subject to laws of the United Kingdom, the European Union, Australia and other jurisdictions regulating the export of our products to certain countries. Where applicable, these laws restrict or prohibit transactions with certain countries, such as Iran, and with certain companies and individuals identified on lists maintained by the U.S. government, the European Union, various European Union Member States and other governments. Failure to comply with these laws could expose us to civil and criminal prosecution and penalties, the imposition of export or economic sanctions against us and reputational damage, all of which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to the Notes and Our Structure

Our leverage and debt servicing obligations could materially adversely affect our business, prospects, results of operations and financial condition.

As at March 30, 2019, after giving *pro forma* effect to the Transactions, our *as adjusted* net senior debt would have been £335.5 million on a consolidated basis and our ratio of *as adjusted* net senior debt to Adjusted *Pro Forma* EBITDA would have been 3.1x. For computations of our *as adjusted* net debt and our ratio of *as adjusted* net debt to Adjusted *Pro Forma* EBITDA, see "*Summary Historical Consolidated Financial Information and Other Data—As Adjusted Financial Data of Victoria Group*." On the Issue Date, the Issuer expects to (a) issue the Notes, (b) draw-down under the New Term Loan Facility and (c) use the proceeds of the Offering, together with drawings under the New Term Loan Facility, (i) to repay and cancel the Existing Term Loan Facility and the Existing Revolving Credit Facility, (ii) for general corporate purposes and (iii) to pay the fees and expenses in connection with the Transactions. See "*Use of Proceeds,*" "*Capitalization*" and "*Description of Certain Financing Arrangements*."

Our leverage can have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including under the Notes and the Guarantees.

We may incur additional indebtedness that could further increase our leverage and may have terms that are more or less favorable than the terms of the Notes.

We may incur substantial additional debt, including in connection with a refinancing of our existing debt, to fund any future acquisition or for general corporate purposes. In connection with our financial strategy, we continually evaluate different financing alternatives, and we may decide to enter into new credit facilities, access the debt capital markets or incur other indebtedness from time to time. Any such offering or incurrence of debt will be made at our election, and if such debt is in the form of securities, would be offered and sold pursuant to, and on the terms described in, a separate offering document. The interest rate with respect to any such additional debt will be set at the time of the pricing or incurrence of such debt and may be less than or greater than the interest rate applicable to the Notes and our other existing debt, including, in the case of a refinancing, the debt that is being refinanced, which would have a corresponding effect on our cash interest expense on a *pro forma* basis. In addition, the maturity date of any such additional debt will be set at the time of pricing or incurrence of such debt and may be earlier or later than the maturity date of the Notes and our other existing debt. For example, the BGF Loan matures in 2021, which is earlier than the maturity of the Notes. The other terms of such additional debt would be as agreed with the relevant lenders or holders thereof and could be more or less favorable than the terms of the Notes or our other existing indebtedness. There can be no assurance that we will elect to raise any such additional debt or that any effort to raise such debt will be successful, and there can be no assurance as to the timing of such offering or incurrence, the amount or terms of any such additional debt. If we incur new debt in addition to our current debt and the Notes, the related risks that we now face, even in a refinancing transaction, as described above and elsewhere in this "*Risk Factors*" section, could intensify.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs to pursue business opportunities and activities.

Among other things, the Indenture will limit our ability to:

- incur or guarantee additional indebtedness;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to the Issuer;
- transfer or sell assets;
- impair the security interests for the benefit of the holders of the Notes;
- consolidate, merge or sell all or substantially all of our assets; and
- enter into certain transactions with affiliates.

In addition, the Senior Facilities Agreement will contain covenants that limit our ability to incur and assume debt and require us to maintain a certain Adjusted Leverage (as defined in the Senior Facilities Agreement). Further, the Senior Facilities Agreement will limit, among other things, our ability to acquire or sell certain assets, to undergo certain corporate actions (such as mergers and de-mergers) or to create security over our assets. See *"Description of Certain Financing Arrangements—Senior Facilities Agreement."*

All of these limitations are subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*" and *"Description of Certain Financing Arrangements."* These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

If we fail to comply with any of these covenants, we will be in default under the Indenture and/or the relevant debt instruments, as the case may be, and the Trustee, the holders of the Notes or the applicable creditors could declare the principal and accrued interest on the Notes or the applicable amounts immediately due and payable, after any applicable cure period. In addition, any such default could lead to an event of default and acceleration under our other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. These restrictions could materially adversely affect our ability to finance future operations or capital needs or engage in other business activities that may be in our best interest. See "*Description of the Notes—Certain Covenants*" and *"Description of Certain Financing Arrangements*."

We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control.

Our ability to make principal or interest payments when due on our indebtedness, including our obligations under the Senior Facilities Agreement and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and ability to generate cash, which is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

The Senior Facilities Agreement provides for a revolving credit facility with commitments of £60.0 million equivalent and a term loan facility in an amount equivalent to £143.2 million. If we are unable to generate sufficient cash flows from operations and other capital resources to pay our debt obligations or meet other liquidity needs, we may be required to refinance or restructure our indebtedness. If we are unable to refinance or restructure all or a portion of our indebtedness or obtain such refinancing or restructuring on terms acceptable to us, we may be forced to, among others:

- reduce or delay our business activities, planned acquisitions and capital expenditures;
- sell assets;
- raise additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

If any of the above were to occur, the holders of our debt may be able to accelerate our debt and, to the extent such debt is secured, foreclose on our assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, we may not have sufficient cash or sources of cash to repay all of our debt. In addition, the terms of the Senior Facilities Agreement, the Indenture and the Intercreditor Agreement may limit our ability to pursue any of these measures. Furthermore, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could impact our ability to incur additional indebtedness in the future.

Drawings under the New Revolving Credit Facility and the New Term Loan Facility will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The drawings under the New Revolving Credit Facility and the New Term Loan Facility will, and future indebtedness that we may incur could, bear interest at floating rates of interest per annum equal to EURIBOR, LIBOR or BBSY (as applicable) as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Guarantees.

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries and intercompany loan receivables, and therefore depends upon the receipt of sufficient funds from its subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order to meet the obligations under the Notes through a combination of dividends, interest payments on intercompany loans and repayment of intercompany loans. The obligations under intercompany loans will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of the Issuer, including obligations under, or Guarantees of obligations under, the Senior Facilities Agreement and the Notes.

The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flows of its subsidiaries and the ability of those subsidiaries to issue dividends under applicable law. If our subsidiaries do not fulfill their obligations under intercompany loans and do not distribute cash to the Issuer to make scheduled payments on the Notes, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. Further, if we are unable to generate sufficient cash flow to meet our payment obligations, we may be forced to reduce or delay planned expansions or capital expenditures, sell significant assets, discontinue specified operations or obtain additional funding in the form of debt or equity capital or attempt to restructure or refinance all or a portion of our debt on or before maturity.

In addition, applicable tax laws may subject such payments to further taxation and applicable corporate law may limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, our ability to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to us. Finally, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to any of the Notes.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may have sufficient resources to meet the Issuer's obligations, they may not be permitted to make the necessary transfers from one entity in the restricted group to another entity in the restricted group in order to make payments to the Issuer.

The Notes will be structurally subordinated to the liabilities and preference shares (if any) of our non-guarantor subsidiaries.

Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries. In addition, our Group Financial Statements include both Guarantor and non-guarantor subsidiaries and, as such, may be of limited use in assessing the financial position of the Guarantors.

The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.

The Notes will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral also secures the obligations under the Senior Facilities Agreement and certain hedging obligations, if any. The Collateral may also secure additional debt ranking *pari passu* with the Notes to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. Your rights to the Collateral may therefore be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes.

No appraisals of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located, the availability of buyers, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral and the fair market value and condition of the Collateral. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in our liquidation. In addition, the share pledges over the shares of an entity may be of limited to no value if that entity is subject to an insolvency or bankruptcy proceeding.

The granting of the Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of Guarantees or security interests during which such Guarantees or security interests may be challenged in accordance with the laws applicable in certain jurisdictions.

The granting of Guarantees and security interests to secure the Notes may create or restart hardening periods for such Guarantees and security interests in certain jurisdictions. The granting or extension of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future indebtedness. The applicable hardening period for these new or extended security interests can run from the moment each new security interest has been granted, perfected or extended. At each time, if the Guarantee or security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*."

The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes. See "*Description of the Notes—Security*."

It may be difficult to realize the value of the Collateral securing the Notes and the ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the Security Agent and any other creditors that have the benefit of first-priority security interests in the Collateral from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or characterization under the laws of certain jurisdictions. Specifically, the Collateral is located in the United Kingdom, Spain and Australia, and the multijurisdictional nature of any enforcement of the Collateral may limit the realizable value of the Collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

In addition, the security interests will be subject to practical problems generally associated with the realization of security interests in Collateral. For example, under the laws in certain of the jurisdictions where the Collateral is located, the enforcement of share pledges, whether by means of a sale or an appropriation, is subject to certain specific requirements. See "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*." Third party consent may be needed to enforce a security interest. We cannot assure you that any such consents will be obtained. We also cannot assure you that the consents of any third parties will be given when required to facilitate a sale of, or foreclosure on, such assets. Accordingly, the Security Agent may not have the ability to sell or foreclose upon those assets, and the value of the Collateral may significantly decrease.

The Issuer and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents (subject to certain exceptions) will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

The security interests in the Collateral will be granted to the Trustee or Security Agent, as applicable, rather than directly to the holders of the Notes and the Collateral to be granted by us will be granted subsequent to the issuance of the Notes.

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Trustee (who will accept them on behalf of the holders of the Notes) or the Security Agent, as applicable. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral. For further information, see "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations.*"

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Collateral securing the Notes and the Guarantees will be released automatically, including:

- in connection with any asset sale or disposition or transfer of assets to a person that is not (either before or after giving effect to such transaction) the Issuer or a restricted subsidiary, if the sale or other disposition does not violate the covenant described under the caption "*Description of the Notes—Certain Covenants—Limitation on Asset Sales*";
- upon a defeasance or satisfaction and discharge of the Notes that complies with the provisions under "*Description of the Notes—Defeasance*" or "*Description of the Notes—Satisfaction and Discharge*";
- as described under "*Description of the Notes—Amendments and Waivers*" or "*Description of the Notes—Certain Covenants—Limitation on Liens*";
- in the case of property and assets and capital stock of a Guarantor, to the extent such Guarantor is released from its Guarantee of the Notes pursuant to the terms of the Indenture;
- to the extent permitted in accordance with the covenant described under the caption "*Description of the Notes—Certain Covenants—Impairment of Security Interest*";
- if the Issuer designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture (to the extent of such restricted subsidiary's assets and property);
- upon repayment in full of the Notes;
- if the lien granted in favor of the New Revolving Credit Facility, New Term Loan Facility or such other debt that gave rise to the obligation to grant the lien over such Collateral is released;
- as provided for under the Intercreditor Agreement, including in accordance with certain enforcement actions taken pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement (as defined in the "*Description of the Notes*"), or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreement; or
- as otherwise permitted in accordance with the Indenture.

The lien on the capital stock of the Issuer will only be released as provided by the first, second, third and fifth bullets above.

Even though the holders of the Notes share in the Collateral securing the Notes ratably with the lenders under the New Revolving Credit Facility and the New Term Loan Facility, under certain circumstances, the creditors under New Revolving Credit Facility and the New Term Loan Facility and certain of our hedging arrangements will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree with those actions. See "*Description of Certain Financing Arrangements*."

Under various circumstances, the Guarantee of a Guarantor will be released, including:

- upon the sale or disposition (including through merger, consolidation, amalgamation or other combination) or conveyance, transfer or lease of all or substantially all of the assets of the Guarantor to a person that is not (either before or after giving effect to the transaction) the Issuer or a restricted subsidiary, if such sale or other disposition does not violate the covenants described under the caption "*Description of the Notes—Certain Covenants—Limitation on Asset Sales*" or "*Description of the Notes—Certain Covenants—Merger, Consolidation or Sale of Assets*";
- in connection with any sale or other disposition of the capital stock of the Guarantor (or capital stock of any holding company of such Guarantor (other than the Issuer)) (whether by direct sale or through a holding company) to a person that is not (either before or after giving effect to such transaction) the Issuer or a restricted subsidiary, if the sale or other disposition does not violate the covenant described under the caption *"Description of the Notes—Certain Covenants—Limitation on Asset Sales*" and as a result of such disposition such Guarantor no longer qualifies as a Subsidiary of the Issuer;
- upon a defeasance or satisfaction and discharge of the Notes that complies with the provisions under "*Description of the Notes—Defeasance*" or "*—Satisfaction and Discharge*";
- upon the designation by the Issuer of the Guarantor (or a holding company thereof) as an unrestricted subsidiary in compliance with the terms of the Indenture;
- upon the liquidation or dissolution of the Guarantor; *provided* that no default or event of default has occurred and is continuing;
- in connection with the implementation of a Permitted Reorganization (as defined in the *"Description of the Notes*");
- as described under "*Description of the Notes—Amendments and Waivers*";
- upon repayment in full of the Notes;
- as provided for under the Intercreditor Agreement, including in accordance with certain enforcement actions taken pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreement; or
- as otherwise permitted in accordance with the Indenture.

In addition, the Guarantees and security interests will be subject to release upon a distressed disposal as contemplated under the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under certain applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. In addition, certain applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

Each Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuer and certain of the Guarantors will secure the payment of the Notes by granting security under the relevant Security Documents. There can be no assurance that the value of the

Guarantees or the Collateral will be sufficient to satisfy claims under the Notes. However, each security interest granted under a Security Document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest or to the secured amount stated in the relevant Security Document (which may be lower than the value of the relevant assets expressed to be subject to that security interest), and the Indenture will provide that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Guarantee or security interest voidable or otherwise ineffective under English, Spanish, Australian or other applicable law, and enforcement of each Guarantee or Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, unfair or voidable preference and insolvent transactions, financial assistance, corporate purpose, capital maintenance, related party transactions, security registration or similar laws, regulations or defenses affecting the rights of creditors generally. For example, where proceeds from the Notes are used to refinance the Existing Term Loan Facility, the value of the Guarantee granted by Saloni would be limited to the portion of the Existing Term Loan Facility not used to fund our acquisition of Saloni. See "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*."

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, Guarantees and security interests can be challenged (for example, by the bankruptcy receiver or insolvency trustee, in the case of bankruptcy of the relevant Guarantor, or by any of the creditors of such Guarantor outside bankruptcy), and a court could declare unenforceable against third parties (including the beneficiaries thereof) and/or void, any legal act performed by a Guarantor (including, without limitation, the granting by it of the Guarantees or the security interests granted under the Security Documents) or by any party granting the security interests and, if payment had already been made under a Guarantee or enforcement proceeds applied under a Security Document, require that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor or to the party granting the security interests, if the court found, *inter alia*, that:

- the amount paid or payable under the relevant Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the relevant Guarantee or security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or of the party granting the security interests or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or the above-referred party was insolvent when it granted the relevant Guarantee or security interest;
- the Guarantor or the party granting the security interests did not receive fair consideration or reasonably equivalent value for granting the relevant Guarantee or security interests and the Guarantor or such party was: (i) insolvent or rendered insolvent because of the relevant Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee/Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; or
- the relevant Guarantees or Security Documents were held to exceed the corporate objects of the Guarantor or of the party granting the security interests or not to be in the best interests or for the corporate benefit of the Guarantor or of such party.

We cannot assure you which standard a court would apply in determining whether a Guarantor or a party granting the security interests was insolvent at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor or such party was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or such party was insolvent on the date its Guarantee was issued or its security interests were granted, that payments to holders of the Notes constituted unfair or voidable preferences, fraudulent transfers or voidable conveyances on other grounds.

The payment of dividends to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents. There can be no assurances that we will have distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents, whether or not we make dividends. The payment of dividends by a Guarantor or by the party granting the security interests to the Issuer to service our debt obligations (including under the Notes) will deplete the distributable reserves available to those Guarantors or parties to satisfy the obligations under the Guarantees or the Security Documents. In addition, the payment under the

Guarantees and the enforcement of security interests under the relevant Security Documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions.

In addition, judgments rendered by a U.S. court will generally not be directly enforceable in Spain. Instead, as a pre-condition to enforcing a U.S. judgment, a local court will subject the judgment to a multi-factor test. Several of the factors the court will consider involving a considerable amount of discretion. Even if the court ultimately finds that the judgment is enforceable, the process may require considerable time to complete. For all of the foregoing, an investment in the Notes involves unique risks that may not apply or may apply differently in a differently structured bond offering. If any of these risks materialize, your ability to collect payments of principal and interest under the Notes may be materially adversely affected. See "*Service of Process and Enforcement of Judgements*" for more information.

The insolvency laws of the United Kingdom, Spain and Australia may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer and certain Guarantors are incorporated under the laws of the United Kingdom, Spain and Australia. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in the United Kingdom, Spain and Australia or another relevant jurisdiction. Such multi-jurisdictional proceedings may be complex and more costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Guarantees and the Collateral will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Issuer's and the Guarantors' jurisdictions of organization or incorporation or any other relevant jurisdictions where proceedings are opened may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in those jurisdictions or limit any amounts that you may receive. For an overview of certain insolvency laws and enforceability issues, see "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*" with respect to certain of the jurisdictions mentioned above.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.

Upon the occurrence of certain events constituting a Change of Control as defined in the Indenture, the Issuer would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts to the date of purchase, if any. If a Change of Control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Senior Facilities Agreement, the Indenture, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A Change of Control may result in an event of default under, acceleration of, or an obligation to mandatorily prepay the New Revolving Credit Facility, New Term Loan Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the Change of Control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow them to pay cash to the holders of the Notes following the occurrence of a Change of Control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a Change of Control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to allow us to purchase the Notes or we may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes, upon a Change of Control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which, in turn, would constitute a default under the Senior Facilities

Agreement and certain other indebtedness. See "*Description of the Notes—Certain Covenants—Change of Control*."

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control. Except as described under "*Description of the Notes—Certain Covenants—Change of Control*," the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of Change of Control in the Indenture will include a disposition of all or substantially all of the assets of the applicable Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody's Investors Service, a rating of Baa3 or better by Fitch Ratings and a rating of BBB− or better by Standard and Poor's and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time, if any, at which such Notes cease to have such ratings, certain covenants will cease to be applicable to such Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*." If these covenants were to cease to be applicable, the Group would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

The Notes will be new securities and currently there is no market for them. The Initial Purchasers have informed us that they intend to make a market in the Notes. They are not, however, obliged to do so and may discontinue market-making at any time.

As a result, we cannot assure you as to:

- the development or liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

In addition, the Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the Notes.

The Notes may not be listed or remain listed on the London Stock Exchange's International Securities Market (the "Exchange").

We intend to list and maintain the listing of the Notes on the Exchange, as long as the Notes are outstanding, we cannot assure you that the Notes will be listed or remain listed. If we cannot list or maintain the listing of the Notes on the Exchange or it becomes unduly onerous to maintain such listing, we may cease to maintain such listing on the Exchange, provided that we will use commercially reasonable efforts to maintain the listing of the Notes on another "recognised stock exchange" (within the meaning of Section 1005 of the U.K. Income Tax Act 2007), although there can be no assurance that the Issuer will be able to do so. See also "*Certain Tax Considerations—United Kingdom—UK Withholding Tax on UK Source Interest*." Although no assurance is made as to the liquidity of the Notes as a result of listing on the Exchange or another "recognised listing exchange" for high yield issuers in accordance with the Indenture, the delisting of the Notes from the Exchange or another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes denominated in a currency other than U.S. dollars by U.S. investors may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Tax Considerations—Certain U.S. Federal Income Tax Considerations*."

You may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and certain of the Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted primarily outside the United States. The directors, managers and/or executive officers of the Issuer and the Guarantors are non-residents of the United States. In addition, as a majority of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in U.S. courts against them. Moreover, actions of the Issuer and the Guarantors may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with the United Kingdom, Spain or Australia. There is, therefore, doubt as to the enforceability in the United Kingdom, Spain or Australia of U.S. securities laws in an action to enforce a U.S. judgment in such jurisdictions. In addition, the enforcement in the United Kingdom, Spain or Australia of any judgment obtained in a U.S. court, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in the United Kingdom, Spain or Australia would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of U.S. securities laws violations. For further information see "*Service of Process and Enforcement of Judgments*."

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantees have not been registered under, and we are not obliged to register the Notes or the Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Notice to Investors*." We have not agreed to or otherwise undertaken to register any of the Notes or the Guarantees, and do not have any intention to do so.

The interests of our controlling shareholders may be inconsistent with the interests of holders of the Notes.

The interests of our principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. Our principal shareholders have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day to day operations, as well as the ability to elect and change our management and to approve any other changes to our operations. For example, our principal shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividend distributions, in each case, so long as the Indenture, the Senior Facilities Agreement and the Intercreditor Agreement so permit. The interests of our principal shareholders could conflict with interests of holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments although such transactions might involve risks to the holders of the Notes. In addition, our principal shareholders may come to own businesses that directly compete with our business.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of the Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer, the Guarantors, the Trustee, the Registrar, the Transfer Agent or any Paying Agent will not have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes.

The Notes may be issued with OID for U.S. federal income tax purposes. In that event, U.S. investors generally will be required to include OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method, regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. investors will generally include any OID in income in advance of the receipt of cash attributable to such income. For more information, see "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*."

Investors in the Notes may have limited recourse against the independent auditors.

See "*Independent Auditors*" for a description of the reports of Grant Thornton UK LLP, the independent auditors of the Group in respect of the Group Financial Statements. In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, the independent auditor's reports from Grant Thornton UK LLP state that: the reports including the opinions were prepared for and only for the members of the Group as a body in accordance with Chapter 3 of Part 16 of the Companies Act of 2006 and for no other purpose; the independent auditors did not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by their prior consent in writing. The independent auditor's reports for the Group issued by Grant Thornton UK LLP as of and for the 2017, 2018 and 2019 financial years were unqualified. The independent auditor's reports for the Group as of and for the 2017, 2018 and 2019 financial years are included elsewhere in this Offering Memorandum.

Investors in the Notes should understand that in making these statements, the independent auditor has confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to the Group and its members as a body with respect to the reports and to the independent auditor's audit work and opinions. The Securities and Exchange Commission of the United States (the "**SEC**") would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited.

USE OF PROCEEDS

We estimate that the aggregate gross proceeds from the issuance of the Notes will be €330.0 million (assuming the Notes are issued at par). On the Issue Date, we will use the proceeds of the Offering, together with drawings under the New Term Loan Facility, (i) to repay and cancel the Existing Term Loan Facility and the Existing Revolving Credit Facility, (ii) for general corporate purposes, which may include, without limitation, the funding of one or more acquisitions and (iii) to pay the fees and expenses in connection with the Transactions.

The following table illustrates the estimated sources and uses of funds in connection with the Offering. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees, expenses and commissions. For descriptions of our current and anticipated indebtedness following the offering of the Notes and the use of proceeds therefrom, see "*Description of Certain Financing Arrangements*" and "*Capitalization*."

Sources	(£ million)(1)	Uses	(£ million)
Notes offered hereby	283.9	Repayment of Existing Term Loan Facility	382.8
New Term Loan Facility	143.2	General corporate purposes(2)	31.4
		Estimated fees, expenses and commissions(3)	12.9
Total Sources	**427.1**	**Total Uses**	**427.1**

(1) We have translated certain euro amounts into pounds sterling at the rate of €1.1624 = £1.00, which was the period-end exchange rate used in our 2019 Group Financial Statements as of March 30, 2019. As of July 10, 2019, the exchange rate quoted by Bloomberg was €1.112=€1.00. You should not view such translations as a representation that such pound sterling amounts actually represent such euro amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate, on such date or any other date. Assumes issuance at par.

(2) General corporate purposes may include, without limitation, the funding of one or more acquisitions.

(3) Represents underwriting fees and commissions, other estimated transaction costs and professional fees and expenses to be paid in connection with the Transactions.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 30, 2019, on an actual basis and on an as adjusted basis to give effect to the Transactions.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*" and the Group Financial Statements appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 30, 2019. See "*Summary—The Transactions*" and "*Use of Proceeds*."

	As of March 30, 2019		
	Actual	**Adjustments**	**As Adjusted for the Transactions**
		(£ million)[(1)]	
Cash and cash equivalents	**60.2**	**31.4**	**91.6**
Debt			
Existing bank facility debt[(2)]	382.8	(382.8)	—
New Term Loan Facility[(3)]	—	143.2	143.2
New Revolving Credit Facility[(4)]	—	—	—
Notes offered hereby[(5)]	—	283.9	283.9
Total senior debt	**382.8**	**44.3**	**427.1**
BGF Loan[(6)]	11.5	—	11.5
Finance leases, capex facility and other debt	5.8	—	5.8
Total debt	**400.1**	**44.3**	**444.4**
Total equity	**319.9**	**—**	**319.9**
Total capitalization	**720.0**	**44.3**	**764.3**

(1) We have translated certain euro amounts into pounds sterling at the rate of €1.1624 = £1.00, which was the period-end exchange rate used in our 2019 Group Financial Statements as of March 30, 2019. You should not view such translations as a representation that such pound sterling amounts actually represent such euro amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate, on such date or any other date.

(2) Represents drawn amounts under the Existing Term Loan Facility. On the Issue Date, we will use the proceeds of the Offering, together with drawings under the New Term Loan Facility, to repay and cancel the Existing Term Loan Facility.

(3) Represents amounts expected to be drawn under the New Term Loan Facility, which will be established under the Senior Facilities Agreement. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement.*"

(4) The New Revolving Credit Facility provides for aggregate borrowings of up to an equivalent of £60.0 million. We are subject to a £3.3 million contingent ancillary facilities under the New Revolving Credit Facility in relation to certain deferred consideration with respect to our acquisition of Serra. We expect the New Revolving Credit Facility to remain undrawn as of the Issue Date. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement*."

(5) Represents the aggregate principal amount of the Notes without giving effect to the accounting impact of unamortized debt issuance costs.

(6) Represents the subordinated unsecured loan facility entered into by Victoria PLC with the Business Growth Fund. See "*Description of Certain Financing Arrangements—BGF Loan*."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our financial information as of the dates and for the periods indicated below. The Group financial information as of and for the 52 weeks ended April 1, 2017, the 52 weeks ended March 31, 2018 and the 52 weeks ended March 30, 2019 has been derived from the Group Financial Statements included elsewhere in this Offering Memorandum. These Group Financial Statements have been audited by Grant Thornton UK LLP and have been prepared in accordance with IFRS.

The following selected financial information should be read in conjunction with, and is qualified in its entirety by reference to, the Group Financial Statements and other relevant information included elsewhere in this Offering Memorandum. You should also read the following information in conjunction with the "*Presentation of Financial Information*," "*Risk Factors*," "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Selected Income Statement Data of Victoria Group

	For the financial year ended		
	April 1, 2017	March 31, 2018	March 30, 2019
		(£ million)	
Revenue	**330.4**	**424.8**	**574.4**
Cost of sales	(220.8)	(279.4)	(370.1)
Gross profit	**109.6**	**145.4**	**204.3**
Distribution costs	(54.9)	(59.4)	(71.1)
Administrative expenses (excluding non-underlying and exceptional items)	(21.5)	(38.6)	(66.0)
Other operating income	0.5	1.4	3.1
Underlying operating profit	**33.7**	**48.8**	**70.3**
Amortization of acquired intangibles	(4.4)	(11.2)	(22.5)
Exceptional and non-underlying items	(2.6)	(11.2)	(23.8)
Statutory operating profit	**26.7**	**26.4**	**24.0**
Finance costs			
Underlying finance costs	(4.3)	(8.0)	(13.1)
Non-underlying finance (costs)/income	(3.6)	(5.0)	(14.6)
Profit before tax	**18.8**	**13.4**	**(3.7)**
Taxation	(6.2)	(4.8)	(4.2)
Profit for the period from continuing operations	**12.6**	**8.6**	**(7.9)**
Profit/(loss) for the period	**12.6**	**8.6**	**(7.9)**

Selected Balance Sheet Data of Victoria Group

	As of		
	April 1, 2017	March 31, 2018	March 30, 2019
		(£ million)	
Non-current assets			
Goodwill	59.8	188.1	223.7
Intangible assets other than goodwill	66.3	210.3	241.4
Property, plant and equipment	41.8	142.9	190.6
Investment property	0.2	0.8	0.2
Investments in associates	—	1.0	—
Deferred tax assets	5.0	4.6	5.8
Total non-current assets	173.1	547.7	661.7
Current assets			
Inventories	73.1	100.3	140.5
Trade and other receivables	55.1	88.2	116.0
Cash at bank and in hand	28.0	54.0	66.4
Total current assets	156.2	242.5	322.9
Total assets	**329.2**	**790.2**	**984.6**
Current liabilities			
Trade and other current payables	82.8	121.5	168.6
Current tax liabilities	4.3	1.0	—
Other financial liabilities	0.6	3.0	10.4
Total current liabilities	87.7	125.5	179.0
Non-current liabilities			
Trade and other non-current payables	19.9	29.2	19.5
Other non-current financial liabilities	116.1	306.1	392.3
Deferred tax liabilities	15.2	54.7	66.1
Retirement benefit obligations	11.1	9.1	7.8
Total non-current liabilities	162.3	399.1	485.7
Total liabilities	**250.0**	**524.6**	**664.7**
Net assets	**79.2**	**265.6**	**319.9**
Equity			
Share capital	4.5	5.9	6.3
Share premium	52.5	229.8	288.7
Retained earnings	16.5	26.7	20.6
Foreign exchange reserve	5.0	2.9	2.3
Other reserves	0.8	0.3	2.0
Total Equity	**79.3**	**265.6**	**319.9**

Selected Cash Flow Statement Data of Victoria Group

	For the financial year ended		
	April 1, 2017	March 31, 2018	March 30, 2019
		(£ million)	
Net cash flow from operating activities before movements in working capital	**42.8**	**53.3**	**75.0**
Net cash inflow from operating activities	**31.7**	**37.0**	**52.4**
Net cash used in investing activities	**(57.3)**	**(316.3)**	**(133.0)**
Net cash generated in financing activities	**33.4**	**306.6**	**88.8**
Net increase in cash and cash equivalents	**7.8**	**27.3**	**8.2**
Cash and cash equivalents at beginning of period	19.1	28.0	53.1
Effect of foreign exchange rate changes	1.1	(2.2)	(1.1)
Cash and cash equivalents at end of period	**28.0**	**53.1**	**60.2**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with the sections entitled "Presentation of Financial Data" and "Summary Historical Consolidated Financial Information and Other Data" as well as with the Group Financial Statements and the related notes thereto, included elsewhere in this Offering Memorandum. The following discussion includes forward-looking statements which, although based on assumptions and/or estimates that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties, please refer to the sections entitled "Forward-Looking Statements" and "Risk Factors."

We prepare our financial statements on the basis of a 52-week or 53-week financial period. For the purposes of this Offering Memorandum, we refer to the 52 weeks ended March 30, 2019 as the "2019 financial year," the 52 weeks ended March 31, 2018 as the "2018 financial year" and the 52 weeks ended April 1, 2017 as the "2017 financial year."

Except as the context otherwise indicates, when discussing historical results of operations in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Group," "Victoria," "Victoria Group," "Company," "we," "us," "our" and other similar terms are generally used to refer to the business of Victoria PLC and its subsidiaries.

Overview

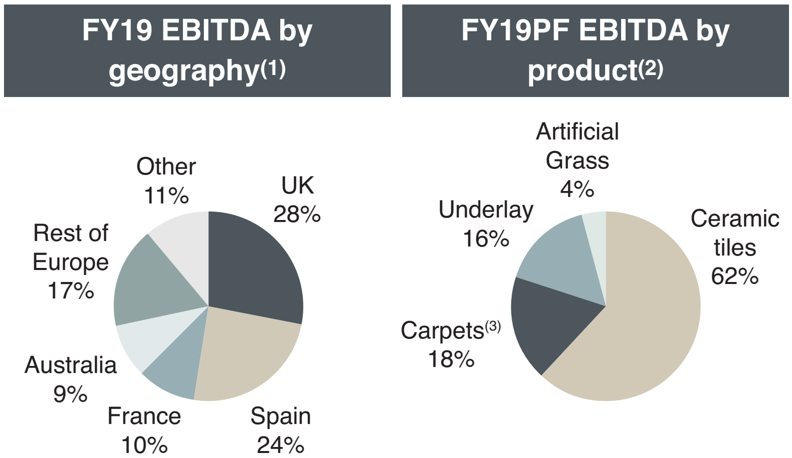
We are a leading international designer, manufacturer and distributor of innovative flooring products across the United Kingdom, Continental Europe and Australia, established in 1895 and publicly listed since 1963. In each of our product segments, we have leading market positions in the markets in which we operate. We are a leading Continental European ceramic tile manufacturer. In soft flooring, we are the largest carpet manufacturer in the United Kingdom, the second largest carpet manufacturer in Australia and the largest flooring underlay manufacturer in both countries, in each case by volume. We manufacture and supply a diversified range of products, including carpet, ceramic tiles, flooring underlay, luxury vinyl tile ("**LVT**"), artificial grass and flooring accessories. The majority of our products are for residential use, with a particular focus on the improvement and repair ("**I&R**") end-market. We primarily target mid- to upper-market product segments of the flooring industry as well as certain niche product segments. Our customer base is diverse and focused on small, independent retailers with whom we can differentiate ourselves from competitors by offering superior service.

We group our reported operating segments by product category and manufacturing geography. These segments, broadly divided into ceramic tile and soft flooring offerings, comprise: (i) UK & Europe—Ceramic Tiles, consisting of our ceramic tile manufacturing businesses in Spain and Italy; (ii) UK & Europe—Soft Flooring, consisting predominantly of our carpet, flooring underlay, artificial grass, LVT and flooring accessories businesses in the United Kingdom and Continental Europe; and (iii) Australia, consisting of our (predominantly carpet and flooring underlay) soft flooring businesses in Australia. In the 2019 financial year, ceramic tile accounted for 62.2% of our Adjusted *Pro Forma* EBITDA, with soft flooring and other products accounting for the remaining 38.8% of our Adjusted *Pro Forma* EBITDA.

For the 2019 financial year, we generated £612.3 million of *Pro Forma* Revenue and £107.1 million of Adjusted *Pro Forma* EBITDA (17.1% *Pro Forma* EBITDA margin). While we have grown largely through strategic acquisitions since 2013, like-for-like revenue growth was 4.6%, 1.6% and 2.0% for the 2017, 2018 and 2019 financial years, respectively.

Our revenue and Underlying EBITDA is diversified across a variety of products and geographies. Through a series of strategic acquisitions, we have developed a balanced operating model across ceramic tiles and soft flooring, offering a diversified product portfolio of flooring products, both in terms of product category and target price point. Although originally focused on soft flooring offerings, we have gained scale in the large and fragmented flooring industry through a combination of acquisitions and organic initiatives to become a major competitor in both the soft and hard flooring markets. In particular, our recent acquisitions of Keraben, Serra and Saloni have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic exposure.

The following charts set forth our Adjusted *Pro Forma* EBITDA by destination geography and product segment for the 2019 financial year.



(1) Geographic split is based on underlying EBITDA split by destination.

(2) This split assumes a consistent margin on sales across all geographies and for each business unit.

(3) Includes small amounts attributable to LVT and other products.

We have gained scale in the large and fragmented flooring industry through a combination of acquisitions and organic initiatives to become a major competitor in both the soft and hard flooring markets. To build on the competitive advantage of our soft flooring capabilities, we expanded into the complementary flooring underlay market by adding flooring underlay operations in both the United Kingdom and Australia in 2015 and 2016, respectively. This was achieved through the acquisitions of Interfloor in 2015 and Ezi Floor in 2016, flooring underlay manufacturers based in the United Kingdom, and the 2016 acquisition of Dunlop, a flooring underlay manufacturer based in Australia. In response to robust growth in demand for artificial grass, we further expanded into the artificial grass market through our acquisitions of GrassInc and Avalon in the Netherlands in 2017. We entered the ceramic tile segment in Continental Europe through our acquisitions of Serra (Italy) and Keraben (Spain) in 2017, and of Saloni (Spain) in 2018. These strategic acquisitions have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic footprint. We believe we have achieved an optimal level of integration with respect to our recent strategic acquisitions, enabling us to develop a balanced operating model across ceramic and soft flooring, offering a diversified product portfolio of flooring products.

We have a highly successful multi-brand strategy with over 30 brands encompassing mid- to upper-priced products. These include 14 carpet brands covering a broad range of wool and synthetic products, such as Victoria, Whitestone Weavers, StainFree and Quest; Westex and Hugh Mackay, two of our premium carpet brands; Duralay, Dunlop and Tredaire, leading and innovative flooring underlay brands; Keraben and Saloni, mid- to upper-market ceramic tile brands; Distinctive and Heartridge, under which we sell high-end LVT products; and GrassInc and Avalon, under which we sell artificial grass products for a wide range of applications, including lawns, parks, sports grounds and indoor applications.

We benefit from economies of scale through our consolidated manufacturing facilities in the United Kingdom, Spain, Italy and Australia. Our business is selectively vertically integrated, comprising three components: (i) the design and specification of the majority of our products; (ii) the manufacturing of the substantial majority of our products, with limited outsourcing in circumstances in which doing so is financially and operationally beneficial; and (iii) the distribution of our products based on their product category and customer proposition, which maximizes the turnover of our inventory and product efficiency. We believe that this balanced approach to vertical integration creates robust margins and increases our competitive advantage in our target markets. We believe we have competitive advantages in the markets in which we operate, including our design capabilities, large-scale and efficient in-house manufacturing facilities and our long-standing direct relationships with retailers across all operating businesses.

We operate ten manufacturing sites in the United Kingdom and Continental Europe and three manufacturing sites in Australia. Our integrated in-house capabilities allow us to operate our production facilities flexibly, varying production levels to meet demand, while maintaining a low fixed cost base, high efficiency and rigorous quality control. Where advantageous to do so, we have consolidated the design, manufacturing and distribution of certain products.

Our core markets are the United Kingdom, Continental Europe and Australia, where we employ over 3,000 people across more than 20 sites. The largest end-market for our products is the improvement and repair ("**I&R**") end-market, and, therefore, our business is less exposed to the economic cycles that otherwise commonly affect the smaller, cyclical construction end-market. We sell the substantial majority of our products in the same geographical segments in which they are manufactured, placing us in close proximity to our customer bases across core markets. Our relationships with our customers, the thousands of flooring retailers and small number of distributors and direct sales customers we supply across the United Kingdom, Continental Europe and Australia, are central to our success. We primarily sell directly to retailers. In the United Kingdom, our 3,000-plus customers range from independent retailers to distributors and large format chains. Some of these relationships, across operating geographies, are multi-generational and we believe the strength and depth of these relationships represent a significant competitive advantage. When coupled with our expansion since 2013, these relationships allow us to offer a broad range of products to our customers and further our cross-selling opportunities. We benefit from a large, diverse customer base with limited concentration. For the 2019 financial year, our top ten customers constituted 18.0% of our revenue, with our largest customer constituting less than four percent of our revenue.

Giving effect to the Acquisitions on an aggregated basis, our *Pro Forma* Revenue for the 2017, 2018 and 2019 financial years would have been £596.0 million, £607.0 million and £612.3 million, respectively, in each case, on a constant currency basis, and Adjusted *Pro Forma* EBITDA for the 2017, 2018 and 2019 financial years would have been £106.5 million, £108.6 million and £107.1 million, respectively, in each case, on a constant currency basis. See "*Presentation of Financial Information—Unaudited Non-IFRS Aggregated Financial Information*."

Significant Factors Affecting Our Results of Operations

Our results of operations, financial condition and liquidity have been influenced in the periods discussed in this Offering Memorandum by the following events, facts, developments and market characteristics. We believe that these factors are likely to continue to influence our operations in the future.

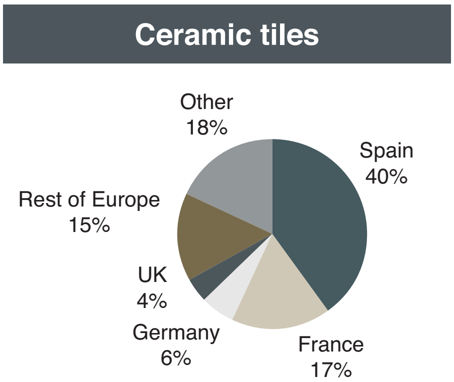
Product and Geographic Mix

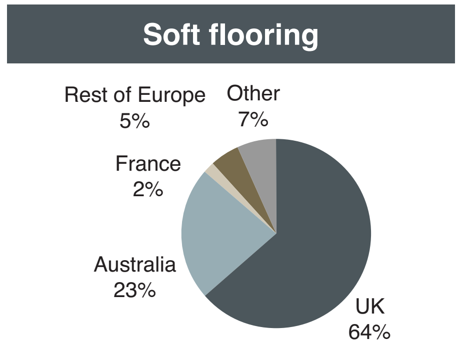
We offer an extensive range of mid- to upper-market flooring products in a variety of designs across our hard and soft flooring product segments, which comprise ceramic tiles, carpet, underlay and accessories and LVT. As the margins on our products vary, changes in the mix of our product sales have a direct impact on our total revenue and profitability. We typically achieve higher margins on sales in our hard flooring segments, and, as a result, growth in these product segments relative to our soft flooring segments generally results in improved overall profitability. The margins in our hard flooring segment are typically higher than the margins in our soft flooring segment because, in Continental Europe and globally, demand for hard flooring products is high, with supply concentrated in small pockets of regional expertise. The fact that the design of hard flooring products tends to be more varied and intricate also contributes to their higher margins. In addition, the fact that our businesses are technologically well-invested has further contributed to our margins. In order to take advantage of the higher margins in the hard flooring segment, we expanded into the ceramic tile (a type of hard flooring product) market through our acquisitions of Serra and Keraben in 2017 and through our recent acquisition of Saloni in 2018. The resulting shift in our product mix has been a significant factor in increasing our Underlying EBITDA margin from 15.2% in the 2018 financial year to 16.8% in the 2019 financial year.

Giving effect to the Acquisitions on an aggregated basis, our soft flooring segment (including underlay and other products) would have generated *Pro Forma* Revenue of £372.5 million, £372.4 million and £380.4 million for the 2017, 2018 and 2019 financial years, respectively, in each case, on a constant currency basis, and our soft flooring segment (including underlay and other products) would have generated Adjusted *Pro Forma* EBITDA of £53.5 million, £49.6 million and £41.2 million for the 2017, 2018 and 2019 financial years, respectively, in each case, on a constant currency basis.

Giving effect to the Acquisitions on an aggregated basis, our ceramic tile segment would have generated *Pro Forma* Revenue of £223.4 million, £234.6 million and £231.9 million for the 2017, 2018 and 2019 financial years, respectively, in each case, on a constant currency basis, and our ceramic tile segment would have generated Adjusted *Pro Forma* EBITDA of £53.8 million, £60.8 million and £67.6 million for the 2017, 2018 and 2019 financial years, respectively, in each case, on a constant currency basis.

The following charts set forth our 2019 Underlying EBITDA by destination geography and product segment.





Additionally, our range of products have varying margins in the different geographic regions in which we operate and, therefore, our geographic mix impacts our results of operation. Through our acquisitions of Serra, Keraben and Saloni, whose end markets are across Continental Europe, we have significantly broadened the geographic diversity of our sales. In 2018, we sold our products in more than 20 countries globally. The United Kingdom, Australia, Spain and France are our largest markets, representing 43.5%, 16.1%, 13.7% and 6.3% of our revenue, respectively, for the 2019 financial year.

Consumer Preference and Demand

Based on the composition of our customer base, we believe that the substantial majority of our revenues are generated in the I&R end-market. We focus on the I&R end-market as it is five to six times larger than the new construction end-market in the United Kingdom and Continental Europe and also less cyclical. Consumer decisions regarding the redecoration and renovation of existing properties are therefore a major driver of our business. Our business is therefore affected by our ability to design and manufacture new and attractive products in line with consumer preferences as well as overall consumer demand in the I&R end-market.

Consumers typically base their decision to purchase our products on a broad range of factors, including color, design, texture, shape, dimensions, pile height and density, price and other structural and technical features. In order to satisfy this broad range of preferences, we have built a portfolio of over 30 brands, have experienced design teams that are specific to these brands and have well-invested manufacturing equipment to support new product lines and adapt to shifts in demand. We aim to have optimal reach across the mid- and upper-market in our product segments, which allows us to deliver strong and sustainable margins.

Demand for new flooring in the I&R end-market is typically less volatile than the new construction end-market. As the I&R end-market is driven by consistent wear-and-tear damage and the desire to upgrade the appearance of existing homes, this market is characterized by greater price inelasticity and less susceptibility to fluctuations in the business cycle. While impacted by macroeconomic factors such as GDP growth, the level of employment, real wage levels and consumer confidence, we believe that demand for flooring in the I&R end-market is, to a certain degree, less susceptible to short-term macroeconomic fluctuations, as consumers can decide to repair or upgrade their flooring independently of other home improvement decisions.

We seek to follow consumer preferences and demand trends closely, using a systematic approach to collection planning, and maintaining a short design-to-product cycle. Our design, quality control, production and cost control processes are mutually reinforcing, resulting in product specifications that align with our target customers and price points while ensuring optimal margins. We have the ability to set up our machines and re-engineer our production facilities, as well as increase our production capacity to manufacture new and different products in response to changing trends and consumer preferences. In addition, the breadth of our product offerings and our ability to redeploy our machines to make new designs makes us less subject to the success or failure of any given collection.

Cost Base and Operational Improvements

We are a manufacturer and therefore rely on well-invested production equipment, labor and raw materials to run our business. Of our cost of sales (excluding depreciation) in the 2019 financial year, materials (including other direct costs such as packaging) comprised 72.5%, labor comprised 16.8% and overhead comprised 10.7%.

We are dependent on certain key raw materials, including synthetic yarn, wool, clay and polyurethane foam, and therefore our margins are impacted by variations in the cost of these raw materials. We manage the purchase of our key raw materials carefully, leveraging our scale and engaging with multiple suppliers in order to optimize pricing and security of supply. See "*—Macroeconomic Factors—Raw Material Expenses*."

Despite being a manufacturing business, we have a relatively low fixed cost base as a result of our automation of certain processes as well as the fact that our equipment generally has a very long useful life, given proper maintenance. We estimate that 54% of our cost base (which represents approximately 45% of our revenues) for the 2019 financial year vary directly with revenue. A further 36% of our cost base (which represents approximately 30% of our revenues) for the 2019 financial year is semi-variable, in respect of which we have the ability to adapt within a few months. In order to ensure that our manufacturing process is nimble and cost-effective, we are required to periodically make capital investments in our plant and equipment, which is further translated into depreciation on our income statement. Additionally, our business requires a limited amount of maintenance capital expenditures relative to our cash flows; of our capital expenditures for the 2019 financial year, £23.5 million related to maintenance (2018: £14.1 million, 2017: £10.8 million) and £20.9 million related to growth (2018: £15.2 million, 2017 £nil).

Further, following the acquisition of a new business, we look to realize operating cost synergies in order to drive margin enhancements. The purpose of these initiatives is to drive better buying terms with suppliers of raw materials, better working capital management through SKU reduction and rationalization of product lines and manufacturing assets. Realizing these operating synergies improves our margins by allowing us to manufacture our products more efficiently, including across a wide range of different SKUs, and allowing us to plan our production requirements in line with shifts in demand. We organize our operations so that we can flexibly shift production in line with changes to product specifications and to accommodate new designs.

Through our acquisitions since 2013, we have significantly increased the scale of our operations in the United Kingdom and in the carpet segment, in particular. As a result of this increased scale, and to optimize our cost structure, we embarked on two restructuring initiatives in the United Kingdom: one with respect to manufacturing and one with respect to logistics. In 2017, we closed our Kidderminster factory, resulting in our UK carpet production now being shared between factories located in Yorkshire and South Wales. We are also in the process of implementing a similar initiative in Australia, which will result in the consolidation of our two underlay factories into a single, enlarged facility. We have also completed the relocation of our Midlands Distribution Center and opened our Southern Distribution Center near London. We are still in the process of refining the multi-site operation of these distribution centers. The total cost of these projects incurred in the 2018 financial year was £4.5 million plus certain one-off capital expenditures equal to £3.3 million.

Business Relationships and Customer Success

We generally operate a business-to-business sales model and therefore rarely access the end-consumer directly. Therefore we rely on our customers' ability to sell and market our products effectively in order to increase our revenue and generate sustainable cash flows. As our customers grow, they tend also to increase their orders with us. We thus seek to maintain strong relationships with our customers and work side-by-side with them to help increase store traffic and grow their business.

We predominantly focus on selling directly to retailers, which represent 77.5% of Group revenue for the 2019 financial year. Approximately two-thirds of our direct sales to retailers are made to specialist retailers, with the rest going to either national retail chains or DIY retailers. We also sell certain of our products in certain jurisdictions to wholesalers where there is a structural or commercial rationale for doing so, and engage in a small amount of contract work for the construction or hospitality industry representing 5.6% of Group revenue for the 2019 financial year. We have developed what we believe are deep, longstanding relationships with our customers. We benefit from a broad range of customers with little concentration. For the 2019 financial year, our top ten customers constituted 18.0% of total revenue, with our largest customer constituting less than four percent of total revenue. In addition to ensuring low customer concentration, this diverse network of independent retailer customers presents a significant barrier to entry for new market participants.

Macroeconomic Factors

General Economic Conditions and Industry Environment

Our results of operations are affected by macroeconomic conditions, as well as the conditions affecting consumer spending on flooring in the markets in which we operate. Such conditions include levels of employment, consumer confidence, inflation, growth in GDP, real disposable income, currency exchange rates, interest rates, home prices and the availability of consumer credit. All of the markets in which we operate were adversely impacted by the global economic downturn that started in 2008. Nevertheless, the Group was resilient throughout the financial crisis, increasing revenue in each year of the 2006–2011 financial period. While we shifted our sales mix to lower than average selling prices to protect sales volumes, we were able to utilize our flexible cost base to protect our margins. As macroeconomic indicators like GDP, real wages and employment levels have improved across the United Kingdom, Continental Europe and Australia, we have seen an increase in the rate of growth in the flooring market.

Overall economic conditions typically have a direct impact on the specific markets that drive our business, although market sensitivity varies, depending on the product. Our business is focused on the I&R end-market, which is less susceptible to the effects of an economic downturn than the new construction end-market, which typically fluctuates in line with the overall business cycle. Additionally, we target the mid- and upper-markets of the flooring market, which have historically been more resilient during economic downturns.

During an economic downturn, raw material prices typically decrease, which can mitigate the adverse effect of potential volume decreases. We also believe that our strategic goal of expanding our presence in Continental Europe and Australia have increased our geographic and product diversification, and thereby allow us to further mitigate the impact of changes in local and regional economic conditions and consumer preferences. For example, uncertainty around the United Kingdom and Eurozone economic outlooks, driven by the forthcoming exit of the United Kingdom from the European Union, is mitigated by the operational independence of our United Kingdom and Continental European divisions and the fact that neither is heavily reliant on imports or exports.

Foreign Exchange Rate Fluctuations

We operate internationally and, as a result, are exposed to changes in the value of our operational currencies, the pound sterling, the euro, the Australian dollar and the U.S. dollar. For the 2019 financial year, 44.3% of our revenue was denominated in pound sterling, 17.4% of our revenue was denominated in Australian dollars, and 38.3% of our revenue was denominated in euro. As a consequence, we have considerable cash flow, earnings and assets in currencies other than our reporting currency, which is the pound sterling. Our exposure to changes in exchange rates may be described in terms of translation exposure and transaction exposure. See "*Risk Factors—Risks Related to Our Industry and Our Business—Our operations require the use of several different currencies, exposing us to both transaction and translation effects of exchange rate fluctuations that could adversely affect our profitability, costs and ability to repay indebtedness or comply with certain maintenance covenants.*"

Translation risk is the risk that exchange rates impact the value of our revenues, costs, assets and liabilities reported in pounds sterling in our Consolidated Financial Statements. The weakening of the pound sterling relative to our other operational currencies will result in an increase in our revenues and costs as reported in pounds sterling. For example, since the national referendum in the United Kingdom on Brexit in June 2016, the value of the pound sterling relative our other operational currencies has declined, resulting in an increase in our reported revenues and costs.

In addition, the majority of our debt is, and will continue to be following the Offering, denominated in euro and therefore the amount of our reported indebtedness is subject to a certain degree of currency-related fluctuations when translated into pounds sterling for inclusion in our financial statements at period-end exchange rates.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. As a result of our operational structure, our exposure to currency transaction risk is relatively limited, with 82.5% of our costs denominated in the relevant local operating currency in the 2019 financial year. Our primary transactional risk exposure comes in the form of raw material purchases by our United Kingdom and Australian operations, in which sales are predominantly denominated in pounds sterling and Australian dollars, respectively, but which have costs denominated in euro and U.S. dollars (8.5% and 9.0%, respectively). Our Continental European ceramic tile businesses have very little transactional risk exposure. We mitigate our limited transactional risk through forward exchange contracts up to 12 months in advance to hedge our residual exposure to currencies other than the pound sterling. See "*—Qualitative and Quantitative Disclosure About Market Risk—Currency Risk*."

Fluctuations in the value of the euro and Australian dollar relative to the pound sterling typically have a short-term impact on our gross margin as, on the revenue side, both we and our customers seek to adjust prices in response to foreign currency fluctuations. On the expense side, both we and our suppliers also seek to adjust prices. In addition, our industry is competitive and elastic, as demonstrated by price rebalancing across the industry in response to foreign currency and raw material price fluctuations. Changes in foreign exchange rates also have an impact on the competitive dynamics within our markets, in particular with respect to our UK carpet business. As the majority of carpeting in the United Kingdom is imported from competitors in Continental Europe, the weakening of the pound sterling relative to the euro increases our competitive advantage in this market. See "*Risk Factors—Risks Related to Our Industry and Business—Our operations require the use of several different currencies, exposing us to both transaction and translation effects of exchange rate fluctuations that could adversely affect our profitability, costs and ability to repay indebtedness or comply with certain maintenance covenants*."

The effect of a 10% strengthening of the Australian dollar against the pound sterling over the full year would, all other variables held constant, have resulted in an increase in our post-tax profit for the year of £0.2 million (2018: increased our post-tax profit by £0.7 million; 2017: increased our post-tax profit by £0.2 million). A 10% weakening of the Australian dollar against the pound sterling, on the same basis, have decreased Group post-tax profit by £0.1 million (2018: decreased Group post-tax profit by £0.6 million; 2017: decreased Group post-tax profit by £0.1 million).

The effect of a 10% strengthening of the Australian dollar against the pound sterling at year-end rates would, all other variables held constant, have resulted in an increase to equity of £2.0 million (2018: an increase of £2.2 million; 2017: an increase of £2.1 million). A 10% weakening of the Australian dollar against the pound sterling would, on the same basis, have decreased equity by £1.7 million (2018: decrease of £1.8 million; 2017: decrease of £1.7 million).

The effect of a 10% strengthening of the euro against the pound sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £1.5 million. A 10% weakening in the euro against the pound sterling would, on the same basis, have decreased Group post-tax profit by £1.5 million.

The effect of a 10% strengthening of the euro against pound sterling at year-end rates would have resulted in an increase to equity of £2.0 million. A 10% weakening in the euro against the pound sterling would, on the same basis, have decreased equity by £1.7 million.

Raw Materials Expenses

Raw materials constitute the majority of our production costs. Our key raw material inputs (other than electricity at 1.2% of costs) are: (i) with respect to carpets, synthetic yarn (16.1% of costs); (ii) with respect to ceramics, clay and natural gas (6.0% and 4.2% of costs, respectively); and (iii) with respect to underlay, polyurethane foam trim (5.3% of costs). As supply for these inputs is relatively unconstrained, our underlying raw material expenses do not typically exhibit significant volatility. In any event, we seek to pass-through any increases in raw material prices to our customers. Additionally, we have a broad range of suppliers, with our top ten suppliers constituting only 14.5% of our total expenditure with third parties, for the 2019 financial year. In some instances, prices are fixed pursuant to long-term agreements but, more commonly, the Group purchases strategically using competitive processes. We typically review prices every six to 12 months. The primary source of volatility with respect to our raw material expenses is currency risk, primarily with respect to synthetic yarn and polyurethane foam trim, which we purchase in euro and U.S. dollars. We significantly mitigate this risk through forward exchange contracts to hedge our residual exposure to currencies other than the pound sterling. See "*—Foreign Exchange Rate Fluctuations*."

Acquisitions

Our acquisition strategy is primarily focused on our targets as stand-alone propositions. We seek to acquire businesses that are growing and profitable, with high-quality facilities and products as well as competitive advantages in production and distribution. In line with our commitment to sustainable growth, we look to a combination of equity and debt funding to acquire material businesses and to maintain leverage levels in line with our historical performance and financial policy.

In October 2016, the Group acquired the business and assets of Ezi Floor Limited ("**Ezi Floor**") for initial cash consideration of £6.5 million and deferred cash consideration of £6.5 million payable over the next four succeeding years. Ezi Floor benefits from a modern, well-equipped, manufacturing facility near Bradford, Yorkshire, and is a manufacturer and distributor of a range of underlay and flooring accessories for both the residential and contract end-markets. Ezi Floor sells to wholesalers, retail groups, and independent stores throughout the United Kingdom. The acquisition of Ezi Floor is highly complementary to our existing businesses, with the addition of underlay and hard flooring ranges to our product portfolio, which previously consisted of only broadloom carpet and carpet tiles. The Group results for the 2017 financial year included contribution from Ezi Floor of £4.4 million of revenue and £1.2 million of underlying profit before tax (before amortization of acquired intangibles, acquisition and reorganization costs). Ezi Floor's results have been consolidated with our own from the date of its acquisition in October 2016.

In January 2017, the Group acquired the business and assets of Dunlop Flooring through a newly incorporated company in Australia, Primary Flooring Pty Ltd. ("**Dunlop Flooring**"), for cash consideration of AUD $36.4 million (£22.4 million), which continues to trade under the Dunlop Flooring name. The acquisition of Dunlop Flooring is highly complementary to our existing businesses in Australia with the addition of underlay and hard flooring ranges to our product portfolio that previously consisted of only broadloom carpet and carpet tiles. The Group results for the 2017 financial year included contribution from Dunlop Flooring AUD $8.7 million (£5.0 million) of revenue and AUD $0.8 million (£0.5 million) of underlying profit before tax (before amortization of acquired intangibles, acquisition and reorganization costs). Dunlop Flooring's results have been consolidated with our own from the date of its acquisition in January 2017.

In February 2017, the Group acquired the entire share capital of GrassInc and Avalon for initial cash consideration of €11.2 million (£9.5 million) and deferred consideration of €5.1 million (£4.3 million) payable over the next four succeeding years, with additional deferred consideration of €8.8 million (£7.5 million) payable over the same period subject to improved EBITDA and other criteria. These acquisitions have allowed the Group to expand to the artificial grass market, which has and continues to show robust growth in the global market. These acquisitions are complementary to our existing expertise, as the artificial grass manufacturing process is virtually identical to the carpet manufacturing process. The Group results for the 2017 financial year included contributions from Avalon and GrassInc of €3.0 million (£2.6 million) of revenue and €0.7 million (£0.6 million) of underlying profit before tax (before amortization of acquired intangibles, acquisition and reorganization costs). GrassInc's and Avalon's results have been consolidated with our own from the date of their acquisitions in February 2017.

In November 2017, the Group acquired the entire share capital of Keraben for total consideration of €274.1 million (£243.4 million). Keraben, which is based in Castellón, Spain, designs, manufactures and distributes a range of mid- to upper-market white body and porcelain tiles for both wall and floor covering. The enlarged group, containing three brands with strong market reputation, is substantially diversified in terms of both product and geography and is an ideal platform for further potential acquisitions in the ceramic tile segment. The Group results for the 2018 financial year included contribution from Keraben of €46.8 million (£41.1 million) of revenue and €10.8 million (£9.5 million) of profit before tax (before amortization of acquired intangibles and acquisition costs). Keraben's results have been consolidated with our own from the date of its acquisition in November 2017.

In December 2017, the Group acquired the entire share capital of Serra for initial cash consideration of €38.1 million (£33.6 million) and deferred cash consideration of up to €20.0 million (£17.7 million) payable over the next four succeeding years. Serra, which is based in Serramazzoni, Italy, sells and exports ceramic tiles domestically and abroad, selling to a combination of wholesalers, retail groups and independent stores throughout Continental Europe, North America and Asia. The Group results for the 2018 financial year included contribution from Serra of €6.5 million (£5.7 million) of revenue and €2.5 million (£2.2 million) of profit before tax (before amortization of acquired intangibles and acquisition costs). Serra's results have been consolidated with our own from the date of its acquisition in December 2017.

In August 2018, the Group acquired the entire share capital of Saloni from Obinesa Grupo Industrial S.L. for cash consideration of €96.7 million (£86.2 million). The acquisition further drives our expansion in the Continental European ceramic tile segment and presents opportunities for synergies with our existing businesses. The Group results for the 2019 financial year included contribution from Saloni of €65.2 million (£57.5 million) of revenue and €5.8 million (£5.1 million) of profit before tax. Saloni's results have been consolidated with our own from the date of its acquisition in August 2018.

Seasonality

Our carpet and underlay sales in the United Kingdom and Australia have historically been slightly higher in September, October and November, driven by an increase in home improvement activity in advance of the holiday season. Our ceramic tile sales in Continental Europe are less susceptible to seasonal variation, with August, December and January being our slow months as home improvement activity tapers off during and following holidays. Sales of artificial grass are the most susceptible to seasonal variation, with demand being highest between April and August in Continental Europe and the United Kingdom. Our working capital is highest just prior to the seasonal peak; given the lack of seasonal variation in our ceramic tile segment and the small scale of our artificial grass segment, this means our working capital tends to be at its highest in September and October of each year.

Factors Affecting Comparability of Our Financial Results

The Transactions

As of March 30, 2019, we had £322.6 million of outstanding net senior indebtedness and, after giving *pro forma* effect to the Transactions, we would have had £335.5 million (with such increase attributable to transaction fees and expenses) of outstanding net senior indebtedness on a consolidated basis. Additionally, *pro forma* for the Transactions, the substantial majority of our indebtedness will be denominated in euro. To the extent that the pound sterling/euro exchange rate varies, the pound sterling equivalent amount due upon repayment of the principal amount could increase.

Operating Segment Reporting

Our current operating segments are (i) UK & Europe—Ceramic Tiles, (ii) UK & Europe—Soft Flooring and (iii) Australia. Prior to the 2019 financial year, we presented our soft flooring and hard flooring operating businesses in the United Kingdom and Continental Europe as a single operating segment ("UK & Europe"). We believe our current operating segments for those geographies, UK & Europe—Ceramic Tiles and UK & Europe—Soft Flooring, better present our operating results given our significant operations in both soft and hard flooring. To facilitate comparability of our operating segments, we have re-presented certain financial information presented for the 2018 financial year in the below section entitled "*—Results of Operations—Comparison of results of operations for the 52 weeks ended March 31, 2018 and the 52 weeks ended March 30, 2019—Revenue by operating segment*" to give effect to our 2019 financial year re-segmentation. See "*Definitions—UK & Europe—Ceramic Tiles*" and "*Definitions—UK & Europe—Soft Flooring*."

Description of Key Components of Our Income Statement

Revenue

Revenue is measured by reference to the fair value of consideration receivable by the Group for goods supplied, excluding VAT and trade discounts. Revenue is recognized upon the sale of goods or transfer of risk to the customer sold.

Cost of Sales

Cost of sales represents variable expenses (excluding VAT and trade discounts) incurred from revenue generating activity, including cost of materials and production costs, labor costs and depreciation from the manufacture of goods.

Distribution costs

Distribution costs include the cost of warehousing (including labor), internal transportation costs (including labor) and the cost of using third-party logistics providers.

Administrative expenses

Administrative expenses represents design and development costs, sales and marketing costs, operating lease rentals, losses on disposal of fixed assets, professional fees, salaries, information technology, human resources and other administrative costs.

Other operating income

Other operating income includes income from renting portions of our properties, sale of excess stock to auction houses, government grants and the generation and sale to the local power grid of electricity generated through Keraben's manufacturing process.

Depreciation and amortization

Depreciation represents the depreciation of property, plant and equipment. Amortization represents the amortization of intangible assets, including the amortization of capitalized development costs.

Exceptional items

Exceptional items are operating costs which are material by virtue of their size or incidence but are not expected to be recurring.

Non-underlying items

Non-underlying items are material non-trading costs and non-underlying finance costs as determined by the Board. They are disclosed separately in the Group Financial Statements in order to fairly present the results for the period. Non-underlying items include the amortization of acquired intangibles, the release of prepaid arrangement fees on refinanced bank facilities, mark-to-market adjustments on foreign exchange contracts and interest rate swaps, deferred and contingent consideration fair value adjustments, share based payment charges and retranslation of foreign currency loans. For more information, see the "Significant Accounting Policies" section in the 2019 Group Financial Statements.

Finance Costs

Finance costs are comprised of interest payable on loans, amortization of prepaid finance costs, interest accrued on the BGF Loan, net interest expense on defined benefit pensions and other non-underlying finance costs.

Taxation

Taxation is comprised of the current year's underlying current and deferred tax charge. The standard rate of tax applied to our underlying profit was 21.8% in the 2017 financial year, 22.5% in the 2018 financial year and 24.3% in the 2019 financial year.

Non-IFRS Measures

In this Offering Memorandum, we have included references to certain Non-IFRS Measures, including Underlying EBITDA and Underlying EBITDA margin. We define Underlying EBITDA as earnings before interest, tax, depreciation, amortization and exceptional items.

We define Underlying EBITDA margin as Underlying EBITDA divided by revenue.

These Non-IFRS Measures are included in this Offering Memorandum because management believes they are useful to investors, securities analysts and other interested parties as additional measures of performance. These Non-IFRS Measures should not be considered in isolation and should not be considered as an alternative to profit or loss for the period or any other performance measures derived in accordance with IFRS. See "*Presentation of Financial Information—Non-IFRS Measures—Non-IFRS Measures*" and "*Summary Historical Consolidated Financial Information and Other Data*."

See "*Forward-Looking Statements*" and "*Risk Factors*" for a discussion of certain factors that could affect our future performance and results of operation.

Results of Operations

Comparison of results of operations for the 52 weeks ended March 31, 2018 and the 52 weeks ended March 30, 2019

The following table sets forth certain income statement data for the 2018 and 2019 financial years.

	52 weeks ended March 31, 2018	52 weeks ended March 30, 2019
	(£ million)	
Revenue	**424.8**	**574.4**
Cost of sales	**(279.4)**	(370.1)
Gross profit	**145.4**	**204.3**
Distribution costs	(59.4)	(71.1)
Administrative expenses (excluding non-underlying and exceptional items)	(38.6)	(66.0)
Other operating income	1.4	3.1
Underlying operating profit	**48.8**	**70.3**
Amortization of acquired intangibles	(11.2)	(22.5)
Exceptional and non-underlying items	(11.2)	(23.8)
Statutory operating profit	**26.4**	**24.0**
Finance costs		
Underlying finance costs	(8.0)	(13.1)
Non-underlying finance costs	(5.0)	(14.6)
Profit before tax	**13.4**	**(3.7)**
Taxation	(4.8)	(4.2)
Profit for the period	**8.6**	**(7.9)**

The following table sets forth our reconciliation of Underlying EBITDA to Underlying Operating Profit for the periods indicated.

	52 weeks ended March 31, 2018	52 weeks ended March 30, 2019
	(£ million)	
Underlying Operating Profit	**48.8**	**70.3**
Depreciation and amortization	15.9	26.0
Underlying EBITDA	**64.7**	**96.3**

Revenue

During the 2019 financial year, our revenue increased by £149.6 million, or 35.2%, to £574.4 million from £424.8 million for the 2018 financial year. The increase in revenue was primarily due to our acquisition of Saloni and the full-year effect of our prior year acquisitions of Keraben and Serra. During the 2019 financial year, our revenue increased by 2.0% on a like-for-like basis, which was primarily attributable to strong revenue growth in our UK & Europe—Soft Flooring segment, partially offset by a decline in revenue generated by our Australia segment and a slight decline in our UK & Europe—Ceramic Tiles segment. Our revenue from our UK & Europe—Soft Flooring segment increased by 7.3% on a like-for-like basis over this period, which was primarily the result of the successful re-balancing of our soft flooring product portfolio to take into account recent demand for slightly lower-priced products on average. Our revenue from our Australia segment decreased by 6.9% on a like-for-like basis over this period, which was primarily due to the more challenging trading environment and the impact of tighter mortgage lending caps put in place by the Australian Prudential Regulation Authority in 2017, which ended in 2019. Our revenue from our UK & Europe—Ceramic Tiles segment decreased slightly by 1.3% on a like-for-like basis over this period, which was primarily due to the impact of a one-off disruption in

Serra's production due to the installation of a new porcelain production line (completed in June 2018) and some pricing pressure on the small amount of products we export to customers outside of the United Kingdom and Continental Europe.

Revenue by operating segment

The following table sets forth our revenue for the 2018 and 2019 financial years by operating segment. Prior to the 2019 financial year, we presented our soft flooring and hard flooring operating businesses in the United Kingdom and Continental Europe as a single operating segment ("UK & Europe"). To facilitate comparability of our operating segments, we have re-presented certain financial information presented for the 2018 financial year in the chart below.

	52 weeks ended March 31, 2018	**52 weeks ended March 30, 2019**
	(£ million)	
Revenue	**424.8**	**574.4**
By operating segment:		
UK & Europe—Soft Flooring(1)	265.0	280.5
UK & Europe—Ceramic Tiles(1)	47.0	193.9
Australia	112.8	100.0

(1) Prior to the 2019 financial year, we presented our soft flooring and hard flooring operating businesses in the United Kingdom and Continental Europe as a single operating segment. The financial information presented in this table for the 2018 financial year has been re-presented to give effect to our 2019 financial year re-segmentation. See "*Presentation of Financial Information—Operating Segment Reporting*."

UK & Europe—Soft Flooring: Our revenue from UK & Europe—Soft Flooring segment increased by £15.5 million, or 5.8%, to £280.5 million for the 2019 financial year from £265.0 million for the 2018 financial year.

UK & Europe—Ceramic Tiles: Our revenue from our UK & Europe—Ceramic Tiles segment increased by £146.9 million, or 312.6%, to £193.9 million for the 2019 financial year from £47.0 million for the 2018 financial year.

Australia: Our revenue from Australia decreased by £12.8 million, or 11.3%, to £100.0 million for the 2019 financial year from £112.8 million for the 2018 financial year.

Cost of sales

Cost of sales increased by £90.7 million, or 32.5%, to £370.1 million for the 2019 financial year from £279.4 million for the 2018 financial year. Our cost of sales increased primarily due to the acquisition of Saloni and the full-year effect of the prior year acquisitions of Keraben and Serra. Our cost of sales as a percentage of total revenue decreased by 1.4 percentage points from 65.8% for the 2018 financial year to 64.4% for the 2019 financial year.

Gross profit

Gross profit increased by £58.9 million, or 40.5%, to £204.3 million for the 2019 financial year from £145.4 million for the 2018 financial year. Our gross profit margin increased by 1.4 percentage points from 34.2% for the 2018 financial year to 35.6% for the 2019 financial year. This was due to the acquisition of Saloni and the full-year effect of the prior year acquisitions of Keraben and Serra.

Underlying administrative expenses and distribution costs

Administrative expenses (excluding non-underlying and exceptional items) increased by £27.4 million, or 71.0%, to £66.0 million for the 2019 financial year from £38.6 million for the 2018 financial year. Distribution costs increased by £11.7 million, or 19.7%, to £71.1 million for the 2019 financial year from £59.4 million for the 2018 financial year. These increases were primarily due to the acquisition of Saloni, the full-year effect of the prior year acquisitions of Keraben and Serra. In total, underlying administrative expenses and distribution costs for the 2019 financial year have, as a percentage of revenue, remained consistent at 23.8% of revenue, as compared to 23.1% of revenue in the 2018 financial year.

Other operating income

Other operating income increased by £1.7 million, or 121.4%, to £3.1 million for the 2019 financial year from £1.4 million for the 2018 financial year. This income primarily relates to the sale to the local power grid of electricity generated as a byproduct of the manufacturing process from Keraben's combined heat and power plant.

Underlying operating profit

Underlying operating profit increased by £21.5 million, or 44.1%, to £70.3 million for the 2019 financial year from £48.8 million for the 2018 financial year. Our underlying operating profit margin increased by 0.7 percentage points from 11.5% for the 2018 financial year to 12.2% for the 2019 financial year. This increase is primarily attributable to the acquisition of Saloni and the full-year effect of the prior year acquisitions of Keraben and Serra.

Finance costs

Our underlying finance costs increased by £5.1 million, or 63.8%, to £13.1 million for the 2019 financial year from £8.0 million for the 2018 financial year. This reflects the additional interest costs resulting from the acquisition of Saloni and the prior year acquisitions of Keraben and Serra. Reported net finance costs increased by £14.7 million, or 113.1%, to £27.7 million for the 2019 financial year from £13.0 million for the 2018 financial year, predominantly as a result of fair value adjustments to deferred and contingent consideration of £7.2 million and translation differences of £3.6 million.

Taxation

The reported corporation tax charge decreased by £0.6 million, or 12.5%, to £4.2 million for the 2019 financial year from £4.8 million for the 2018 financial year. The underlying tax charge of £13.9 million for the 2019 financial year, when measured against underlying profit before tax, represents an effective tax rate of 24.3%. This compares to an underlying tax charge of £9.2 million for the 2018 financial year and an effective tax rate of 22.5%. The increase in the effective tax rate primarily reflects a greater contribution from subsidiaries in geographies where the corporate tax rate is higher than the historical Group effective tax rate, as a result of the acquisition of Saloni and the full-year impact of our acquisitions of Keraben and Serra.

Underlying EBITDA

Underlying EBITDA increased by £31.6 million, or 48.8%, to £96.3 million for the 2019 financial year from £64.7 million for the 2018 financial year. This increase was primarily due to the acquisition of Saloni and the full-year effect of the prior year acquisitions of Keraben and Serra. Our Underlying EBITDA margin increased by 1.6 percentage points from 15.2% for the 2018 financial year to 16.8% for the 2019 financial year, which is partially attributable to the shift in our product mix towards ceramic tile products.

Comparison of results of operations for the 52 weeks ended April 1, 2017 and the 52 weeks ended March 31, 2018

The following table sets forth certain income statement data for the 2017 and 2018 financial years.

	52 weeks ended April 1, 2017	52 weeks ended March 31, 2018
	(£ million)	
Revenue	**330.4**	**424.8**
Cost of sales	(220.8)	(279.4)
Gross profit	**109.6**	**145.4**
Distribution costs	(54.9)	(59.4)
Administrative expenses (excluding non-underlying and exceptional items)	(21.5)	(38.6)
Other operating income	0.5	1.4
Underlying operating profit	**33.7**	**48.8**
Amortization of acquired intangibles	(4.4)	(11.2)
Exceptional and non-underlying items	(2.6)	(11.2)
Statutory operating profit	**26.7**	**26.4**
Finance costs		
Underlying finance costs	(4.3)	(8.0)
Non-underlying finance costs	(3.6)	(5.0)
Profit before tax	**18.8**	**13.4**
Taxation	(6.2)	(4.8)
Profit for the period	**12.6**	**8.6**

The following table sets forth our reconciliation of Underlying EBITDA to Underlying Operating Profit for the periods indicated.

	52 weeks ended April 1, 2017	52 weeks ended March 31, 2018
	(£ million)	
Underlying Operating Profit	**33.7**	**48.8**
Depreciation	12.0	15.9
Underlying EBITDA	**45.7**	**64.7**

Revenue

During the 2018 financial year, our revenue increased by £94.4 million, or 28.6%, to £424.8 million from £330.4 million for the 2017 financial year. The increase in revenue was primarily due to the acquisitions of Keraben and Serra during the year, as well as the full-year impact of the consolidation of acquisitions made in the prior year. Underlying trading conditions in our traditional carpet and underlay markets were slightly softer in the 2018 financial year compared to the prior year, in particular during the second half. Despite this, the Group experienced like-for-like revenue growth of 1.6%. This increase was primarily attributable to an increase in sales volumes, partially offset by a drop in average selling price due to a change in sales mix and a strategic decision to remain highly competitive on pricing in certain product segments in order to drive increases in market share. Excluding the impact of the acquisitions of Keraben and Serra, during the 2018 financial year as well as exchange rate fluctuations, our revenue would have increased by 1.2% to £334.4 million. This increase was primarily attributable to an increase in sales volumes partially offset by a drop in average selling price due to a change in sales mix and a strategic decision to remain highly competitive on pricing in order to drive increases in market share.

Revenue by geographical segment

The following table sets forth our revenue for the 2017 and 2018 financial years by geographical segment.

	52 weeks ended April 1, 2017	52 weeks ended March 31, 2018
	(£ million)	
Revenue	**330.4**	**424.8**
By geographical segment:		
UK & Europe(1)	241.7	312.0
Australia	88.7	112.8

(1) Prior to the 2019 financial year, we presented our soft flooring and hard flooring operating businesses in the United Kingdom and Continental Europe as a single operating segment. We have reorganized our operating segments for the 2019 financial year. See "*Presentation of Financial Information—Operating Segment Reporting*."

UK & Europe: Our revenue from UK & Europe increased by £70.3 million, or 29.1%, to £312.0 million for the 2018 financial year from £241.7 million for the 2017 financial year. This increase was primarily due to the acquisitions of Keraben and Serra.

Australia: Our revenue from Australia increased by £24.1 million, or 27.2%, to £112.8 million for the 2018 financial year from £88.7 million for the 2017 financial year. This increase was primarily due to organic growth and the full-year impact of the consolidation of Dunlop Flooring, which was acquired during the prior year.

Cost of sales

Cost of sales increased by £58.6 million, or 26.5%, to £279.4 million for the 2018 financial year from £220.8 million for the 2017 financial year. Our cost of sales increased primarily due to the acquisitions of Millennium, Keraben and Serra. Our cost of sales as a percentage of total revenue decreased by 1.0 percentage point from 66.8% for the 2017 financial year to 65.8% for the 2018 financial year.

Gross profit

Gross profit increased by £35.8 million, or 32.7%, to £145.4 million for the 2018 financial year from £109.6 million for the 2017 financial year. Our gross profit margin increased by 1.0 percentage point from 33.2% for the 2017 financial year to 34.2% for the 2018 financial year. This improvement was driven in part by our evolving product mix, reflecting the addition of ceramic tile products from our acquisitions of Keraben and Serra, as well as operational improvements including the closure of our Kidderminster factory.

Underlying administrative expenses and distribution costs

Administrative expenses (excluding non-underlying and exceptional items) increased by £17.1 million, or 80.0%, to £38.6 million for the 2018 financial year from £21.5 million for the 2017 financial year. Distribution costs increased by £4.5 million, or 8.2%, to £59.4 million for the 2018 financial year from £54.9 million for the 2017 financial year. These increases were primarily due to the acquisitions of Keraben and Serra. In total, underlying administrative expenses and distribution costs have, as a percentage of revenue, remained constant at 23.1% of revenue.

Other operating income

Other operating income increased by £0.9 million, or 180.0%, to £1.4 million for the 2018 financial year from £0.5 million for the 2017 financial year. This income primarily relates to the sale to the local power grid of electricity generated as a byproduct of the manufacturing process from Keraben's combined heat and power plant.

Underlying operating profit

Underlying operating profit increased by £15.1 million, or 44.8%, to £48.8 million for the 2018 financial year from £33.7 million for the 2017 financial year. Our underlying operating profit margin increased by 1.3 percentage points from 10.2% for the 2017 financial year to 11.5% for the 2018 financial year. This increase is primarily attributable to the increase in our gross profit margin.

Finance costs

Our underlying finance costs increased by £3.7 million, or 86.0%, to £8.0 million for the 2018 financial year from £4.3 million for the 2017 financial year. This reflects the increased level of financial debt we have incurred as our business has grown, with debt (as well as equity) being used to partially fund the acquisitions of Keraben and Serra during the year, as well as the full-year impact of acquisitions made in the prior year. Reported net finance costs (after the inclusion of non-underlying items) increased by £5.1 million, or 64.6%, to £13.0 million for the 2018 financial year from £7.9 million for the 2017 financial year, with the largest component of non-underlying finance costs being foreign exchange translation losses.

Taxation

The reported corporation tax charge decreased by £1.4 million, or 22.6%, to £4.8 million for the 2018 financial year from £6.2 million for the 2017 financial year. The underlying tax charge of £9.2 million for the 2018 financial year, when measured against underlying profit before tax, represents an effective tax rate of 22.5%. This compares to an underlying tax charge of £6.4 million for the 2017 financial year and an effective tax rate of 21.9%. The slight increase in the effective tax rate primarily reflects mix effects of varying tax rates in the jurisdictions in which we operate.

Underlying EBITDA

Underlying EBITDA increased by £19.0 million, or 41.6%, to £64.7 million for the 2018 financial year from £45.7 million for the 2017 financial year. This increase was primarily due to the acquisitions of Keraben and Serra. Our Underlying EBITDA margin increased by 1.4 percentage points from 13.8% for the 2017 financial year to 15.2% for the 2018 financial year.

Liquidity and Capital Resources

Capital Resources

Our primary sources of liquidity for the periods presented have primarily been our loan facility agreements, cash flows from operations and retained earnings. The principal financing arrangements that will be in place following the Offering will consist of the Notes, the New Term Loan Facility, the New Revolving Credit Facility and the BGF Loan, as described in the section entitled "*Description of Certain Financing Arrangements*." On the Issue Date, we will use the proceeds of the Offering, together with drawings under the New Term Loan Facility, to repay and cancel the Existing Term Loan Facility and the Existing Revolving Credit Facility, for general corporate purposes and to pay the fees and expenses in connection with the Transactions. See "*Use of Proceeds" and "Capitalization*."

Following the Offering and the application of the proceeds therefrom, our debt service obligations will consist primarily of interest payments on the Notes, principal and interest payments on amounts drawn under the New Term Loan Facility, amounts drawn under the New Revolving Credit Facility, if any, the BGF Loan and any capital lease obligations.

As of March 30, 2019, on a *pro forma* basis after giving effect to the Transactions, we would have had net senior debt on a consolidated basis of £335.5 million.

Although we believe that our expected cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes or other debt when due. If our cash flow from operating activities are lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and the cost of our current and future debt obligations depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions, and capital markets, restrictions in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Related to the Notes and Our Structure—We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control.*"

Cash Flows

The following table sets forth our consolidated cash flows for each of the periods indicated.

	For the financial year ended		
	April 1, 2017	March 31, 2018	March 30, 2019
		(£ million)	
Net cash flow from operating activities before movements in working capital	**42.8**	**53.3**	**74.9**
Net cash inflow from operating activities	**31.7**	**37.0**	**52.5**
Net cash used in investing activities	**(57.3)**	**(316.3)**	**(133.1)**
Net cash generated in financing activities	**33.4**	**306.6**	**88.8**
Net increase in cash and cash equivalents	**7.8**	**27.3**	**8.2**
Cash and cash equivalents at beginning of period	19.1	28.0	53.1
Effect of foreign exchange rate changes	1.1	(2.2)	(1.1)
Cash and cash equivalents at end of period	**28.0**	**53.1**	**60.2**

Cash flow from operating activities

Net cash flow generated by operating activities increased by £15.4 million to a net inflow of £52.4 million for the 2019 financial year from a net inflow of £37.0 million for the 2018 financial year. This increase was primarily due to increases in operating profits as a result of the acquisition of Saloni and the full-year effect of the prior year acquisitions of Keraben and Serra. Operating cash flow before interest, tax and exceptional items increased by £41.4 million to £105.7 million for the 2019 financial year from £64.3 million for the 2018 financial year. Operating Cash Flow Conversion as measured against EBITDA was 99.4% for the 2018 financial year as compared to 109.8% for the 2019 financial year.

Net cash flow generated by operating activities increased by £5.3 million to a net inflow of £37.0 million for the 2018 financial year from a net inflow of £31.7 million for the 2017 financial year. This increase was primarily due to increases in operating profits as a result of the acquisitions of Keraben and Serra partially offset by a number of exceptional costs associated with these acquisitions. Operating cash flow before interest, tax and exceptional items increased by £20.7 million to £64.3 million for the 2018 financial year from £43.6 million for the 2017 financial year. Operating Cash Flow Conversion as measured against EBITDA was 95.4% for the 2017 financial year as compared to 99.4% for the 2018 financial year.

Cash flow from investing activities

Net cash used in investing activities decreased by £183.3 million to a net outflow of £133.0 million for the 2019 financial year from a net outflow of £316.3 million for the 2018 financial year. The decrease was primarily due to the cash consideration paid in connection with our acquisitions of Keraben and Serra being greater than the cash consideration paid in connection with our acquisition of Saloni. See "*—Liquidity and Capital Resources—Capital Expenditures*."

Net cash used in investing activities increased by £259.0 million to a net outflow of £316.3 million for the 2018 financial year from a net outflow of £57.3 million for the 2017 financial year. The increase was primarily due to the cash consideration paid on completion of the acquisitions of Keraben and Serra.

Cash flow from financing activities

Net cash generated by financing activities decreased by £217.8 million to £88.8 million for the 2019 financial year from £306.6 million for the 2018 financial year. The decrease was primarily due to the lower purchase price associated with our acquisition of Saloni as compared to that of Keraben and Serra in the prior period.

Net cash generated by financing activities increased by £273.2 million to £306.6 million for the 2018 financial year from £33.4 million for the 2017 financial year. The increase was primarily due to the increase in long-term loans related to the acquisitions of Keraben and Serra, which was partially offset by the excess cash used to pay down balances on our existing indebtedness.

Working Capital

Our working capital follows a seasonal pattern, and is generally at its highest at the beginning of the seasonal peak in soft flooring in September. See "*—Significant Factors Affecting Our Results of Operations—Seasonality.*"

As of the end of the 2017, 2018 and 2019 financial years, our trade working capital was £45.3 million, £67.0 million and £87.9 million, respectively. These increases were primarily due to the acquisitions in the period.

The following table sets forth the components of our working capital as of the dates indicated.

	As of		
	April 1, 2017	**March 31, 2018**	**March 30, 2019**
		(£ million)	
Inventories	73.1	100.3	140.5
Trade and other receivables	55.1	88.2	116.0
Trade and other payables	(82.9)	(121.5)	(168.6)
Total working capital	**45.3**	**67.0**	**87.9**

Capital Expenditures

We categorize our capital expenditures as either maintenance capital expenditures or expansionary capital expenditures. As much of our plant and machinery is relatively inexpensive and can be replaced on a modular basis, our maintenance capital expenditure requirements are minimal. While our maintenance capital expenditures have increased over the period under review, as our business has grown, our maintenance capital expenditures as a percentage of our total revenue have remained relatively stable, at 3.3%, 3.3% and 4.1% for the 2017, 2018 and 2019 financial years, respectively. Our expansionary capital expenditures are primarily related to our initiatives to expand and improve our manufacturing and logistics capabilities in order to meet the needs of our growing business.

Our capital expenditures during the 2019 financial year were £44.4 million compared to £29.3 million during the 2018 financial year, comprising of £23.5 million in maintenance capital expenditures and £20.9 million in expansionary capital expenditures. The increase in our capital expenditures in the 2019 financial year as compared to the 2018 financial year was primarily attributable to: (i) the addition of Keraben's new clay atomizers in floor and wall plants in order to increase clay reception capacity, (ii) Keraben's new inkjet printing machines for wall and floor pressing and glazing processes, (iii) the installation of a state-of-the-art finishing line in the South Wales factory, (iv) ongoing logistics optimization projects and (v) investments to increase our manufacturing capacity in our Abingdon, Quest and Keraben businesses.

Our capital expenditures during the 2018 financial year were £29.3 million compared to £10.8 million during the 2017 financial year. The increase in our capital expenditures in the 2018 financial year as compared to the 2017 financial year was primarily attributable to the increase in our maintenance capital expenditures due to the growth of our business and to the increase in our expansionary capital expenditures due to the relocation of our Midlands Distribution Center and the completed opening of our Southern Distribution Center, the replacement of one of Serra's production lines to increase production capacity and the addition of new plant and equipment at certain of Keraben's production facilities. Our capital expenditures during the 2018 financial year comprised: £14.1 million in maintenance capital expenditures and £15.2 million in expansionary capital expenditures.

Financial Indebtedness

Contractual Obligations and Contingent Liabilities

The table below summarizes our material contractual obligations as of March 30, 2019, *pro forma* for the Transactions:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			(£ million)		
Notes offered hereby(1)	—	—	283.9	—	283.9
New Term Loan Facility	—	28.6	114.6	—	143.2
Bank overdraft	6.2	—	—	—	6.2
BGF Loan	2.1	—	9.4	—	11.5
Finance lease, capex facility and other debt	2.3	1.7	1.8	—	5.8
Total	**10.6**	**30.3**	**409.7**	**—**	**450.6**

(1) For the purposes of this calculation, the Notes have been converted into pound sterling at a rate of €1.1624 = £1.00. This exchange rate differs from the exchange rate in effect as of March 30, 2019 and may differ from the exchange rate in effect as of the Issue Date. You should not view such translations as a representation that such pound sterling amounts actually represent such euro amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate, on such date or any other date.

We also have contingent ancillary facilities under the New Revolving Credit Facility equal to £3.3 million in relation to certain deferred consideration with respect to our acquisition of Serra.

As of March 30, 2019, we also have deferred and contingent earn-out liabilities in connection with our acquisitions of Ezi Floor, Avalon, GrassInc and Serra of £16.6 million due within one year and £12.5 million falling due after one year.

Qualitative and Quantitative Disclosure About Market Risk

Credit Risk

Our principal financial assets are bank balances and cash, trade and other receivables and investments.

Our exposure to credit risk is primarily attributable to our 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. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction on the recoverability of the cash flows.

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.

We have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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

Liquidity Risk

Liquidity risk arises from our 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. Our policy is to ensure that we always have sufficient cash to allow us to meet our 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 board of directors of the Issuer (the "**Board**") monitors annual cash budgets and updated forecasts against actual cash position on a monthly basis. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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. After giving *pro forma* effect to the Transactions, we anticipate that only the amounts that we borrow under the New Revolving Credit Facility and New Term Loan Facility will be subject to variable interest rates, as the Notes will carry interest at a fixed rate.

The annualized 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 an increase in post-tax profit of £0.4 million for the 2019 financial year. A 50 basis point increase in the interest rate would, on the same basis, have reduced the profit for the year by the same amount.

Currency Risk

We operate internationally and are exposed to foreign exchange risk arising from various factors, primarily with respect to the pound sterling, the euro and the Australian dollar. Our main currency exposure arises from our ownership of our Continental European and Australian subsidiaries, which accounted for 66.7% and 7.6% of our total assets in the 2019 financial year, respectively. It is the Board's policy not to hedge against translational risk-resulting movements in the pound sterling/Australian dollar and pound sterling/euro exchange rates. Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported. These exposures 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. See "*—Significant Factors Affecting Our Results of Operations—Macroeconomic Factors—Foreign Exchange Rate Fluctuations*."

Trading Risk

It is our policy that no trading in financial instruments shall be undertaken.

Critical Accounting Estimates and Judgments

Our Consolidated Financial Statements are prepared in accordance with IFRS. The amounts presented in our consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in the economic environment, financial markets and any other parameters used in determining such estimates and judgments could cause actual results to differ and the estimates and assumptions will seldom equal the related actual results.

Our accounting policies are more fully described in the "Significant Accounting Policies" sections of our audited Group Financial Statements included elsewhere in this Offering Memorandum. We believe the following policies to be the most significant policies that require management to consider matters that are inherently uncertain or to make subjective and complex judgments.

Measurement of intangible assets

Intangible assets are recognized on acquisitions in relation to customer relationships, brands and developed technology. The fair value of these assets are determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. These are assessed based upon our forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates, expected changes to selling prices and direct costs, brand royalty rates and customer attrition.

Measurement of deferred tax assets

We have potential deferred tax assets, principally in the form of tax losses, but deferred tax assets are only recognized to the extent it is probable that sufficient future taxable income will be available against which the losses and deductions can be utilized. Recognition therefore involves an assessment of the future performance of the particular legal entity in which the deferred tax asset has been recognized. Deferred tax assets in respect of losses recognized at the balance sheet date are based on the assumption that there is a high expectation that the asset will be realized in due course.

Valuation of deferred and contingent earn-out consideration

Liabilities are recognized in respect of acquisitions with outstanding deferred or contingent earn-outs at the end of the period. These are assessed based upon management forecasts for each relevant business based upon our financial projections for the next 12 months and by applying growth assumptions for future years where relevant. Key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs.

Share based payments

We have share based payment incentive arrangements in place for certain employees. The fair value of these growth shares is based on the growth in the share price of the Issuer above a certain threshold and is measured using the appropriate valuation model (Black-Scholes or Monte Carlo) at the grant date. Key assumptions include expected volatility and the expected exercise period. The growth shares awarded effectively track the market capitalization of the Issuer and, therefore, historical share price volatility has been used as a guide to the expected future volatility of the growth shares. As the fair value of the share based payment charge is spread on a straight line basis to the income statement over the expected term, this estimate impacts the annual charge recognized.

Defined benefit obligation

We have two defined benefit pension schemes. The obligations under the schemes are recognized in our consolidated balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from the Board. 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.

Because of 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 judgment.

Inventories

A proportion of inventory is made up of stocks which are not expected to sell for the full normal selling price, either because they are remnants, come from discontinued ranges, or are below the required quality standard. This inventory is carried at the lower of cost and net realizable value. For the 2019 financial year, the total movement in stock provisions resulted in a credit to the income statement of £1.0 million (2018 financial year: credit of £0.5 million; 2017 financial year: credit of £0.2 million).

Trade receivables

Amounts owed by subsidiaries to the Issuer are not considered to be impaired. The main factors in assessing the impairment of trade receivables are the age of the balance and the circumstances of the individual customer. The Board considers that the carrying amount of all receivables, including those impaired, approximates to their fair value.

Impairment of goodwill, investments or intercompany balances

Determining whether goodwill, investments or intercompany balances are impaired requires an estimation of the value in use of the cash-generating units 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. We are required on an annual basis to perform an impairment review to assess whether the carrying value of goodwill, investments or intercompany balances are less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. None of the goodwill is expected to be tax deductible.

New Standards and Interpretations

IFRS 9—Financial Instruments

In 2014, the IASB introduced IFRS 9—*Financial Instruments*. This standard replaces IAS 39—*Financial Instruments: Recognition and Measurement*. We have implemented IFRS 9 with effect from April 1, 2018. IFRS 9 has been implemented with respect to the 2019 Group Financial Statements.

IFRS 9 has not significantly impacted the classification and measurement of our financial instruments. See the "Significant Accounting Policies" section of our 2019 Group Financial Statements for more details about IFRS 9 and our assessment of its impact.

IFRS 15—Revenue from Contracts with Customers

In 2014, the IASB introduced IFRS15—*Revenue from contracts with customers*. IFRS 15 specifies how and when revenue is recognized together with enhanced disclosure requirements. IFRS 15 replaces existing revenue recognition standards: IAS 11—*Construction Contracts* and IAS 18—*Revenue*, and a number of revenue-related interpretations. We have implemented IFRS 15 with effect from April 1, 2018. IFRS 15 has been implemented with respect to the 2019 Group Financial Statements.

IFRS 15 has not significantly impacted our consolidated financial statements. See the "Significant Accounting Policies" section of our 2019 Group Financial Statements for more details about IFRS 15 and our assessment of its impact.

IFRS 16—Leases

In January 2016, the IASB issued IFRS 16—*Leases*, which requires most leases to be recognized on-balance for lessees, thereby eliminating the distinction between operating and finance leases. IFRS 16 replaces IAS 17—*Leases and related interpretations*. We have implemented IFRS 16 with effect from March 31, 2019.

We have evaluated the impact of IFRS 16 on our current lease arrangements. See the "Significant Accounting Policies" section of our 2019 Group Financial Statements for more details about IFRS 16 and our assessment of its impact.

The market information included in this section is taken or derived from the Freedonia Report (unless otherwise stated). Market information is inherently forward-looking and subject to uncertainties and may not reflect actual market conditions. Market information is based on market research, which itself is based on sampling and subjective judgments by both researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below, including in the section entitled "—Industry Composition—Competitors," are based on management's own information, insights, subjective opinions and internal estimates, and are not based on any third-party or independent source; these statements contain words such as "we estimate," "we expect" or "we believe" and as such do not purport to cite or summarize any third-party or independent source and should not be so read. Prospective purchasers of the Notes should not place undue reliance on any forecasts and forward-looking statements in this section and should make their own independent assessment of our future prospects and the risks relating to the markets in which we operate. See "Risk Factors," "Forward-Looking Statements" and "Presentation of Industry and Market Data."

Global Market Overview

By product

There are a number of products that comprise the global flooring industry. The two major product segments are: hard flooring, which is composed of non-resilient flooring and resilient flooring, and soft flooring, which is also known as carpets and rugs. Global demand for flooring includes both hard flooring and soft flooring (collectively, "**Global Flooring Demand**").

Non-resilient flooring includes ceramic tiles, laminate and wood flooring, as well as other miscellaneous items such as bamboo, glass, plastic and grating. Relative to other flooring products, non-resilient flooring benefits from durability and ease of maintenance. In 2017, non-resilient flooring accounted for approximately 58.1% of flooring demand (Source: Freedonia Report). The non-resilient flooring segment is forecast to grow at an expected compound annual growth rate ("**CAGR**") of 3.1% between 2017 and 2022 (Source: Freedonia Report).

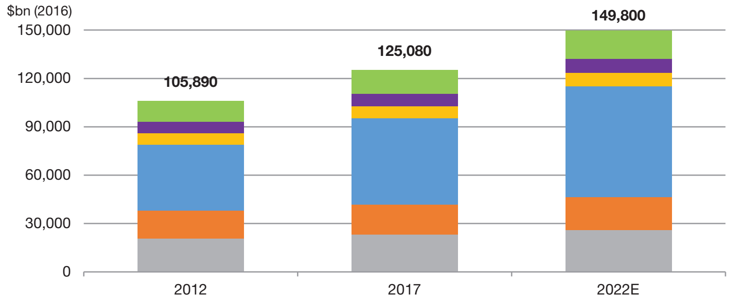
Resilient flooring products mainly consist of vinyl but also include asphalt, cork, linoleum and rubber. Resilient flooring products are relatively lower in cost compared to other flooring products and benefit from high underfoot comfort, noise absorption, durability and wear resistance. Also included in this category are LVT, which have been gaining popularity in recent years with demand expected to continue to increase. Resilient flooring is expected to be the fastest growing segment with a CAGR of 3.9% in the period from 2017 to 2022 (Source: Freedonia Report).

Soft flooring products are textile floor coverings. These products range from braided, hooked and needle-punched products, as well as tufted products such as broadloom carpeting, scatter rugs, bath mats and artificial grass. In contrast to the other types of flooring, soft flooring is expected to show more modest growth over the 2017 to 2022 period, with a forecast CAGR of 2.4% (Source: Freedonia Report). Tufted products constitute the vast majority of this segment, and their lower cost and improving product performance are expected to contribute to demand growth for tufted products.

By region

The level of economic growth has an impact on Global Flooring Demand. Global real gross domestic product ("**GDP**") is projected to grow at a CAGR of 3.7% from 2017 through to 2022, with the Asia/Pacific region expected to experience the highest growth rate over the forecast period (Source: Freedonia Report). The forecasted global real GDP growth rate is slightly higher than the global real GDP growth rate experienced for the 2012 to 2017 period. The following chart shows GDP by region for 2012 through to the forecasted GDP for 2022.

Gross Domestic Product by Region (billion 2016 dollars)



	2012	2017	2022E	2012-2017 CAGR	2012-2022E CAGR
GDP	105,890	125,080	149,800	3.4%	3.5%
North America	20,730	23,130	25,890	2.2%	2.2%
Western Europe	17,350	18,730	20,370	1.5%	1.6%
Asia / Pacific	40,810	53,460	68,950	5.5%	5.4%
Central & South America	7,309	7,454	8,495	0.4%	1.5%
Eastern Europe	7,001	7,456	8,385	1.3%	1.8%
Africa / Mideast	12,690	14,850	17,710	3.2%	3.4%

Source: Freedonia Report

Global Flooring Demand is forecasted to reach 21.0 billion square meters (“**m²**”) with a valuation of approximately $226 billion by 2022 (Source: Freedonia Report). This represents a CAGR of 3.1% from 2017 to 2022 (Source: Freedonia Report). The Asia/Pacific region and the Africa/Mideast region are projected to contribute to most of this growth, as personal income for individuals in developing countries in these regions is expected to grow. Growing personal income in these areas is also expected to translate into increased demand for flooring products as an alternative to traditional unimproved floor surfaces.

Our largest markets are Western Europe, the United Kingdom and Australia. The Western European region is projected to record a CAGR of 1.3% over the 2017 to 2022 period (Source: Freedonia Report). The United Kingdom is expected to have a similar growth profile over the same period, with demand also forecasted to grow at a CAGR of 1.1% (Source: Freedonia Report). Demand in Australia, where soft flooring dominates the market, is forecasted to grow at a CAGR of 0.8% over the 2017 to 2022 period (Source: Freedonia Report).

By end-market

Flooring has three predominant end-markets: (i) residential buildings, (ii) non-residential buildings and (iii) transportation equipment and other uses.

The residential buildings end-market encompasses single-family homes, multi-family structures (for example, apartments) and manufactured housing. This end-market can be further segmented into (i) new construction (i.e. the building of new structures) end-market (3.0 billion m^2 of demand as of 2017) and (ii) improvement and repair (**“I&R”**) end-market (6.4 billion m^2 of demand as of 2017). The I&R end-market constitutes the majority of the market.

The non-residential buildings end-market includes office, retail, institutional, industrial, and other business / government facilities. Like the residential buildings end-market, flooring in this end-market can also be further segmented into new construction and I&R. The new construction end-market is smaller relative to the I&R end-market, both globally and in Western Europe.

The transportation equipment and other uses end-market consists of a variety of vehicle types (for example, automobiles and boats) and other miscellaneous applications such as power plant control rooms and water treatment facilities. Nearly all of the transportation related flooring products are installed at the OEM level an remain throughout the vehicle’s life, unless it is refurbished.

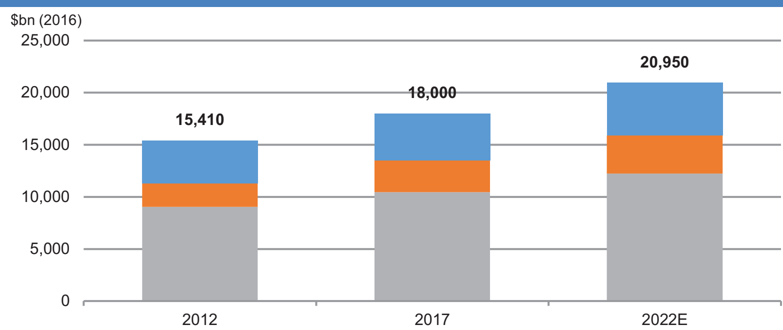
The primary driver of Global Flooring Demand is construction activity, which includes new construction and I&R. Economic and demographic factors have an impact on the level of construction activity. For example, residential construction expenditure is influenced by real interest rates, population growth, employment rates and personal income. On the other hand, non-residential construction expenditure is impacted by the general business cycle and the supply of buildings within a particular area. Additionally, higher income countries (such as Australia, the United States and Japan) typically have well-developed building construction and/or transportation equipment manufacturing sectors, making new construction and renovations more affordable for their respective populations.

Global Flooring Demand by Product

Flooring product demand varies greatly across jurisdictions with flooring decisions influenced by a number of factors. Cultural preferences are one factor that influence flooring demand. For example, soft flooring accounted for the majority (52.9%) of flooring demand in the United States in 2017 (Source: Freedonia Report). In contrast, soft flooring accounted for 8.1% in China in 2017 (Source: Freedonia Report). Additionally, climate can impact flooring choices across geographies, with ceramic tile being more popular in warmer regions.

In 2017, non-resilient flooring was the most popular flooring product accounting for 58.1% of flooring demand (Source: Freedonia Report). Non-resilient flooring is forecasted to grow between 2017 to 2022 at a CAGR of 3.1% (Source: Freedonia Report). In contrast, soft flooring is expected to grow at a more modest pace over this period at a CAGR of 2.4% (Source: Freedonia Report). The following chart shows Global Flooring Demand by product for 2012 and 2017 as well as forecasted demand for 2022.

Global Flooring Demand by Product: 2012, 2017 and 2022E (million m^2)



				2017-22E CAGR
Total Demand	15,410	18,000	20,950	3.1%
Nonresilient	9,035	10,465	12,220	3.1%
Resilient	2,290	3,025	3,660	3.9%
Carpets & Rugs	4,085	4,510	5,070	2.4%

Source: Freedonia Report

Non-resilient Flooring

Non-resilient flooring tends to be more costly than other flooring products, though this price differential has decreased as the prices of other products have increased. As the non-resilient flooring segment encompasses a very broad range of products, it is more fragmented than the flooring industry as a whole.

Global demand for non-resilient flooring is expected to reach 12.2 billion m^2 by 2022, representing a CAGR of 3.1% from 2017 through to 2022 (Source: Freedonia Report). In 2017, ceramic tiles were the most popular category of non-resilient flooring globally, representing approximately two thirds of the global demand for non-resilient flooring (Source: Freedonia Report). The two other significant non-resilient flooring products in 2017 were wood and laminate, accounting for 11.9% and 11.5% of global non-resilient flooring demand, respectively (Source: Freedonia Report).

Ceramic is forecast to grow at the fastest rate among non-resilient flooring products, with an estimated CAGR of 3.3% from 2017 to 2022 (Source: Freedonia Report).

Resilient Flooring

Resilient flooring products primarily encompass vinyl-based products but the segment also includes asphalt, cork, linoleum and rubber. The key benefits of resilient flooring products include high underfoot comfort, noise absorption, durability, high wear resistance and relatively lower cost. LVT have been gaining popularity in recent years and demand is expected to continue to increase.

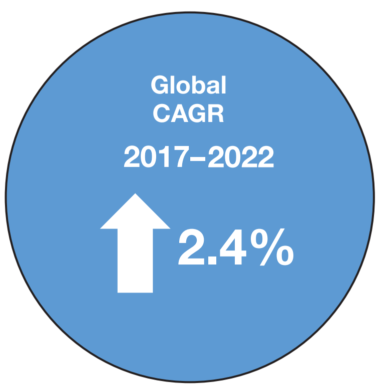
Global demand for resilient flooring is expected to reach 3.7 billion m^2 by 2022, representing a CAGR of 3.9% from 2017 through to 2022 (Source: Freedonia Report). In 2017, vinyl accounted for 84.5% of global resilient flooring demand (Source: Freedonia Report). Vinyl is forecast to grow at the fastest rate at an estimated CAGR of approximately 3.9% from 2017 to 2022 (Source: Freedonia Report).

Soft Flooring

Soft flooring products comprise woven and tufted broadloom carpets and carpet tiles, area rugs, bath mats, door mats, staircase runners, as well as carpets for aircraft, motor vehicles and other products. In recent years, global demand for soft flooring products has lost market share to hard flooring products, with soft flooring products market share declining from 31.0% of Global Flooring Demand in 2007 to 25.1% in 2017 (Source: Freedonia Report). This trend is expected to stabilize by 2022, with soft flooring products projected to account for 24.2% of Global Flooring Demand (Source: Freedonia Report).

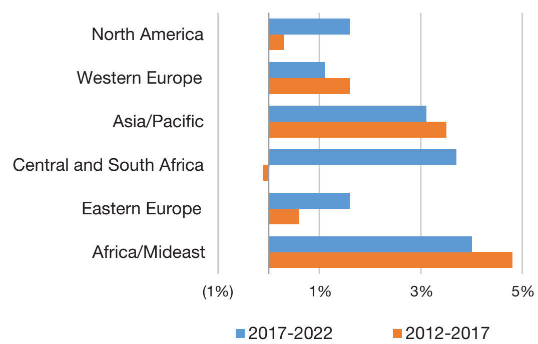
Global demand for soft flooring products is forecast to reach 5.1 billion m^2 in 2022, representing a CAGR of 2.4% from a demand of 4.1 billion m^2 in 2012 (Source: Freedonia Report). In 2017, tufted products accounted for 58.4% of global soft flooring demand (Source: Freedonia Report). Woven products are forecast to grow at the fastest rate at an estimated CAGR of 3.1% from 2017 to 2022 (Source: Freedonia Report).

Global Soft Flooring Market



Regional Outlook

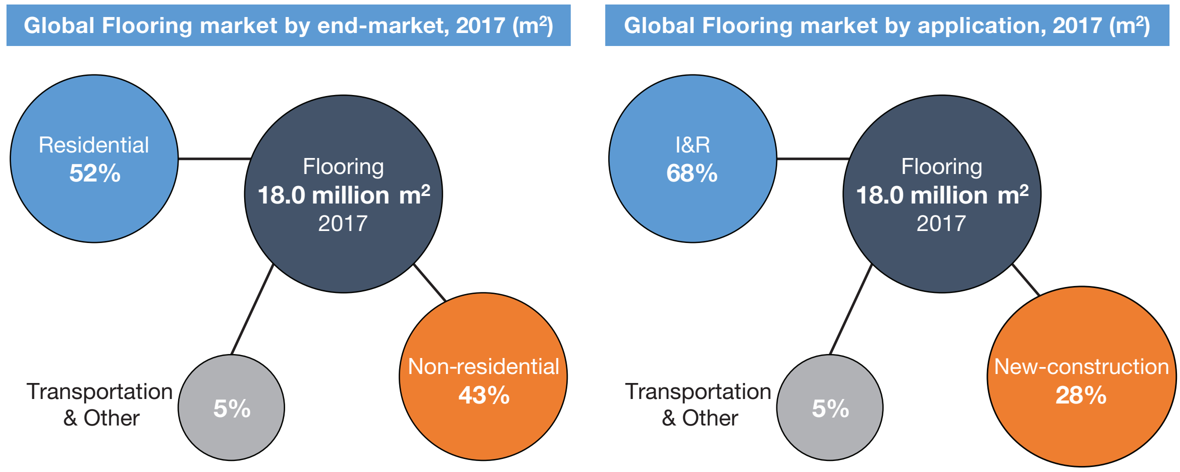
Compound Annual Growth by Region (m^2)



Source: Freedonia Report.

Global Flooring Demand by Market

The following chart outlines the market share of Global Flooring Demand of each end-market as well as the key industry players.



Source: Freedonia Report.

We focus on the I&R end-market, which is significantly larger than the new construction end-market, demonstrating our limited dependence on new construction activity. Additionally, the I&R end-market is more price inelastic as flooring refurbishment is a cost-efficient method of aesthetic improvement relative to other refurbishment alternatives.

Residential Buildings

Demand growth in the residential buildings end-market is forecasted to be constrained as a result of a predicted decrease in global residential construction spending. Demand for flooring in the residential buildings end-market is forecasted to reach 10.7 billion m^2 by 2022 from 9.4 billion m^2 in 2017, representing a CAGR of 2.6% from 2017 through to 2022 (Source: Freedonia Report). This growth is broadly in line with the CAGR for the 2012 to 2017 period (Source: Freedonia Report).

The I&R end-market is expected to grow at a CAGR of 2.7%, reaching 7.3 billion m^2 in 2022 compared to 6.4 billion m^2 in 2017 (Source: Freedonia Report). This is faster than the expected CAGR for the new residential segment of 2.3% over the same period (Source: Freedonia Report). The growing popularity of hard flooring products, which are more durable than textiles and can often last at least two decades, are expected to limit growth rates in the I&R end-market. However, demand is expected to benefit from increased personal income levels in developing countries, making I&R projects more affordable.

Non-residential Buildings

Demand for flooring in the non-residential buildings end-market is projected to reach 9.3 billion m^2 by 2022 from 7.7 billion m^2 in 2017, representing a CAGR of 3.8% over this period (Source: Freedonia Report). This expected CAGR is less than the CAGR of this segment from 2012 to 2017 (Source: Freedonia Report).

Similar to the residential construction market, the non-residential I&R end-market is significantly larger than the non-residential construction end-market, with non-residential I&R accounting for 74.6% of global non-residential flooring demand in 2017 (Source: Freedonia Report). Demand for flooring products in the non-residential I&R end-market is expected to grow at a CAGR of 3.5% for the period from 2017 to 2022, reaching 6.9 billion m^2 by 2022 (Source: Freedonia Report). The expected CAGR in this segment is in line with the CAGR experienced in this segment from 2012 to 2017 (Source: Freedonia Report).

Transportation Equipment and Other Uses

The transportation equipment and other uses market includes a variety of vehicle types, from automobiles, boats, recreational vehicles, vans, and other consumer-type equipment to aircraft, buses, rail cars, ships, trucks, and other commercial vehicles. We do not have a significant presence in this end-market.

Industry Composition

Overview

The global floor covering industry is highly fragmented, consisting of a large number of manufacturers and distributors offering a diversity of products. These companies range from small, privately-held businesses focused on producing a single type of floor covering, to state-owned enterprises, to multinational corporations with a diverse product offering. While there are a number of large players in the industry, small and mid-sized companies dominate overall production.

In 2017, the top three producers, Mohawk Industries, Shaw Industries and Tarkett, collectively accounted for 10.1% of Global Flooring Demand market share (Source: Freedonia Report).

Competitors

We primarily operate within the residential segment of the flooring market, with a focus on supply to the retail channel. We believe that we do not have any directly comparable competitors due to our diverse product offering within our core markets in Europe and Australia. In our view, the industry landscape within which Victoria operates can be broadly divided into three competitor market segments, namely, soft flooring specialists, ceramic tile specialists, and large multi-class producers.

Within the soft flooring specialists segment, Balta, Condor Carpets and Associated Weavers are some of the key, larger players with a strong presence in Europe. However, these companies do not have any offering within resilient or non-resilient hard flooring. Furthermore, whilst all of these companies export to the UK market, which is both the largest broadloom carpet market within Europe and our primary focus within this segment, they do not have comparably broad distribution capabilities and are more reliant than Victoria on local wholesalers and larger national retailers.

Within the ceramic tile specialists segment, Porcelanosa, Pamesa Ceramica and Baldocer, each based in Spain, and Florim and Marazzi (the latter owned by Mohawk), based in Italy, are examples of key competitors. However, none of these companies have resilient hard flooring or soft flooring product offerings.

In terms of large multi-class producers, Tarkett, Forbo and Beaulieu International (Flooring Solutions division) are the main players within Europe. Tarkett and Forbo are predominantly focused on the manufacture and distribution of resilient hard flooring products (where Victoria currently has a smaller, selective presence) as well as products for commercial end-markets. The Flooring Solutions division of Beaulieu International has a broader product offering, including a range of resilient and non-resilient hard flooring products as well as broadloom carpets, although no ceramic tile offering.

Key Markets Overview

Our key markets are the United Kingdom, Spain, France and Germany (all of which are part of the Western European market) as well as Australia (which is part of the Asia/Pacific market). We have provided a general overview of these markets below.

United Kingdom Market Overview

Overview

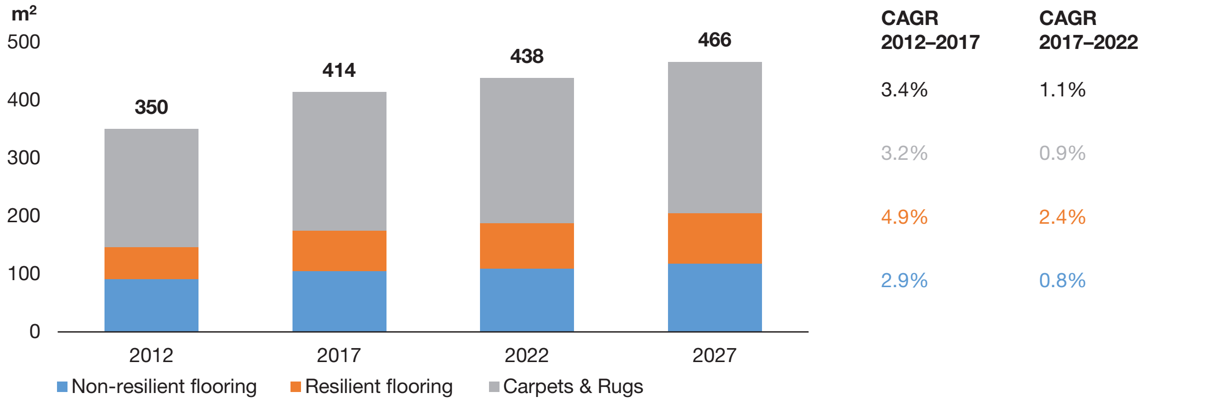
The United Kingdom's economy began a sustained recovery in 2013 as a result of improved conditions in the manufacturing sector, recovery in the residential housing market and increases in business investment spending. The United Kingdom is Western Europe's second largest economy and is a key regional financial hub. In June 2016, the United Kingdom voted to exit the European Union ("**Brexit**"). To date, the potential effects of Brexit on foreign trade and investment remain unclear. GDP growth is forecasted to slow, increasing at 1.6% annually up to 2022 (Source: Freedonia Report).

In 2017, the United Kingdom accounted for 18.5% of total flooring demand in Western Europe. Flooring demand in the United Kingdom is forecast to reach approximately 438 million m^2 in 2022, representing a CAGR of 1.1% from 2017 to 2022, which is lower than the CAGR of 3.4% from 2012 to 2017 (Source: Freedonia Report). The United Kingdom share of the Western European flooring market will be stable around 18% in 2022 (Source: Freedonia Report).

Demand by Product

In 2017, soft flooring accounted for the largest portion of flooring demand in the United Kingdom, accounting for 57.7% of total United Kingdom flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

United Kingdom Flooring Demand by Product (million m²)

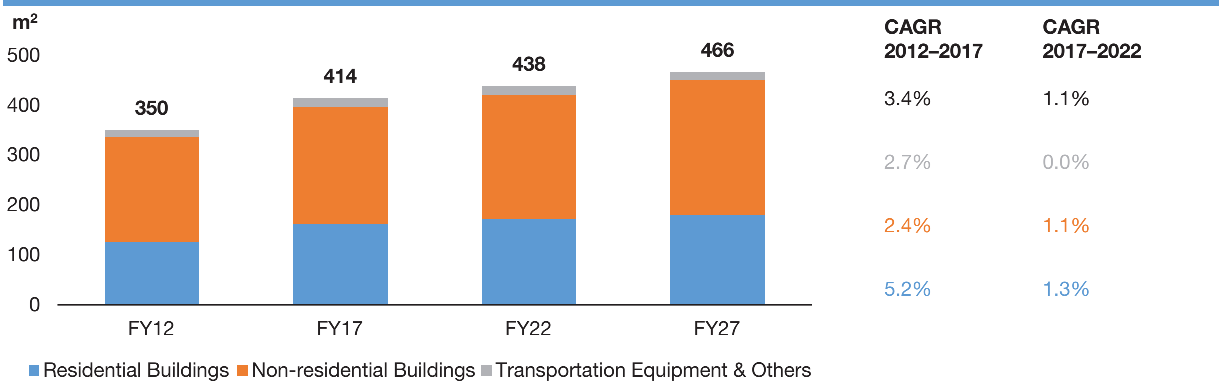


Source: Freedonia Report

Demand by End-market

In 2017, the non-residential building end-market accounted for the largest portion of flooring demand in the United Kingdom, accounting for 57.0% of flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

United Kingdom Flooring Demand by End-market (million m²)



Source: Freedonia Report

Demand by Application

In 2017, the I&R market accounted for the largest portion of flooring demand in the United Kingdom, accounting for approximately 80.4% of flooring demand (source: Freedonia Report) whereas the new construction end-market accounts for 15.7%.

Spain Market Overview

Overview

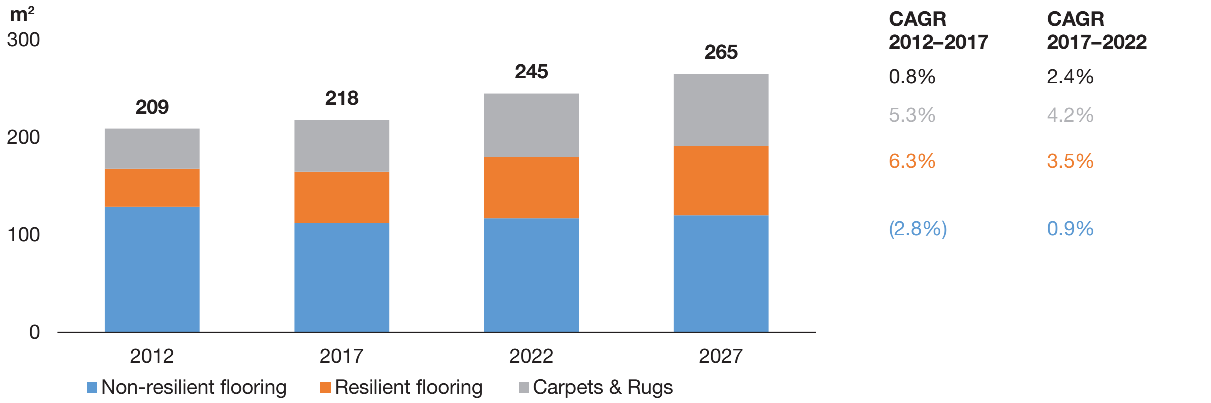
Spain was one of the fastest growing economies in Western Europe prior to the 2008 global financial crisis and is Western Europe's fifth largest economy. Since 2013, Spain has experienced modest growth.

In 2017, Spain accounted for 9.7% of total flooring demand in Western Europe (Source: Freedonia Report). Flooring demand in Spain is forecast to reach approximately 245 million m² in 2022, representing a CAGR of 2.4% from 2017 to 2022, as compared to the modest CAGR of 0.8% from 2012 to 2017 (Source: Freedonia Report). Spain is projected to increase its share of the Western European flooring market from 9.7% in 2017 to 10.5% in 2022 (Source: Freedonia Report).

Demand by Product

Due to the popularity of ceramic tiles, non-resilient flooring accounted for the largest portion of flooring demand in Spain in 2017, accounting for 51.4% of total Spanish flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

Spanish Flooring Demand by Product (million m²)

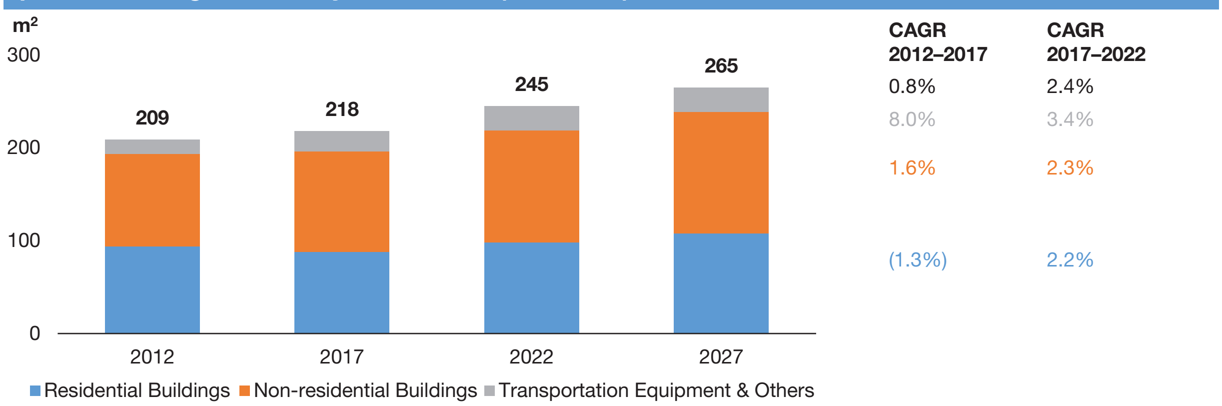


Source: Freedonia Report

Demand by End-market

In 2017, the non-residential building end-market accounted for the largest portion of flooring demand in Spain, accounting for 49.5% of flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

Spanish Flooring Demand by End-market (million m2)



Source: Freedonia Report

Demand by Application

In 2017, the I&R market accounted for the largest portion of flooring demand in Spain, accounting for approximately 78.4% of flooring demand (source: Freedonia Report) whereas the new construction end-market accounts for 11.5%.

France Market Overview

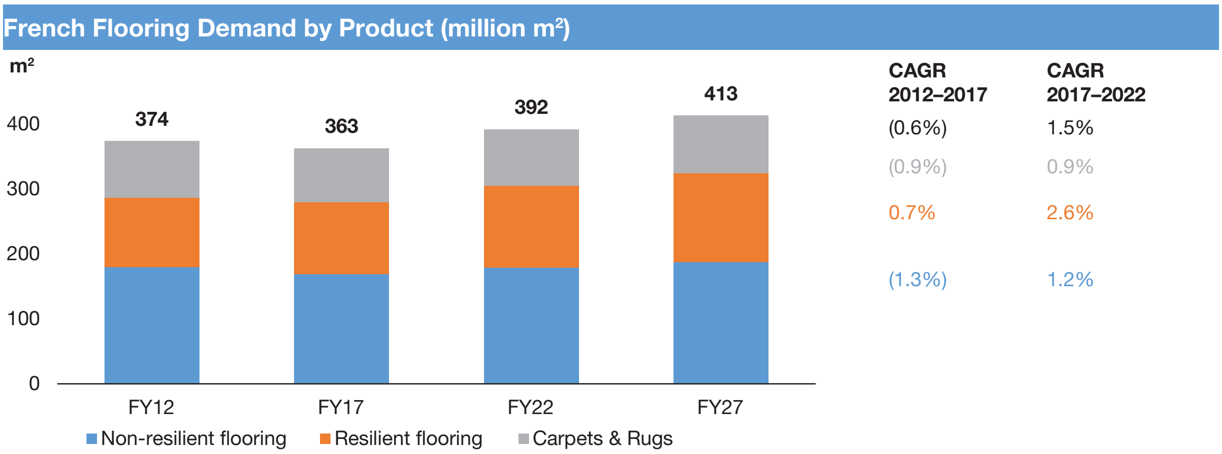
Overview

France is Western Europe's third largest economy behind Germany and the United Kingdom. The economy of France is expected to grow at a modest pace as the economic climate in Western Europe improves (Source: Freedonia Report).

In 2017, France accounted for 16.2% of total flooring demand in Western Europe. Flooring demand in France is forecast to reach approximately 392 million m^2 in 2022, representing a CAGR of 1.5% from 2017 to 2022, as compared to a negative CAGR of −0.6% from 2012 to 2017. France is projected to slightly increase its share of the Western European flooring market from 16.2% in 2017 to 16.4% in 2022 (Source: Freedonia Report).

Demand by Product

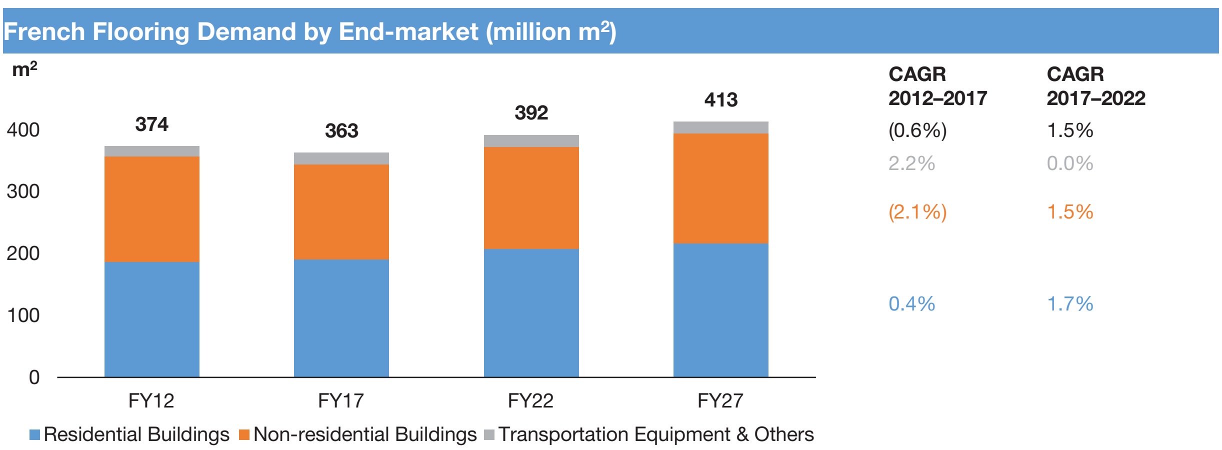
Non-resilient flooring products (particularly ceramic tiles and laminate flooring) were the most popular floor covering option in France in 2017, accounting for nearly half of the total French flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.



Source: Freedonia Report

Demand by End-market

In 2017, the residential building end-market accounted for the largest portion of flooring demand in France, accounting for 52.6% of flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.



Source: Freedonia Report

Demand by Application

In 2017, the I&R market accounted for the largest portion of flooring demand in France, accounting for approximately 79.1% of flooring demand (source: Freedonia Report) whereas the new construction end-market accounts for 15.7%.

Germany Market Overview

Overview

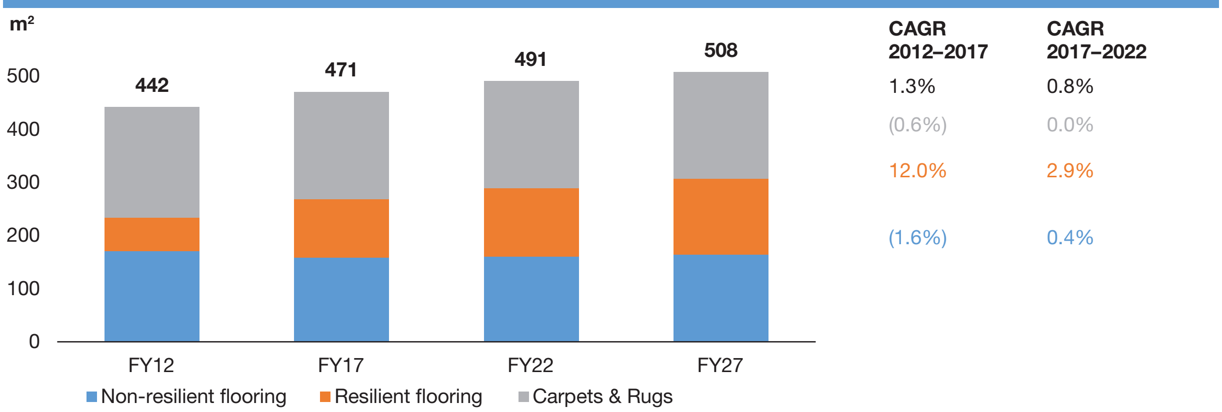
Germany is the largest Western European economy with strong economic indicators, including a highly productive labor force, high investment levels, comparatively low unemployment levels and GDP per capita above the regional average. Germany's economy is forecasted to grow at 1.7% annually through to 2022, with the growth expected to be sustained by both domestic and external demand (Source: Freedonia Report).

In 2017, the Western European flooring market was the third largest regional market behind the Asia/Pacific and North American regions, with flooring demand at around 2.2 billion m^2 (Source: Freedonia Report). Germany accounted for 21.0% of this demand (Source: Freedonia Report). Flooring demand in Germany is forecast to reach around 491 million m^2 in 2022, representing a CAGR of 0.8% from 2017 to 2022, which is lower than the CAGR of 1.3% from 2012 to 2017 (Source: Freedonia Report). Germany's share of the Western European flooring market is expected to decrease from 21.0% in 2017 to 20.5% in 2022 (Source: Freedonia Report).

Demand by Product

Soft flooring products were the most popular floor covering products in Germany in 2017, accounting for 42.9% of total German flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

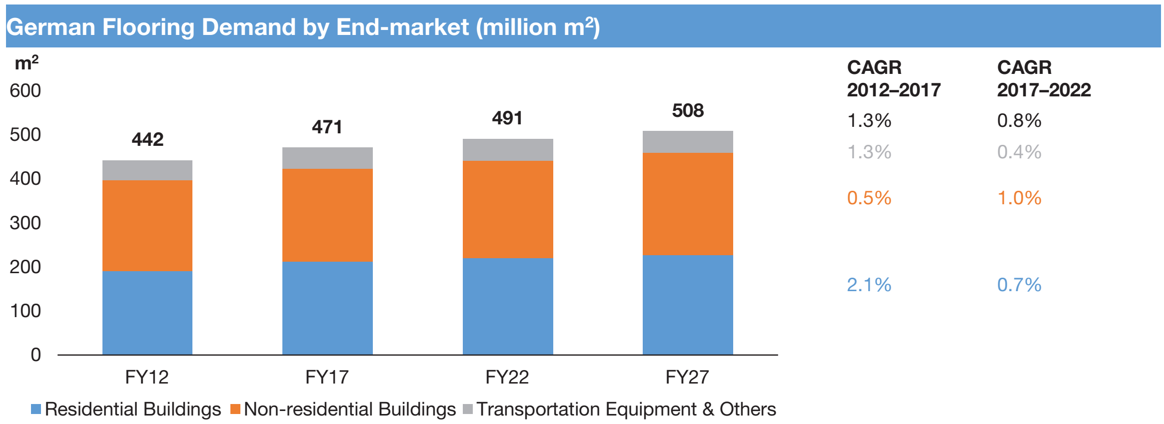
German Flooring Demand by Product (million m^2)



Source: Freedonia Report

Demand by End-market

In 2017, the residential building end-market accounted for the largest portion of flooring demand in Germany, accounting for approximately 45.0% of flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per end-market from 2012 up to the expected demand in 2027.



Source: Freedonia Report

Demand by Application

In 2017, the I&R market accounted for the largest portion of flooring demand in Germany, accounting for approximately 77.1% of flooring demand (source: Freedonia Report) whereas the new construction end-market accounts for 12.7%.

Australia Market Overview

Overview

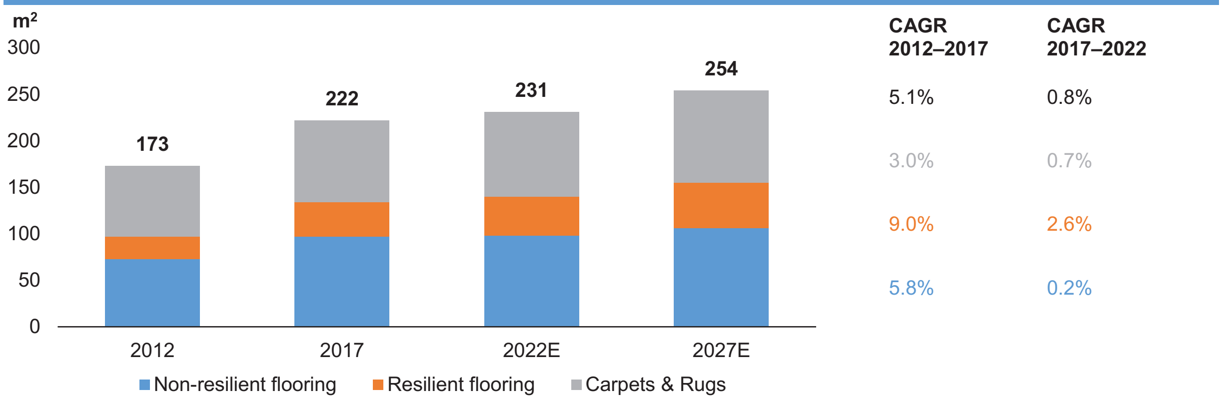
Australia is a developed economy characterized by significant mining and manufacturing sectors and has evolved to be a regional financial services hub. Australian real GDP is forecast to grow at 2.7% annually up to 2022, which is consistent with the growth experienced from 2012 to 2017 (Source: Freedonia Report).

Australia forms part of the Asia/Pacific region. In 2017, the Asia/Pacific flooring market was the largest regional market, with flooring demand at around 8.9 billion m^2, equating to nearly half of the Global Flooring Demand in 2017 (Source: Freedonia Report). Australia accounted for approximately 2.5% of this demand (Source: Freedonia Report). Flooring demand is forecast to reach around 231 million m^2 in 2022, representing a CAGR of approximately 0.8% from 2017 to 2022, which is lower than the CAGR achieved from 2012 to 2017 (Source: Freedonia Report). Australia's share of the Asia/Pacific flooring market is projected to decrease from 2.5% in 2017 to 2.2% in 2022 (Source: Freedonia Report). Australia's per capita demand for flooring products is one of the highest in the world (Source: Freedonia Report).

Demand by Product

In 2017, soft flooring accounted for 39.6% of total Australian flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

Australian Flooring Demand by Product (million m²)

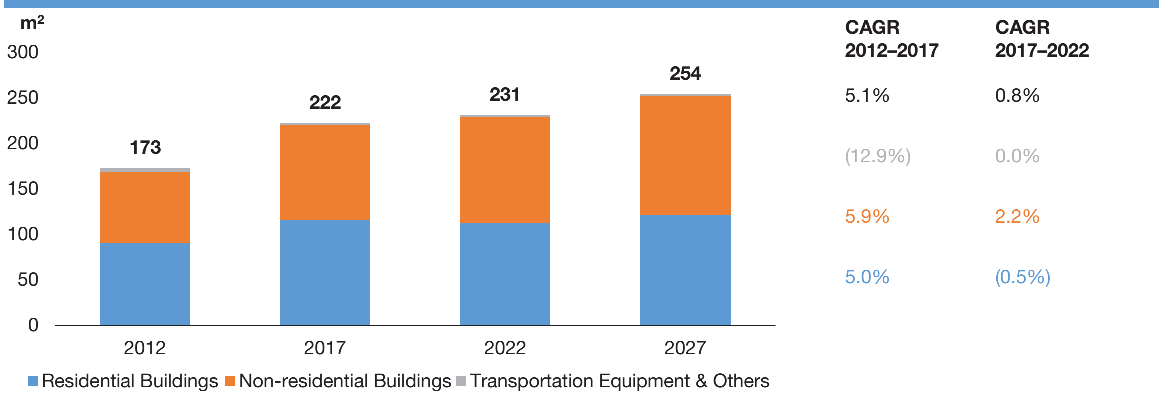


Source: Freedonia Report

Demand by End-market

In 2017, the residential building segment accounted for the largest portion of flooring demand in Australia, accounting for 52.3% of flooring demand (Source: Freedonia Report). The graph below shows flooring product demand per segment from 2012 up to the expected demand in 2027.

Australian Flooring Demand by End-market (million m²)



Source: Freedonia Report

Demand by Application

In 2017, the I&R market accounted for the largest portion of flooring demand in Australia, accounting for approximately 74.8% of flooring demand (source: Freedonia Report) whereas the new construction end-market accounts for 24.3%.

Overview

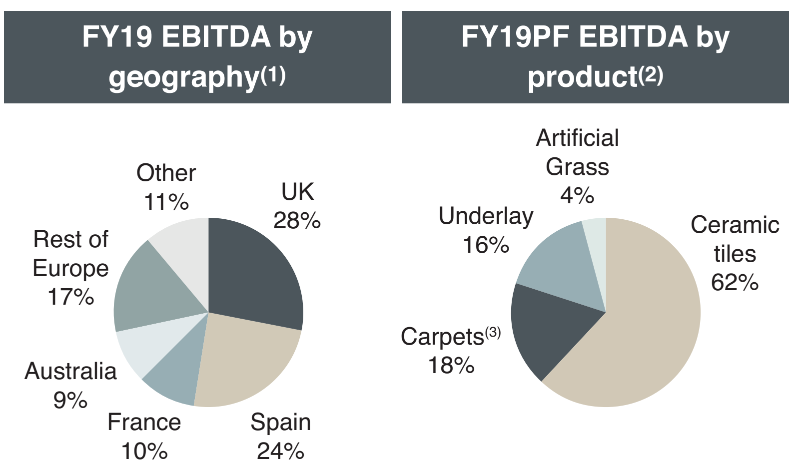
We are a leading international designer, manufacturer and distributor of innovative flooring products across the United Kingdom, Continental Europe and Australia, established in 1895 and publicly listed since 1963. In each of our product segments, we have leading market positions in the markets in which we operate. We are a leading Continental European ceramic tile manufacturer. In soft flooring, we are the largest carpet manufacturer in the United Kingdom, the second largest carpet manufacturer in Australia and the largest flooring underlay manufacturer in both countries, in each case by volume. We manufacture and supply a diversified range of products, including carpet, ceramic tiles, flooring underlay, luxury vinyl tile ("**LVT**"), artificial grass and flooring accessories. The majority of our products are for residential use, with a particular focus on the improvement and repair ("**I&R**") end-market. We primarily target mid- to upper-market product segments of the flooring industry as well as certain niche product segments. Our customer base is diverse and focused on small, independent retailers with whom we can differentiate ourselves from competitors by offering superior service.

We group our reported operating segments by product category and manufacturing geography. These segments, broadly divided into ceramic tile and soft flooring offerings, comprise: (i) UK & Europe—Ceramic Tiles, consisting of our ceramic tile manufacturing businesses in Spain and Italy; (ii) UK & Europe—Soft Flooring, consisting predominantly of our carpet, flooring underlay, artificial grass, LVT and flooring accessories businesses in the United Kingdom and Continental Europe; and (iii) Australia, consisting of our (predominantly carpet and flooring underlay) soft flooring businesses in Australia. In the 2019 financial year, ceramic tile accounted for 62.2% of our Adjusted *Pro Forma* EBITDA, with soft flooring and other products accounting for the remaining 38.8% of our Adjusted *Pro Forma* EBITDA.

For the 2019 financial year, we generated £612.3 million of *Pro Forma* Revenue and £107.1 million of Adjusted *Pro Forma* EBITDA (17.1% *Pro Forma* EBITDA margin). While we have grown largely through strategic acquisitions since 2013, like-for-like revenue growth was 4.6%, 1.6% and 2.0% (adjusted for the impact of a weather-related business) for the 2017, 2018 and 2019 financial years, respectively.

Our revenue and Underlying EBITDA is diversified across a variety of products and geographies. Through a series of strategic acquisitions, we have developed a balanced operating model across ceramic tiles and soft flooring, offering a diversified product portfolio of flooring products, both in terms of product category and target price point. Although originally focused on soft flooring offerings, we have gained scale in the large and fragmented flooring industry through a combination of acquisitions and organic initiatives to become a major competitor in both the soft and hard flooring markets. In particular, our recent acquisitions of Keraben, Serra and Saloni have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic exposure.

The following charts set forth our Adjusted *Pro Forma* EBITDA by destination geography and product segment for the 2019 financial year.



(1) Geographic split is based on underlying EBITDA split by destination.

(2) This split assumes a consistent margin on sales across all geographies and for each business unit.

(3) Includes small amounts attributable to LVT and other products.

We have gained scale in the large and fragmented flooring industry through a combination of acquisitions and organic initiatives to become a major competitor in both the soft and hard flooring markets. To build on the competitive advantage of our soft flooring capabilities, we expanded into the complementary flooring underlay market by adding flooring underlay operations in both the United Kingdom and Australia in 2015 and 2016, respectively. This was achieved through the acquisitions of Interfloor in 2015 and Ezi Floor in 2016, flooring underlay manufacturers based in the United Kingdom, and the 2016 acquisition of Dunlop, a flooring underlay manufacturer based in Australia. In response to robust growth in demand for artificial grass, we further expanded into the artificial grass market through our acquisitions of GrassInc and Avalon in the Netherlands in 2017. We entered the ceramic tile segment in Continental Europe through our acquisitions of Serra (Italy) and Keraben (Spain) in 2017, and of Saloni (Spain) in 2018. These strategic acquisitions have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic footprint. We believe we have achieved an optimal level of integration with respect to our recent stratagic acquisitions, enabling us to develop a balanced operating model across ceramic and soft flooring, offering a diversified product portfolio of flooring products.

We have a highly successful multi-brand strategy with over 30 brands encompassing mid- to upper-priced products. These include 14 carpet brands covering a broad range of wool and synthetic products, such as Victoria, Whitestone Weavers, StainFree and Quest; Westex and Hugh Mackay, two of our premium carpet brands; Duralay, Dunlop and Tredaire, leading and innovative flooring underlay brands; Keraben and Saloni, mid- to upper-market ceramic tile brands; Distinctive and Heartridge, under which we sell high-end LVT products; and GrassInc and Avalon, under which we sell artificial grass products for a wide range of applications, including lawns, parks, sports grounds and indoor applications.

We benefit from economies of scale through our consolidated manufacturing facilities in the United Kingdom, Spain, Italy and Australia. Our business is selectively vertically integrated, comprising three components: (i) the design and specification of the majority of our products; (ii) the manufacturing of the substantial majority of our products, with limited outsourcing in circumstances in which doing so is financially and operationally beneficial; and (iii) the distribution of our products based on their product category and customer proposition, which maximizes the turnover of our inventory and product efficiency. We believe that this balanced approach to vertical integration creates robust margins and increases our competitive advantage in our target markets. We believe we have competitive advantages in the markets in which we operate, including our design capabilities, large-scale and efficient in-house manufacturing facilities and our long-standing direct relationships with retailers across all operating businesses.

We operate ten manufacturing sites in the United Kingdom and Continental Europe and three manufacturing sites in Australia. Our integrated in-house capabilities allow us to operate our production facilities flexibly, varying production levels to meet demand, while maintaining a low fixed cost base, high efficiency and rigorous quality control. Where advantageous to do so, we have consolidated the design, manufacturing and distribution of certain products.

Our core markets are the United Kingdom, Continental Europe and Australia, where we employ over 3,000 people across more than 20 sites. The largest end-market for our products is the improvement and repair ("**I&R**") end-market, and, therefore, our business is less exposed to the economic cycles that otherwise commonly affect the smaller, cyclical construction end-market. We sell the substantial majority of our products in the same geographical segments in which they are manufactured, placing us in close proximity to our customer bases across core markets. Our relationships with our customers, the thousands of flooring retailers and small number of distributors and direct sales customers we supply across the United Kingdom, Continental Europe and Australia, are central to our success. We primarily sell directly to retailers. In the United Kingdom, our 3,000-plus customers range from independent retailers to distributors and large format chains. Some of these relationships, across operating geographies, are multi-generational and we believe the strength and depth of these relationships represent a significant competitive advantage. When coupled with our expansion since 2013, these relationships allow us to offer a broad range of products to our customers and further our cross-selling opportunities. We benefit from a large, diverse customer base with limited concentration. For the 2019 financial year, our top ten customers constituted 18.0% of our revenue, with our largest customer constituting less than four percent of our revenue.

Strengths

Market-leading business with a focus on branded mid- to high-end products

We have built a market-leading business across our core markets with a wide product range and global production and distribution capabilities. We are the largest carpet manufacturer in the United Kingdom, with approximately 12% market share, the second largest carpet manufacturer in Australia, with approximately 14% market share, and the largest flooring underlay manufacturer in both jurisdictions, in each case by volume as of March 30, 2019. We are also a leading Continental European ceramic tile manufacturer in the mid- to upper-market ceramic tile segment by volume, with approximately 7% market share.

Our focus on upper-market products across the majority of our product segments is driven by the stronger and more resilient margins they generate as compared to lower-end flooring products. Upper-market product sales are generally less volatile than sales in the lower-end market, as end-consumers in the upper-market generally have more stable spending habits; unlike many products in the lower-end market, mid- to high-end products also benefit from brand recognition, especially among retailers and wholesalers who are able to differentiate on the basis of brand quality and brand customer service.

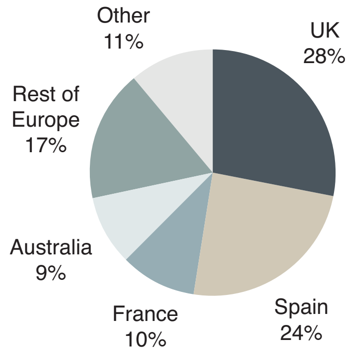
We believe that our market-leading positions across our key end-markets, together with our wide product range and our global distribution capabilities allow us to closely track and adapt to customer behavior while adjusting our production levels to match demand. Specifically, as a result of our presence in multiple product segments, our vertical integration and significant contacts across retailers, we are able to receive substantial feedback as to end-consumer trends in design and supply volumes on a timely basis.

Diversified business across products, geographies and customers

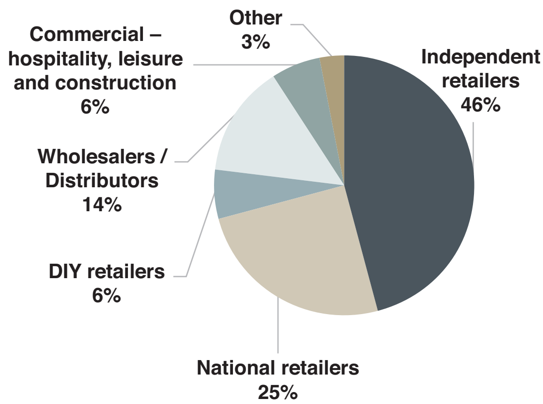
We have a diverse product portfolio consisting of wool and synthetic broadloom carpets, ceramic tiles, laminate, flooring underlay, LVT and other hardwood flooring products, artificial grass, carpet tiles and flooring accessories. These products are spread across over 30 brands. Notably, while we have sought to selectively expand our product portfolio, we have strategically elected not to enter into product markets characterized by low margins and high price competition, such as linoleum. We primarily target the mid- to upper markets and employ a commercially focused product development process to proactively manage our margins. Our design, quality control, production and cost control processes inform one another and are designed to yield product specifications that align with our target customers' price points while optimizing margins.

Our customer relationships and manufacturing flexibility also aid diversification of our product portfolio. Our close relationships with our customers provide us with valuable feedback and enable us to adapt to changes in end-customer preferences. We are also able to avoid large-scale product warehousing because of our ability to rapidly scale production on short notice, allowing us to maintain lean inventory levels which further aid product diversification.

The evolution of our product range has been targeted and deliberate, underpinned by selective acquisitions through which we have increased production flexibility and our product and geographical diversification. As a result of this careful expansion, we are not overly dependent on any particular product segment, with ceramic tile products, carpet products (including flooring underlay and accessories) and artificial grass constituting 62.1%, 33.5% and 4.4% of our Adjusted *Pro Forma* EBITDA for the 2019 financial year, respectively. Additionally, we are not unduly dependent on any particular brand (with Keraben constituting the largest proportion of our revenues in the 2019 financial year at 19.2%) or geographical segment and have the flexibility to produce and serve multiple geographies and shift production as needed based on fluctuations in demand. In the 2019 financial year, 71.7% of our Underlying EBITDA by product destination was generated outside of the United Kingdom. The chart below sets forth our Underlying EBITDA by product destination for the 2019 financial year.



Through our portfolio of over 30 brands, we offer a broad, differentiated and continuously evolving product portfolio for a variety of end-markets, including residential, office and hospitality and leisure. The breadth of these offerings provide us with a diverse customer base consisting of independent retailers, national retailers, Do-It-Yourself ("**DIY**") retailers and buying groups, with over 3,000 customers in the United Kingdom, over 2,000 customers in Continental Europe and approximately 800 customers in Australia. These retailers are highly diversified across specialist, non-specialist, general and DIY sales channels. The chart below sets forth our customer distribution by sales channel (as a proportion of revenue) through the 2019 financial year.



Significantly, the vast majority of our products are sold directly to independent flooring retailers rather than third-party distributors, which we believe drives brand loyalty and long-term relationships. Our involvement in the supply chain tends to end at distribution, with products rarely being sold directly to consumers, optimizing margins. Unlike some of our competitors, a minority of our revenue is generated from large retail chains. In the 2019 financial year, 52.2% of our revenue comes from independent retailers (including DIY retailers) while 25.3% comes from large retail chains. Additionally, in the 2019 financial year, our top ten customers constituted 18.0% of our revenue, with our largest customer constituting less than four percent of our revenue.

We believe that the breadth of our product offering and the diversity of our revenue streams support the resilience of our business and that our sales of products across a number of attractive flooring segments increases our cross-selling opportunities, visibility and pricing power. We further believe that our broad product offering, expansive geographic footprint and diverse base of customers strengthen our position as a leading designer, manufacturer and distributor of innovative flooring products while positioning us for future growth.

Stable flooring market dominated by the less cyclical improvement and repair end-market

The United Kingdom, Continental European and Australian flooring markets are stable, mature and attractive end-markets. Our core markets, the United Kingdom, Continental Europe and Australia, are expected to undergo stable economic growth in the coming years. According to the Freedonia Report, this economic growth is expected to translate into increased overall demand in the flooring industry across our core markets. The combined United Kingdom, Continental European and Australian flooring market is forecast to grow at a compound annual growth rate ("**CAGR**") of 1.3% between 2017 and 2022, with the I&R end-market forecast to grow at a CAGR of 1.4% over the same period. The hard flooring market is expected to experience the most substantial growth in the global flooring industry over this period, with a

CAGR of 3.3%. Global demand for resilient flooring (consisting primarily of vinyl, rubber and linoleum) is expected to grow at a CAGR of 3.9%, followed by non-resilient flooring (consisting primarily of ceramic, laminate and wood) at a CAGR of 3.1%. We believe that our rapid and successful expansion into the hard flooring market in Continental Europe, as well as our sizeable presence in Australia supported by our current optimization initiatives, collectively enable us to defend our position and take advantage of these growth trends.

In addition to the stable growth forecast for the flooring industry generally, our business benefits specifically from our focus on the I&R end-market. The I&R end-market in the United Kingdom and Continental Europe is approximately five to six times larger than the new construction end-market and has limited dependence on new construction activity. Demand for new flooring in the new construction end-market tends to lag overall growth in new construction and is typically more volatile than the I&R end-market due to the cyclical nature of new construction activity. Conversely, the I&R end-market, which is driven by consistent wear-and-tear damage and the desire to upgrade the appearance of existing homes, is characterized by greater price inelasticity and is typically less susceptible to business cycles. Based on the composition of our customer base, we believe that over 75% of our revenues are generated from the I&R end-market.

Established market position in an industry with high barriers to entry

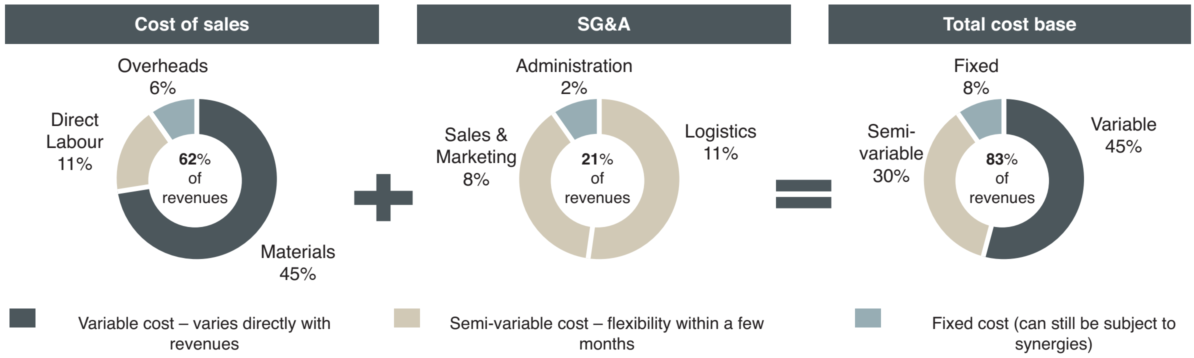
Over the course of our operating history, we have developed sufficient scale, expertise and breadth of product offering to succeed notwithstanding the significant barriers to entry in the flooring industry. We believe this business model would be difficult to replicate due to the following structural barriers to entry:

- **Fragmented customer base:** Our broad customer base is dominated by independent retailers, with whom we enjoy long-standing and, we believe, mutually beneficial relationships;
- **Proximity to customers:** Carpets are large, non-palletized goods and ceramic tiles are heavy, making both products difficult and expensive to transport. High transportation costs provide a barrier to low-cost international manufacturers from distributing their products within our geographical segments. Our operating businesses manufacture their products in close proximity to their customers and end-users, allowing us to minimize logistical costs;
- **Difficulty in contract manufacturing:** Long production runs are required in our industry in order to enable cost-effective manufacturing. As a result, contract manufacturing is generally not a feasible alternative to the owned production capabilities, which has been our approach;
- **Strength of brands:** We have a diverse portfolio of over 30 brands that we believe enjoy strong recognition with customers. New competitors in the mid- to upper-markets in which we operate would need to develop (organically or via costly acquisition) significant brand recognition in order to compete on a material level;
- **Capital barriers:** New entrants seeking to establish operations locally would face significant up-front capital costs; and
- **Product understanding and technical know-how:** We have been in continuous operation since 1895, currently employing 18 managing directors with an average of 20 years of industry expertise. Our "team-of-teams" structure ensures that these expert local managers and their respective management teams exercise valuable discretion over the diverse products, customers and geographic markets with which they are intimately familiar, in conjunction with our highly-experienced group-level management team.

We believe these barriers to entry protect our business from both the threat of inexpensive, international imports as well as new entrants to our local markets.

Low operational gearing through a flexible cost base, concerted efficiency-driving efforts and low capital expenditure requirements

We benefit from low operational gearing, with approximately 54% of our cost base (which represent approximately 45% our revenues) for the 2019 financial year varying directly with revenue. A further 36% of our cost base (which represents approximately 30% of our revenues) for the 2019 financial year is semi-variable, with the ability to adapt within a few months. We have been able to maintain this low operational gearing despite being a manufacturing business by automating certain processes and because our equipment generally has a very long useful life. We also benefit from multiple production sites with the flexibility, capacity and cost structure to vary production levels, enabling our business to maintain efficiency in favorable markets and resilience through the more challenging parts of the business cycle. The following diagram sets forth the components of our cost base, expressed in percentage of revenues, as a function of variability.



Further, as much of our plant and equipment is relatively inexpensive and can be replaced on a modular basis, our business requires a limited amount of maintenance capital expenditures relative to our cash flows. Of our capital expenditures for the 2019 financial year, £23.5 million related to maintenance and £20.9 million related to growth. While our maintenance capital expenditures have increased on an absolute basis over the last three years, our maintenance capital expenditures as a percentage of our total revenue remained relatively stable, at 3.3%, 3.3% and 4.1% for the 2017, 2018 and 2019 financial years, respectively.

We have also increased efficiencies across our business by consolidating production in locations with excess capacity while rationalizing our manufacturing footprint. At the same time, we enhanced our logistics capabilities in the United Kingdom, which is our largest geographical segment. In 2017, we began the reorganization of our United Kingdom manufacturing footprint and logistics operations to improve productivity, manufacturing capacity and customer service. This process included the closure of our Kidderminster factory, which we completed in September 2017, and the relocation of our distribution center in the Midlands, which we completed in 2018. Closure of the Kidderminster factory resulted in our United Kingdom carpet production being shared between two factories located in Yorkshire and South Wales. We are in the process of implementing a similar initiative in Australia, which will result in the consolidation of our two flooring underlay factories into a single, enlarged facility located in Sydney. We have made further efficiency gains with the opening of our Southern Distribution Center near London, servicing all of our United Kingdom and Continental European carpet brands, and we are exploring possible further efficiency gains with a potential new distribution center in northern England.

Strong financial performance with proven resilience during economic downturns

We were resilient throughout the financial crisis, increasing revenue in each of 2006-2011. Our focus on the less cyclical I&R end-market made us less susceptible to the worst effects of the financial crisis, during which time consumers opted for less expensive forms of home improvement. While we shifted our sales mix to lower than average selling prices in order to protect sales volumes, we were able to utilize our flexible cost base to maintain our margins.

Since the financial crisis, we have expanded our product portfolio, developed a more efficient production footprint and introduced optimized inventory management. We now offer an expanded product portfolio and have shifted from a pure carpeting business to a hard and soft flooring group, with a range of carpet, ceramic tiles, flooring underlay, LVT and artificial grass products. As a result of our increased scale through acquisitions and various operational initiatives, we also possess a more efficient production footprint and better inventory management. We believe that these changes have strengthened our business and leave us poised to capitalize once the macroeconomic backdrop improves, especially as we have also diversified geographically in both manufacturing and sales without over-exposure to any single geographic market.

Since the change in our management in 2012, we have experienced a period of accelerated growth coupled with improvements in EBITDA margins, increasing from 7.2% in the 52 weeks ended March 29, 2014 (the "**2014 financial year**") to 16.8% in the 2019 financial year. These increases followed a restructuring in the 52 weeks ended March 30, 2013 (the "**2013 financial year**") that included a one-off stock rationalization and mill consolidation to reduce excess capacity. Further, we have maintained consistently high Operating Cash Flow Conversion of 109.8%, 99.4% and 95.4% in the 2019, 2018 and 2017 financial years, respectively. This strong free cash flow generation has allowed us to de-lever following new acquisitions, and has been supported by relatively limited working capital requirements and stable capital expenditures that have grown in proportion to the growth in our business since 2014.

Proven acquisition track record and ability to realize synergies

Since 2013, we have participated in the consolidation of a fragmented industry and believe we have built a reputation as a credible acquirer. Though we aim to maximize the realization of synergies following an acquisition, our strategy is primarily focused on acquiring high-quality, high-margin targets that we intend to operate as stand-alone propositions. We seek to acquire businesses that are growing and profitable, with high-quality facilities and products as well as competitive advantages in production and distribution. Our acquisition targets generally possess sustainable above-average margins and are led by committed and capable management teams. We believe this focus on stand-alone business value allows us to minimize our downside acquisition risk while maintaining room for synergistic upside potential.

Since the change in Group management in 2013, we have made 13 acquisitions, including our acquisitions of Keraben and Serra in 2017 and of Saloni in 2018. Over this period, our Underlying EBITDA has grown from £2.3 million in the 2013 financial year to £96.3 million in the 2019 financial year, and our Adjusted *Pro Forma* EBITDA for the 2019 financial year was £107.1 million.

Our increased scale through acquisitions has given us significant opportunities for margin improvement. We possess better buying power for raw materials and have consolidated our manufacturing, distribution, warehousing and logistics capacity. Additionally, the acquisition of production capacity and development of distribution facilities in close proximity to our clients is also a competitive advantage, as the high levels of customer dispersion typical in the flooring industry can generate substantial distribution costs. Our strategically located distribution facilities allow us to minimize these costs and access customers in a timely and cost-effective manner. Through our increased scale, we have also been able to rationalize product lines, improve working capital management through SKU reduction and take advantage of cross-selling products through new distribution channels. As a result of the above, our acquisition strategy has resulted in realized margin synergies, as evidenced by the increase in our Underlying EBITDA margin from 3.3% in the 2013 financial year to 16.8% in the 2019 financial year.

We have a long history of creativity and innovation in the flooring industry, both technical and aesthetic, and we are well-positioned to develop, together with our customers, design concepts and create innovative products that are tailored to consumers' tastes and preferences. Our strategic acquisitions in the ceramic tile and artificial grass segments position us to continue to offer products tailored to a contemporary audience. In particular, our recent acquisitions of Keraben, Serra and Saloni have given us a market-leading position in the higher-margin Continental European ceramic tile business, while diversifying our product offering and geographic exposure. We continue to introduce new product collections every year to meet consumer preferences and trends.

Experienced management team with proven track record of sustainable value creation

We have a strong and experienced management team that has positioned us for continued growth and development. Geoffrey Wilding, responsible for our rapid and successful expansion, joined the Group as Executive Chairman in 2012 and drives overall Group strategy. The 2019 financial year was Philippe Hamers' second full year as our Chief Executive Officer. Mr. Hamers has over 25 years of experience in the flooring industry, most recently chairing Europe's largest carpet manufacturing operation before assuming his role with us.

We operate a "team-of-teams" structure that minimizes cost friction and red tape, while capitalizing on local expertise and allowing organic local strategies to flourish. Our international operating strategy is generated centrally by Group-level management, including budgeting, capital expenditure planning and cross-business operations. Complementing our Group-level strategy, we maintain a decentralized structure with managing directors responsible for the day-to-day management of each of our core operating businesses. Within the limits of our overall strategy and objectives, each managing director develops their own strategy and tactics (reviewed by the Board) to deliver their targets.

Our management team has a strong track record of identifying value-accretive acquisition targets, integrating the acquired companies and identifying and achieving synergies. In selectively growing our operations, we look for mature businesses with modern, well-invested production facilities, committed management teams, established distribution channels and competitive advantages in the relevant target market. Once a business has been acquired, we have historically been able to deliver significant production and purchasing synergies, which continue to drive growth in operating margins and improved like-for-like performance, as evidenced by five consecutive years of increasing EBITDA margins.

An important part of our acquisition strategy is our focus on retaining the management teams at the operating companies we acquire, which is a strategy that has proved successful for the Group. We have retained nearly all members of management in post-acquisition earn-out periods and, out of the 13 acquisitions made by the Group since 2013, eight are either post earn-out or did not have an earn-out period. In addition, our divisional management teams have extensive experience in the flooring industry and we believe that their collective industry knowledge, technical expertise, and customer and supplier relationships will enable them to continue to grow our business and execute our strategies.

Strategy

Our group-level strategy since 2013 has led to key successes, transforming us into a diversified international flooring manufacturer. Since 2013, we have built meaningful scale with 13 value-accretive acquisitions. Though we remain committed to pursuing further selective acquisitive growth, we are now well-positioned to take advantage of our scale by focusing on organic growth and development. Coupled with our short- and long-term initiatives to drive commercial and operational synergies, we believe our future group-level strategy will help us achieve our growth targets.

Continue to generate sustainable organic top-line growth in selected product segments

Our growth since 2013 has created a consolidated platform in carpeting, flooring underlay, flooring accessories, ceramic tile and LVT products. While the Group has grown over this period largely through strategic acquisitions, like-for-like growth was 4.6%, 1.6% and 2.0% for the 2017, 2018 and 2019 financial years, respectively. We intend to continue to utilize our platform in order to defend our market position, develop new products, and leverage our distribution channels to drive organic top-line growth.

When investing in our organic development, we target product segments in which we benefit from existing high margins and where we can increase operational efficiencies. For example, we benefit from high margins in our ceramic tile segments, and have planned investments in Keraben to increase ceramic production capacity. These investments include the development of a new production plant anticipated to begin production in 2020, the installation of new clay atomizers in floor and wall plants designed to increase clay reception capacity and the installation of new inkjet printing machines for wall and floor pressing and glazing processes. Additionally, in the 2019 financial year, we completed the installations of a continuous clay mill and floor tile production plant within Keraben facilities, fueling production synergies across Saloni and Keraben, and a further carpet finishing line in South Wales to grow our Australian carpet manufacturing capabilities. We are in the process of implementing a similar initiative in Australia, which will result in the consolidation of our two flooring underlay factories into a single, enlarged facility located in Sydney. We have strengthened our UK logistics network, including through the establishment of our new Southern Distribution Center and the relocation of our Midlands Distribution Center. In addition to optimizing our cost base, these initiatives are a competitive advantage as they allow our customers to distribute their products more efficiently, which we believe will drive increased sales.

While our primary focus is on sales to retailers and the I&R market, we also aim to grow our contract offering directly to end-market consumers, particularly within the hospitality and leisure and construction end-markets. Though our Whitestone operating business currently services clients within these end-markets, we have identified these end-markets as targets for organic expansion as our existing presence is minimal. In light of our growing ceramic tile and LVT product offerings, we have begun designing and creating products specifically for these product segments with our sales teams concentrating marketing efforts in these areas.

We are also making targeted investments into new product development and associated marketing materials, aided by our selective acquisitions in new strategic areas in which we believe there is superior and sustainable market growth and high margins. For example, we have expanded into the attractive Continental European ceramic tile industry with our acquisitions of Keraben, Saloni and Serra. Non-resilient flooring, mostly consisting of the ceramic tile segment, remains the most popular flooring solution across Continental Europe. Additionally, our acquisitions of GrassInc and Avalon give us a foothold in the rapidly expanding global artificial grass industry. We believe there are large, underpenetrated markets for these and other products and we intend to leverage the scale of our footprint and our diverse distribution channels in order to capitalize on these opportunities.

Acquisitive growth to realize margin-driving synergies and integration

We are a consolidator in a highly fragmented industry and believe we have built a reputation as a disciplined and credible acquirer. Through a combination of acquisitions and organic initiatives, the Group has grown from having Underlying EBITDA of £2.3 million in the 2013 financial year to Adjusted *Pro Forma* EBITDA of £107.1 million for the 2019 financial year.

This growth supports our belief that the flooring market is suitable for further consolidation. Manufacturing in our industry is characterized by many small, inefficient and privately owned manufacturers. Further, we have been insulated from large-scale competition within the United Kingdom and Continental Europe as the largest global manufacturers operate in the United States.

Small manufacturers offer potential economies of scale, stable backgrounds and typically operate in the I&R end-market, which is less sensitive to economic cycles. Most carpet manufacturers trade at or below net asset value and, therefore, incumbent owners are often keen to exit. With many retiring owners lacking a succession plan, we are seen as an ideal buyer among few buying players in the market. We are constantly sourcing new opportunities for acquisitive growth and aim to make two-to-three high-quality, complementary acquisitions per year.

The acquisition origination process begins with a long list of market participants. Our policy is to avoid acquiring turnarounds, so we only invest in currently profitable and cash-generative businesses. After months of contact with the target's management, and due diligence on the target's operating sites and financials, we consider commercial and cultural fit, possible synergies and terms of the possible acquisition. In addition to our focus on well-run businesses with strong management teams, we stress contingent structuring of consideration, to motivate the target and to share downside risk. With strong, rational adherence to our acquisition strategy, we have been able to limit our downside risk.

Our growth through acquisitions has allowed us to use our scale to drive operating margins. After an acquisition, we maintain the target's customer-facing teams, such as design, branding, sales and marketing. This feet-on-the-ground approach allows for product and brand differentiation while simultaneously maintaining responsiveness to dynamic customer demand. At the same time, operational integration drives the realization of cost-savings synergies in procurement, production, logistics and IT. These initiatives result in better buying terms with suppliers of raw materials, better working capital management through SKU reduction and rationalization of product lines and manufacturing assets. Importantly, our acquisition strategy creates the potential for further future consolidation of manufacturing capacity. We are able to realize depot, fleet and load consolidation for a more efficient logistical process. More efficient retail network relationships created through consolidation also yield commercial synergies such as product bundling and cross-selling while further driving sales growth and SKU reduction.

Generate free cash flow to enable de-leveraging

A hallmark of a successful flooring business is its generation of free cash flow and high cash conversion rates. These are due to the longevity of flooring manufacturing plants, the relatively low capital requirements of those plants, relatively inelastic demand, and price inelasticity. When coupled with our synergistic acquisitions, we have consistently been able to consolidate production capability, increasing utilization, reducing SKUs, increasing stock turnover and establishing favorable trading terms with suppliers and customers. Together, these elements have the effect of further increasing our free cash flow. High free cash flow, in turn, allows us to rapidly de-lever.

Although much of our historical growth has been through acquisitions, we have successfully maintained stable net leverage in part by funding certain of these acquisitions through equity offerings. Maintaining low leverage ensures the long-term health of the Group and gives us headroom for further acquisitions. We have *pro forma* senior net leverage of 3.1x as of March 30, 2019, and, excluding transaction fees and expenses, the Transactions are leverage neutral. We intend to use our cash flow to decrease our overall leverage.

History

We were established in 1895 as a carpet manufacturing business and have grown to an international scale in subsequent years. We have been publicly listed since 1963, moving from the London Stock Exchange's

Main Market to its AIM Market in 2013. When Geoffrey Wilding joined as Executive Chairman in 2012, a new board was appointed to conduct a full strategic review of the Group. In 2014, Mr. Wilding acquired a controlling stake in the Group. Since our formation, we have grown beyond our initial soft flooring offerings and gained scale through acquisitions in the fragmented flooring industry diversifying both by product and geography.

Since 2013, we have made 13 acquisitions across the United Kingdom, Continental Europe and Australia to become an international player in the flooring industry. In late 2017, we expanded our position in Continental Europe, with the acquisition of Serra in Italy and Keraben in Spain. Both Serra and Keraben are Continental European hard flooring manufacturers. Also, in early 2017, in response to the robust growth of the artificial grass market, we gained artificial grass-manufacturing capability through our acquisitions of GrassInc and Avalon in the Netherlands. We have additionally acquired the business and assets of Millennium in 2017, a carpet distribution business based in Belgium, further enhancing our presence in the UK high-volume market. In August 2018, we further increased our presence in the Continental European hard flooring market with our acquisition of Saloni, a Spanish ceramic tile manufacturer.

In 2013, Victoria Carpets Limited, one of our core historic operating subsidiaries, was awarded the Queen's Royal Warrant and further supplied the red carpet for the wedding of Prince William and Catherine Middleton, Duke and Duchess of Cambridge.

As a public limited company listed on the London Stock Exchange, with board oversight including three non-executive directors, we have implemented strong corporate governance policies and a robust compliance framework across our group.

Operating Businesses and Products

Our business is principally divided according to product segment and geographical location, with our businesses in the United Kingdom and Continental Europe operating largely independent of our businesses in Australia. Within these operating segments, we own a number of operating businesses that service a range of product categories. Outside of our core geographical segments, we also sell a small amount of our products into other geographies, such as North America and Asia.

Our UK & Europe—Soft Flooring segment is comprised of nine operating businesses and more than 20 brands, spanning a product offering which includes broadloom carpeting, flooring underlay and flooring accessories, LVT and artificial grass. Our UK & Europe—Ceramic Tiles segment consists of our Keraben, Serra and Saloni brands, selling high-quality ceramic tile products. Our Australia segment comprises three operating businesses and includes our Quest, Dunlop, Victoria (Australia) and Heartridge brands, spanning a product offering which includes broadloom carpeting, flooring underlay and LVT. Our brands typically benefit from a focus on mid- to upper-market product segments, our long operational track record in developed markets and our reputation for quality production among our customers. Prior to the 2019 financial year, we presented our soft flooring and hard flooring operating businesses in the United Kingdom and Continental Europe as a single operating segment ("UK & Europe"). See "*Presentation of Financial Information—Operating Segment Reporting*."

The following table sets forth our Underlying EBITDA by geography of product destination (i.e. where products are sold) for the 2019 financial year.

	For the 52 weeks ended March 30, 2019
	(£ million)
United Kingdom	27.3
Spain	22.8
France	10.1
Australia	8.8
Rest of Continental Europe	16.3
Other(1)	11.0
Group Total	**96.3**

(1) Other countries include New Zealand, the United States and Canada.

The following table sets forth our Adjusted *Pro Forma* EBITDA by product segment for the 2019 financial year.

	For the 52 weeks ended March 30, 2019
	(£ million)
Broadloom Carpets (and Other products[(1)])	19.3
Ceramics	67.6
Flooring underlay	17.0
Artificial Grass	4.8
Total[(2)]	**107.1**

(1) Includes luxury vinyl tile (LVT), carpet tiles and wood flooring.

(2) Includes central costs of £1.6 million.

Broadloom carpets (including Other products)

Broadloom carpets

In our carpet segment, we design, manufacture and distribute a broad range of mechanically tufted carpets to independent retailers (such as specialist, home improvement and furniture stores) and to wholesalers. We also manufacture a small amount of carpet products which are used for niche end-market uses, such as for use in feature films or bespoke automobiles. We provide carpeting products for both indoor and outdoor use, with our offerings including braided, hooked, needle-punched and tufted carpeting. The carpet products we sell are mid- to upper-market offerings made of wool and synthetic materials.

We manufacture our carpet products within the United Kingdom and Australia and sell locally within these markets. We benefit from their historical carpeting production infrastructure and the clear local consumer preference for carpeting over other types of flooring products.

Other products

LVT

Luxury vinyl tile is a resilient hard flooring product, which currently is a small but fast-growing area of the hard flooring segment. LVT is offered at a lower price point than non-resilient flooring and benefit from high underfoot comfort, noise absorption, durability and wear resistance. Our LVT products are designed and specified by our LVT operating businesses in the United Kingdom and Australia, and are manufactured by third party manufacturers in Asia before being distributed in the United Kingdom and Australia. Unlike other flooring products such as broadloom carpet and ceramic tile, LVT is easily manufactured and transported, which allows us to outsource our manufacturing production.

Other flooring products

We design, manufacture and distribute small quantities of carpet tiles under our historic Victoria Carpets brand in the United Kingdom. Carpet tiles are modular carpet products, sold in squares, which are almost exclusively used in offices or for other commercial uses.

We also design, manufacture and distribute small quantities of hardwood flooring in Australia under our Heartridge brand as part of our Dunlop operating business.

Our carpet segment (including other products) accounted for £19.3 million, or 18.0%, of our Adjusted *Pro Forma* EBITDA for the 2019 financial year.

Ceramic tile

In our ceramic tile segment, we design, manufacture and distribute mid- to upper-market ceramic tile products, selling mainly to specialist retailers of ceramic tile and smaller DIY retailers. Ceramic tiles constitute the large majority of non-resilient flooring demand throughout our geographical segments, and we export significant amounts of our ceramic tile products outside of the traditional ceramic tile manufacturing bases of Spain and Italy. We export these products primarily to countries within Continental Europe.

In 2016, we expanded from our historic focus on carpeting with the aim of capturing opportunities in the ceramic tile market, as an increasing proportion of flooring sold is ceramic tiles. In November 2017, we acquired Serra in Italy and Keraben in Spain. Serra is an efficient, mid-market manufacturer of ceramic tile products, supplying retailers, distributors and DIY chains throughout Continental Europe. Keraben is one of Spain's largest ceramic tile manufacturers with a reputation for high quality products and customer service. We further increased our footprint in the ceramic flooring segment with our recent 2018 acquisition of Saloni, a Spanish manufacturer of upper-market ceramic tiles, giving us better access to the ceramic tile market. As a result of these acquisitions we have a high-quality operating presence in two of the world's premium regions for ceramic production.

Our ceramic tile segment accounted for £67.6 million, or 63.1%, of our Adjusted *Pro Forma* EBITDA for the 2019 financial year.

Flooring underlay and flooring accessories

We design, manufacture and distribute mid- to upper-market flooring underlay products for both soft and hard flooring. Flooring underlay is a thin layer of cushioning, often made from synthetic materials, and placed under flooring products such as carpeting or hardwood to increase underfoot comfort. These products are produced by our flooring underlay operating businesses in the United Kingdom and Australia, and are sold locally through a mixture of independent and large national retailers. As underlay benefits from ease of large-scale storage, we are able to supply large national retailers for this product segment in contrast to our traditional focus on independent retailers.

Flooring accessories generally include materials which assist with the fitting of soft flooring products. These flooring accessories include products such as carpet gripper rods, which prevent carpet movement and slippage, and which can be glued, taped or nailed to wooden or concrete sub-floors. We manufacture these products through Interfloor, one of our operating businesses in the United Kingdom.

Our flooring underlay and flooring accessory segment accounted for £17.0 million, or 15.8%, of our Adjusted *Pro Forma* EBITDA for the 2019 financial year.

Artificial grass

Our artificial grass products are designed and specified by our artificial grass operating businesses in the Netherlands, and manufactured by third party manufacturers also based in the Netherlands. These upper-market products are subsequently distributed across the United Kingdom and Continental Europe, serving the rapidly growing artificial grass industry.

Artificial grass accounted for £4.8 million, or 4.5%, of our Adjusted *Pro Forma* EBITDA for the 2019 financial year.

Sales

We generally operate a business-to-business sales model and therefore rarely access our end-consumers directly. Consequently, we rely on our customers' ability to sell and market our products effectively in order to increase our revenue and generate sustainable cash flows. As our customers grow, they tend also to increase their orders with us. We seek to maintain strong relationships with our customers and work collaboratively with them to help increase store traffic and grow their business.

Significantly, we sell the vast majority of our products directly to flooring retailers, which comprise 77.5% of our sales, rather than third-party distributors, driving brand loyalty and long-term relationships. In order to maximize our profit margins, our involvement in the supply chain tends to end at distribution, with products rarely being sold direct to consumers. A small portion of our revenue is generated from large retail chains, and we benefit from a diversified customer base. Unlike some of our competitors, 52.2% of our revenue comes from independent retailers (including DIY retailers) while 25.3% comes from large retail chains. Additionally, in the 2019 financial year, our largest ten customers only accounted for 18.0% of our revenue, with our largest customer accounting for less than four percent of our revenue. No single customer represented more than 10% of our revenue for the 2019 financial year. Outside the top 10 customers, we have a diversified base of over 5,000 customers. We also sell certain of our products in certain jurisdictions to wholesalers where there is a structural or commercial rationale for doing so, and engage in a small amount of contract work for the construction or hospitality industry (5.6% of Group revenue).

We maintain a decentralized operating structure, with each of our operating subsidiaries possessing its own front-office sales team. Each sales office has its own organization, responding to the structural particularities of that geographical segment and the preferences of the local region. One of the strengths of our sales force is its ability to respond to local demand. Our sales professionals use a variety of sales tools and techniques to promote our products. These include the distributing of samples, advertising in trade publications, participating in trade fairs, distributing point of sales materials, and establishing showrooms.

In keeping with industry practices, we do not have formal purchase arrangements with a substantial majority of our customers. Purchase arrangements do not have standard terms and conditions, are typically on a non-exclusive basis, contain no minimum purchase obligations and do not have a fixed term or may be terminated on short notice.

We believe that our market-leading positions across our core markets, together with our wide product range and our international production and distribution capabilities, allow us to closely track and adapt to customer behavior and adjust our production levels to match demand. We analyze our sales data and we are able to identify target end-customers and price points. We also use our data to identify product range gaps or product ranges that require replacement. Our analysis drives our design process.

End-Market

We believe, based on the composition of our customer base that the majority of our products are for residential use. Residential buildings encompass single-family homes, multi-family structures and manufactured housing. This residential end-market can be further classified as either new construction or I&R (with I&R constituting over two-thirds of the residential flooring market and the source of over 70% of our revenues). Based on the high number of independent retailers we supply, we believe the I&R end-market also constitutes the large majority of our sales. New residential construction flooring demand follows the growth in new building construction, while I&R is directly linked to personal income levels. The non-residential end-market consists of office, retail, institutional, industrial and other business or government facilities. Flooring in the non-residential end-market can also be classified as either new construction or I&R, with the latter also representing around three-quarters of demand in the non-residential end-market. In particular, businesses with heavy decorative flooring needs (e.g. hotels and other hospitality facilities) drive growth in the non-residential I&R end-market.

Design

We believe we are at the forefront of design in the flooring industry. We employ a commercially-focused design process, centered on four strategic pillars: aesthetic design, quality, operations and cost. The product design and development team leverages the strong relationships we have with our customers in order to coordinate our product development strategy and to ensure the rapid development and launch of innovative offerings and product upgrades. In particular, as a result of our vertical integration, our significant contacts with retailers and our presence in multiple product segments, we are able to receive substantial feedback regarding end-consumer trends in design, pricing and supply volumes.

We follow consumer preferences and demand trends closely. We use a systematic approach to collection planning, and we maintain a short design-to-product cycle. Our design, quality control, production and cost control processes are mutually reinforcing, resulting in product specifications that align with our target customers and price points while ensuring optimal margins. We have the ability to set up our machines and re-engineer our production facilities, as well as increase our production capacity to manufacture new and different products in response to changing trends and consumer preferences. In addition, the breadth of our product offerings and our ability to redeploy our machines to make new designs makes us less subject to the success or failure of any given collection.

New products must also meet our high-quality standards; and, weight, thickness, durability and finish are among the elements that we evaluate. Because of our high-quality standards, manufacturing feasibility is another primary consideration. We also assess our existing production capacity; from an operations perspective, we assess the ease of integration of a new potential product into existing production runs and its impact on SKU and stock management. We also perform standard cost and margin assessments of a potential new offering.

Manufacturing

Raw Materials

Our in-house manufacturing is centered around our carpeting, ceramics and underlay segments. For carpeting products, synthetic yarn remains the largest single raw material expense. Though synthetic yarn is an oil-based product, we benefit from minimal price-pressure because we source materials globally from a large number of suppliers. The primary raw materials of our ceramic offerings are clay, which we are able to source locally in Spain and Italy, and natural gas supply, for which we maintain a 12-month forward-hedging policy. Underlay can also be manufactured using polyurethane foam ("**PU**") trim or rubber: PU is a "virgin" waste product from other manufacturing industries, such as furniture manufacturing, and can be sourced from a global market. Rubber prices have consistently declined over the last decade. Because we manufacture underlay using both PU and rubber, we can alternate production to reflect price increases in either PU or rubber.

Our raw materials expense (including direct costs such as packaging) was £261.0 million, which is equivalent to 45.4% of our revenue for the 2019 financial year.

Supply Chain

We have a broad range of suppliers, with minimal concentration risk. Our suppliers are generally located in the United Kingdom, Continental Europe, Turkey and China. For the 2019 financial year, our top ten suppliers accounted for 14.5% of our total expenditure with third parties. We can easily pass supplier price increases to our customers, and we maintain a low foreign currency risk profile, as only 17.4% of our cost base is incurred in foreign currencies. We also offset currency fluctuation through our Group-wide hedging strategy; for example, we use our local currency income first to satisfy local currency costs, and then we apply a forward-hedging policy on the remainder. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market Risk.*"

Bulk purchases of a small number of raw materials such as synthetic yarn are coordinated at the Group level, and prices of these Group-level bulk purchases are reviewed every six-to-twelve months by senior management. We do not utilize a central purchasing department, though our operating businesses' purchasing functions operate in accordance with a Group-defined framework. For key raw materials, we run a competitive auction process with a range of approved suppliers.

In the case of certain raw materials, such as PU and natural gas, prices are fixed through long-term agreements. However, we generally prefer shorter-term agreements, as the scale of our business, the fungibility of certain key raw materials suppliers (we maintain relationships with alternative raw materials suppliers with whom we do not currently trade) and the competitive nature of the markets for a number of our raw materials give us significant purchasing power and leverage over our supply partners. We are therefore able to manage third-party costs tightly while ensuring supply security through supply chain redundancy.

We have robust in-house manufacturing capabilities, and we do not outsource a significant amount of manufacturing operations. We, however, utilize some contract manufacturers and other manufacturers' spare capacity on a small scale to balance our own carpet and ceramic manufacturing capacity and cost, and to increase manufacturing flexibility.

For certain smaller product segments of our offering, commercial sense requires that we outsource the full production. For example, luxury vinyl tile (LVT) is considerably easier than other flooring products to transport and warehouse, and there is a well-established and cost-effective manufacturing base in Asia.

Production

Our core manufacturing activities are centered around three product segments: carpet, ceramic tile and flooring underlay. Manufacturing processes between these products differ significantly. For example, our tufted carpet manufacturing process begins with yarn extrusion (extraction of yarn filaments from synthetic granulates). The resulting yarn filaments are then dyed and spun, set up on beams and creels, and finally tufted, backed and cut. Our ceramic tiles are milled from raw materials, pressed, then dried and glazed. After rolling into shape, the tiles are fired in a kiln before being cut into squares. Our PU underlay manufacturing begins with the manufacture of PU foam and subsequent exposure to binding agents. Once bonded under high-pressure steam, the underlay is dried, peeled, laminated and cut. Rubber underlay is manufactured by combining manufacturing liquids and powdered rubber, extruding and rolling flat the resulting putty, then baking in a "heat-setting" process before cutting the final product into shape.

We have robust in-house manufacturing capabilities and we do not outsource a significant portion of our manufacturing. Broadloom tufted carpets, one of our key carpeting products, are large and heavy, difficult to manufacture in short runs and because they are large and non-palletized, they are difficult to transport over long distances and relatively easy to damage. Ceramic tiles generally are similarly heavy and difficult to transport. These factors represent significant barriers to entry for low-cost international imports and are why the vast majority of carpet and ceramic flooring in the United Kingdom and Continental Europe is produced by locally-based manufacturers. The location of our production facilities in the United Kingdom and in the center of Continental Europe in close proximity to our key United Kingdom and Continental European end-markets is a key competitive advantage, helping to minimize end-product transportation costs and delivery lead times to these markets. In certain instances, we also utilize contract manufacturers and other manufacturers' spare capacity on a small scale to balance our own carpet and ceramic manufacturing capacity and cost, and to increase manufacturing flexibility.

Most individual steps in our manufacturing processes across all our manufactured products are modular, such that multiple processes for the same product can be run simultaneously—we are therefore rarely limited by manufacturing infrastructure bottlenecks. Outsourcing is utilized in parts of the production process (for example, in the yarn extrusion process) to provide manufacturing flexibility and downside protection.

For certain smaller product segments, there is a strong commercial rationale for fully outsourcing our production. For example, luxury vinyl tile (LVT) can be palletized and is therefore considerably easier than other flooring products to transport and warehouse, with a well-established and cost-effective manufacturing base in Asia.

Our manufacturing activities are spread across 13 factories (six in the United Kingdom, three in Continental Europe and three in Australia). In the 2018 financial year, we consolidated our United Kingdom carpet manufacturing at our Yorkshire and South Wales factories while closing our Kidderminster factory as well as insourcing certain production. We recently announced a similar initiative in Australia, which will result in the consolidation of our two underlay factories into a single, enlarged facility.

The following table sets forth the number, production area, production capacity and ownership status of our production facilities.

Product Type	Broadloom Carpet	Ceramic Tile	Flooring Underlay
Number of Factories	9	6	4
Production area (in thousand m^2)	67	234	40
Total Production Capacity (in million m^2)	35	25	89

For those facilities that we lease, the lease terms are between one and eighteen years remaining. Our total property, plant and equipment amounted to £190.6 million as at March 30, 2019.

Our carpeting products are manufactured in Dewsbury, Yorkshire; Newport, South Wales; Cleckheaton, Yorkshire; and Melbourne, Australia.

Our flooring underlay and flooring accessories are produced in Rossendale, Lancashire; Keighley, Yorkshire; and Sydney, Australia.

Our artificial grass products are designed and specified in Dutch facilities in Aalten, Netherlands.

Our ceramic products are produced in our facilities in Castellón, Spain and Sassuolo, Italy.

Warehousing and Distribution

We operate a total of 31 warehouses with a combined warehousing capacity of over 20 million square meters, of which 43.6%, 28.7% and 27.7% are dedicated to carpeting, ceramics and underlay, respectively. Our in-house warehousing capability is a competitive advantage, and is a barrier to entry for future potential competition. By holding stock for certain products on our customers' behalf, and by subsequently delivering upon receipt of orders, we benefit from real-time market data and feedback while limiting our de-stocking risk. This service is a core part of our customer offering, and a key structural strength. The combination of our stocking services with our design and manufacturing capabilities results in vertical integration that differentiates us from much of our competition.

In general, stock management, warehousing and transport differ by product segment.

Among our product offering, broadloom carpet is the most complex to distribute. As a result of the size and weight of broadloom carpets, and the equipment required to cut them into end-product sizes, many independent retailers are not able to hold stock. For these customers, the Group often holds stock on their behalf, while the customer retains Group-branded display stands and samples in-store. Our sales teams are subsequently provided a summary of end-consumer orders which are then cut from "mother rolls" in our distribution centers, wrapped and delivered in-store. Typical stock turn in our carpet distribution centers is approximately three times per year.

Ceramic tiles are also stocked to meet ongoing customer demand, but without the need for any further processing (e.g. cutting) as with broadloom carpets. Similar to our carpet offering, specialist retail customer deliveries follow from in-store consumer orders based on samples we provide. Ceramics, however, have a larger wholesale market and are also sold for use in the DIY market—these retailers are able to hold stock and are suited to bulk delivery. Given the structure of the Continental European ceramic tile production market (with producers concentrated in Spain and Italy), customers arrange transport rather than manufactures. Typical stock turn is approximately three-to-four times a year for specialist retailers and nine-to-ten times a year for DIY retailers.

Underlay is more commonly sold through distributors and large-chain retailers. As a result, inventory turnover of finished goods is greater, and deliveries tend to be in bulk, direct from the factory warehouse to customer warehouses. These products come in standard widths of four-meter rolls, and are much lighter and easier to handle than carpets or ceramics. Typical stock turn is approximately ten times a year.

Our objectives when we transport our products include maintaining our on-time delivery record while managing transportation costs. Some of our subsidiaries own their own transport infrastructure, with the Group operating a fleet of approximately 200 goods vehicles. Additionally, some subsidiaries utilize third-party service providers to transport products from our production facilities to the relevant warehouse or distribution center, as well as to our customers and end-consumers.

In 2017, we began the reorganization of our United Kingdom logistics operations to improve productivity and customer service. This process included the relocation of our distribution center in the Midlands to our Kidderminster site, which we completed in 2018. Further efficiency gains have been made from the completed opening of our Southern Distribution Center in Hemel Hempstead, England, servicing all of our brands, and we are exploring possible further efficiency gains with a potential new distribution center in northern England.

We distribute our products internationally, with sales in over 20 countries in the 2019 financial year.

Employees

During the 2019 financial year, we had an average headcount for the year of 3,043 employees. Taken together, 87.2% of our employees were based in the UK & Europe—Soft Flooring and UK & Europe—Ceramic segments, with 12.8% in Australia. The following table sets forth total average employee headcount for the 2017, 2018 and 2019 financial years.

	For the financial year ended		
	2017	2018	2019
Total Employee Count	1,802	2,500	3,043

We consider our relations with our employees to be good. The terms and conditions for employees, including working hours, termination rights and benefits, are governed by standard employee contracts together with, in certain circumstances, a variety of collective bargaining agreements.

Insurance

We have insurance policies in place that cover liability for public and product liability, death or injury to employees and damage to property, including buildings, plants, machinery and stock. We also have insurance coverage for business interruption.

We work closely with our insurance brokers to ensure that we maintain policies that are suitable for our business and industry. However, our insurance does not cover every potential risk associated with our business. See "*Risk Factors—Risks Related to Our Industry and Our Business—Significant damage to any of our facilities could cause a production disruption.*"

Information Technology and Data

Our IT platform is used to manage our operations, including design software, production, purchasing, sales, customer service, logistics and administration. For many of our operating businesses, we have a complex and heterogeneous application landscape that in part consists of partially integrated systems from prior acquisitions. We support our IT systems through an in-house team of IT specialists. See "*Risk Factors—Risks Related to Our Industry and Our Business—A failure of, or a malicious attack in relation to, our IT systems could adversely affect our reputation, business and results of operations*."

We have taken appropriate measures to secure our systems and data by using standard IT security capability products. We have centralized backup data storage facilities as well as business continuity plans in place. We have not experienced any significant IT problems in recent years.

Legal Proceedings

We are subject to legal, administrative and regulatory proceedings in the ordinary course of our business. We believe that none of the legal, administrative or regulatory proceedings pending against us or with which we are threatened, individually or collectively, will have a material adverse effect on our consolidated financial position, results of operations or cash flow.

Environmental and Health and Safety

In connection with our business, we are subject to environmental laws and regulations in each of the countries where we do business. These laws and regulations impose binding standards, in particular with respect to product safety, air pollution, carbon emissions, noise reduction, waste water, industrial waste, and may impose specific methods for eliminating wastes, or environmental clean-up. Many of these areas of regulation are subject to increasingly stricter levels of security and compliance, in particular relating to carbon emissions. Due to our handling of certain chemicals, we are also subject to safety and security requirements pursuant to various national security regulations of the various jurisdictions in which we operate. See "*Risk Factors—Risks Related to Our Industry and Our Business—We are required to comply with environmental and other regulations and obtain government permits and approvals.*"

Regulation of Our Business

We comply with a large number of regulations, standards and certifications in the various markets in which we operate. These standards vary depending on the geographic region, the type of building in which a product is installed and the type of flooring. We have adopted a monitoring process to ensure that our products are in material compliance with all applicable regulations, standards and certifications.

Regulatory Matters

We are subject to a number of EU and local regulations in the United Kingdom, Continental Europe and Australia, which range in scope from the communication on chemicals in the supply chain to the labeling of fiber compositions, the evaluation of textile fiber mixtures, restrictions of use and authorization of chemicals used during our production cycle.

Mandatory and Non-Mandatory Standards

We are subject to two types of standards: mandatory standards based on legal requirements, and non-mandatory standards that we have chosen to comply with to respond to our customers' needs.

In most cases, compliance with mandatory standards must be certified by independent laboratories and/or organizations as well as by a governmental authority. Their principal objective is to ensure the safety and protect the health of end-market users by demonstrating that the product complies with regulatory requirements, which relate primarily to fire-resistance, slip-resistance and limits on toxic fumes.

Non-mandatory standards are primarily testing standards to determine a product's technical characteristics such as acoustic properties or dimensional stability, and specifications relating to minimum thresholds for a specific use. These standards vary depending on the product and its intended use, such as schools, hospitals or homes. These standards allow buyers, decision-makers and end-market users to be informed of the characteristics of our flooring in order to better differentiate between our products and those of our competitors. The technical specifications that we choose to communicate vary depending on the requirements of the market in question.

Especially in the commercial market, customers often stipulate compliance with non-mandatory standards in their order specifications. Moreover, compliance with non-mandatory standards is also required by certain national or municipal governments for the construction or renovation of buildings that will be used as public administrations or government agencies.

Standard Organizations and Standards Used in Other Jurisdictions

Standard organizations define the technical characteristics and performance that a product must meet, as well as the tests to be used.

At the international level, the principal organization in charge of publishing our applicable standards is the International Organization for Standardization ("ISO"). Compliance with ISO standards is based on the principles developed by the World Trade Organization, and is technically voluntary, although often required by architects and contractors, in particular for government contractors. Furthermore, agreements between ISO and the European Union enable the transposition of an ISO standard into a European standard.

In Europe, standards are established by the European Committee for Standardization ("CEN"). These standards, called "EN" standards, are mandatory when referenced by a European regulation.

European directives also define requirements for each product. "Harmonized" EN standards may be either mandatory or optional. They concern the health and safety of end-market users as well as energy savings. If a product is shown to comply with certain harmonized standards, it is automatically deemed to comply with requirements under European directives.

Compliance with harmonized standards enables a manufacturer to obtain the "CE" label, governed by Regulation (EC) No. 305/2011 of April 24, 2011, which came into effect on July 1, 2013. We market our products in Europe under this label. The CE label indicates that we certify that the product complies with the various harmonized standards and that the flooring has undergone adequate testing. Among the mandatory harmonized standards, fire-retardant and fire-resistance standards, anti-slip standards and toxic emissions standards are the most important. For example, we comply with EN Standard 14041, which details requirements for resilient and laminate hard flooring and carpets.

In addition, we can be required to comply with standards issued by national organizations in various European Union member states. We are subject to national standards in the countries where we sell our products.

Countries such as Australia, also develop standards as well as national regulations with which we may be required to comply. Finally, certain laboratories and private sector organizations have established procedures for labeling products that comply with certain standards. We actively participate with organizations such as ASTM International, ISO and CEN in the process of developing standards.

MANAGEMENT

The Issuer

The Issuer is a public limited company incorporated under the laws of England and Wales, having its registered office at Victoria PLC, Worcester Road, Kidderminster, Worcestershire DY10 1JR, United Kingdom and registered with Companies House with company number 00282204. The Issuer is a holding company with no significant assets other than investments in its subsidiaries and intercompany loan receivables.

Board of Directors of the Issuer

The following table sets out the names, ages and positions of the directors of the Issuer.

Name	Age	Position
Geoff Wilding	55	Executive Chairman
Philippe Hamers	56	Executive Director
Michael Scott	39	Executive Director
Andrew Harrison	57	Non-executive Director
Gavin Petken	47	Non-executive Director
Zachary Sternberg	33	Non-executive Director

Geoff Wilding has been the Executive Chairman of the Victoria Group since 2012. As Executive Chairman, he is responsible for execution of the Company's strategy. Mr. Wilding is a former investment banker with significant experience in company development and turnarounds. He is a member of the Nominations Committee.

Philippe Hamers has been the Chief Executive Officer and a Director of the Victoria Group since 2017. Mr. Hamers has over twenty-five years' experience in the flooring industry and headed Europe's largest carpet manufacturing operation at Balta Group until 2016. Prior to joining the Balta Group, he was General Manager of the Tufted and Woven Division of Beaulieu International Group.

Michael Scott has been Chief Financial Officer and a Director of the Company since 2016. Prior to assuming his role at the Company, Mr. Scott spent eight years at Rothschild where, as part of their Global Financial Advisory business, he worked across a wide range of public and private company transactions, mergers and acquisitions and debt and equity-related fundraisings. He qualified as a Chartered Accountant with PricewaterhouseCoopers and holds an Engineering degree from the University of Cambridge.

Andrew Harrison has been a Director of the Company since 2012, and is the Senior Independent Non-executive Director. Mr. Harrison has more than twenty years' experience as a solicitor in private practice, specializing 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.

Gavin Petken has been a Director of the Company since 2014. Mr. Petken is the Business Growth Fund's Regional Director for the Midlands and has developed the firm's local investment activities in the Midlands region for smaller entrepreneurial companies. He has also been actively involved with the Business Growth Fund's major strategic initiative to extend the firm's provision of growth capital to listed companies providing similar access to long-term funding. He is a Chartered Accountant, having qualified with Arthur Andersen. Mr. Petken is a member of the Audit and Remuneration Committees.

Zachary Sternberg has been a Director of the Company since 2019. Mr. Sternberg is the co-founder of The Spruce House Partnership, a private investment partnership based in New York which seeks to invest alongside and support management teams focused on growing the long-term value of their companies. He graduated in accounting from The Wharton School, University of Pennsylvania.

Senior Management of the Issuer

The Victoria Group senior management has been responsible for making most of the day-to-day operational decisions for Victoria Group. Our group is organized by brand, headed by one or more brand managing directors. Group-level activity is principally managed by the Executive Directors, Messrs. Wilding, Hamers and Scott. See "*—Board of Directors of the Issuer.*"

The following table sets out the names, ages and positions of the Victoria Group senior management.

Name	Age	Position
Geoff Wilding	55	Executive Chairman
Philippe Hamers	55	Chief Executive Officer
Michael Scott	38	Chief Financial Officer

For biographies of Mr. Hamers and Mr. Scott, see "*—Board of Directors of the Issuer*."

Board Committees

Audit Committee

The Audit Committee is chaired by Andrew Harrison and also includes Gavin Petken as a committee member. The Audit Committee is required to meet at least twice a year. The Audit Committee's principal responsibilities are to:

- review the adequacy of the Group's accounting, financial and operating controls and make recommendations to the Board as appropriate;
- review the proposed accounts of the Group prior to publication and make recommendations to the Board regarding the rate of dividend and any other special appropriations;
- recommend the appointment of the Group auditor to the Board and review the scope and results of its audit;
- review the planning of internal and external audits, receive reports thereon and deal with any control weaknesses identified; and
- monitor the extent of non-audit work that the Group auditor can perform to ensure that the provision of these non-audit services falls within the Group's policies and does not impair its objectivity or independence.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations to the Board as to the steps to be taken.

Nominations Committee

The Nominations Committee is chaired by Zachary Sternbergand also includes Andrew Harrison and Geoffrey Wilding as committee members. The Nominations Committee is required to meet at least twice a year. The Nominations Committee's principal responsibilities are to:

- review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes that are considered necessary, including the continuation of existing Directors in office;
- conduct succession planning for Executive Board appointments;
- identify and nominate candidates for Board approval to fill Board vacancies as and when they arise;
- conduct an annual review and identification of the time commitment required from Non-executive Directors; and
- make recommendations to the Board regarding membership of the Audit and Remuneration Committees in consultation with the Chairman of each committee.

Remuneration Committee

The Remuneration Committee is chaired by Andrew Harrison and also includes Zachary Sternberg and Gavin Petken as committee members. The Remuneration Committee is required to meet at least twice a year. The Remuneration Committee's principal responsibilities are to:

- determine and agree with the Board, the remuneration policy for the Chief Executive Officer, Chairman, managing directors and senior managers;
- review progress made against KPI targets and agree final performance-related bonus awards;

- review the design of share incentive plans for approval by the Board and shareholders and determine the annual award policy for Executive Directors and senior managers under existing plans;
- determine, within the terms of the agreed policy, the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director; and
- review and note the remuneration trends across the Group.

Key Management Compensation

For the 2017, 2018 and 2019 financial years, the aggregate compensation paid to the members of our senior management was £4.3 million, £5.4 million and £4.2 million, respectively, including cash compensation for salary and bonuses. See Note 27 of the audited consolidated financial statements of Victoria Group as of and for the 2017, 2018 and 2019.

Long-term Management Incentive Plan

On April 10, 2017, the Board announced a long-term management incentive plan (the "**Plan**") in order to enable the Board to continue to incentivize senior employees in a manner closely aligned with the interests of the Company's shareholders.

The Plan involves the issue of up to 100,000 non-voting shares in Victoria Midco Holdings Limited, a subsidiary of the Company. Participants in the Plan will subscribe for these shares. The initial award of shares (the "**Incentive Shares**") represented only a proportion (approximately 72%) of the total number of shares created, with the balance being reserved for potential future awards to additional employees. 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 capitalization of the Company increased annually by 20% per annum 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). TSR is equal to the change in market capitalization of the Company plus dividends or return of capital to shareholders, if any.

At the end of the Plan, the Incentive Shares can be exchanged for new ordinary shares in Victoria PLC (at the then prevailing share price averaged over the month prior to exchange). 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. The participants will have no right to any payment of cash. For further information, see Note 5 to the 2019 Group Financial Statements.

PRINCIPAL SHAREHOLDERS

The table below sets forth, as of July 8, 2019, information regarding the indirect beneficial ownership of the Issuer's ordinary shares.

Entity	**Percentage of share capital**
Invesco Limited	28.97%
Camden Holdings Limited[1]	17.89%
The Spruce House Partnership LP	14.81%
Assorted other shareholders	38.33%

(1) Geoffrey Wilding, our Executive Chairman, indirectly owns Camden Holdings Limited.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with certain related parties or our affiliates and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than what they would expect to negotiate with disinterested third-parties.

The BGF Loan

Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund plc's Regional Director for the Midlands. On September 30, 2014, Victoria PLC entered into a loan facility with BGF Investments LP ("**BGF**"), as amended and restated on July 5, 2017, in the aggregate principal amount of £10.0 million maturing in 2021. The loan facility includes a redemption premium of £2.1 million payable on December 31, 2019, which related to the issuance of certain warrant instruments to the Business Growth Fund. BGF has also been granted an option over 3,730,000 new ordinary 5p shares in the Group at 57.2p per share (restated for the effect of the five for one share split effective from September 12, 2016), representing 5% of our deemed enlarged issued share capital at the time of grant. Mr. Petken receives an annual fee of £35,000 which is commensurate with that paid to our other Non-executive Directors. See "*Description of Certain Financing Arrangements—BGF Loan.*"

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Set forth below is a summary of certain of our future significant debt arrangements. The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The defined terms set forth in this section apply to this section only.

Senior Facilities Agreement

The Issuer and Victoria Midco Holdings Limited entered into the Senior Facilities Agreement on 25 June 2019 in an aggregate principal amount of £203,200,000 split between an amortizing term loan in an amount of £143,200,000 (the "**New Term Loan Facility**") and a revolving credit facility in the amount of £60,000,000 (the "**New Revolving Credit Facility**" and together with the New Term Loan Facility, the "**Senior Facilities**"). The purpose of the New Term Loan Facility is to refinance the Existing Term and Revolving Credit Facility Agreement (including payment of related costs and expenses) and acquisitions that are permitted under the Senior Facilities Agreement. The purpose of the New Revolving Credit Facility is the general corporate and working capital purposes of the Group (including, without limitation, the financing of acquisitions permitted under the Senior Facilities Agreement). The New Revolving Credit Facility may be utilized by the drawing of cash advances and/or the establishment of ancillary facilities with lenders on a bi-lateral basis.

The initial borrower under the New Term Loan Facility and the New Revolving Credit Facility is the Issuer.

The Senior Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability to incur additional indebtedness under (a) one or more additional revolving facilities or (b) as an increase to the New Revolving Credit Facility, in each case within the Senior Facilities Agreement up to an aggregate amount of £70,000,000.

Interest and Fees

The rate of interest on each utilization under the New Term Loan Facility for each interest period will be the percentage rate *per annum* which is the aggregate of: (a) the applicable margin, being 3.25% from the date of first utilization of the Senior Facilities Agreement in relation to each of the Term Facility and Revolving Facility (subject to a margin ratchet provision calculated on the basis of the total net leverage of the Group applying from the date falling 6 months after the first utilization of the Senior Facilities Agreement); and (b) LIBOR (subject to a floor of zero). The rate of interest for each utilization under the New Revolving Credit Facility for each interest period will be the percentage rate *per annum* which is the aggregate of (a) the applicable margin (subject to a margin ratchet provision calculated on the basis of the total net leverage of the Group); and (b) LIBOR (subject to a floor of zero) (or, where applicable to loans in Euro, EURIBOR or in Australian Dollars, BBSY). The Borrower to which a loan has been made shall pay accrued interest on that loan on the last day of each interest period. A commitment fee is also payable on the aggregate undrawn and uncancelled amount of the New Revolving Credit Facility subject to the terms and conditions set out therein.

Default interest is calculated as an additional 1% on the defaulted amount.

Maturity

The Issuer shall repay the New Term Loan Facility in instalments on each repayment date set out below such that the amount of New Term Loan Facility outstanding is reduced by an amount equal to the percentage of the New Term Loan Facility outstanding set out opposite the relevant repayment date below:

Repayment Date	Percentage
September 2020	5%
December 2020	5%
March 2021	5%
June 2021	5%
September 2021	5%
December 2021	5%
March 2022	5%
June 2022	5%
September 2022	6.25%
December 2022	6.25%
March 2023	6.25%
June 2023	6.25%
September 2023	17.5%
December 2023	17.5%

The New Revolving Credit Facility shall be repaid in full on the date that is four years and six months after the date of the Senior Facilities Agreement.

Prepayment

The Senior Facilities Agreement allows for voluntary prepayments and /or cancellation of the Senior Facilities (subject to a £500,000 *de minimis*). Mandatory prepayments of the Senior Facilities will be required in respect of certain acquisition, disposal and insurance proceeds (subject to customary exceptions and reinvestment rights). The Senior Facilities Agreement also requires the mandatory prepayment by the Issuer of all amounts due to a lender under the Senior Facilities upon a floatation (excluding the AIM listing of the Group), change of control or a sale of all or in respect of substantially all of the assets of the Group.

Representations and Undertakings

The Senior Facilities Agreement contains certain undertakings, representations and warranties, which are subject to customary materiality thresholds, qualifications and other exceptions. There is also an affirmative undertaking in relation to guarantor coverage by reference to 80% of consolidated EBITDA, consolidated gross assets and consolidated turnover of the Group, subject to certain exceptions to be satisfied within 90 days of the first utilization of the New Term Loan Facility and thereafter by reference to the annual audited financial statements.

Financial Covenants

The Senior Facilities Agreement requires the Issuer to ensure compliance with a financial covenant relating to total net leverage in respect of each relevant 12-month period ending on 31 March, 30 June, 30 September or 31 December not exceeding an agreed level. The total net leverage must not exceed the following levels:

i. 4.00x from the date of first utilization of the Senior Facilities Agreement until the second anniversary of that date;

ii. 3.75x from the date that is the day after the second anniversary of the date of first utilization of the Senior Facilities Agreement until the third anniversary of the date first utilization;

iii. 3.50x from the date that is the day after the third anniversary of the date of first utilization of the Senior Facilities Agreement until the fourth anniversary of the date first utilization; and

iv. 3.25x from the date that is the day after the fourth anniversary of the date of first utilization of the Senior Facilities Agreement until the termination date of the Senior Facilities Agreement.

The Issuer will be permitted to remedy any breach of the financial covenant by applying all or any part of amounts received by the Issuer in cash pursuant to any new equity or capital contributions (such amount being a cure amount) be included in the calculation of the total net leverage by deducting such amounts from the calculation of consolidated net debt. No more than two cure amounts may be taken into account during the term of the Senior Facilities Agreement or in consecutive financial quarters and, whilst there are no restrictions as to the amount of any cure amounts (including any amount over the amount required to cure any breach of the financial covenant), such cure amounts shall be required to be utilized in mandatory prepayment of the Facilities.

Events of default

The Senior Facilities Agreement contains events of default that are customary for such financings, which are subject to agreed customary materiality thresholds, qualifications, carve-outs, grace periods and other exceptions including but not limited to: (i) failure to pay; (ii) breach of covenant; (iii) cross default; and (iv) insolvency/insolvency proceedings.

Security, guarantee and indemnity

It is intended that the Senior Facilities will be secured by the same Collateral as for the Notes as set out under "*Description of the Notes—Security*."

The provision and the terms of the Collateral will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set out in the Senior Facilities Agreement and Intercreditor Agreement. Please see "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations*."

The Senior Facilities Agreement will be initially guaranteed by Victoria PLC and Victoria Midco Holdings Limited, each a "Guarantor."

Governing law

The Senior Facilities Agreement is governed by and construed and enforced in accordance with English law.

Intercreditor Agreement

General

In connection with the issuance of the Notes (for purposes of this section, the "Pari Passu Notes") and the entering into of the Senior Facilities Agreement (for the purposes of this section, a "Pari Passu Facility Agreement"), the Issuer will be party to the Intercreditor Agreement, The Intercreditor Agreement will govern the relationships and relative priorities among: (i) National Westminster Bank plc acting as security agent for the secured parties (the "Security Agent"); (ii) National Westminster Bank plc acting as agent under the Senior Facilities Agreement (the "Pari Passu Facility Agent"); (iii) the lenders under the Senior Facilities Agreement; (v) upon its accession to the Intercreditor Agreement, the Trustee (the "Pari Passu Notes Trustee") on its behalf and on behalf of the holders of the Pari Passu Notes (the "Pari Passu Noteholders"); (vi) any persons that accede to the Intercreditor Agreement as counterparties to certain hedging arrangements (the "Hedging Agreements"), such persons being referred to in such capacity as the "Hedge Counterparties"); and (vii) intra-group creditors and debtors.

The Issuer and each of its subsidiaries that incurs liabilities above a prescribed limit or provides any guarantee under the Senior Facilities Agreement or the Indenture are each referred to in this description as a "Debtor" and are referred to collectively as the "Debtors."

The Intercreditor Agreement sets out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- provisions in respect of control of the enforcement process (if undertaken);

- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of any assets subject to transaction security (the "Collateral").

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Issuer and the Guarantors that is permitted by the Intercreditor Agreement, any "Finance Document" under and as described in the Senior Facilities Agreement, any other facility agreement documenting a Credit Facility (a "Credit Facility Agreement" and together with the documentation related thereto, the "Credit Facility Documents"), the documentation required to implement the issuance of the Pari Passu Notes (the "Pari Passu Notes Documents"), the documentation required to implement the issuance of any additional Pari Passu Debt Liabilities (as defined below) (together with the Pari Passu Notes Documents, the "Pari Passu Debt Documents"), the Hedging Agreements, the documentation required to implement the Second Lien Liabilities (as defined below) (the "Second Lien Debt Documents"), the Security Documents (as defined below) and any agreement evidencing the terms of any Intra-Group Liabilities as well as any document designated as such by the Security Agent and the Issuer (together the "Debt Documents").

"Super Senior Liabilities" means the Credit Facility Liabilities and the Super Senior Hedging Liabilities.

The Intercreditor Agreement contains provisions relating to Second Lien Debt that may be incurred by the Debtors, subject to the terms of the Intercreditor Agreement.

The Intercreditor Agreement contains provisions empowering the Security Agent to appoint a delegate or co-security agent to perform its obligations under the Intercreditor Agreement.

Unless expressly stated otherwise in the Intercreditor Agreement, the provisions of the Intercreditor Agreement override anything in the Credit Facility Documents, the Pari Passu Debt Documents or any Second Lien Debt Documents. By accepting a Pari Passu Note, holders of the Pari Passu Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Pari Passu Notes Trustee to enter into the Intercreditor Agreement on their behalf.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, and the Group urges you to read that document because it, and not the description that follows, defines your rights as holders of the Pari Passu Notes.

Ranking and Priority

Subject to the terms of the Intercreditor Agreement, the parties to the Intercreditor Agreement agree that the liabilities owed by the Issuer or its successor or any Debtor to or in respect of: (i) the creditors under or in connection with the Credit Facility Documents (the "Credit Facility Liabilities"), (ii) the Pari Passu Creditors under or in connection with the Pari Passu Debt Documents (the "Pari Passu Debt Liabilities"), (iii) the Hedging Liabilities, (iv) Second Lien Creditors under or in connection with the Second Lien Debt Documents (the "Second Lien Liabilities") rank *pari passu* in right and priority of payment and without any preference between them. The Subordinated Liabilities and Intra-Group Liabilities are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors.

Each of the parties to the Intercreditor Agreement agree that Transaction Security shall rank and secure the following Liabilities in the following order: (a) *first*, the Credit Facility Liabilities, the Hedging Liabilities and the Pari Passu Debt Liabilities *pari passu* and without any preference between them; and (b) *second*, the Second Lien Liabilities *pari passu* and without any preference between them.

The Intercreditor Agreement does not purport to rank the any of the Subordinated Liabilities or the Intra-Group Liabilities as between themselves.

In this section:

"Creditor Representative" means:

(a) in relation to the Senior Facilities Agreement, the Pari Passu Facility Agent;

(b) in relation to lenders under any Credit Facility, the facility agent (or equivalent) in respect of that Credit Facility;

(c) in relation to the Pari Passu Noteholders, the Pari Passu Notes Trustee;

(d) in relation to any Pari Passu Creditors, the Pari Passu debt representative for such Pari Passu Creditors;

(e) in relation to any Second Lien Creditor, the Second Lien debt representative for such Second Lien Creditor; and

(f) in relation to any Hedge Counterparty, each Hedge Counterparty shall be its own Creditor Representative.

"Credit Facility Lender" means each "Lender" (under and as defined in the relevant Credit Facility Agreement) and ancillary lender.

"Hedging Liabilities" means the liabilities owed by any Debtor to the Hedge Counterparties under or in connection with the Hedging Agreements.

"Intra-Group Lenders" means each member of the Group which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with another member of the Group, and which is party to the Intercreditor Agreement as an Intra-Group Lender.

"Intra-Group Liabilities" means the liabilities owed by any member of the Group to any of the Intra-Group Lenders.

"Pari Passu Arranger" means any arranger of a credit facility which creates or evidences any Pari Passu Debt Liabilities which becomes a party to the Intercreditor Agreement.

"Pari Passu Creditors" means the Pari Passu Debt Creditors and the Pari Passu Hedge Counterparties.

"Pari Passu Debt Creditors" means each Creditor Representative in relation to any Pari Passu Debt Liabilities, each Pari Passu Arranger, each Pari Passu Noteholder and each Pari Passu Lender.

"Pari Passu Facility Agreement" means the Senior Facilities Agreement and any facility agreement setting out the terms of any credit facility which relates or evidences any Pari Passu Debt Liabilities.

"Pari Passu Hedge Counterparties" means each Hedge Counterparty to the extent it is owed Pari Passu Hedging Liabilities.

"Pari Passu Hedging Liabilities" means the Hedging Liabilities to the extent they are not Super Senior Hedging Liabilities.

"Pari Passu Lender" means the lenders under the Senior Facilities Agreement and each "Lender" under and as defined in the relevant Pari Passu Facility Agreement.

"Second Lien Creditors" means the creditors in relation to the Second Lien Liabilities.

"Subordinated Liabilities" means the liabilities of any Debtor to any direct or indirect shareholder (or Affiliate who is not a member of the Group) of the Issuer (and their respective transferees and successors) which has made a loan or financial accommodation available to the Issuer or another member of the Group, which is not prohibited under the terms of the Debt Documents and which accedes to the Intercreditor Agreement.

"Super Senior Creditors" means the creditors in relation to the Super Senior Liabilities.

"Super Senior Hedge Counterparties" means each Hedge Counterparty to the extent it is owed Super Senior Hedging Liabilities.

"Super Senior Hedging Liabilities" means those Hedging Liabilities owed to a Hedge Counterparty pursuant to a Hedging Agreement permitted to be incurred under the terms of the Debt Documents which have been designated as Super Senior Hedging Liabilities.

"Transaction Security" means the security created or evidenced or expressed to be created or evidenced under or pursuant to the security documents granted by the Debtors.

Permitted payments

Payment of Credit Facility Liabilities and Pari Passu Debt Liabilities

The Intercreditor Agreement permits the Debtors to make payments in respect of the Credit Facility Liabilities, the Pari Passu Debt Liabilities at any time in accordance with the terms of the Credit Facility Documents and the Pari Passu Debt Documents respectively, if at the time of payment no acceleration event has occurred and is continuing. The Intercreditor Agreement will permit these payments as set out in "*—Application of Proceeds*" below.

Permitted Payments: Hedging Liabilities

(a) The Intercreditor Agreement permits the Debtors and any other member of the Group to make payments to any Hedge Counterparty in respect of the Hedging Liabilities then due to that Hedge Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement: (i) if the payment is a scheduled payment arising under the relevant Hedging Agreement; (ii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of: (A) any of sections 2(d) (Deduction or Withholding for Tax), 2(e) (Default Interest; Other Amounts), 8(a) (payment in the Contractual Currency), 8(b) (Judgments) and 11 (Expenses) of the 1992 ISDA Master Agreement (if the Hedging Agreement is based on a 1992 ISDA Master Agreement); (B) any of sections 2(d) (Deduction or Withholding for Tax), 8(a) (payment in the Contractual Currency), 8 (b) (Judgments), 9(h)(i) (Prior to Early Termination) and 11 (Expenses) of the 2002 ISDA Master Agreement (if the Hedging Agreement is based on a 2002 ISDA Master Agreement); or (C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in sub-paragraphs (A) or (B) above (if the Hedging Agreement is not based on an ISDA Master Agreement); (iii) to the extent that the relevant Debtor's obligation to make the payment arises from a non-credit related close-out; (iv) to the extent that: (A) the relevant Debtor's obligation to make the payment arises from (a) a credit related close-out in relation to that Hedging Agreement or a consensual close-out in relation to that Hedging Agreement or (b) a permitted automatic early termination under that Hedging Agreement which arises as a result of an event relating to a Debtor; and (B) no Default is continuing at the time of that payment or would result from that payment; (v) to the extent that no Default is continuing or would result from that payment and the relevant Debtor's obligation to make the payment arises as a result of a close-out or termination arising as a result of (A) section 5(a)(vii) (Bankruptcy) of the 1992 ISDA Master Agreement (if the relevant Hedging Agreement is based on a 1992 ISDA Master Agreement) and the Event of Default (as defined in the relevant Hedging Agreement) has occurred with respect to the relevant Hedge Counterparty; (B) section 5(a)(vii) (Bankruptcy) of the 2002 ISDA Master Agreement (if the relevant Hedging Agreement is based on a 2002 ISDA Master Agreement) and the Event of Default (as defined in the relevant Hedging Agreement) has occurred with respect to the relevant Hedge Counterparty; (C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in paragraph (A) or (B) above (if the Hedging Agreement is not based on an ISDA Master Agreement) and the equivalent event of default has occurred with respect to the relevant Hedge Counterparty; or (D) the relevant Debtor terminating or closing-out the relevant Hedging Agreement as a result of a hedging force majeure and the Termination Event (as defined in the relevant Hedging Agreement in the case of a Hedging Agreement based on an ISDA Master Agreement) or the equivalent termination event (in the case of a Hedging Agreement not based on an ISDA Master Agreement) has occurred with respect to the relevant Hedge Counterparty; or (vi) if the Required Super Senior Creditors (excluding the Hedge Counterparties) and the Required Pari Passu Creditors give prior written consent to the payment being made.

(b) No payment may be made to a Hedge Counterparty under (a) above if any scheduled payment due from that Hedge Counterparty to a Debtor under a Hedging Agreement to which they are both party is due and unpaid unless the prior consent of the Required Super Senior Creditors and the Required Pari Passu Creditors is obtained.

(c) Failure by a Debtor to make a payment to a Hedge Counterparty which results solely from the operation of (b) above shall not result in a default (however described) in respect of that Debtor under that Hedging Agreement.

In this section, (i) "Required Pari Passu Creditors" means each Creditor Representative acting on behalf of any Pari Passu Creditors for which it is the Creditor Representative and (ii) "Required Super Senior

Creditors" means each Creditor Representative acting on behalf of any Credit Facility Lenders for which it is the Creditor Representative.

Permitted Payments: Second Lien Liabilities

The Intercreditor Agreement permits Debtors to (a) prior to Senior Discharge Date, make payments to the Second Lien Creditors in respect of the Second Lien Liabilities with respect to the Second Lien Debt Documents (i) if: (A) the payment is of: (I) any of the principal amount or capitalized interest of the Second Lien Liabilities which is either (1) not prohibited from being paid by the Credit Facility Documents or the Pari Passu Debt Documents or (2) paid on or after the final maturity date of the Second Lien Liabilities (provided that such maturity date is a date not earlier than the maturity date as contained in the Credit Facility Documents or Pari Passu Debt Documents); or (II) any other amount which is not an amount of principal or capitalized interest; (B) no Second Lien Payment Stop Notice is outstanding (as set out in "—Second Lien Payment Stop Notice"); and (C) no Senior Payment Default has occurred and is continuing; or (ii) if the Majority Super Senior Creditors, and the Majority Pari Passu Creditors give prior consent to that payment being made; or (iii) if the payment is of fees, costs and expenses owed to a Creditor Representative in respect of Second Lien Liabilities; or (iv) if the payment is for the administrative and maintenance costs, fees, expenses (in each case reasonably and properly incurred) and taxes of any member of the Group which is an issuer of any Second Lien Liabilities including reporting or listing requirements, as permitted under the terms of the Debt Documents; (v) if the payment is of any other amount not exceeding £500,000 (or its equivalent in any other currencies) in aggregate in any 12 months period; or (vi) if the payment is of costs, consent fees, commissions, underwriter or lead manager fees (including original issue discount), taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any financing or refinancing of the Second Lien Liabilities in compliance with the Intercreditor Agreement and the Credit Facility Documents, and the Pari Passu Debt Documents; and (b) on or after the Senior Discharge Date, make payments to the Second Lien Creditors in respect of the Second Lien Liabilities in accordance with the Second Lien Documents.

"Senior Discharge Date" means the latest to occur of (i) the date on which all Super Senior Liabilities have been fully and finally discharged, (ii) the date on which all Hedging Liabilities have been fully and finally discharged, and (iii) the date on which all Pari Passu Debt Liabilities have been fully and finally discharged.

"Senior Payment Default" means:

(a) an event of default in respect of the Senior Facilities Agreement or the equivalent provision of any other Pari Passu Debt Document;

(b) any event of default arising by reason of non-payment under the Hedging Liabilities other than in respect of an amount not (i) constituting principal, interest or fees and (ii) exceeding £500,000 (or its equivalent in other currencies); and/or

(c) any event of default arising by reason of any non-payment under any Credit Facility Document other than in respect of an amount not (i) constituting principal, interest or fees and (ii) exceeding £500,000 (or its equivalent in other currencies).

Permitted Payments: Intra-Group Liabilities

The Intercreditor Agreement permits payments of the Intra Group Liabilities (whether of principal, interest or otherwise) from time to time when due, if at the time of payment no event of default has occurred or would occur in respect of the Debt Documents unless: (i) the Instructing Group (as defined below) consents to that payment being made; or (ii) that payment is made to facilitate a permitted payment of Credit Facility Liabilities, the Hedging Liabilities, the Pari Passu Debt Liabilities and the Second Lien Liabilities.

Permitted Payments: Subordinated Liabilities

The Intercreditor Agreement permits payments of Subordinated Liabilities from time to time when due, if the payment is not prohibited by the Debt Documents, or the Instructing Group consent to that payment being made.

Restrictions on Enforcement and Permitted Enforcement

Restrictions on Enforcement: Ancillary Lenders

Save as set out below, so long as any of the Super Senior Liabilities (other than any liabilities owed to the lenders who make an ancillary facility available pursuant to the terms of a Credit Facilities Agreement or Pari Passu Facility Agreement (the "Ancillary Lenders")) are or may be outstanding, none of the Ancillary Lenders shall be entitled to take any enforcement action in respect of any of the liabilities owed to it.

Permitted Enforcement: Ancillary Lenders

Each Ancillary Lender may take enforcement action if (i) at the same time as that action, enforcement action has been taken in respect of the Credit Facility Liabilities in which case the Ancillary Lenders may take the same enforcement action; (ii) that action is contemplated by the Credit Facility Agreement or the terms of the relevant section of the Intercreditor Agreement; (iii) that enforcement action is taken in respect of cash cover which has been provided in accordance with the Credit Facility Agreement; (v) at the same time as or prior to that action, the consent of the Majority Super Senior Creditors is obtained; or (vi) an insolvency event has occurred in relation to any member of the Group, in which case after the occurrence of that insolvency event each Ancillary Lender shall be entitled (if it has not already done so) to exercise any right it may otherwise have in respect of that member of the Group to: (A) accelerate any of that member of the Group's Credit Facility Liabilities or declare them prematurely due and payable on demand; (B) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Credit Facility Liabilities; (C) exercise any right of set-off or take or receive any Payment in respect of any Credit Facility Liabilities of that member of the Group; or (D) claim and prove in any insolvency process of that member of the Group for the Credit Facility Liabilities owing to it.

Restrictions on Enforcement: Hedge Counterparties

Save as set out below in "*—Permitted Enforcement: Hedge Counterparties*," or "*—Required Enforcement: Hedge Counterparties*" (and without prejudice to the Hedge Counterparties' rights set out below in "*—Enforcement Instructions*"), the Hedge Counterparties shall not take any enforcement action in respect of any of the Hedging Liabilities or any of the hedging transactions under any of the Hedging Agreements at any time.

Permitted Enforcement: Hedge Counterparties

The Intercreditor Agreement provides that, to the extent it is able to do so under the relevant Hedging Agreement, a Hedge Counterparty may terminate or close-out in whole or in part any hedging transaction under that Hedging Agreement prior to its stated maturity: (i) if, prior to a Distress Event, the Issuer has certified to the Hedge Counterparty that that termination or close-out would not result in a breach of a Credit Facility Document, a Pari Passu Debt Document or a Second Lien Document; (ii) if a hedging force majeure has occurred in respect of that Hedging Agreement; (iii) if the Hedge Counterparty and the relevant Debtor consensually agree to terminate, reduce or close-out in whole or in part a transaction under a Hedging Agreement and no Default is continuing under any Credit Facility Document, Pari Passu Debt Document or Second Lien Document, or would result from such termination, reduction or close-out; (iv) if a Distress Event has occurred; (v) if an insolvency related Event of Default has occurred and is continuing under the Senior Facilities Agreement (or any equivalent provision of a Debt Document) in relation to a Debtor which is party to that Hedging Agreement; and (v) if the Instructing Group give prior consent to that termination or close-out being made.

If a Debtor has defaulted on any payment due under a Hedging Agreement (after allowing any applicable notice or grace periods) and the default has continued unwaived for more than 15 Business Days after notice of that default has been given to the Security Agent, the relevant Hedge Counterparty (i) may, to the extent it is able to do so under the relevant Hedging Agreement, terminate or close-out in whole or in part any hedging transaction under that Hedging Agreement; and (ii) until such time as the Security Agent has given notice to that Hedge Counterparty that the Transaction Security is being enforced (or that any formal steps are being taken to enforce the Transaction Security), shall be entitled to exercise any right it might otherwise have to sue for, commence or join legal or arbitration proceedings against any Debtor to recover any Hedging Liabilities due under that Hedging Agreement.

After the occurrence of an insolvency event in relation to any member of the Group, each Hedge Counterparty shall be entitled to exercise any right it may otherwise have in respect of that member of the Group to:

(a) prematurely close-out or terminate any Hedging Liabilities of that member of the Group;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Hedging Liabilities owing to it;

(c) exercise any right of set-off or take or receive any payment in respect of any Hedging Liabilities of that member of the Group; or

(d) claim and prove in any insolvency process of that member of the Group for the Hedging Liabilities owing to it.

Required Enforcement: Hedge Counterparties

The Intercreditor Agreement provides that, save in circumstances where an Acceleration Event has occurred as a result of an arrangement between any Debtor and any Primary Creditor with the purpose of bringing about that Acceleration Event, a Hedge Counterparty shall promptly terminate or close-out in full any hedging transaction under all or any of the Hedging Agreements to which it is party prior to their stated maturity, following: (i) the occurrence of an Acceleration Event and delivery to it of a notice from the Security Agent that that Acceleration Event has occurred; and (ii) delivery to it of a subsequent notice from the Security Agent (acting on the instructions of an Instructing Group) instructing it to do so.

If a Hedge Counterparty is entitled to terminate or close-out any transaction as described in "*—Permitted Enforcement: Hedge Counterparties*" above, (or would have been able to if that Hedge Counterparty had given the notice referred to in that section) but has not terminated or closed out each such transaction, that Hedge Counterparty shall promptly terminate or close-out in full each such hedging transaction following a request to do so by the Security Agent (acting on the instructions of the Instructing Group).

Restrictions on Enforcement: Second Lien Creditors

Save as set out below in "*—Permitted Enforcement: Second Lien Creditors*" and except with the prior consent of or as required by the Instructing Group, (i) no Second Lien Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities; and (ii) no Second Lien Creditor shall direct the Security Agent to enforce or otherwise (to the extent applicable) require the enforcement of, any Transaction Security.

Permitted Enforcement: Second Lien Creditors

A Second Lien Creditor may take an enforcement action if (i) an event of default under the Second Lien Debt Documents (the "Relevant Second Lien Default") is continuing; (ii) the Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents have received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the Creditor Representative in respect of the Second Lien Liabilities; (iii) a Second Lien Standstill Period (as defined below) has elapsed; and (iv) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Restrictions on Enforcement: Intra-Group Lenders

Save as set out below in "*—Permitted Enforcement: Intra-Group Lenders*," none of the Intra-Group Lenders shall be entitled to take any Enforcement Action in respect of any of the Intra-Group Liabilities at any time prior to the Final Discharge Date.

Permitted Enforcement: Intra-Group Lenders

After the occurrence of an insolvency event in relation to any Debtor grantor of Transaction Security, each Intra Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender in accordance with the Intercreditor Agreement), exercise any right it may otherwise have against that member of the Group to: (a) accelerate any of that member of the Group's Intra-Group Liabilities or declare them prematurely due and payable or payable on demand; (b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra-Group Liabilities; (c) exercise any right of set-off or take or receive any payment in respect of any Intra-Group Liabilities of that member of the Group; or (d) claim and prove in any insolvency process of that member of the Group for the Intra Group Liabilities owing to it.

Enforcement of Transaction Security

Enforcement Instructions

The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless instructed otherwise by either the Majority Super Senior Creditors or the Majority Pari Passu Creditors whichever at the relevant time is entitled to give instructions (the "Senior Secured Instructing Group") or, (in certain circumstances) the Creditor Representative in respect of any Second Lien Liabilities (acting on the instructions of the Majority Second Lien Creditors), (each an "Instructing Group").

Subject to the Transaction Security having become enforceable in accordance with its terms and (i) subject to "*—Enforcement Decisions*" below, (A) a Senior Secured Instructing Group; (B) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the later of the Credit Facility Lender Discharge Date and the Pari Passu Discharge Date as set out in "*—Permitted Enforcement: Second Lien Creditors,*" the Creditor Representative in respect of Second Lien Liabilities (acting on the instructions of the Majority Second Lien Creditors); or (C) upon the later of the Credit Facility Lender Discharge Date and the Pari Passu Discharge Date, the Creditor Representative in respect of Second Lien Liabilities (acting on the instructions of the Majority Second Lien Creditors), may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit provided that the instructions as to Enforcement given by the Instructing Group are consistent with the Enforcement Principles.

Prior to the later of the Credit Facility Discharge Date, and the Pari Passu Discharge Date: (i) if the Senior Secured Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or (ii) in the absence of instructions from the Senior Secured Instructing Group, and, in each case, the Senior Secured Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Credit Representative in respect of Second Lien Liabilities (acting on the instructions of the Majority Second Lien Creditors) are then entitled to give to the Security Agent as set out in "*—Permitted Enforcement: Second Lien Creditors*" above.

Notwithstanding the preceding paragraph, if at any time the Creditor Representative for the Credit Facility Lenders or the Pari Passu Debt Representatives are then entitled to give the Security Agent instructions to enforce the Transaction Security and the Creditor Representative in respect of any Majority Second Lien Creditors either gives such instruction or indicates any intention to give such instruction, then any of the Creditor Representative for the Credit Facility Lenders, the Pari Passu Noteholders or Pari Passu Lenders may give instructions to the Security Agent to enforce the Transaction Security as the Creditor Representative for the Credit Facility Lenders or the Pari Passu Noteholders or Pari Passu Lenders see fit in lieu of any instructions to enforce given by the Creditor Representative in respect of any Majority Second Lien Creditors as set out in "*—Permitted Enforcement: Second Lien Creditors*" above respectively and the Security Agent shall act on the instructions received from such of the Creditor Representative for the Credit Facility Lenders, the Pari Passu Noteholders or Pari Passu Lenders as is then entitled to give instructions as set out in "*—Enforcement Decisions*" below provided that such instructions are consistent with the security enforcement principles.

"Credit Facility Lender Discharge Date" means the first date on which all Credit Facility Liabilities have been fully and finally discharged to the satisfaction of the relevant Creditor Representative, whether or not as the result of an enforcement, and the Credit Facility Lenders are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

"Pari Passu Discharge Date" means the first date on which all Pari Passu Liabilities have been fully and finally discharged to the satisfaction of the relevant Creditor Representatives (in the case of Pari Passu Debt Liabilities) and each Pari Passu Hedge Counterparty (in the case of its Pari Passu Hedging Liabilities), whether or not as the result of an enforcement, and the Paris Passu Creditors are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

"Majority Pari Passu Creditors" means, at any time, those Pari Passu Creditors whose pari passu credit participations at that time aggregate more than 50 per cent. of the total pari passu credit participations at that time, after excluded commitments and disenfranchisements of defaulting lenders have been taken into account.

"Majority Super Senior Creditors" means such of the Super Senior Creditors whose super senior credit participations at that time aggregate more than 66.67 per cent. of the total super senior credit participations at that time, after excluded commitments and disenfranchisements of defaulting lenders have been taken into account.

"Majority Second Lien Creditors" means such of the Second Lien Creditors whose second lien credit participations at that time aggregate more than 50 per cent. of the total second lien credit participations at that time, after excluded commitments and disenfranchisements of defaulting lenders have been taken into account.

"Super Senior Hedging Liabilities" means those Hedging Liabilities owed to a Hedge Counterparty pursuant to a Hedging Agreement permitted to be incurred under the terms of the Credit Facility Documents, the Pari Passu Debt Documents and the Second Lien Documents which have been designated (and such designation has not been released) as Super Senior Hedging Liabilities in accordance with the Intercreditor Agreement.

Manner of Enforcement

If the Transaction Security is being enforced as set out in "*—Enforcement Instructions*" above, the Security Agent shall enforce the Transaction Security or take other action as to Enforcement in such manner (including the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as: (a) a Senior Secured Instructing Group; (b) prior to the Credit Facility Lender Discharge Date and the Pari Passu Discharge Date, if: (i) the Security Agent has, pursuant to "*—Enforcement Instructions*" above, received instructions given by the Creditor Representative in respect of the Majority Second Lien Creditors to enforce the Transaction Security; and (ii) the Senior Secured Instructing Group (or other Pari Passu Creditors pursuant "*—Enforcement Instructions*" above) has not given instructions as to the manner of the enforcement of the Transaction Security, the Majority Second Lien Creditors, shall instruct or, in the absence of any such instructions, as the Security Agent sees fit, in each case, so far as is consistent with the Enforcement Principles. For the avoidance of doubt, in the absence of instructions from an Instructing Group, the Security Agent will not be required to take any action.

Enforcement Decisions

Prior to the later to occur of the of the Credit Facility Lender Discharge Date, the Pari Passu Discharge Date, and the date on which all Second Lien Liabilities have been fully and finally discharged (with no obligation to provide financial accommodation to the Debtors under the Second Lien Documents) (the "Final Discharge Date") and save as set out below, before the giving of any instructions to the Security Agent to enforce the Transaction Security pursuant to "*—Enforcement Instructions*" (and before either the Majority Super Senior Creditors or the Majority Pari Passu Creditors shall be considered the Instructing Group), a Creditor Representative for the Credit Facility Lenders will or the Creditor Representative for each of the Pari Passu Creditors shall deliver a copy of its proposed enforcement instructions to the other Creditor Representatives and the Security Agent (which shall, for the avoidance of doubt, include instructions not to enforce) (the "Proposed Enforcement Instructions"). The Security Agent shall, as soon as reasonably practicable, notify each of the Creditor Representatives of the Super Senior Creditors and the Pari Passu Creditors upon receipt of such Proposed Enforcement Instructions.

Prior to the Senior Discharge Date and save as set out below, if the Security Agent has received any Proposed Enforcement Instruction, it shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Majority Pari Passu Creditors (and the Majority Pari Passu Creditors shall be the Instructing Group for the purposes of "*—Enforcement Instructions*" and in each case, acting through their respective Creditor Representative), provided that such instructions are consistent with the Enforcement Principles and failure to give instructions will be deemed to be an instruction not to take Enforcement steps.

In the event that (i) from the date that is three (3) months after the first Proposed Enforcement Instructions (including such instructions not to take Enforcement steps) are delivered to the Security Agent, the Security Agent (acting on the instructions of the Majority Pari Passu Creditors) has not commenced the Enforcement Action or Relevant Enforcement Action (as defined below) of the Transaction Security ; or (ii) the Credit Facility Lender Liabilities have not been fully discharged in cash within six (6) months of the date the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) were delivered to such Security Agent, then (with effect from the date of the earlier to occur of such events), and if applicable, the Majority Super Senior Creditors shall become the Instructing Group as set out in "*—Enforcement Instructions*" above.

If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, a Creditor Representative acting on behalf of the Majority Super Senior Creditors or the Majority Pari Passu Creditors, as the case may be, may at any time provide immediate instructions as to Enforcement to the Security Agent notwithstanding any instructions given as set out above, if the Majority Super Senior Creditors or the Majority Pari Passu Creditors determine in good faith (and notify the Creditor Representatives of the other Super Senior Creditors and the Pari Passu Creditors and the Second Lien Creditors and the Security Agent) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on: (i) the Security Agent's ability to enforce the Transaction Security; or (ii) the realization proceeds of any enforcement of the Transaction Security, and the Security Agent shall act only with respect to the relevant asset or Debtor that is the subject of the determination set out above, in accordance with the first such notice of determination and instructions as to Enforcement received by the Security Agent (provided in each case that such instructions are consistent with the Enforcement Principles).

If at any time an insolvency event has occurred with respect to any Debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Majority Pari Passu Creditors), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with such instructions, provided that in the event the Security Agent has previously received Proposed Enforcement Instructions from the Creditor Representative for the Majority Pari Passu Creditors and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the Creditor Representative for the Majority Senior Secured Creditors until such time as the Creditor Representatives for Majority Super Senior Creditors issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the Creditor Representative for the Majority Pari Passu Creditors.

After the Credit Facility Lender Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Majority Pari Passu Creditors.

For the purposes of this section, "Relevant Enforcement Action" means either (i) the determination by the Instructing Group of the method of enforcement of Transaction Security or (ii) the appointment of a financial advisor by the Instructing Group to assist in such determination.

Enforcement Principles

The Instructing Group may only give enforcement instructions that are consistent with certain security enforcement principles of maximizing, to the extent consistent with a prompt and expeditious realization of value, the value realized from enforcement (the "Enforcement Principles"), including that:

(a) in this section, "Secured Parties" means the Super Senior Creditors, the Pari Passu Creditors, the Creditor Representatives, the arrangers of any Credit Facility, the Security Agent, the delegates of the Security Agent and any receiver;

(b) the Transaction Security will be enforced and other action as to enforcement will be taken such that either:

    (i) all proceeds or enforcement are received by the Security Agent in cash for distribution in accordance with the Intercreditor Agreement in accordance with "*—Application of Proceeds*" below: or

    (ii) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Intercreditor Agreement (please see "*—Application of Proceeds*" below), the Super Senior Discharge Date will occur (unless the Majority Super Senior Creditors agree otherwise);

(c) On a proposed enforcement action:

    (i) over assets other than shares in a member of the Group where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent in any other currency or currencies); or

(ii) over some or all of the shares in a member of the Group over which Transaction Security exists, which, in either case, is not being effected through a public auction, the Security Agent shall, if requested by the Majority Super Senior Creditors or the Majority Pari Passu Creditors, appoint a financial adviser to provide a fairness opinion in relation to that Enforcement, provided that the Security Agent shall not be required to appoint a financial adviser nor obtain a fairness opinion if a proposed enforcement:

(i) would result in the receipt of sufficient enforcement proceeds in cash by the Security Agent to ensure that, after application in accordance with "*—Application of Proceeds*" below:

(A) in the case of an enforcement requested by the Majority Super Senior Creditors, the Final Discharge Date would occur; or

(B) in the case of an Enforcement requested by the Majority Pari Passu Creditors, the Super Senior Discharge Date would occur;

(ii) is in accordance with any applicable law; and

(iii) complies with "*—Distressed Disposals.*"

(e) the Security Agent shall be under no obligation to appoint a financial advisor or to seek the advice of a financial advisor, unless expressly required to do so by any provision of the Intercreditor Agreement;

(f) the fairness opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the maximum value realised from enforcement (to the extent consistent with a prompt and expedition realization of value) has been met;

(g) in the absence of written notice from a Secured Party or group of Secured Parties, that such Secured Party(s) object to any enforcement of any Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Enforcement Objective, the Security Agent is entitled to assume that such enforcement of any Transaction Security is in accordance with the Enforcement Objective; and

(h) if the Security Agent is unable to obtain a fairness opinion after attempting to do so (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Enforcement Principles to obtain such opinion) because such opinions are not generally available in the market in such circumstances it shall notify each Creditor Representative and may proceed to enforce any Transaction Security without needing to demonstrate (by way of a fairness opinion or otherwise) that such enforcement is aiming to achieve the Enforcement Objective.

Second Lien Payment Stop Notice

The Intercreditor Agreement provides that, until the Senior Discharge Date, (except with the prior consent of the Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents), and subject to the terms of the Intercreditor Agreement, the Issuer shall procure that no member of the Group shall make, and no Second Lien Creditor may receive from any member of the Group, any payment permitted pursuant to the following section above "*—Permitted Payments: Second Lien Liabilities*" (other than Second Lien Representative Amounts) if: (i) a Senior Payment Default has occurred and is continuing; or (ii) a Secured Debt Event of Default (other than a Senior Payment Default) has occurred and is continuing, from the date on which the Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents (as the case may be) (the "Relevant Representative") delivers a notice (a "Second Lien Payment Stop Notice") specifying the event or circumstance in relation to that Event of Default under (and as defined in) (a) the Credit Facility Agreements, (b) the Pari Passu Notes Indenture, (c) any Pari Passu Debt Documents, or (d) any Second Lien Documents (each a "Secured Debt Event of Default") to the Security Agent and the Creditor Representative in relation to the Second Lien Liabilities until the earliest of: (A) the date falling 179 days after delivery of that Second Lien Payment Stop Notice; (B) the date on which an "Event of Default" as defined in the Second Lien Documents (a "Second Lien Default") occurs for failure to pay principal at the original scheduled maturity of the Second Lien Liabilities; (C) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires; (D) the date on which the relevant Secured Debt Event of Default is no longer continuing and, if the relevant Liabilities have been accelerated, such acceleration has been rescinded, revoked or waived; (E) the date on which the Relevant Representative delivers a notice to the Security Agent and the Creditor Representative in respect of the Second Lien Liabilities cancelling the Second Lien Payment Stop Notice; (F) the later of the Super Senior Discharge Date and the Pari Passu Discharge Date; and (G) the date on which the Creditor Representative in respect of the Second Lien Liabilities takes any enforcement action that it is permitted to take under the Intercreditor Agreement.

Unless the Creditor Representative in respect of Second Lien Liabilities waives this requirement: (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 120 days after the date the Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents (as applicable) received notice of that Secured Debt Event of Default.

The Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents may serve only one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the provisions set out above, this shall not affect the right of the Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances.

No Second Lien Payment Stop Notice may be served by the Creditor Representatives in respect of the Credit Facility Documents and the Pari Passu Debt Documents in respect of a Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Second Lien Payment Stop Notice was issued.

Cure of Second Lien Stop Notice

The Intercreditor Agreement provides that if: (a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Payment Default ceases to be continuing; and (b) the relevant Debtor then promptly pays to the Second Lien Creditors an amount equal to any payments which had accrued under the Second Lien Debt Documents and which would have been a payment permitted pursuant to the following section above "*—Permitted Payments: Second Lien Liabilities*" but for that Second Lien Payment Stop Notice or Senior Payment Default, then any Event of Default which may have occurred as a result of that suspension of payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the "Second Lien Standstill Start Date") the Creditor Representative in respect of the Second Lien Liabilities serves an enforcement notice on the Credit Facility Agent, the Pari Passu Notes Trustee and Pari Passu Debt Representative in respect of such Relevant Second Lien Default and ending on the earlier to occur of: (a) the date falling 179 days after the Second Lien Standstill Start Date (the "Second Lien Standstill Period"); (b) the date the Secured Parties take any enforcement action in relation to a Guarantor, provided however, that: (i) if a Second Lien Standstill Period ends, the Second Lien Creditors may only take the same enforcement action in relation to the Guarantor as the enforcement action taken by the Secured Parties against such Guarantor and not against any other member of the Group; and (ii) Enforcement Action shall not include action taken to preserve or protect any Security as opposed to realize it; and (c) the date on which the relevant Instructing Group consents to an enforcement in respect of the Relevant Second Lien Default by the relevant Second Lien Creditor.

The Second Lien Creditors may take enforcement action as described above even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Relevant Second Lien Default.

If the Security Agent has notified the relevant Creditor Representative in respect of Second Lien Liabilities that it is enforcing Security created pursuant to any Transaction Security Document over shares of a Guarantor, no Second Lien Creditor may take any action referred to above against that Guarantor while the Security Agent is taking steps to enforce that Security in accordance with the instructions of the

Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Second Lien Creditors

The Intercreditor Agreement provides that the Second Lien Creditors (the "Purchasing Second Lien Creditors") may, after an acceleration event or the enforcement of any Transaction Security (each a "Distress Event"), by giving not less than ten days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees) of all, but not part, of the rights and obligations in respect of the Credit Facility Liabilities and Pari Passu Debt Liabilities in accordance with the Intercreditor Agreement, provided certain requirements are met.

Option to Purchase: Pari Passu Debt Creditors

The Intercreditor Agreement provides that the Pari Passu Debt Creditors (the "Purchasing Pari Passu Debt Creditors") may, after a Distress Event and having given all Pari Passu Noteholders and Pari Passu Lenders the opportunity to participate in such purchase, by giving not less than ten days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees) of all, but not part, of the rights and obligations in respect of the Credit Facility Liabilities in accordance with the Intercreditor Agreement, provided certain requirements are met.

Release of the Guarantees and Security

Non-Distressed Disposals

The Intercreditor Agreement provides that, in the case of a Non-Distressed Disposal (as defined below) the Security Agent is irrevocably authorized (A) to release the Transaction Security or any other claim (relating to a Debt Document) over that asset; (B) where that asset consists of shares in the capital of a member of the Group, to release the Transaction Security or any other claim (relating to a Debt Document) over the assets of that member of the Group's property (including the shares in and assets of any of its Subsidiaries); and (C) to execute and deliver or enter into any release of the Transaction Security or any claim described in sub-paragraphs (A) and (B) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

If a release of Transaction Security is required (i) to effect a resignation of a Guarantor in respect of the Senior Facilities or any equivalent provision in a Debt Document; (ii) to facilitate a receivables financing that is permitted or not prohibited under the Credit Facility Documents, the Second Lien Debt Documents and the Pari Passu Debt Documents; (iii) to facilitate a merger, consolidation, conveyance or transfer that is permitted or not prohibited under the Credit Facility Documents, the Second Lien Debt Documents and the Pari Passu Debt Documents; or (iv) in connection with the solvent winding up, liquidation or reorganization of any Subsidiary that is permitted or not prohibited under the Credit Facility Documents, the Second Lien Debt Documents and the Pari Passu Debt Documents, and the Issuer certifies for the benefit of the Security Agent that release or resignation is permitted or not prohibited under or pursuant to the Debt Documents, the Security Agent is irrevocably authorized to and shall (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any Creditor or Debtor): (i) release the Transaction Security to the extent required to facilitate such resignation or transaction; and (ii) execute and deliver or enter into any release of the Transaction Security or any claim described in (i) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable or that is requested by the Issuer (acting reasonably).

In the event of a Non-Distressed Disposal, a resignation of a guarantor under the Senior Facilities Agreement or any equivalent provision in a Debt Document, each release of Transaction Security or any claim described above shall be contingent upon that Non-Distressed Disposal or resignation being effected or the fulfilment of such conditions (as relevant), and in the event that such Non-Distressed Disposal or resignation is not effected or the conditions for such release are not fulfilled (as relevant), the Transaction Security or claim subject to that release shall continue in full force and effect as if that release had not been effected.

A "Non-Distressed Disposal" is a disposal of an asset which is subject to the Transaction Security to a person or persons outside the Group which (i) is permitted or not prohibited under the Credit Facility

Documents; (ii) is permitted or not prohibited under the Pari Passu Debt Documents; (iii) is permitted or not prohibited under the Second Lien Debt Documents and (iv) is not a Distressed Disposal.

Distressed Disposals

The Intercreditor Agreement provides that, in circumstances where a disposal by a member of the Group of an asset subject to the Transaction Security which is being effected: (a) at the request of the Instructing Group in circumstances where the Transaction Security has become enforceable; (b) by enforcement of the Transaction Security; or (c) after the occurrence of a Distress Event, by a Debtor to a person or persons which is, or are, not a member, or members, of the Group (a "Distressed Disposal") the Security Agent is irrevocably authorized:

(a) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (or instruct to release): (1) that Debtor and any Subsidiary of that Debtor from all or any part of its borrower, guarantor or other liabilities; (2) any Transaction Security granted by that Debtor or any Subsidiary of that Debtor over any of its assets; and (3) any other claim of a creditor in relation to Subordinated Liabilities, an Intra-Group Lender, or another Debtor over that Debtor's assets or over the assets of any Subsidiary of that Debtor, on behalf of the relevant Creditors and Debtors;

(c) if the asset which is disposed of consists of shares in the capital of any Holding Company of a Debtor, to release (or instruct to release): (1) that Holding Company and any Subsidiary of that Holding Company from all or any part of borrower, guarantor or other liabilities; (2) any Transaction Security granted by any Subsidiary of that Holding Company over any of its assets; and (3) any other claim of a creditor in relation to Subordinated Liabilities, an Intra-Group Lender or another Debtor over the assets of any Subsidiary of that Holding Company, on behalf of the relevant Creditors and Debtor;

(d) if the asset subject to the Distressed Disposal consists of shares in the capital of a Debtor or the Holding Company of a Debtor and the Security Agent decides to dispose of all or any part of the liabilities (other than liabilities due to any Creditor Representative or arranger) or the Debtors' intra-group receivables, owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company on the basis that any transferee of those liabilities or Debtors' intra-group receivables (the "Transferee") should not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtors' intra-group receivables on behalf of the relevant Creditors and Debtors on terms such that (notwithstanding any other provision of any Debt Document) the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement;

(e) if the asset which is disposed of consists of shares in the capital of a Debtor or the Holding Company of a Debtor and the Security Agent decides to dispose all or any part of the liabilities (other than liabilities due to any Creditor Representative or Arranger); or the Debtors' intra-group receivables, owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company on the basis that any transferee of those liabilities or Debtors' intra-group receivables will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (i) all (and not part only) of the liabilities owed to the Primary Creditors (other than to any Creditor Representative or Arranger); and (ii) all or part of any other liabilities (other than liabilities owed to any Creditor Representative or Arranger) and the Debtors' intra-group receivables, on behalf of, in each case, the relevant Creditors and Debtors;

(f) if the asset subject to the Distressed Disposal consists of shares in the capital of a Debtor or the Holding Company of a Debtor (the "Disposed Entity") and the Security Agent decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities; or the Debtors' intra-group receivables, to execute and deliver any instrument or enter into any agreement to: (i) transfer all or part of the obligations in respect of those Intra-Group Liabilities or Debtors' intra-group receivables on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (ii) accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtors' intra-group receivables on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtors' intra-group receivables are to be transferred.

(g) In the case of a Distressed Disposal or debt disposal effected by or at the request of the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Application of Proceeds

Subject to the terms of the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Transaction Security (for the purposes of this paragraph, the "Recoveries") shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(a) *first*, in discharging any sums owing to the Security Agent, any receiver or any delegate and in payment to the Creditor Representatives of the fees, costs and expenses payable to a Creditor Representative for its own account pursuant to the relevant Debt Documents or any engagement letter between a Creditor Representative and a Debtor;

(b) *second*, in discharging all costs and expenses incurred by any Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;

(c) *third*, in payment or distribution to:

(i) each Creditor Representative in respect of a Credit Facility on its own behalf and on behalf of the creditors in relation to Credit Facility Liabilities for which it is the Creditor Representative; and

(ii) the Super Senior Hedge Counterparties,

for application towards the discharge of:

(1) the Credit Facility Liabilities (in accordance with the terms of the Credit Facility Documents) on a pro rata basis between Credit Facility Liabilities incurred under separate Credit Facility Agreements; and

(2) the Super Senior Hedging Liabilities (on a pro rata basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty),

on a pro rata basis as between (1) and (2) above;

(d) *fourth* in payment or distribution to:

(i) the Creditor Representatives in respect of any Pari Passu Debt Liabilities on its own behalf and on behalf of the Pari Passu Debt Creditors for which it is the Creditor Representative; and

(ii) the Pari Passu Hedge Counterparties; and

for application towards the discharge of:

(A) the Pari Passu Debt Liabilities (in accordance with the terms of the relevant Pari Passu Debt Documents) on a pro rata basis between Pari Passu Debt Liabilities under separate facility agreements;

(B) the Pari Passu Debt Liabilities (in accordance with the terms of the relevant Pari Passu Debt Documents) on a pro rata basis between Pari Passu Debt Liabilities under separate indentures; and

(C) the Pari Passu Hedging Liabilities on a pro rata basis between the Pari Passu Hedging Liabilities of each Pari Passu Hedge Counterparty,

on a pro rata basis between paragraph (A), paragraph (B) and paragraph (C) above;

(f) *fifth*, in payment or distribution to each Creditor Representative in respect of any Second Lien Liabilities on its own behalf and on behalf of the Second Lien Creditors for which it is the Creditor Representative for application towards the discharge of:

(i) the Second Lien Liabilities (in accordance with the terms of the relevant Second Lien Documents) on a pro rata basis between Second Lien Liabilities incurred under or in connection with separate Second Lien Facility Agreements; and

(ii) the Second Lien Liabilities (in accordance with the terms of the relevant Second Lien Documents) on a pro rata basis between Second Lien Liabilities incurred under or in connection with separate Second Lien Note Indentures; and

on a pro rata basis between paragraph (i) and paragraph (ii) above

(g) *sixth*, if none of the Debtors is under any further actual or contingent liability under any Credit Facility Document, Hedging Agreement or Pari Passu Debt Document, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and

(h) the balance, if any, in payment or distribution to the relevant Debtor.

Turnover of Receipts

Turnover by the Primary Creditors

Subject to the terms of the Intercreditor Agreement, if at any time prior to the Final Discharge Date any of the Super Senior Creditors, the Pari Passu Creditors and the Second Lien Creditors (together, the "Primary Creditors") receives or recovers the proceeds of any enforcement of any Transaction Security except as set out in "*—Application of Proceeds*" above, that Primary Creditor will:

(a) in relation to receipts and recoveries not received or recovered by way of set-off:

(i) hold an amount of that receipt or recovery equal to the Creditor's Relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds that Creditor's Relevant Liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

"Relevant Liabilities" means:

(a) in the case of a Creditor:

(i) the liabilities owed to Creditors ranking (in accordance with the terms of the Intercreditor Agreement) *pari passu* with or (as the case may be) in priority to the liabilities owed to that Creditor;

(ii) all present and future liabilities and obligations, actual and contingent, of the Debtors to the Security Agent; and

(b) in the case of a Debtor, the Liabilities owed to the Creditors together with all present and future liabilities and obligations, actual and contingent, of the Debtors to the Security Agent.

Turnover by the other Creditors

Subject to the terms of the Intercreditor Agreement, if at any time prior to the Final Discharge Date, any Creditor other than a Primary Creditor receives or recovers:

(a) any payment or distribution of, or on account of or in relation to, any of the Liabilities which is neither: (i) permitted under the Intercreditor Agreement; or (ii) made as set out in "*—Application of Proceeds*" above;

(b) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment which is permitted under the Intercreditor Agreement;

(c) notwithstanding paragraphs (a) and (b) above, and other than as set out in the Intercreditor Agreement, any amount:

  (i) on account of, or in relation to, any of the liabilities:

    (A) after the occurrence of a Distress Event; or

    (B) as a result of any other litigation or proceedings against a member of the Group (other than after the occurrence of an insolvency event in respect of that Debtor); or

  (ii) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a Distress Event, other than, in each case, any amount received or recovered in accordance with "*—Application of Proceeds*";

(d) the proceeds of any enforcement if any Transaction Security except in accordance with "*—Application of Proceeds*"; or

(e) other than by way of set-off permitted under the Intercreditor Agreement, any distribution or payment of, or on account of or in relation to, any of the liabilities owed by a member of the Group which is not as set out in "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that Debtor,

  that Creditor will:

  (i) in relation to receipts and recoveries not received or recovered by way of set-off:

    (A) hold an amount of that receipt or recovery equal to that Creditor's Relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

    (B) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds that Creditor's Relevant Liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

  (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Governing Law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

BGF Loan

On September 30, 2014, we entered into an unsecured loan facility with BGF, as amended and restated on July 5, 2017 and as supplemented by a subordination letter dated September 30, 2014, as amended and restated on August 5, 2018 (the "**BGF Loan**"), in the aggregate principal amount of £10.0 million. The BGF Loan matures in 2021 and bears a fixed annual interest rate of 10.0% for the period from (and including) September 30, 2014 to (and including) August 31, 2017, reducing thereafter to a fixed annual interest rate of 6.0% for the period from (and including) September 1, 2017 to (and including) December 31, 2021. The loan facility is redeemable in full on December 31, 2021 and includes a redemption premium of £2.1 million, payable on December 31, 2019, which related to the issuance of certain warrant instruments to BGF. See "*Certain Relationships and Related Party Transactions*."

DESCRIPTION OF THE NOTES

In this "*Description of the Notes*," the term "Issuer" refers only to Victoria PLC and not to any of its Subsidiaries, except for the purposes of financial data determined on a consolidated basis. The term "Notes," unless the context requires otherwise, also refers to "book entry interests" in the Notes, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under "*—Certain Definitions*."

The Issuer will issue €330,000,000 aggregate principal amount of % Senior Secured Notes due 2024 (the "Notes") under an indenture dated on or about , 2019 (the "Indenture") between, among others, the Issuer, the Guarantors, Deutsche Trustee Company Limited, as trustee (the "Trustee"), and National Westminster Bank PLC, as security agent (the "Security Agent"), in private transactions that are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The terms of the Notes include those set forth in the Indenture.

The Indenture is unlimited in aggregate principal amount, of which €330,000,000 aggregate principal amount of Notes will be issued in this Offering (the "Initial Notes"). We may in the future, subject to applicable law, issue an unlimited principal amount of Additional Notes (as defined below). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture. The Notes and any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture.

The following description is a summary of the material terms of the Notes and the Indenture. It does not, however, restate the Notes and the Indenture in their entirety and where reference is made to a particular provision of the Notes or the Indenture, such reference, including the definitions of certain terms, is qualified in its entirety by reference to all of the provisions of the Notes and the Indenture. The Indenture, the Notes and the Guarantees will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in the future. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Notes and the Guarantees. Please see the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

You should read the Notes, the Indenture, the Security Documents and the Intercreditor Agreement because they contain additional information and because they and not this description define your rights as a Holder of the Notes. Copies of the Indenture, the Security Documents and the Intercreditor Agreement may be obtained from the Issuer at the address indicated under "*Listing and General Information*." The Indenture is not qualified under, does not incorporate provisions by reference to, and is not otherwise subject to, the U.S. Trust Indenture Act of 1939, as amended, including Section 316(b) thereof.

Application has been made to admit the Notes to trading on the International Securities Market ("Exchange") of the London Stock Exchange. In the event that the Notes are admitted to trading on an exchange other than the Exchange, references herein to the Exchange shall be deemed to be to the relevant exchange upon which the Notes are listed. The Issuer can provide no assurance that this application will be accepted. See *"—Payments on the Notes; Paying Agent, Transfer Agent and Registrar*."

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

Each reference to a legal entity herein shall be deemed to include such entity's successor in interest, unless the context requires otherwise.

Brief Description of the Structure and Ranking of the Notes and the Guarantees

The Notes

The Notes will:

- be the Issuer's general, senior obligations, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with all of the Issuer's existing and future obligations that are not expressly contractually subordinated in right of payment to the Notes, including the Issuer's obligations under the Senior Credit Facilities Agreement;
- rank senior in right of payment to any existing and future obligations of the Issuer that are expressly subordinated in right of payment to the Notes;

- be effectively subordinated to any existing and future obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such other obligation;
- be structurally subordinated to any existing and future obligations of Subsidiaries of the Issuer that do not provide Guarantees, including obligations owed to trade creditors; and
- be guaranteed on a senior joint and several basis by the Guarantors.

Pursuant to the terms of the Intercreditor Agreement, Holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Credit Facility (provided that the Term Loan Facility has been repaid in full and cancelled), (ii) other Debt incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes and (iii) certain Hedging Obligations, if any.

The Guarantees

The Notes will initially be guaranteed, as of the Issue Date, by Victoria Midco Holdings Limited, Victoria Carpets Limited, Westex (Carpets) Limited, Abingdon Flooring Limited, Interfloor Limited, View Logistics Limited, The Victoria Carpet Company Proprietary Limited, Quest Flooring Pty Ltd and Primary Flooring Pty Ltd (the "Initial Guarantors").

In addition, the Indenture will provide that within 90 days of the Issue Date, the Issuer will use its commercially reasonable efforts, and will cause its Subsidiaries to use their commercially reasonable efforts, subject to the Agreed Security principles, to cause each of Keraben Grupo, S.A.U. and Cerámica Saloni, S.A.U. (the "Post-Closing Guarantors" and, together with the Initial Guarantors, the "Guarantors") to provide a guarantee in favor of the Notes pursuant to the terms of the Indenture; *provided* that the Issuer shall not be obligated to cause any Post-Closing Guarantor to guarantee the Notes to the extent and for so long as such Guarantee could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses; or (4) any contravention of the provisions of the Indenture.

Each Guarantee will:

- be a general, senior obligation of the Guarantor that granted such Guarantee, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with all of such Guarantor's existing and future obligations that are not expressly contractually subordinated in right of payment to such Guarantee, including debt under the Senior Credit Facilities Agreement;
- rank senior in right of payment to any existing and future obligations of such Guarantor that are expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to any existing and future obligation of such Guarantor that is secured by property and assets that do not secure such Guarantee or the Notes; and
- be structurally subordinated to any existing or future obligations of the Subsidiaries of such Guarantor that do not provide Guarantees, including obligations owed to trade creditors.

General

Not all of the Issuer's direct and indirect Subsidiaries will guarantee the Notes. The Issuer is a Holding Company for the operating companies in the Group and is accordingly dependent on cash flows from its Subsidiaries to meet its obligations under the Notes.

As of and for the 2019 financial year, the Guarantors represented 89.5% of our Adjusted *Pro Forma* EBITDA, 87.8% of our *Pro Forma* Revenue and 86.6% of our *pro forma* total assets (excluding acquired intangibles and goodwill arising on consolidation). As of the end of the 2019 financial year, our direct and indirect Subsidiaries that do not Guarantee the Notes did not have any material external financial indebtedness outstanding.

The Notes are effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's Subsidiaries that are not Guarantors. Any right of the Issuer to receive assets of any of its Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the Holders to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary, in which case the claims of the Issuer would still be subordinated in right of payment to any security over the assets of the Subsidiary and any Debt of the Subsidiary senior to that held by the Issuer.

The obligations of a Guarantor under its Guarantee will be limited as necessary to prevent the relevant Guarantee from constituting a fraudulent conveyance or unlawful financial assistance or infringement of capital maintenance rules under applicable law, otherwise to reflect limitations under applicable law or as set out in the respective Guarantee. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.*" The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in this Offering Memorandum under the caption "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations.*"

As of the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries." Under the circumstances described below under *"—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*," the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of the Issuer will not be subject to the restrictive covenants in the Indenture. Further, Unrestricted Subsidiaries of the Issuer will not Guarantee the Notes.

Although the Indenture contains limitations on the amount of additional Debt that the Issuer, the Guarantors and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial. The Indenture will permit additional Debt to be secured.

The Indenture will provide that the Security Agent and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described under the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Principal, Maturity and Interest

The Notes will mature on   , 2024 unless redeemed prior thereto as described herein. The Issuer will issue the Notes in the aggregate principal amount of €330,000,000. Each Note will bear interest at a rate per annum of   % and interest will be payable semi-annually on   and   of each year, commencing on   , 2020. Interest will be payable to Holders of record on each Note in respect of the principal amount thereof outstanding as at the Clearing System Business Day immediately preceding the payment date, as the case may be; however, owners of beneficial interests in the Notes must rely on the procedures of Euroclear or Clearstream, as applicable. See "*Risk Factors—Risks Related to the Notes and Our Structure—The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies*." If the due date for any payment in respect of the Notes is not a Business Day at the place where such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of such delay. The rights of Holders in beneficial interest of the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and/or Clearstream.

Interest on the Notes will accrue from, and including, the original issuance date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

From time to time, subject to the Issuer's compliance with the covenants contained in the Indenture, including the covenants restricting the incurrence of Debt (as described below under "*—Certain*

Covenants—Limitation on Debt"), the Issuer is permitted to issue one or more series of additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee (the "Additional Notes"):

(a) the title of such Additional Notes;

(b) the aggregate principal amount of such Additional Notes;

(c) the date or dates on which such Additional Notes will be issued;

(d) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of Holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(e) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(f) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(g) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(h) the ISIN, Common Code or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other series of Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series, except as otherwise provided for in the Indenture. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "Notes" shall be deemed to include references to the Initial Notes as well as any Additional Notes. Additional Notes may also be designated to be of the same series as the Initial Notes, but only if they have terms substantially identical in all material respects to the Initial Notes, and, for all purposes other than U.S. federal income tax purposes, shall be deemed to form one series therewith, and references to the "Notes" shall be deemed to refer to the Initial Notes as well as any Additional Notes. In the event that any Additional Notes are not fungible with any Notes previously issued for U.S. federal income tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code or other securities identification number, as applicable, so that they are distinguishable from such previously issued Notes.

Form of Notes

The Notes will be issued only in fully registered form without coupons and only in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act ("Rule 144A") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "144A Global Notes"), and Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the U.S. Securities Act ("Regulation S") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "Reg S Global Notes" and, together with the 144A Global Notes, the "Global Notes").

During the 40-day "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), book-entry interests in the Reg S Global Notes may be transferred only outside the United States to non-U.S. persons under Regulation S or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "*Notice to Investors*."

The Global Notes will be deposited with a common depositary for Euroclear and Clearstream and registered in the name of the nominee of such common depositary. Ownership of interests in the Global

Note, referred to in this description as "book-entry interests," will be limited to persons that have accounts with Euroclear or Clearstream or their respective participants.

The terms of the Indenture will provide for the issuance of Definitive Registered Notes in certain limited circumstances.

See "*Book-Entry; Delivery and Form*."

Transfer

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Investors*."

A Holder may transfer or exchange Notes in accordance with the Indenture and the procedures of Euroclear and Clearstream. Upon any transfer or exchange, the Issuer, the Agents and/or the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes or other governmental charges payable in connection with the transfer or exchange. The Issuer will not be required to transfer or exchange any Note selected for redemption or repurchase or to transfer or exchange any Note for a period of 15 Business Days prior to any date on which all or any part of the Notes are to be redeemed or repurchased. The Notes will be issued in registered form and the Holder will be treated as the owner of such Note for all purposes. For further information about transfer and exchange procedures, see the section titled "*Book-Entry; Delivery and Form*."

Book-entry interests in the 144A Global Notes, or the "Rule 144A Book-Entry Interest," may be transferred to a person who takes delivery in the form of book-entry interests in the Reg S Global Note or the "Reg S Book-Entry Interests," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Book-entry interests in the Reg S Global Notes, or the "Reg S Book-Entry Interest" may be transferred to a person who takes delivery in the form of book-entry interests in the 144A Global Note or the "Rule 144A Book-Entry Interests," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A) in a transaction meeting the requirements of Rule 144A.

Any book-entry interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a book-entry interest in the Global Note from which it was transferred and will become a book-entry interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in the Global Note to which it was transferred.

All transfers of book-entry interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream and their respective participants. See "*Book-Entry; Delivery and Form*."

Payments on the Notes; Paying Agent, Transfer Agent and Registrar

The Issuer will make all payments, including principal of, premium, if any, and interest on the Notes, at its office or through its agent in London, England that it will maintain for these purposes. Initially, that agent will be Deutsche Bank AG, London Branch (the "Paying Agent"). The Issuer may change the Paying Agent without prior notice to the Holders. The Issuer will make all payments in same-day funds.

The Issuer will also maintain a registrar (the "Registrar") and a transfer agent (the "Transfer Agent"). The initial Registrar and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be left at the registered office of the Issuer. In case of inconsistency between the register of Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail. The Registrar has no responsibility for any register maintained by the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as they are admitted to trading on the Exchange and the rules and regulations of the Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, such notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Holders will not be responsible for any service charge for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Guarantees

General

The Notes will initially be guaranteed by the Initial Guarantors. Under the Indenture, the Guarantors will jointly and severally agree to guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium, if any, and interest payable under the Notes.

Not all of the Subsidiaries of the Issuer will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or another Subsidiary of the Issuer. Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor, subject to the terms of the Intercreditor Agreement.

Release of the Guarantees

A Guarantee will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(1) upon the sale or disposition (including through merger, consolidation, amalgamation or other combination) or conveyance, transfer or lease of all or substantially all of the assets of the Guarantor to a Person that is not (either before or after giving effect to the transaction) the Issuer or a Restricted Subsidiary, if such sale or other disposition does not violate the covenants described under the caption *"—Certain Covenants—Limitation on Asset Sales*" or "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(2) in connection with any sale or other disposition of the Capital Stock of the Guarantor (or Capital Stock of any Holding Company of such Guarantor (other than the Issuer)) (whether by direct sale or through a Holding Company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant described under the caption *"—Certain Covenants—Limitation on Asset Sales*" and as a result of such disposition such Guarantor no longer qualifies as a Subsidiary of the Issuer;

(3) upon a defeasance or satisfaction and discharge of the Indenture that complies with the provisions under "*—Defeasance" or "—Satisfaction and Discharge*";

(4) upon the designation by the Issuer of the Guarantor (or a Holding Company thereof) as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

(5) upon the liquidation or dissolution of the Guarantor; *provided* that no Default or Event of Default has occurred and is continuing;

(6) upon repayment in full of the Notes;

(7) the implementation of a Permitted Reorganization;

(8) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under the caption "*—Certain Covenants—Limitation on Guarantees of Debt*," the release or discharge of the guarantee by such Restricted Subsidiary which resulted in the obligation to guarantee the Notes;

(9) as described under "*—Amendments and Waivers*"; or

(10) as provided for under the Intercreditor Agreement, including in accordance with certain enforcement actions taken pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreement.

Upon any occurrence giving rise to a release of a Guarantee as specified above, the Trustee shall execute, subject to the receipt of an Officer's Certificate from the Issuer, any documents reasonably requested by the Issuer in order to evidence such release, discharge and termination in respect of such Guarantee. Neither the Issuer nor any Guarantor will be requested by the Issuer to make a notation on the Notes to reflect any such Guarantee or any such release, termination or discharge. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee.

Limitations on the value of the Guarantees

The obligations of each Guarantor under its Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Guarantee being voidable or unenforceable under applicable laws relating to maintenance of share capital, fraudulent transfer, fraudulent conveyance, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally and applicable to the Guarantors and their respective shareholders, directors and officers. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations.*"

Additional Amounts

All payments made under or with respect to the Notes or the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or similar governmental charges (collectively, "Taxes") imposed or levied by or on behalf of the United Kingdom or any jurisdiction in which the Issuer or any Guarantor is organized, engaged in a business for tax purposes or resident for tax purposes, or from or through which payment on the Notes or the Guarantees is made by or on behalf of the Issuer, or any political subdivision or authority thereof or therein, having the power to tax (each, a "Relevant Taxing Jurisdiction"), unless the withholding or deduction of such Taxes is required by law. In the event that the Issuer or a Guarantor is required to so withhold or deduct any amount for or on account of any such Taxes imposed or levied by or on behalf of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or the Guarantees, the Issuer or Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received after such withholding or deduction will be not less than the amount that would have been received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will pay Additional Amounts to a Holder of any Note in respect or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of a present or former connection of the Holder or beneficial owner (in the case of a Note held in global form, only if such beneficial owner is reasonably identifiable) (or a fiduciary, settler, beneficiary, partner, member or shareholder of, or possessor of power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership or corporation) with such Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than the mere receipt or holding of any Note or by reason of the receipt of payments under such Note, any Guarantee or the Indenture or the exercise or enforcement of rights under such Note, any Guarantee or the Indenture;

(b) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner (in the case of a Note held in global form, only if such beneficial owner is reasonably identifiable) of any Note, to comply with the Issuer's written request addressed to the Holder, providing at least 30 calendar days' notice, to satisfy any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction which the Holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction, provided that the relevant Holder or beneficial owner is legally entitled to satisfy such requirements;

(c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(d) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note or Guarantee;

(e) any Tax which would not have been so imposed but for the presentation (where presentation is required in order to receive payment) by the Holder for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;

(f) any withholding or deduction required to be made from a payment pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(g) any Taxes that were imposed with respect to any payment on a Note to any fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that no Additional Amounts would have been payable had the beneficial owner of the applicable Note been the holder of such Note.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

The Issuer or Guarantors will also make or cause to be made such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will, upon request, make available to the Holders, as soon as reasonably practicable, certified copies of tax receipts evidencing such payment by the Issuer or if, notwithstanding the Issuer's reasonable efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor becomes aware that it will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer or Guarantor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable the Trustee or Paying Agent to pay such Additional Amounts to the Holders on the payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

In addition, the Issuer or the Guarantors will pay (i) any present or future stamp, issue, registration, transfer, documentation, court, excise or other similar taxes, charges and duties, including interest or penalties with respect thereto imposed or levied by any Relevant Taxing Jurisdiction, in respect of the execution, issue, delivery or registration of the Notes, the Indenture or the Guarantees, or any other document or instrument referred to thereunder (other than transfers of the Notes following the initial resale of the Notes by the Initial Purchasers); and (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes, Guarantees or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any Surviving Entity (as defined below) or successor person to the Issuer or a Guarantor is organized, engaged in significant operations or resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or this "*Description of the Notes*" there is mentioned, in any context, the payment of principal (and premiums, if any), Redemption Price, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts thereon.

Security

General

On or about the Issue Date, the Notes and/or the Guarantees, as applicable, will be secured by the initial collateral (the "Initial Collateral"), which will consist of:

- a first priority share charge over all of the issued share capital of the Guarantors incorporated in England and Wales (which, in the case of Victoria Midco Holdings Limited, will include only its ordinary shares) and Australia;
- a first priority fixed and floating charge over substantially all of the present and future assets of the Issuer and the Guarantors incorporated in England and Wales; and
- a first priority security interest over substantially all of the present and future assets of the Guarantors incorporated in Australia.

Within 90 days of the Issue Date, the Notes and/or the Guarantees, as applicable, will be secured by a first priority pledge over all of the issued share capital of the Guarantors incorporated in Spain (the "Post-Closing Collateral" and, together with the Initial Collateral, the "Collateral").

The Collateral will also include any other additional security interests that may in the future be created to secure obligations under the Notes, the Guarantees and the Indenture.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Security and the Guarantees and Certain Insolvency Law Considerations.*"

Priority

Pursuant to the Intercreditor Agreement, the Security Agent will act on behalf of, and the Collateral will be shared equally and ratably among (but without prejudice to the agreed order of application of proceeds following the enforcement thereof), the holders of all Debt entitled to the first-ranking security under the Indenture. This Debt includes the Notes, obligations under the Senior Credit Facilities Agreement, obligations under certain Hedging Obligations, if any and any other Debt permitted to be secured on the Collateral in compliance with the Indenture. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and the Guarantors under the Senior Credit Facilities Agreement and certain Hedging Obligations, if any, will receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Risk Factors—Risks Related to the Notes and Our Structure*." In addition, the Issuer and the Restricted Subsidiaries will be permitted to create, incur, assume or otherwise cause or suffer to exist other Permitted Collateral Liens as provided for under the caption "*—Certain Covenants—Limitation on Liens*." Under certain circumstances, the amount of such additional Debt secured by the Collateral could be significant.

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure the payment, when due, of the Issuer's and the Guarantors' payment obligations under the Notes, the Guarantees and the Indenture, as well as the Issuer's and the Guarantors' payment obligations under the Senior Credit Facilities Agreement and certain Hedging Obligations, if any. When entering into the Security Documents, the Security Agent will act in its own name but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time), unless otherwise required in accordance with applicable law with respect to each relevant Security Interest. Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Senior Credit Facilities Agreement and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Senior Credit Facilities Agreement and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Security*.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes and Our Structure*."

The Indenture permits, subject to certain conditions, including compliance with the covenant described under the caption "*—Certain Covenants—Impairment of Security Interest*," the Issuer and the Guarantors to charge the Collateral in connection with future incurrences of Debt, including any Additional Notes and Debt of Restricted Subsidiaries.

Release of Security

The Collateral will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(1) in connection with any asset sale or disposition or transfer of assets to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant described under the caption "*—Certain Covenants—Limitation on Asset Sales*";

(2) upon a defeasance or satisfaction and discharge of the Notes that complies with the provisions under "*—Defeasance*" or "*—Satisfaction and Discharge*";

(3) as described under "*—Amendments and Waivers*" or "*—Certain Covenants—Limitation on Liens*";

(4) in the case of property and assets and Capital Stock of a Guarantor, to the extent such Guarantor is released from its Guarantee of the Notes pursuant to the terms of the Indenture;

(5) to the extent permitted in accordance with the covenant described under the caption "*—Certain Covenants—Impairment of Security Interest*" below;

(6) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture (to the extent of such Restricted Subsidiary's assets and property);

(7) upon repayment in full of the Notes;

(8) if the Lien granted in favor of the Senior Credit Facilities or such other Debt that gave rise to the obligation to grant the Lien over such Collateral is released;

(9) as provided for under the Intercreditor Agreement, including in accordance with certain enforcement actions taken pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreement; or

(10) as otherwise permitted in accordance with the Indenture.

Each of the releases set forth above may be effected by the Security Agent without the consent of the holders of the Notes. The Indenture will provide that any release of a Lien on Collateral shall, if requested by the Issuer, be evidenced by the Security Agent. The Trustee and the Security Agent shall take all necessary actions to effectuate the releases described above, subject to customary protections and/or indemnifications.

Optional Redemption

General

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering and, in the case of a redemption of the Notes, the incurrence of indebtedness the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, *provided, however*, that, in any case such redemption date shall not be more than 60 days from the date on which such notice is first given, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

In the case of any partial redemption, unless otherwise required by law, the Notes to be redeemed will be selected in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the applicable procedures and requirements of the relevant clearing system(s), or, if the Notes are not listed, and the relevant clearing system(s) have no such procedures or requirements, then on a *pro rata* basis, although no Note of €100,000 in original principal amount or less will be redeemed in part, and only Notes in integral multiples of €1,000 will be redeemed. The Trustee, Paying Agent or Registrar shall not be liable for any selection made under this paragraph. If any Note is to be redeemed in part only, the notice of redemption relating to that Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued and delivered in the name of the Holder thereof upon cancellation of the original Note.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portion thereof called for redemption on the applicable redemption date.

The Issuer may provide in any notice of redemption that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Notwithstanding the foregoing, in connection with any tender offer for the Notes, including a Change of Control Offer or Excess Proceeds Offer, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, all of the Holders of Notes will be deemed to have consented to such tender offer, and accordingly the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other Holder of Notes (excluding any early tender or incentive fee) in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date.

Optional Redemption prior to , 2021 upon Equity Offering

At any time prior to , 2021, upon not less than 10 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes that were initially issued under the Indenture (calculated after giving effect to the issuance of any Additional Notes) at a redemption price of % of their principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

(a) at least 50% of the aggregate principal amount of Notes that were initially issued (calculated after giving effect to the issuance of any Additional Notes) would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 90 days after the closing of such Equity Offering.

Optional Redemption prior to , 2021

At any time prior to , 2021, upon not less than 10 nor more than 60 days' notice, the Issuer may also redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest, if any, to the redemption date.

At any time prior to , 2021, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem, during each twelve-month period commencing on the Issue Date, up to 10% of the aggregate principal amount of the Notes that were initially issued under the Indenture (calculated after giving effect to the issuance of any Additional Notes) at a redemption price equal to 103.0% of the principal amount redeemed plus accrued and unpaid interest, if any, to the redemption date.

Optional Redemption on or after , 2021

At any time on or after , 2021 and prior to maturity, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes. These redemptions will be at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the twelve-month period beginning in each of the years set forth below:

Year	Redemption Price
2021	%
2022	%
2023 and thereafter	100.000%

Redemption Upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer or any Guarantor is or, on the next date on which any amount would be payable in respect of the Notes, would be obliged to pay Additional Amounts (as defined above under "*—Guarantees—Additional Amounts*") in respect of the Notes or the Guarantees pursuant to the terms and conditions thereof, which the Issuer or Guarantor cannot avoid by the use of reasonable measures available to it (including making payment through a Paying Agent located in another jurisdiction and, in the case of a Guarantor, making the payment giving rise to such requirement through another Guarantor who would not be obligated to pay Additional Amounts if payments through another Guarantor would be reasonable), as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "*—Guarantees—Additional Amounts*") affecting taxation which is enacted or issued and becomes effective on or after the date of the Indenture or, if the Relevant Taxing Jurisdictions have changed since the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture; or

(b) any change in the official application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction) on or after the date of the Indenture or, if the Relevant Taxing Jurisdictions have changed since the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture (each of the foregoing clauses (a) and (b), a "Change in Tax Law").

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Issuer or Guarantor would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, sending of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(a) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer or Guarantor taking reasonable measures available to it); and

(b) an opinion of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or Guarantor, as the case may be, is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept, and is entitled to rely on, such Officer's Certificate and opinion as sufficient evidence, without further enquiry, of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

Notice of Optional Redemption

For so long as the Notes are admitted to trading on the Exchange and the rules and regulations of the Exchange so require, any notice of redemption to the Holders shall be published to the extent and in the manner permitted by such rules and regulations of the Exchange and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of Notes outstanding. In addition to such publication, and to the extent and in the manner so required by the rules of the Exchange, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will send such notice to Holders, except that redemption notices may be sent more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. For Notes which are represented by Global Notes, notices may be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account Holders. The Notes will be selected in accordance with the methods described under "*—Optional Redemption—General*."

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "*—Certain Covenants—Change of Control*" and "*—Certain Covenants—Limitation on Asset Sales*." The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise, at such price and on such terms as it sees fit.

Certain Covenants

The Indenture will contain, among others, the following covenants.

Limitation on Debt

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "Incur" or, as appropriate, an "Incurrence") any Debt (including any Acquired Debt); *provided*, that the Issuer and any Guarantor will be permitted to Incur Debt (including Acquired Debt) if on the date on which such additional Debt is Incurred, after giving *pro forma* effect to the Incurrence of such Debt (including the *pro forma* application of the proceeds thereof), (a) the Fixed Charge Coverage Ratio

would have been at least 2.0 to 1.0; and (b) to the extent that the Debt is Senior Secured Debt, the Consolidated Senior Secured Net Leverage Ratio would have been no greater than 3.25 to 1.0; and

(2) This "*Limitation on Debt*" covenant will not, however, prohibit the following (collectively, "Permitted Debt"):

(a) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed an amount equal to (i) the greater of £145 million and 130.0% of Consolidated EBITDA, plus (ii) the greater of £75 million and 67.0% of Consolidated EBITDA, plus (iii) in the case of any refinancing of any Debt permitted under this clause, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(b) (i) the Incurrence by the Issuer of Debt represented by the Notes (other than any Additional Notes) or (ii) the Incurrence of Debt by the Guarantors pursuant to the Guarantees (other than Guarantees of any Additional Notes);

(c) any Debt of the Issuer or any Restricted Subsidiary outstanding on the Issue Date (other than Debt described in clauses (a) or (b) of this paragraph (2));

(d) the Incurrence by the Issuer or any Restricted Subsidiary of intercompany Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:

(i) if the Issuer or a Guarantor is the obligor on any such Debt and the lender of such Debt is not the Issuer or a Guarantor, it is unsecured and expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or its Guarantee, as the case may be; and

(ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing from the Issuer or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (d);

(e) (i) without limiting the covenant described under "*—Limitation on Guarantees of Debt*," the guarantee by the Issuer or any Restricted Subsidiary of Debt of the Issuer or any Restricted Subsidiary that was permitted to be incurred by another provision of this "*Limitation on Debt*" covenant; *provided* that if the Debt being guaranteed is subordinated to the Notes, then the guarantee shall be subordinated to the same extent as the Debt guaranteed;

(ii) without limiting the covenant described under "*—Limitation on Liens*," Debt arising by reason of any Lien granted by or applicable to such Person securing Debt of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Debt is not prohibited under the terms of the Indenture;

(f) the Incurrence by the Issuer or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt Incurred or assumed in connection with the acquisition, lease, rental or development and improvement of real or personal, movable or immovable, property or assets (including, without limitation, material handling equipment), in each case, Incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of design, construction, installation or improvement of property, plant, equipment or other assets used or useful in a Permitted Business (including any reasonable related fees or expenses Incurred in connection with such acquisition, lease, rental or development); *provided* that the principal amount of such Debt (other than such Debt in relation to delivery, heavy or long goods vehicles used or useful in a Permitted Business in the ordinary course of business) so Incurred when aggregated with such other Debt previously Incurred in reliance on this clause (f) and still outstanding shall not in the aggregate exceed the greater of £20.0 million and 18.0% of Consolidated EBITDA;

(g) the Incurrence by the Issuer or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by the

Issuer or any Restricted Subsidiary of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(h) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under any Hedging Agreements for *bona fide* hedging purposes and not for speculative purposes;

(i) the Incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations, and not in connection with the borrowing of money or the obtaining of advances or credit;

(j) Debt owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries;

(k) the Incurrence of Debt by the Issuer or any Restricted Subsidiary arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within 30 business days of Incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal, indemnity, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and (iii) completion, advance payment or customs guarantees provided or letters of credit or similar instruments obtained by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(l) the Incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt in exchange for, or the net proceeds of which are used to, refund, replace, refinance, defease or discharge Debt Incurred by it pursuant to, or described in, paragraphs (1), (2)(b), (2)(c), (2)(l) and (2)(q) of this "*Limitation on Debt*" covenant, as the case may be;

(m) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(n) Management Advances;

(o) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(p) Debt consisting of (i) the financing of insurance premiums, (ii) take or pay obligations or customary deferred payment arrangements contained in supply agreements or (iii) rental guarantees, in each case, in the ordinary course of business;

(q) (A) the Incurrence of Debt of the Issuer or any Restricted Subsidiary to finance an acquisition by the Issuer or a Restricted Subsidiary or any merger or consolidation of any Person with or into the Issuer or any Restricted Subsidiary, or (B) Acquired Debt; *provided* that, in each case, on the date of such acquisition, merger or consolidation, after giving effect thereto, either (i) the Issuer would have been able to Incur at least £1.00 of additional Debt pursuant to paragraph (1) of this "*Limitation on Debt*" covenant or (ii) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect thereto;

(r) Debt of the Issuer or any Restricted Subsidiary relating to any VAT liabilities or deferral of pay-as-you-earn taxes with the agreement of, or pursuant to rules or guidance of, tax authorities;

(s) any Contribution Debt; and

(t) the Incurrence of Debt by the Issuer or any Restricted Subsidiary in an aggregate principal amount at any one time outstanding not to exceed the greater of £50.0 million and 45.0% of Consolidated EBITDA.

(3) For purposes of determining compliance with this "*Limitation on Debt*" covenant, in the event that an item of Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (a) through (t) of paragraph (2) above, or is entitled to be Incurred pursuant to paragraph (1)

of this "*Limitation on Debt*" covenant, the Issuer will be permitted to classify such item of Debt on the date of its Incurrence in any manner that complies with this "*Limitation on Debt*" covenant. Debt Incurred under the Senior Credit Facilities outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided by clause (a) of paragraph (2) above, and Debt Incurred under the Senior Credit Facilities pursuant to clause (a) of paragraph (2) above may not be reclassified. In addition, from time to time any item of Debt initially classified as Incurred pursuant to one of the categories of Permitted Debt described in clauses (b) through (t) of paragraph (2) above, or entitled to be Incurred pursuant to paragraph (1) of this "*Limitation on Debt*" covenant, may later be reclassified by the Issuer such that it will be deemed as having been Incurred pursuant to such new clause of paragraph (2) or paragraph (1) of this "*Limitation on Debt*" covenant to the extent that such reclassified Debt could be Incurred pursuant to such new clause of paragraph (2) or paragraph (1) of this "*Limitation on Debt*" covenant at the time of such reclassification. Debt permitted by this covenant need not be permitted solely by reference to one provision permitting such Debt but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Debt.

(4) For purposes of determining compliance with any restriction on the Incurrence of Debt in Sterling where Debt is denominated in a different currency, the amount of such Debt will be the Sterling Equivalent determined on the date of such determination; *provided* that (a) if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to Sterling) covering principal amounts payable on such Debt, the amount of such Debt expressed in Sterling will be adjusted to take into account the effect of such agreement; and (b) if such Debt is Incurred to refinance other Debt denominated in a currency other than Sterling, and such refinancing would cause the applicable Sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Debt does not exceed the amount set forth in clause (a) of the definition of "Permitted Refinancing Debt." Notwithstanding any other provision of this "*Limitation on Debt*" covenant, for purposes of determining compliance with this "*Limitation on Debt*" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may Incur under this "*Limitation on Debt*" covenant.

(5) For purposes of determining any particular amount of Debt under this "*Limitation on Debt*" covenant:

(a) obligations in the form of letters of credit, guarantees, Liens, bankers' acceptance or other similar instrument or obligation, in each case supporting Debt otherwise included in the determination of such particular amount will not be included;

(b) any Liens granted pursuant to the equal and ratable provisions referred to in the "*Limitation on Liens*" covenant will not be treated as Debt; and

(c) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt, will not, in any case, be treated as Debt.

Limitation on Restricted Payments

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "Restricted Payment" and which are collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary) (other than to the Issuer or any Restricted Subsidiary) except for dividends or distributions payable solely in shares of the Issuer's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock or in Subordinated Shareholder Debt;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other combination), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of a Holding Company of the Issuer held by persons other than the Issuer or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;

(c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or Stated Maturity, any Subordinated Debt (other than (i) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (ii) intercompany Debt between the Issuer and any Restricted Subsidiary or among Restricted Subsidiaries);

(d) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt (other than any payment of interest thereon in the form of additional Subordinated Shareholder Debt); or

(e) make any Restricted Investment in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as at the date of transfer.

(2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing;

(b) the Issuer could Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant; and

(c) the aggregate amount of all Restricted Payments declared or made after the Issue Date (excluding Restricted Payments permitted by the next succeeding paragraph other than clauses (a) and (n)) does not exceed the sum of:

(i) 50% of aggregate Consolidated Net Income on a cumulative basis during the period beginning on the first day of the fiscal half commencing immediately prior to the Issue Date and ending on the last day of the Issuer's last fiscal half ending prior to the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Net Income shall be a negative number, minus 100% of such negative amount); plus

(ii) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer after the Issue Date as equity capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Issuer's Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clauses (c), (d) or (e) of paragraph (3) below) (excluding (x) any Contribution Amounts and (y) the Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); plus

(iii) (x) the amount by which the Issuer's Debt or Debt of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by a Subsidiary) of such Debt into the Issuer's Qualified Capital Stock and (y) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received after the Issue Date by the Issuer from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer's Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); plus

(iv) (x) repurchases, redemptions or other acquisitions or retirements of any Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary, less the cost of the disposition of such Investment and net of taxes, (y) if such Investment constituted a guarantee, an amount equal to the amount of such guarantee upon the full and unconditional release of such guarantee and (z) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary; plus

(v) in the event that the Issuer or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Fair Market Value of the Issuer's or such Restricted Subsidiary's existing interest in such Person that was previously treated as a Restricted Payment.

(3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions:

(a) the payment of any dividend or the consummation of any redemption within 60 days after the date of its declaration or giving of notice of redemption, as applicable, if at such date of its declaration or giving of notice of redemption, as applicable, such payment would have been permitted by the provisions of this "*Limitation on Restricted Payments*" covenant;

(b) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;

(c) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Capital Stock of the Issuer or any Restricted Subsidiary (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case, from, or for the benefit of, any current or former officer, director, consultant, customer or employee of the Issuer or any of the Restricted Subsidiaries or any Parent pursuant to any equity subscription agreement, management equity plan, warrant agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed an amount (net of repayments of any such loans or advances) equal to:

(i) £7.0 million in any twelve-month period (with unused amounts in any twelve-month period being carried over to succeeding periods); plus

(ii) the Net Cash Proceeds received by the Issuer or the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Debt to a Parent), or as a contribution to the equity of the Issuer from the issuance or sale of Capital Stock (including any options, warrants or other rights in respect thereof) to any current or former officer, director or employee of the Issuer, any Restricted Subsidiary or any Parent; plus

(iii) the Net Cash Proceeds of key man life insurance policies, in each case, to the extent such Net Cash Proceeds are not included in any calculation under clause (2)(c)(i) of this covenant, and

provided, *further*, that cancellation of Debt owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Issuer or

Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(d) the repurchase, redemption or other acquisition or retirement for value of any shares of the Issuer's Capital Stock or options, warrants or other rights to acquire such Capital Stock in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Debt (excluding any Contribution Amounts);

(e) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value or payment of principal of any Subordinated Debt in exchange for, or out of the Net Cash Proceeds of the issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or Subordinated Shareholder Debt;

(f) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) in exchange for, or out of the Net Cash Proceeds of the Incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;

(g) the declaration or payment of any dividend or distribution to holders of Capital Stock of a Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a pro rata basis;

(h) the repurchase of Capital Stock deemed to occur upon the exercise of stock options with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;

(i) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock issued in accordance with the "*Limitation on Debt*" covenant;

(j) the purchase, repurchase, redemption, retirement or other acquisition for value of Capital Stock deemed to occur upon the exercise of stock options, warrants or other securities, if such Capital Stock represents a portion of the exercise price of such options, warrants or other securities;

(k) the repurchase, redemption, acquisition or retirement or making of any other payments with respect to Subordinated Debt of the Issuer or any Restricted Subsidiary with any Excess Proceeds remaining after the consummation of an Excess Proceeds Offer pursuant to the covenant described under the caption "*—Limitation on Asset Sales*" at a purchase price not greater than 100% of the principal amount of such Subordinated Debt *plus* accrued and unpaid interest;

(l) the repurchase, redemption, acquisition or retirement or making of any other payments with respect to Subordinated Debt of the Issuer or any Restricted Subsidiary following a Change of Control pursuant to provisions similar to those described under "*—Change of Control*" but only (x) if required, if the Issuer shall have complied with the terms of the covenant described below under the heading "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all of the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Debt and (y) at a purchase price not greater than 101% of the principal amount of such Subordinated Debt *plus* accrued and unpaid interest;

(m) Permitted Parent Payments;

(n) so long as no Default or Event of Default has occurred and is continuing, any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (n) does not exceed the greater of £50.0 million or 45.0% of Consolidated EBITDA;

(o) so long as no Default or Event of Default has occurred and is continuing, any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio would not be greater than 2.5 to 1.00 on a *pro forma* basis after giving effect to such Restricted Payment;

(p) payments pursuant to any Tax Sharing Agreement or arrangement among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; *provided*, *however*, that such payments will not exceed the amount of tax that the Issuer and its Subsidiaries would owe on a standalone basis and the related tax liabilities of the Issuer and its Subsidiaries are relieved by the payment of such amounts to a relevant taxing authority;

(q) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Debt owed to, the Issuer or a Restricted Subsidiary by Unrestricted Subsidiaries;

(r) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent, in an amount not to exceed in any fiscal year 7% of the Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries shall be equal to or less than 3.00 to 1.00; and

(s) payment of any Receivables Fees and purchases of receivables and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing.

(4) The Issuer, in its sole discretion, may classify any Permitted Investment or other Restricted Payment as being made in part under one of the clauses or sub-clauses of this covenant (or, in the case of any Permitted Investment, the clauses or sub-clauses of Permitted Investments) and in part under one or more other such clauses or sub-clauses.

Limitation on Transactions with Affiliates

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Issuer or any other Restricted Subsidiary having a value greater than the greater of £5.0 million and 4.0% of Consolidated EBITDA, unless such transaction or series of transactions is entered into in good faith and:

(a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's-length transaction (as determined in good faith by the Issuer) with a Person that is not an Affiliate; and

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than the greater of £15.0 million and 13.0% of Consolidated EBITDA, the Issuer will deliver a resolution of its Board of Directors (attached to an Officer's Certificate to the Trustee) resolving that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Members, if any, of the Board of Directors.

(2) Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

(a) reasonable directors' fees, indemnities and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting and advisory fees, employee compensation, employee and director bonuses, directorship, employment or consulting agreements and arrangements, collective bargaining agreements, employee benefit arrangements, including vacation, health, insurance, deferred compensation, severance, retirement, savings or other similar plans, programs or arrangements or legal fees payable to any current or former employee, officer or director as long as the Issuer's Board of Directors has approved the terms thereof and deemed the services performed or thereafter to be performed for amounts to be fair consideration therefor;

(b) Permitted Investments (other than pursuant to clause (c)(iii), (q) or (u) of the definition thereof) and any Restricted Payment not prohibited by the "*Limitation on Restricted Payments*" covenant;

(c) any Management Advances or Permitted Parent Payments and any waiver or transaction with respect thereto;

(d) agreements, instruments and arrangements existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereto and any payments or transaction in relation thereto; *provided* that any such amendment, extension, renewal, refinancing, modification or supplement to the terms thereof is not more disadvantageous (as determined in good faith by the Issuer), taken as a whole, to the Holders of the Notes and to the Issuer and the Restricted Subsidiaries, as applicable, in any material respect than the original agreement or arrangement as in effect on the Issue Date;

(e) the issuance of securities or other payments, awards or grants in cash, securities or similar transfers pursuant to, or for the purpose of the funding of, directorship, employment or consulting arrangements, stock options, stock ownership plans and other similar arrangements, as long as the terms thereof are or have been previously approved by the Issuer's Board of Directors;

(f) the granting and performance of registration rights for the Issuer's securities;

(g) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries;

(h) any issuance of Capital Stock (other than Redeemable Capital Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock (other than Redeemable Capital Stock);

(i) the existence of, or the performance by the Issuer or any of the Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any registration rights agreement or purchase agreement relating thereto) to which it is a party as at the Issue Date and any similar agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any of the Restricted Subsidiaries of, obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (i) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous (as determined in good faith by the Issuer) to the Holders of the Notes when taken as a whole;

(j) transactions with a Person that is an Affiliate of the Issuer or any Restricted Subsidiary solely (x) because the Issuer or a Restricted Subsidiary owns Capital Stock in such Person (including, without limitation, any such Person that is a Captive Insurance Company), (y) because the Issuer or a Restricted Subsidiary has the right to designate one or more members of the Board of Directors or similar governing body of such Person, or (z) as a result of both such ownership of Capital Stock and such right to so designate;

(k) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary or are on terms materially no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party (as determined in good faith by the Issuer);

(l) the execution of, delivery of and performance under any Tax Sharing Agreement; and

(m) any transaction effected as part of a Qualified Receivables Financing.

Limitation on Liens

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien on any of its property or assets, whether owned on the date of the Indenture or thereafter acquired, securing any Debt of the Issuer or any Restricted Subsidiary (the "Initial Lien"), unless (a) in the case of any property or assets that does not constitute Collateral, (i) such Lien is a Permitted Lien or (ii) contemporaneously therewith effective provision is made to secure the Notes and the Indenture or, in respect of Liens on property or assets of any Guarantor, such Guarantee thereof, equally and ratably with (or, in the case of Subordinated Debt of the Issuer or a Guarantor on a senior basis to) such Debt for so long as such Debt is so secured by such Initial Lien

and (b) in the case of any property or assets that constitute Collateral, such Lien is a Permitted Collateral Lien.

(2) Any such Lien created as a result of this covenant "*Limitation on Liens*" in favor of the Notes or any such Guarantee will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates or (ii) as set forth under the caption "—*Security*."

Change of Control

(1) If a Change of Control occurs at any time, the Issuer will make an offer (a "Change of Control Offer") to each Holder of Notes to purchase such Holder's Notes, in whole or in part, in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof at a purchase price (the "Change of Control Purchase Price") in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date").

(2) Within 30 days following any Change of Control, the Issuer will send notice of the Change of Control Offer, with a copy to the Trustee, Registrar and each Paying Agent, to each Holder of Notes appearing in the register on such date, which notice will state:

   (a) that a Change of Control has occurred and the date it occurred;

   (b) the circumstances and relevant facts regarding such Change of Control;

   (c) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a business day no earlier than 10 days nor later than 60 days after the date such notice is sent, or such later date as is necessary to comply with any requirements under the Exchange Act or any other applicable securities laws or regulations;

   (d) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid on such date;

   (e) that any Note or part thereof not tendered will continue to accrue interest; and

   (f) any other procedures that a Holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

(3) Upon receipt by the Trustee from the Issuer of an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control, the Trustee (or an authenticating agent) will promptly authenticate and deliver a new Note or Notes in a principal amount equal to any unpurchased portion of Notes surrendered, if any, to the Holder of Notes in global form or to each Holder of certificated Notes; *provided* that each such new Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

(4) The Issuer will not be required to make a Change of Control Offer following a Change of Control if (i) the Notes have been irrevocably and unconditionally called for redemption as described under "Optional Redemption" or (ii) a third party has made, and not terminated, a tender offer for all of the Notes in the manner and at the times applicable to a Change of Control Offer, at a tender offer purchase price in cash equal to at least 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and such third party purchases all of the Notes validly tendered and not withdrawn under such tender offer. No Note will be purchased in part if less than €100,000 in original principal amount of such Note would remain outstanding following such purchase.

The Issuer and the Guarantors will comply with the applicable tender offer rules and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Guarantors will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

For so long as the Notes are admitted to trading on the Exchange and the rules and regulations of the Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer to the extent and in the manner permitted by such rules. In addition, for so long as any Notes are represented by Global Notes, such notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

The occurrence of certain events that would constitute a Change of Control could constitute a default under the Senior Credit Facilities. The Issuer's future debt and the future debt of its Subsidiaries may also contain provisions that, if certain events occur, would require such debt to be repurchased. In addition, the exercise by the Holders of the Notes of their right to require a repurchase of the Notes upon a Change of Control could cause a default under the Senior Credit Facilities and any such future debt, even if the Change of Control itself does not, due to the possible financial effect on the Issuer or the Guarantors of such repurchase. Not all business combinations or acquisitions of us by third parties would necessarily result in a Change of Control and may not result in a Change of Control Offer to Holders of the Notes. The provisions of the Indenture will not give Holders the right to require the repurchase of the Notes in the event of certain transactions including a reorganization, restructuring, merger or similar transaction that may adversely affect Holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including those described under "*—Limitation on Debt*." The existence, however, of a Holder of the Notes' right to require the Issuer to repurchase such Holder's Notes upon a Change of Control may deter a third party from acquiring the Issuer or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by Holders of the Notes seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of any other debt of the Issuer and its Subsidiaries may prohibit the repurchase of the Notes prior to their scheduled maturity. If the Issuer were not able to prepay any debt containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfil its repurchase obligations to Holders of Notes who accept the Change of Control Offer. If a Change of Control Offer was not made or consummated or the Change of Control Purchase Price was not paid when due, such failure would result in an Event of Default and would give the Trustee and the Holders of the Notes the rights described under "*—Events of Default*." An Event of Default under the Indenture, unless waived, would result in a cross-default under certain of the financing arrangements described under "*Description of Certain Financing Arrangements*," including under the Senior Credit Facilities.

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes following a Change of Control may be waived or modified with the prior written consent of the Holders of a majority in principal amount of the Notes. See "*—Amendments and Waivers*" below.

Limitation on Asset Sales

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

   (a) the consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined in good faith by the Issuer (*provided* that the Issuer's Board of Directors shall determine in good faith the Fair Market Value for any Asset Sale or series of related Asset Sales involving aggregate consideration in excess of £25.0 million), and the Issuer's determination (including the Board of Directors' determination, as applicable) will be conclusive (as to the value of any and all non-cash consideration);

(b) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of:

(i) cash (including any Net Cash Proceeds received from the conversion to cash within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(ii) Cash Equivalents (including any Net Cash Proceeds received from the conversion to cash or Cash Equivalents within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(iii) the assumption by the purchaser of (x) the Issuer's Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged in respect of such Debt or (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale;

(iv) Replacement Assets;

(v) any Designated Non-cash Consideration received by the Issuer or any of the Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (v), less the amount of Net Proceeds previously realized in cash from prior Designated Non-cash Consideration does not exceed (with the Fair Market Value of each item of Designated Non- cash Consideration being measured at the time received and without giving effect to subsequent changes in value) the greater of £25.0 million and 22.0% of Consolidated EBITDA; or

(vi) a combination of the consideration specified in clauses (i) through (v); and

(c) the Issuer delivers an Officer's Certificate to the Trustee certifying that such Asset Sale complies with the provisions described in the foregoing clauses (a) and (b).

(2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 365 days of the receipt of the Net Cash Proceeds of such Asset Sale (or the Issuer or any such Restricted Subsidiary may enter into a binding commitment to so use; *provided* that such Net Cash Proceeds are so used within 180 days after the expiration of the aforementioned 365 day period), may be used by the Issuer or such Restricted Subsidiary to:

(a) (i) to prepay, repay, purchase or redeem any Debt Incurred under clause (2)(a) of the covenant described under "*—Limitation on Debt,*" that is secured by the Collateral on a basis *pari passu* with or in priority to the Notes and is not subordinated in right of payment to the Notes or any Guarantee; (ii) to prepay, repay, purchase or redeem any Debt of a Restricted Subsidiary that is not a Guarantor or any Debt that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Debt or Debt that is owed to the Issuer or any Restricted Subsidiary); (iii) to prepay, repay, purchase or redeem Pari Passu Debt secured by a Lien on the Collateral at a price of no more than 100% of the principal amount of such Pari Passu Debt plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall redeem, repay, repurchase or redeem any such Pari Passu Debt pursuant to this clause (iii) only if the Issuer makes an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer on a ratable basis with any such Pari Passu Debt repaid pursuant to this clause (iii) (which offer shall be deemed to be an Excess Proceeds Offer for purposes hereof); or (iv) to make (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer (which offer shall be deemed to be an Excess Proceeds Offer for purposes hereof);

(b) to invest in any Replacement Assets or make capital expenditures (including by means of capital expenditure by, or an investment in Replacement Assets by, a Restricted Subsidiary with an amount equal to some or all of the Net Cash Proceeds received by the Issuer or another Restricted Subsidiary); or

(c) do any combination of the foregoing.

(d) The amount of such Net Cash Proceeds actually received by the Issuer or any Restricted Subsidiary but not so used as set forth in this paragraph (2) constitutes "Excess Proceeds." Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

(3) When the aggregate amount of Excess Proceeds exceeds the greater of £25.0 million and 22.0% of Consolidated EBITDA, the Issuer will, within 30 Business Days, make an offer to purchase (an "Excess Proceeds Offer") from all Holders of Notes and, at the Issuer's election, from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a pro rata basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount, in the case of the Notes (expressed as a minimum amount of € 100,000 and integral multiples of €1,000 in excess thereof) of the Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note being repurchased and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt being redeemed or repurchased, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and Pari Passu Debt, if any, for general corporate purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such Pari Passu Debt to be purchased will be allocated on a pro rata basis (based upon the principal amount of Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(4) If the Issuer is obliged to make an Excess Proceeds Offer, the Issuer will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in a minimum amount of €100,000 and integral multiples of €1,000 in excess thereof on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such Holders, or such later date as may be required under the Exchange Act.

Pending the final application of any Net Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use the Net Proceeds in any manner that is not prohibited by the Indenture.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules and any other applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this "*Limitation on Asset Sales*" covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this "*Limitation on Asset Sales*" covenant by virtue thereof.

Limitation on Guarantees of Debt

(1) Subject to the Agreed Security Principles, the Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Debt outstanding under any Credit Facility Incurred under clause (2)(a) of the covenant described under "*—Limitation on Debt*" or any other Public Debt of the Issuer or any Guarantor (other than the Notes), unless such Restricted Subsidiary either (i) is not a Significant Subsidiary and, in respect of any Debt outstanding under the Senior Credit Facilities (as may be refinanced, amended or restated from time to time) only, has not become a Guarantor under the Senior Credit Facilities, *provided* that any such Restricted Subsidiary that is not a Significant Subsidiary also would not, in the aggregate when taken together with other Restricted Subsidiaries that are not Significant Subsidiaries, constitute a Significant Subsidiary if considered as a single person or (ii) executes and delivers within 30 days a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee

of such other Debt; and with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Guarantee with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes. Any Guarantee of payment of the Notes may contain limitations on Guarantor liability to the extent reasonably necessary (as determined in good faith by the Issuer) to recognize certain defenses generally available to guarantors or other considerations under applicable law or regulation.

(2) The provisions of the preceding paragraph will not be applicable to any guarantee of any Restricted Subsidiary existing on the Issue Date or that existed at the time such Person became a Restricted Subsidiary if the guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

(3) Any Guarantee of the Notes granted pursuant to the provisions described in the first paragraph of this covenant may provide by its terms that it will be automatically and unconditionally released and discharged on the terms and conditions and in the circumstances described under the heading "*—Guarantees—Release of the Guarantees*." A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Debt of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. At the cost and reasonable request of the Issuer, the Trustee shall take all necessary actions to effectuate any release of any Guarantee of the Notes in accordance with these provisions, subject to customary protections and indemnifications.

(4) Notwithstanding the foregoing, the Issuer will not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or to the extent such Guarantee would reasonably be expected (as determined in good faith by the Issuer) to give rise to or result in (a) any conflict with or violation of applicable law, rule, regulation or order; (b) any risk of liability (civil, criminal, administrative or other) for the officers, directors, shareholders or partners of such Restricted Subsidiary; or (c) any cost, expense, liability or obligation (including with respect to any Taxes but excluding any reasonable guarantee or similar fee payable to the Issuer or any Restricted Subsidiary) other than reasonable expenses and other than reasonable governmental expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to the first paragraph of this covenant undertaken in connection with, such Guarantee.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

(b) pay any Debt owed to the Issuer or any other Restricted Subsidiary;

(c) make loans or advances to the Issuer or any other Restricted Subsidiary; or

(d) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary,

provided that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (ii) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Debt Incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of the "*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*" covenant described in paragraph (1) above will not apply to:

(a) encumbrances and restrictions imposed by the Notes, the Indenture, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or the Senior Credit Facilities;

(b) encumbrances or restrictions imposed by Debt permitted to be Incurred under Credit Facilities or any guarantee thereof in accordance with the "*Limitation on Debt*" covenant or pursuant to paragraph (2) of such "*Limitation on Debt*" covenant; *provided* that in the case of any such encumbrances or restrictions imposed under any Credit Facilities, such encumbrances or restrictions taken as a whole are not materially less favorable to the Holders taken as a whole than those imposed by the Senior Credit Facilities as at the Issue Date (as determined in good faith by the Issuer);

(c) encumbrances or restrictions contained in any agreement or instrument in effect on the Issue Date;

(d) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, sublease, license, sublicense, conveyance or other similar agreement to which the Issuer or any Restricted Subsidiary is a party; or (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;

(e) encumbrances or restrictions contained in any agreement or other instrument of a Person or relating to assets acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the "*Limitation on Asset Sales*" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Issuer's Subsidiaries by another Person;

(g) encumbrances or restrictions imposed by applicable law or regulation or by governmental licenses, authorizations, concessions, franchises or permits;

(h) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or surety, insurance or bonding companies under contracts entered into the ordinary course of business;

(i) customary limitations on the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements, asset sale agreements, sale and leaseback agreements, stock sale agreements and other similar agreements entered into the ordinary course of business and in good faith; *provided* that:

   (i) the encumbrance or restriction is not materially less favorable to the Holders taken as a whole than is customary in comparable agreements (as determined in good faith by the Issuer); and

   (ii) the Issuer determines in good faith that any such encumbrance or restriction will not materially affect the ability of the Issuer or any Guarantor to make any principal or interest payments on the Notes;

(j) customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;

(k) any encumbrance or restriction arising by reason of customary non-assignment or similar provisions in agreements;

(l) any encumbrance or restriction arising pursuant to an agreement or instrument of the Issuer or any of its Restricted Subsidiaries relating to any Debt not prohibited from being Incurred after the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Debt*": (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders taken as a whole than the encumbrances and restrictions contained in the Indenture (as determined in good faith by the Issuer); or (ii) if such encumbrance or restriction is not materially more disadvantageous to the

Holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer);

(m) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances or restrictions existing by reason of any Lien permitted under "*—Limitation on Liens*";

(n) any encumbrance or restriction pursuant to any Hedging Agreements;

(o) any encumbrance or restriction pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easements agreements of the Issuer or any Restricted Subsidiary;

(p) any encumbrance or restriction that arises or is agreed to in the ordinary course of business and does not detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or such Restricted Subsidiary (as determined in good faith by the Issuer);

(q) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination by the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; and

(r) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (q), or in this clause (r), of this paragraph (2); *provided* that such amendments, modifications, restatements, renewals, extension, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer, no more restrictive (taken as a whole) with respect to such encumbrances or restrictions than those contained in the encumbrances or restrictions prior to such amendment, modification, restatement, renewal, extension, increase, supplement, refunding, replacement or refinancing.

Designation of Unrestricted and Restricted Subsidiaries

(1) The Issuer's Board of Directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to cease to be a "Restricted Subsidiary" and instead to be an "Unrestricted Subsidiary" only if:

(a) no Default has occurred and is continuing at the time of or after giving effect to such designation;

(b) the Issuer would be permitted to make an Investment at the time of designation (assuming the effectiveness of such designation) pursuant to the "*Limitation on Restricted Payments*" covenant (and may classify such amount within its capacity to make Restricted Payments and ability to make payments that would otherwise be Restricted Payments under the "*Limitation on Restricted Payments*" covenant as it sees fit) in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary (in each case, as determined by the Issuer in good faith); and

(c) the Issuer would be permitted under the Indenture to Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant at the time of such designation (assuming the effectiveness of such designation).

(2) In the event of any such designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the "*Limitation on Restricted Payments*" covenant for all purposes of the Indenture in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary (in each case, as determined by the Issuer in good faith), and may classify such amount within its capacity to make Restricted Payments and permissions to make payments that would otherwise be Restricted Payments under the "*Limitation on Restricted Payments*" covenant as it sees fit.

(3) The Issuer's Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary:

(a) if no Default or Event of Default has occurred and is continuing at the time of, or will occur and be continuing after giving effect to, such designation; and

(b) unless such designated Unrestricted Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt), immediately before and after giving effect to such proposed designation, and after giving *pro forma* effect to the Incurrence of any such Debt of such designated Unrestricted Subsidiary as if such Debt was Incurred on the date of its designation as a Restricted Subsidiary, the Issuer could Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant.

(4) Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by the Issuer's Board of Directors will be evidenced to the Trustee by filing a resolution of the Issuer's Board of Directors with the Trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation. Any such filing with the Trustee must occur within 45 days after the end of the Issuer's fiscal half year in which such designation is made (or, in the case of a designation made during the second fiscal half year of the Issuer's fiscal year, within 90 days after the end of such fiscal year).

Reports to Holders

(1) So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

(a) annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete notes to such financial statements and the report of the independent auditors on the financial statements; (b) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer; (c) a description of the business of the Issuer; and (d) a description of management and shareholders, material debt instruments, material affiliate transactions, material risk factors and material subsequent events all in substantially the same form as presented in the Offering Memorandum, within 120 days following the end of each fiscal year beginning with the fiscal year ending March 28, 2020; *provided* that the information in clause (d) may be provided in the notes to the audited financial statements.

(b) semi-annual financial information of the Issuer on a consolidated basis as of and for the period from the beginning of each year to the close of the first half period, together with comparable information for the corresponding period of the preceding year, and an operating and financial review of the financial statements, including a discussion of the results of operations, financial condition, and material changes in liquidity and financial resources of the Issuer within 90 days following the end of the fiscal half beginning with the fiscal half ending September 30, 2019; and

(c) promptly after the occurrence of a material acquisition, disposition or restructuring, any change of the Chief Executive Officer or the Group Financial Director of the Issuer or a change in auditors of the Issuer or any other material event, a report containing a description of such event.

(2) No report need include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

(3) At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the semi-annual and annual financial information required by the first paragraph of this "*Reports to Holders*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

(4) For so long as it remains so listed, the Issuer will furnish to the Trustee such other information that the Issuer is required to make publicly available under the requirements of the London Stock Exchange as a result of having its ordinary shares admitted for trading on such exchange. Notwithstanding paragraph (1) of this covenant, upon the Issuer complying with the public reporting requirements of the London Stock Exchange (regardless of whether the Issuer's ordinary shares are admitted for trading on such exchange), to the extent that such requirements include an obligation to prepare and make publicly available annual reports, semi-annual reports, information, documents and other

reports, the Issuer will be deemed to have complied with the provisions contained in clauses (1)(a), (b) and (c) above.

(5) Notwithstanding the foregoing, the Issuer will be deemed to have provided such information to the Trustee, the Holders of the Notes and prospective purchasers of the Notes if such information referenced above in clauses (1)(a), (b) and (c) and (3) above or alternatively, in the preceding paragraph, has been posted on the Issuer's website; *provided* that such information is not password protected and remains available on the Issuer's website.

Statement as to Compliance

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

Merger, Consolidation or Sale of Assets

Issuer

(1) The Issuer will not, directly or indirectly, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by the Issuer's Board of Directors or shareholders with respect to a demerger or division pursuant to which the Issuer would dispose of, all or substantially all of the Issuer's and the Restricted Subsidiaries' properties and assets, taken as a whole, to any other Person. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either: (i) the Issuer will be the continuing corporation; or (ii) the Person (if other than the Issuer) formed by or surviving any such merger, consolidation, amalgamation or other combination or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and the Restricted Subsidiaries, taken as a whole, has been made (the "Surviving Entity"):

(x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as at the Issue Date, the United States of America, any state thereof, or the District of Columbia, Canada or any province of Canada, Norway or Switzerland; and

(y) will expressly assume, by a supplemental indenture, an accession agreement or one or more other documents or instruments, each in a form reasonably satisfactory to the Trustee, the Issuer's obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (and treating any Debt of the Issuer or any Restricted Subsidiary Incurred in connection with or as a result of such transaction or series of transactions as having been Incurred by the Issuer or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (on the assumption that the transaction or series of transactions occurred on the first day of the fiscal half immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such *pro forma* calculation), (i) the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) could Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant or (ii) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(d) the Issuer or the Surviving Entity has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the

Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Issuer or the Surviving Entity, enforceable in accordance with their terms (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability).

(2) The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, *provided*, *however*, that in the case of a lease of all or substantially all of the Issuer's assets, the Issuer will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Notes.

(3) Nothing in the Indenture will prevent (i) any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary or (ii) the Issuer from consolidating or otherwise combining with or merging into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer, *provided* the requirements of clauses (a)(x) and (d) of paragraph (1) above are satisfied, mutatis mutandis.

For so long as the Notes are admitted to trading on the Exchange and the rules and regulations of the Exchange so require, the Issuer will publish a notice of any merger of the Issuer to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Guarantors

(1) Subject to the provisions described under "—*Guarantees—Release of the Guarantees*," no Guarantor will, directly or indirectly, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by such Guarantor's Board of Directors or shareholders with respect to a demerger or division pursuant to which such Guarantor will dispose of, all or substantially all of such Guarantor's properties and assets to any other Person. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either: (i) such Guarantor is the surviving corporation, or (ii) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of any member state of the European Union as at the Issue Date, the United States of America, any state thereof, or the District of Columbia, Canada or any province of Canada, Norway or Switzerland (such Guarantor or such Person, as the case may be, being herein called the "Successor Guarantor");

(b) the Successor Guarantor (if other than such Guarantor), by a supplemental indenture, an accession agreement or one or more other documents or instruments, each in a form reasonably satisfactory to the Trustee, expressly assumes the obligations of such Guarantor under its Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(c) immediately after giving *pro forma* effect to such transaction, no Default or Event of Default exists and is continuing; and

(d) the Guarantor or the Successor Guarantor has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Guarantee constitutes a legal, valid and binding obligation of the Guarantor or Successor Guarantor, enforceable in accordance with its terms (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability).

(2) The Successor Guarantor will succeed to, and be substituted for, and may exercise every right and power of, the relevant Guarantor under its Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents.

(3) Nothing in the Indenture will prevent any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Impairment of Security Interest

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action, which action or omission would or is reasonably likely to, in each case, in the good faith determination of the Issuer, have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Permitted Collateral Liens or of Debt secured by the Collateral shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent and the holders of the Notes (other than of any Additional Notes), the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral (other than pursuant to a sale, lease, transfer, disposition, merger or conveyance not otherwise prohibited by the Indenture), provided that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) subject to the second paragraph of this covenant, the Issuer and the Restricted Subsidiaries may incur Permitted Collateral Liens.

The Indenture will provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Security Agent (and/or any other party to each Security Document) shall from time to time enter into one or more amendments, extensions, renewals, restatements, supplements, modifications or replacements to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) provide for Permitted Collateral Liens to the extent not prohibited under the Indenture (including by way of release and retaking of Security Documents), (iii) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) add to the Collateral, (v) evidence the succession of another Person to the Issuer, a Guarantor or any security provider, as applicable, and the assumption by such successor of the obligations under the Indenture, Notes or its Guarantee, as the case may be, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, in each case, in accordance with the caption "*—Merger, Consolidation or Sale of Assets*," (vi) provide for the release of property and assets constituting Collateral from the Liens created under the Security Documents and/or the release of a Guarantor from its Guarantee of the Notes, in each case, in accordance with (and if permitted by) the terms of the Indenture, (vii) conform the Security Documents to this "*Description of the Notes,"* (viii) evidence and provide for the acceptance of the appointment of a successor Security Agent, (ix) provide for Additional Notes or other Permitted Debt not prohibited by the Indenture that may be secured by Liens on the Collateral to also benefit from the Collateral, or (x) make any other change thereto that does not adversely affect the holders of the Notes in any material respect (as determined in good faith by the Issuer); *provided, however,* that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced (otherwise than for reasons specified in clauses (i), (iii) (in connection with any enforcement action) or (iv) through (x)), unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or renewal, the Issuer delivers to the Trustee and the Security Agent, one of:

(a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and the Restricted Subsidiaries, taken as a whole, on a consolidated basis, in each case, after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, modification or replacement;

(b) a certificate from the Board of Directors or responsible accounting or financial officer of the Issuer (acting in good faith) substantially in the form attached to the Indenture that confirms the solvency of the Issuer and the Restricted Subsidiaries, taken as a whole, on a consolidated basis, in each case, after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, modification or replacement; or

(c) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary assumptions, exceptions, reservations and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the security interest or security interests created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid security interests not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law that such security interest or security interests were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that this covenant is complied with, the Trustee shall (subject to customary protections and indemnifications) consent to and instruct the Security Agent to enter into all necessary documentation to implement such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from the Holders.

Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that, at the request of the Issuer and without the consent of Holders, in connection with the Incurrence by the Issuer or any Guarantor of any Debt not prohibited by the covenant described under the caption "*—Certain Covenants—Limitation on Debt*" (and, in each case, such Debt shall be (x) Senior Debt of the Issuer or a Guarantor or (y) Subordinated Debt of the Issuer or a Guarantor), the Issuer, the relevant Guarantors, the Trustee and, if applicable, the Security Agent shall enter into with the holders of such Debt (or their duly authorized Representatives) an amended and/or restated Intercreditor Agreement or an additional intercreditor agreement (an "Additional Intercreditor Agreement") containing substantially the same terms as the Intercreditor Agreement (or terms more favorable to the Holders) including with respect to the subordination, payment blockage, limitation on enforcement and release of guarantees (or such other terms or with such changes as are necessary to facilitate compliance with the covenant described under the caption "*—Certain Covenants—Limitation on Guarantees of Debt*") and priority and release of the Security Documents (or such other terms or with such changes as the Issuer may in good faith determine to be necessary or appropriate relating to the Security Documents, in connection with the Incurrence of such Debt, provided that such other terms are not materially more adverse to the Holders taken as a whole than the terms contained in the Intercreditor Agreement); *provided*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement without the consent of the Trustee and the Security Agent. Pursuant to any such Additional Intercreditor Agreements, such other Debt may constitute Senior Debt or Subordinated Debt of the Issuer or a Guarantor. If more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict in any material respect.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall subject to the terms of the Intercreditor Agreement from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure any ambiguity, manifest error, omission, defect or inconsistency of any Intercreditor Agreement or any Additional Intercreditor Agreement, (2) increase the amount of Debt of the types covered by any Intercreditor Agreement or any Additional Intercreditor Agreement that may be Incurred by the Issuer or any of its Restricted Subsidiaries that is subject to any Intercreditor Agreement or any Additional Intercreditor Agreement (including the addition of provisions relating to new Debt that is contractually subordinated in right of payment to the Notes or its Guarantee, as the case may be, as applicable), (3) add Guarantors to any Intercreditor Agreement or an Additional Intercreditor Agreement, (4) add security to or for the benefit of the Notes (including Additional Notes), or confirm and evidence the release, termination or discharge of any Notes, its Guarantee, or any Lien (including Liens on the Collateral and the Security Documents) when such release, termination or discharge is provided for or not prohibited under the Indenture, any Intercreditor Agreement or any Additional Intercreditor Agreement, (5) make provision for charges of the Collateral securing Additional Notes to rank pari passu with the

Liens under the Security Documents or to implement any Permitted Collateral Liens, (6) provide for the assumption by a successor of the obligations of the Issuer under any Intercreditor Agreement or any Additional Intercreditor Agreement, (7) make any change in the subordination provisions of any Intercreditor Agreement or any Additional Intercreditor Agreement that would limit or terminate the benefits available to any holder of Senior Debt of a Guarantor (or any Representative thereof) under such subordination provisions or as otherwise permitted by any Intercreditor Agreement or Additional Intercreditor Agreement, (8) conform the text of any Intercreditor Agreement or Additional Intercreditor Agreement to any provision of this "*Description of the Notes*," or (9) make any other change to any Intercreditor Agreement or Additional Intercreditor Agreement that does not materially adversely affect the Holders. The Issuer shall not otherwise request the Trustee and the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only request the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee and the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee and the Security Agent under the Indenture or any Intercreditor Agreement or an Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or an Additional Intercreditor Agreement, no consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby will be required; provided, however, that such transaction would comply with the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement or an Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have irrevocably appointed and authorized the Trustee to give effect to the provisions in the Intercreditor Agreement or Additional Intercreditor Agreement and to act on its behalf to enter into and comply with the provisions of such Intercreditor Agreement or Additional Intercreditor Agreement.

A copy of each Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer or at the offices of the listing agent.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Debt*";

(3) "*—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(4) "*—Limitation on Transactions with Affiliates*";

(5) "*—Limitation on Guarantees of Debt*";

(6) clause (1)(c) of "*—Merger, Consolidation or Sale of Assets*" in respect of each of the Issuer and the Guarantors;

(7) "*—Limitation on Asset Sales*"; and

(8) "*—Designation of Unrestricted and Restricted Subsidiaries*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries.

During any period that the foregoing covenants have been suspended, neither the Issuer nor any Restricted Subsidiary may designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under the caption "*—Designation of Unrestricted and Restricted Subsidiaries*," unless such designation would have complied with the covenant described under the caption "*—Limitation on Restricted Payments*" as if such covenant would have been in effect during such period.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or the Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Debt Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of the second paragraph of the covenant described under "*—Limitation on Debt*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. Upon the occurrence of a Suspension Event, the amount of Excess Proceeds shall be reset at zero. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any duty to notify Holders if the Notes achieve Investment Grade Status or upon the occurrence of a Reversion Date. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial calculations for Limited Condition Acquisitions

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio).

For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA or Consolidated Fixed Charges of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided*, *further*, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Debt and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered into and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default

Each of the following will be an "Event of Default" under the Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);

(c) failure by the Issuer to comply with the provisions of "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(d) failure to comply with any covenant or agreement of the Issuer or of any Restricted Subsidiary that is contained in the Indenture (other than specified in clause (a), (b) or (c) (solely as it relates to the

Issuer) above) and such failure continues for a period of 60 days after notice by the Trustee on behalf of the Holders or the Holders of at least 25% in principal amount of the outstanding Notes;

(e) default under the terms of any instrument evidencing or securing the Debt for borrowed money (other than any such Debt owed to the Issuer or any Restricted Subsidiary) of the Issuer or any Restricted Subsidiary, if that default:

  (i) results in the acceleration of the payment of such Debt; or

  (ii) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a "Payment Default"),

  and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates £25.0 million or more;

(f) any Guarantee by any Guarantor that is a Significant Subsidiary ceases to be, or shall be asserted in writing by any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Guarantee), if such Default continues for 10 days;

(g) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall have been rendered against the Issuer or any Restricted Subsidiary for the payment of money either individually or in an aggregate amount, in each case in excess of £25.0 million (after deducting any insurance or indemnity or contribution amounts actually recovered by the Issuer or a Restricted Subsidiary within 60 days of such judgment, order or decree), and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect;

(h) the occurrence of certain events of bankruptcy, insolvency, receivership, schemes of arrangement (where any creditors are materially impaired) or reorganization with respect to the Issuer, any Significant Subsidiary, or of other Restricted Subsidiaries that are not Significant Subsidiaries but would, in the aggregate, when taken together (as of the end of the most recently completed fiscal period) constitute a Significant Subsidiary if considered as a single Person; and

(i) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Indenture, as applicable) with respect to Collateral having a Fair Market Value in excess of £15.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents, as applicable, or any such security interest created thereunder shall be declared by a court of competent jurisdiction to be invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days.

However, a Default under clauses (d), (e) or (g) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the Default and, with respect to clauses (d) and (g) the Issuer does not cure such default within the time specified in clauses (d) or (g) above, as applicable, after receipt of such notice.

If an Event of Default (other than as specified in clause (h) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) may, and the Trustee, upon the written request of such Holders, shall, declare the principal of, premium, if any, any Additional Amounts and accrued interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

If an Event of Default specified in clause (h) above occurs and is continuing, then the principal of, premium, if any, Additional Amounts and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder of Notes.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (e) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (e) shall be remedied or cured, or waived by the holders of the Debt, or the Debt that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the Holders of all of the Notes, waive any past defaults under the Indenture (except a default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note in which case, the consent of the Holders of 90% of the then outstanding Notes shall be required) and rescind any such acceleration with respect to such Notes and its consequences if such rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and *provided* that the fees and expenses of the Trustee have been paid.

No Holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder unless the Holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request and offered an indemnity and/or security satisfactory to the Trustee to institute such proceedings as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such written notice and receipt of indemnity and/or security satisfactory to it and the Trustee within such 60-day period has not received directions inconsistent with such written request by Holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a Holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

If an Event of Default occurs and is continuing and written notice from the Issuer is given to a responsible officer of the Trustee in accordance with the notice provisions of the Indenture, the Trustee will deliver to each Holder of the Notes notice of the Event of Default within 60 Business Days after its occurrence. Except in the case of an Event of Default in the payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the giving of such notice to the Holders of such Notes if it determines in good faith that withholding the giving of such notice is in the best interests of the Holders of the Notes.

The Indenture will provide that (1) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (2) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports to Holders*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery prior to acceleration in respect of the relevant breach of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Trustee may assume without inquiry, in the absence of written notice, that the Issuer is duly complying with its obligations contained in the Indenture required to be observed and performed by it, and that no Default or Event of Default or other event that would require repayment of the Notes has occurred.

The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders of the Notes unless such Holders provide to the Trustee indemnity and/or security satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

Defeasance

The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes ("Legal Defeasance"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

(a) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, Additional Amounts and interest on such Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments on trust;

(c) the rights, powers, trusts, duties, indemnities and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Indenture.

If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default other than an Event of Default under clauses (a) or (b) of the definition thereof.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture ("Covenant Defeasance") and thereafter any failure to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event that a Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events will not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised any Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited on trust with the Trustee, or such other entity as may be designated for this purpose, for the benefit of the Holders of the Notes, cash in euros, European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, Additional Amounts and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must:

    (i) specify whether the Notes are being defeased to maturity or to a particular redemption date; and

    (ii) if applicable, have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that: (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or (ii) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default will have occurred and be continuing: (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit); or (ii) insofar as bankruptcy or insolvency events described in clause (h) of "*—Events of*

Default" above are concerned, at any time during the period ending on the 123rd day after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a Default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture or any material agreement or instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(f) the Issuer must have delivered to the Trustee an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability) in the country of the Issuer's incorporation to the effect that after the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability) reasonably acceptable to the Trustee that the Trustee shall have a perfected security interest in such trust funds for the rateable benefit of the Holders of the Notes;

(g) the Issuer must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors;

(h) no event or condition exists that would prevent the Issuer from making payments of the principal of, premium, if any, Additional Amounts and interest on the Notes on the date of such deposit or at any time ending on the 123rd day after the date of such deposit; and

(i) the Issuer must have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the Trustee or such other entity to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, Additional Amounts and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

(a) the Issuer has irrevocably deposited or caused to be deposited with the Trustee (or such other entity as is designated for this purpose) as funds on trust for such purpose an amount in euros or European Government Obligations sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be, and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of Notes at Stated Maturity or on the redemption date, as the case may be and either:

    (i) all of the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for which payment money has been deposited by the Issuer and thereafter repaid to the Issuer as provided for in the Indenture) have been delivered to the Paying Agent for cancellation; or

    (ii) all Notes that have not been delivered to the Trustee for cancellation: (x) have become due and payable (by reason of the sending, or delivery to Euroclear and Clearstream in the case of a Global Note, of a notice of redemption or otherwise); (y) will become due and payable within one year of Stated Maturity; or (z) are to be called for redemption within one year of the proposed discharge date under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption provided to it by the Issuer by the Paying Agent in the Issuer's name and at the Issuer's expense;

(b) the Issuer has paid or caused to be paid all other sums payable by the Issuer under the Indenture; *provided* that if requested by the Issuer in writing to the Trustee and the Paying Agent (which request may be included in the applicable notice of redemption or pursuant to an Officer's Certificate) no later than five (5) Business Days or such shorter period as the Trustee or the Paying Agent may agree prior to such distribution, the Trustee or the Paying Agent shall distribute any amounts deposited prior to maturity or the redemption date, as the case may be; *provided*, *further*, that in such case, the payment to each Holder will equal the amount such Holder would have been entitled to receive at maturity or on the relevant redemption date, as the case may be, and, for the avoidance of doubt, the distribution and payment to Holders prior to the maturity or relevant redemption date as set forth above will not include any negative interest, present value adjustment, break cost or any other premium on such amounts. To the extent that the Notes are represented by Global Notes deposited with a depositary for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system shall be subject to the then applicable procedures of the clearing system;

(c) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity, on the redemption date or such earlier date as instructed by the Issuer in accordance with clause (b) above, as the case may be; and

(d) the Issuer has delivered to the Trustee (i) an Officer's Certificate and (ii) an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability), each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied.

The Trustee shall be entitled to rely conclusively on such Officer's Certificate and opinion of counsel without independent verification, *provided* that any such counsel may rely on an Officer's Certificate as to matters of fact) (including as to compliance with the foregoing clauses (a), (b), (c) and (d)).

Amendments and Waivers

With the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes), the Issuer, the Guarantors, the Trustee and the Agents (as applicable) are permitted to amend or supplement (or, with respect to any Security Document, require the other relevant parties thereto to amend or supplement) the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Guarantees or the Security Documents or waive any default or compliance with any provisions thereof (unless a modification or amendment will only affect one series of the Notes, in which case only the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding in such series shall be required); *provided* that no such modification, amendment or waiver may, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes then outstanding (or, if a modification or amendment will only affect one series of the Notes, the consent of the Holders of at least 90% of the aggregate principal amount of the Notes then outstanding in such series):

(a) extend the Stated Maturity of the principal of, or any instalment of or Additional Amounts or interest on, any Note (or change any Default or Event of Default under clause (a) of the definition thereof related thereto);

(b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or extend the stated time for payment of interest on any Note (or change any Default or Event of Default under clause (b) of the definition thereof related thereto);

(c) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(d) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable on or after the due dates thereof;

(e) impair the right to institute suit for the enforcement of any payment of any Note in accordance with the provisions of such Note and the Indenture;

(f) make any change to the amendment or waiver provisions which require the Holders' consent described in this sentence;

(g) release any Guarantee, other than in compliance with the guarantor release provisions of the Indenture and the Intercreditor Agreement (and any Additional Intercreditor Agreement); and

(h) release any Lien on the Collateral granted for the benefit of the Holders, other than in compliance with the terms of the Indenture and the Intercreditor Agreement (and any Additional Intercreditor Agreement).

Notwithstanding the foregoing, without the consent of any Holder of the Notes, the Issuer, the Guarantors, the Trustee and the Agents (as applicable) may modify, amend or supplement (or, with respect to any Security Document, require the other relevant parties thereto to amend or supplement) the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Guarantees or the Security Documents, as applicable, to:

(a) evidence the succession of another Person to the Issuer or a Guarantor and the assumption by any such successor of the covenants in the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents, as applicable, in accordance with "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(b) add to the Issuer's covenants or those of any Guarantor or any other obligor in respect of the Notes for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor in respect of the Notes, as applicable, in the Indenture, the Notes or any Guarantee;

(c) cure any ambiguity, omission, defect error or inconsistency;

(d) conform the text of the Indenture, the Notes, the Security Documents, or any Guarantee to any provision of this Description of the Notes to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim or substantially verbatim recitation of a provision of the Indenture, the Notes or any Guarantee;

(e) release any Guarantor in accordance with (and if permitted by) the terms of the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement);

(f) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Debt*" or "*—Certain Covenants—Limitation on Guarantees of Debt*," to add Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is not prohibited by the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(g) evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(h) make any change that would provide additional rights of or benefits to the Trustee or the Holders or that does not adversely affect the rights of or benefits to the Trustee or any of the Holders in any material respect under the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents (as determined by the Issuer in good faith in respect of Holders); and

(i) provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

The Trustee shall be entitled to receive and rely absolutely on an Officer's Certificate and an opinion of counsel as to the permissibility of any such amendment, supplement or waiver.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment to the Indenture, the Notes or any Guarantee. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of the Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable under the Notes, the Guarantees and the Indenture. Any amount received or recovered in respect of the Notes or the

Guarantees in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee and/or a Holder of the Notes in respect of any sum expressed to be due to such Holder from the Issuer or the Guarantors will constitute a discharge of their obligation only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase euro on that date, on the first date on which it is possible to do so). If the euro amount that could be recovered following such a purchase is less than the euro amount expressed to be due to the recipient under any Note, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of euro in an amount equal to such difference. For the purposes of this paragraph, it will be *prima facie* evidence of the matter stated herein for the Trustee and/or Holder to certify that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any Holder of a Note; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Notices

For so long as the Notes are admitted to trading on the Exchange and the rules and regulations of the Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed; and *provided*, *further*, that any notice delivered via e-mail or other electronic means shall be deemed to have been "sent" in accordance with the terms of this paragraph. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to send a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is sent in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note will waive and release all such liability. The waiver and release will be part of the consideration for issuance of the Notes.

The Trustee and the Security Agent

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which written notice from the Issuer is given to a responsible officer of the Trustee in accordance with the notice provisions of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, of which written notice from the Issuer is given to a responsible officer of Trustee in accordance with the notice provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, certain taxes and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

The Indenture contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

National Westminster Bank PLC will initially act as Security Agent under the Intercreditor Agreement and the Security Documents on behalf of the secured creditors, including the Trustee and the Holders. The Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral as are set forth in the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. Under certain circumstances, the Security Agent may have obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents that are in conflict with the interests of the Holders. The Security Agent will be under no obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the secured creditors (other than the Trustee) unless such secured creditors (other than the Trustee) have provided to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Security Agent, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Security Documents and has not relied on or will not at any time rely on the Security Agent or the Trustee in respect of such risks.

Governing Law

The Indenture, the Notes and the Guarantees are governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement will be governed by and construed in accordance with, English law

Certain Definitions

"Acquired Debt" means Debt of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary; or

(b) assumed in connection with the acquisition of assets from any such Person,

provided that, in each case, such Debt was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt shall be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary (or is merged into or consolidated with the Issuer or any Restricted Subsidiary, as the case may be) or the date of the related acquisition of assets from any Person.

"Affiliate" means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling," "controlled" have meanings correlative to the foregoing.

"Agent" means the Paying Agent, the Registrar and the Transfer Agent (each an "Agent" and together the "Agents").

"Agreed Security Principles" means the agreed security principles appended to the Indenture.

"Applicable Redemption Premium" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Note at , 2021 (such redemption price being set forth in the table appearing below the caption "*Optional Redemption—Optional Redemption on or after , 2021*" plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and , 2021 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of the Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall be made by or on behalf of the Issuer and shall not be a duty or obligation of the Trustee or any Agent.

"Asset Sale" means any sale, issuance, conveyance, transfer, lease (other than operating leases) or other disposition (including, without limitation, by way of merger, consolidation, amalgamation or other combination or sale and leaseback transaction) (collectively, a "transfer"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Subsidiary);

(b) any of the Issuer's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than the greater of £15 and 13.0% of Consolidated EBITDA;

(ii) any transfer or disposition of assets (including Capital Stock of any Subsidiary) by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary;

(iii) any transfer or disposition of obsolete, damaged, surplus, worn out or permanently retired equipment or facilities or other assets that are no longer useful in the conduct of the Issuer's and any Restricted Subsidiary's business;

(iv) sales, discounts or dispositions of receivables (a) on commercially reasonable terms in the ordinary course of business, (b) in any factoring or supply chain financing transaction or similar in the ordinary course of business or (c) in connection with any Qualified Receivables Financing;

(v) any transfer or disposition of assets that is governed by the provisions of the Indenture described under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" or "*—Certain Covenants—Change of Control*";

(vi) any "fee in lieu" or other disposition of assets to any governmental authority or agency that continue in use by the Issuer or any Restricted Subsidiary, so long as the Issuer or any Restricted Subsidiary may obtain title to such assets upon reasonable notice by paying a nominal fee;

(vii) transfers of Capital Stock in a Restricted Subsidiary to a Person making contributions to such Restricted Subsidiary to fund its capital expenditure, to the extent the Issuer determines in good faith appropriate to reflect the level of such contribution compared to the contribution, if any, made by the Issuer or any Restricted Subsidiary;

(viii) the sale, lease, sublease, assignment or other disposition of any real or personal property or any equipment, inventory, trading stock or other assets in the ordinary course of business, including, without limitation, pursuant to agreements entered into in the ordinary course of business;

(ix) (a) an issuance or transfer of Capital Stock by a Restricted Subsidiary (i) to the Issuer or to another Restricted Subsidiary or (ii) as part of, or pursuant to, an equity incentive or compensation plan approved by the Board of Directors of the Issuer or (b) the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(x) any issuance, sale or disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary;

(xi) any making of a Restricted Payment that does not violate the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Investment, or, solely for purposes of paragraphs (1)(b) and (2) under "*—Certain Covenants—Limitation on Asset Sales*," asset sales, in respect of which (but only to the extent that) the proceeds are used to make such Restricted Payments or Permitted Investments);

(xii) any transfer, termination, unwinding or other disposition of any Hedging Agreements in the ordinary course of business and not for speculative purposes;

(xiii) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary or any other transfer of title with respect to any secured investment in default;

(xiv) any disposition in connection with a Permitted Lien;

(xv) the licensing, sub-licensing, lease, sublease, conveyance or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases, subleases, conveyances or assignments of other property, in each case, in the ordinary course of business;

(xvi) the abandonment or disposition of patents, trade marks or other intellectual property that are, in the good faith opinion of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Issuer and its Subsidiaries taken as a whole;

(xvii) any disposition arising from foreclosure, condemnation or any similar action with respect to any property or other assets;

(xviii) the surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(xix) any disposition with respect to property, whether tangible or intangible, built by or on behalf of, or owned or otherwise acquired by, the Issuer or any Restricted Subsidiary (a) pursuant to a customary sale and leaseback transaction, asset securitizations and other similar financings permitted by the Indenture or (b) on behalf of, or for the benefit of, a customer, or with the intention to transfer such property to a customer, in connection with a transaction or series of transactions under which the Issuer or any Restricted Subsidiary earns a fee for, or derives a benefit from, participating in such transaction or series of transactions;

(xx) a disposition of cash or Cash Equivalents;

(xxi) sales, transfers or other disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*Certain Covenants—Limitation on Asset Sales*" covenant;

(xxii) any sale or other disposition made pursuant to, or as a result of, a final judgment or court order related to a liquidation or unpaid claim;

(xxiii) any disposition in connection with a Tax Sharing Agreement;

(xxiv) discount or disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements; or

(xxv) any disposition of assets to any governmental authority or agency pursuant to state asset acquisition laws, regulations or rules.

"Board of Directors" means:

(a) with respect to any corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof;

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof;

(c) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function.

"Bund Rate" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the repayment date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer) most nearly equal to the period from the repayment date to , 2021; *provided*, *however*, that if the period from the repayment date to , 2021 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such repayment date to , 2021 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used and provided that "Bund Rate" shall be at least 0.00%.

"Business Day" means a day other than a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, New York, United States or a place of payment under the Indenture are authorized or required by law to close other than a day which is not a TARGET Settlement Day.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for, or convertible into, such Capital Stock, whether now outstanding or issued after the Issue Date.

"Capitalized Lease Obligation" means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capital lease), and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means any of the following:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland, Norway or Canada, as the case may be, and which are not callable or redeemable at the Issuer's or any Restricted Subsidiary's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits (and similar instruments) with maturities of twelve months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "Baa3" or higher by Moody's, "BBB−" or higher by S&P, "BBB−" or higher from Fitch or the equivalent rating category of another internationally recognized rating agency;

(c) commercial paper having one of the two highest ratings obtainable from Moody's, S&P or Fitch and, in each case, maturing within one year after the date of acquisition;

(d) repurchase obligations with a term of not more than thirty days for underlying securities of the type described in clause (a) or (b) above, entered into with any financial institution meeting the qualifications described in clause (b) above; and

(e) interests in any investment company or money market fund at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (d) above.

"Change of Control" means the occurrence of any of the following events:

(a) the Issuer becomes aware of any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date) becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; or

(b) the sale (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Issuer and its Subsidiaries, taken as a whole, to another Person other than a Restricted Subsidiary.

"Clearing System Business Day" means Monday to Friday, inclusive, except December 25 and January 1.

"Clearstream" means Clearstream Banking S.A. and its successors.

"Collateral" means the rights, property and assets securing or otherwise benefitting the Notes and/or the Guarantees as described under the caption "*—Security*" and any rights, property or assets over which a lien has been granted to secure the obligations of the Issuer or the Guarantors under the Notes, the Guarantees or the Indenture.

"Commission" means the U.S. Securities and Exchange Commission.

"Commodities Agreement" means any agreement or arrangement designed to protect the relevant Person against fluctuations in commodities prices.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(a) provision for taxes based on income or profits of the Issuer and the Restricted Subsidiaries for such period, and any charge for such taxes incurred and any charge for or in respect of any surrender of group relief by the Issuer or a Restricted Subsidiary pursuant to a Tax Sharing Agreement; plus

(b) the Consolidated Fixed Charges of the Issuer and the Restricted Subsidiaries for such period; plus

(c) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), goodwill and other non-cash charges and expenses (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and the Restricted Subsidiaries for such period) of the Issuer and the Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; plus

(d) any expenses, charges or other costs related to the issuance, offer or sale of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the Incurrence of Debt, in each case, whether or not successful; plus

(e) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Capital Stock held by such parties; plus

(f) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds, or such amount becoming payable, were included in computing Consolidated Net Income; plus

(g) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by the Issuer or any Restricted Subsidiary to the extent such expenses were included in computing Consolidated Net Income; plus

(h) any income, charge or other expense attributable to post-employment benefit, pension, fund or similar obligation other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme; plus

(i) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or any other receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; minus

(j) non-cash items reducing such Consolidated Net Income for such period, other than the reversal of a reserve for cash charges in a future period in the ordinary course of business.

"Consolidated Fixed Charges" means, for any period, without duplication and in each case determined in accordance with IFRS, the sum of:

(a) consolidated interest expense of the Issuer and the Restricted Subsidiaries to the extent deducted in calculating Consolidated Net Income for such period, plus, to the extent not otherwise included in consolidated interest expense:

    (i) amortization of original issue discount (but not including deferred financing fees, debt issuance costs and premium, commissions, fees and expenses owed or paid with respect to financings);

    (ii) the net payments made or received pursuant to any Hedging Agreements (including amortization of fees and discounts);

    (iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

    (iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; plus

(b) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; plus

(c) the Issuer's and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period; plus

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary; plus

(e) cash and non-cash dividends due (whether or not declared) on the Issuer's Redeemable Capital Stock and any Restricted Subsidiary's Preferred Stock (to any Person other than the Issuer or any Restricted Subsidiary), in each case for such period,

minus (i) accretion or accrual of discounted liabilities other than Debt; (ii) any expense resulting from the discounting of any Debt in connection with the application of purchase accounting in connection with any acquisition; (iii) interest with respect to Debt of any Holding Company of any Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS; (iv) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Debt (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS; (v) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt; and (vi) any interest income of the Issuer and the Restricted Subsidiaries.

"Consolidated Net Debt" means, as of any date of determination, the sum of the total amount of Debt of the Issuer and the Restricted Subsidiaries, less cash and Cash Equivalents, in each case that would be stated on the balance sheet of the Issuer and the Restricted Subsidiaries on a consolidated basis on such date. In respect of any applicable period, the exchange rate used to calculate Consolidated Net Debt will be the weighted average exchange rate for the period of the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination;

provided that, where applicable, any amount of Debt will be stated so as to take into account the hedging effect of any currency hedging entered into in respect of or by reference to that Debt.

"Consolidated Net Income" means, for any period, the Issuer's and the Restricted Subsidiaries' consolidated net income (or loss) for such period as determined in accordance with IFRS, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) the portion of net income (and the loss unless and to the extent funded in cash by the Issuer or a Restricted Subsidiary) of any Person (other than the Issuer or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which the Issuer or any Restricted Subsidiary has an equity ownership interest, except that the Issuer's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Issuer or any Restricted Subsidiary in cash dividends or other distributions during such period;

(b) solely for the purpose of determining the amount available for Restricted Payments under paragraph (2)(c)(i) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," the net income (but not the loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the date of determination permitted, directly or indirectly, by operation of the terms of its articles of incorporation, charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (iv) restrictions specified in the covenant described under "*—Certain Covenants—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(c) net after-tax gains attributable to the termination of any employee pension benefit plan;

(d) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the Issue Date;

(e) any net gain or loss arising from the acquisition of any securities or extinguishment, under IFRS, of any Debt of such Person;

(f) the net income attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(g) the cumulative effect of a change in accounting principles;

(h) the net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiary (including pursuant to a sale and leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(i) any pre-tax special, extraordinary, one-off, irregular, exceptional, unusual or non-recurring gain, loss, expense or charge (including one-off investment in plant, property and equipment, for example vehicles or material handling equipment), or any charges in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the refinancing or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development costs, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(j) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(k) any unrealized gains or losses in respect of any Hedging Agreements or other derivative instruments or forward contracts or any ineffectiveness recognized in earnings related to a qualifying hedge transaction or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Agreements;

(l) any unrealized foreign currency transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from re-measuring assets and liabilities denominated in foreign currencies;

(m) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(n) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(o) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt.

"Consolidated Net Leverage Ratio" means, as at any date of determination, the ratio of: (1) the *pro forma* Consolidated Net Debt on such date, to (2) the *pro forma* Consolidated EBITDA for the period of the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination; *provided* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is an Incurrence of Debt or both, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period;

(b) if the Issuer or any Restricted Subsidiary has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Debt (each a "Discharge") any Debt since the beginning of such period that is no longer outstanding or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is a Discharge of Debt or both, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Net Debt for such period shall be reduced by an amount equal to the Consolidated Net Debt directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Debt for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(d) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated after giving *pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(e) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (c) or (d) if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period,

provided, *however*, the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Debt Incurred on the date of determination pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*" (other than with respect to clause (q) of such covenant) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*."

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For purposes of this definition, without double counting, (1) *pro forma* effect may be given to any transaction referred to in clauses (a) through (e) above, or the amount of income or earnings relating thereto, and the *pro forma* calculations in respect thereof (including, without limitation, in respect of anticipated cost savings or synergies relating to any such transaction (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period) net of the amounts of any actual benefits realized during the relevant period from such actions) shall be as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer and (2) when determining *pro forma* Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, the Issuer may adjust Consolidated EBITDA to add an amount equal to the cost savings projected to be realized as the result of actions taken or to be taken on or prior to the date that is 18 months after the consummation of any operational change (calculated on a *pro forma* basis as though such cost savings had been realized on the first day of the relevant period), net of the amount of any actual benefits realized during the relevant period from such actions, as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer.

"*Consolidated Senior Secured Net Leverage*" means, as of the date of determination, the sum of the total amount of Senior Secured Debt of the Issuer and its Restricted Subsidiaries less cash and Cash Equivalents, in each case on a consolidated basis.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as at any date of determination, the ratio of: (1) Consolidated Senior Secured Net Leverage as of the end of the most recent fiscal half for which internal consolidated financial statements are available, to (2) Consolidated EBITDA for the period of the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statements are available, with such *pro forma* adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Debt ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Contribution Amounts" means the aggregate amount of capital contributions applied by the Issuer to permit the Incurrence of Contribution Debt pursuant to clause (2)(s) of the covenant described under the caption "*—Certain Covenants—Limitation on Debt*."

"Contribution Debt" means Debt of the Issuer or any Restricted Subsidiary in an aggregate principal amount not greater than 100% of the aggregate amount of net cash contributions (other than the proceeds from the issuance of Redeemable Capital Stock or Preferred Stock or contributions by the Issuer or any Restricted Subsidiary) made to the equity capital of the Issuer or such Restricted Subsidiary (in each case, other than by a Subsidiary of the Issuer) (whether through the issuance or sale of Capital Stock (other than Redeemable Capital Stock or Preferred Stock) or Subordinated Shareholder Debt or otherwise contributed to equity (other than through Redeemable Capital Stock or Preferred Stock)) in each case after the Issue Date; *provided* that such Contribution Debt:

(a) is Incurred within 180 days after the making of the related cash capital contribution; and

(b) is so designated as "Contribution Debt" pursuant to an Officer's Certificate no later than the date of Incurrence thereof.

"Credit Facility" or "Credit Facilities" means, one or more debt facilities or indentures, as the case may be, (including the Senior Credit Facilities) or commercial paper facilities, arrangements, instruments, note purchase agreements or commercial paper facilities and overdraft facilities, in each case, with banks, insurance companies or other institutional lenders or investors providing for revolving credit loans, term loans, bankers acceptances, receivables or inventory financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), notes, letters of credit or other Debt, in each case, as amended, supplemented, restated, modified, renewed, refunded, replaced, refinanced, repaid, increased or extended in whole or in part from time to time (each, for purposes of paragraph (2)(a) of "*—Certain Covenants—Limitation on Debt*," a "refinancing") (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the Senior Credit Facilities or one or more other credit or other agreements, indentures, note purchase agreements, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, charges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (a) changing the maturity of any Debt Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (c) increasing the amount of Debt Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"Currency Agreements" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"Debt" means, with respect to any Person on any date of determination, without duplication:

(a) the principal of indebtedness of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities Incurred in the ordinary course of business;

(b) the principal of obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all reimbursement obligations of such Person in connection with any letters of credit, bankers' acceptances or other similar facilities (the amount of such obligation being equal at any time to the aggregate amount of drawings thereunder that have not then been reimbursed);

(d) all debt of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), which is due more than one year after its incurrence but excluding trade payables arising in the ordinary course of business;

(e) all Capitalized Lease Obligations of such Person;

(f) all obligations of such Person under or in respect of any Hedging Agreements (the amount of any such obligation to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the obligation so secured);

(h) all guarantees by such Person of Debt referred to in this definition of any other Person;

(i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price; and

(j) Preferred Stock of any Restricted Subsidiary,

in each case to the extent it appears as a liability on the balance sheet in accordance with IFRS; *provided* that the term "Debt" shall not include: (i) non-interest bearing instalment obligations and accrued liabilities Incurred in the ordinary course of business that are (a) not more than 180 days past due or (b) more than 180 days past due but with the consent of the payee or as the result of a *bona fide* ongoing negotiation over such liabilities; (ii) anything accounted for as an operating lease in accordance with IFRS as at the Issue Date; (iii) any pension obligations of the Issuer or a Restricted Subsidiary; (iv) Debt incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (a) such Debt is borrowed from a bank or trust company organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland, Norway or Canada or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than £250.0 million, whose long-term, unsecured, unsubordinated and unguaranteed debt has a rating immediately prior to the time such transaction is entered into, of "BBB−" or higher by S&P, "Baa3" or higher by Moody's, "BBB−" or higher from Fitch or the equivalent rating category of another internationally recognized rating agency and (b) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or affiliate thereof, in amount equal to such Debt; (v) obligations under a Tax Sharing Agreement, up to an amount not to exceed, with respect to such obligations, the amount of such Taxes that the Issuer and the Restricted Subsidiaries would have been required to pay on a separate company basis, or on a consolidated basis if the Issuer and the Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and the Restricted Subsidiaries; (vi) any guarantee, indemnity, bond, standby letter of credit or similar instrument in respect of commercial obligations of the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such guarantees, indemnities, bonds or letters of credit are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the guarantee, indemnity, bond or letter of credit; (vii) Subordinated Shareholder Debt; (viii) in connection with any previous or future purchase by the Issuer of any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not definitively determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter, (ix) obligations under or in respect of Qualified Receivables Financings and (x) Contingent Obligations Incurred in the ordinary course of business.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value will be determined in good faith by the Board of Directors of the issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Default" means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by the Issuer or one of the Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"Disinterested Member" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions, *provided* that the ownership of Capital Stock in a Person that has a direct or indirect financial interest in or with respect to such transactions or series of related transactions will not in itself disqualify a member of the Issuer's Board of Directors from being a Disinterested Member with respect to any transaction or series of related transactions.

"Equity Offering" means an issuance or sale of Capital Stock (which is Qualified Capital Stock) of the Issuer, or any Holding Company of the Issuer, other than on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions; *provided* that the net proceeds of such issuance or sale are contributed to the equity capital of, or as Subordinated Shareholder Debt to, the Issuer or any of the Restricted Subsidiaries.

"Euroclear" means Euroclear Bank SA/NV and its successors, as operator of the Euroclear System.

"European Government Obligations" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Issuer's Board of Directors, Chief Executive Officer or Group Finance Director, in each case whose determination will be conclusive.

"Fitch" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (1) *pro forma* Consolidated EBITDA to (2) *pro forma* Consolidated Fixed Charges for the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination; *provided* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is an Incurrence of Debt or both, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period;

(b) if the Issuer or any Restricted Subsidiary has Discharged (as defined under the definition of "Consolidated Net Leverage Ratio") any Debt since the beginning of such period that is no longer outstanding or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is a Discharge of Debt or both (in each case other than Debt Incurred under any revolving credit facility (including under the Senior Credit Facilities) unless such Debt has been permanently repaid), Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Fixed Charges for such period shall be reduced by an amount equal to the Consolidated Fixed Charges directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Fixed Charges for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(d) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(e) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (c) or (d) if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period,

provided, *however*, the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Debt Incurred on the date of determination pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*" (other than with respect to clause (q) of such covenant) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*."

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For purposes of this definition, without double counting, (1) *pro forma* effect may be given to any transaction referred to in clauses (a) through (e) above, or the amount of income or earnings relating thereto, and the *pro forma* calculations in respect thereof (including, without limitation, in respect of anticipated cost savings or synergies relating to any such transaction (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period) net of the amounts of any actual benefits realized during the relevant period from such actions) shall be as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer and (2) when determining *pro forma* Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, the Issuer may adjust Consolidated EBITDA to add an amount equal to the cost savings projected to be realized as the result of actions taken or to be taken on or prior to the date that is 18 months after the consummation of any operational change (calculated on a *pro forma* basis as though such cost savings had been realized on the first day of the relevant period), net of the amount of any actual benefits realized during the relevant period from such actions, as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer.

"Group" means the Issuer and its Subsidiaries.

"guarantee" means, as applied to any obligation:

(a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

When used as a verb, "guarantee" shall have a corresponding meaning.

"Guarantee" means any guarantee of the Issuer's obligations under the Indenture and the Notes by any Restricted Subsidiary or any other Person in accordance with the provisions of the Indenture. When used as a verb, "Guarantee" shall have a corresponding meaning.

"Guarantors" means (a) the Initial Guarantors, (b) the Post-Closing Guarantors and (c) any other Person that executes a Guarantee in accordance with the provisions of the Indenture and the Intercreditor Agreement, and their respective successors and assigns, in each case, until the Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"Hedging Agreements" means non-speculative Currency Agreements, Interest Rate Agreements and Commodities Agreements entered into in the ordinary course of business.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Hedging Agreements.

"Holder" means the Person in whose name a Note is recorded on the Registrar's books.

"Holding Company" of a Person means any other Person (other than a natural person) of which the first Person is a Subsidiary.

"IFRS" means International Financial Reporting Standards as endorsed by the European Union (a) for purposes of the covenant described under "*—Certain Covenants—Reports to Holders*," as in effect from time to time and (b) for other purposes of the Indenture, as in effect on the Issue Date. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date; *provided* that at any date after the Issue Date, the Issuer may, by written notice to the Trustee, make an election to establish that IFRS means IFRS as in effect on a date that is after the Issue Date and on or prior to the date of such election. Notwithstanding the foregoing, the impact of IFRS 16 Leases and any successor standard thereto shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS as of the Issue Date and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS as in the effect on the Issue Date.

"Incur" has the meaning given to such term in paragraph (1) under the caption "*—Certain Covenants—Limitation on Debt*"; *provided* that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. Accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Debt, and the payment of dividends on Capital Stock constituting Debt in the form of additional shares of the same class of Capital Stock, will not be deemed to be an Incurrence of Debt. Any Debt issued at a discount (including Debt on which interest is payable through the issuance of additional Debt) shall be deemed Incurred at the time of original issuance of the Debt at the initial accreted amount thereof.

"Initial Guarantors" means Victoria Midco Holdings Limited, Victoria Carpets Limited, Westex (Carpets) Limited, Abingdon Flooring Limited, Interfloor Limited, View Logistics Limited, The Victoria Carpet Company Proprietary Limited, Quest Flooring Pty Ltd and Primary Flooring Pty Ltd.

"Intercreditor Agreement" means the intercreditor agreement to be dated on or prior to the Issue Date and among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent, as amended and restated from time to time.

"Interest Rate Agreements" means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

"Investment Grade Status" shall occur when all of the Notes receive two of the following:

(a) a rating of "BBB−" or higher from S&P;

(b) a rating of "Baa3" or higher from Moody's; and/or

(c) a rating of "BBB−" or higher from Fitch,

or the equivalent of such rating by any such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other similar obligations), advances or capital contributions (excluding advances or extension of credit to officers, customers, licensees, leasees, suppliers, directors or employees made in the ordinary course of business), or purchases or other acquisitions in consideration of Debt, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet (excluding the notes thereto) prepared in accordance with IFRS. If the Issuer or any Subsidiary of the Issuer sells or otherwise disposes of any Capital Stock of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the definition of Fair Market Value. The acquisition by Issuer or any Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final sentence of paragraph (1) of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*." If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the Fair Market Value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final sentence of paragraph (1) of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*." The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Issue Date" means , 2019.

"Issuer" means Victoria PLC, an English public limited liability company and any successor thereto.

"Lien" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), security interest, hypothecation, assignment for or by way of security or encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Limited Condition Acquisition" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of the Restricted Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated Net Income of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"Management Advances" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Debt (or similar obligations) of the Issuer, its Subsidiaries or any Parent;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding £5.0 million in the aggregate outstanding at any time.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Maturity" means, with respect to any debt, the date on which any principal of such debt becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents actually received (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

    (i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

    (ii) provisions for all taxes paid or payable, or required to be accrued as a liability under IFRS as a result of such Asset Sale;

    (iii) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

    (iv) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations or potential purchase price adjustments associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "*—Certain Covenants—Limitation on Restricted Payments*," the proceeds of such issuance or sale in the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of thereof.

"Officer" means (a) with respect to the Issuer or any Guarantor, the Chairman of the Board, the Chief Executive Officer, the Group Finance Director, the General Counsel or the Secretary (i) of such Person or (ii) if such Person is owned or managed by a single entity, of such entity, or (b) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors.

"Officer's Certificate" means with respect to any Person a certificate signed by an Officer of such Person.

"Parent" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established for purposes of holding an investment in any Parent.

"Pari Passu Debt" means Senior Debt including, without limitation, (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

"Permitted Business" means any businesses in which the Issuer or any of its Subsidiaries is engaged on the Issue Date, or that is similar, related, complementary, enhancing (in the reasonable opinion of the Issuer), incidental, ancillary thereto or an extension, development or expansion thereof.

"Permitted Collateral Liens" means:

(a) Liens on the Collateral that are described in one or more of the clauses (f), (g), (i), (j), (k), (n), (o) (to the extent the acquired assets become Collateral and any Liens on such assets at the time they are acquired are not released), (p), (q), (r), (s), (w), (y), (aa) and (cc) of the definition of Permitted Liens;

(b) Liens on the Collateral to secure any Debt of the Issuer or any Restricted Subsidiary that is permitted to be Incurred under paragraph (1) or clauses (a), (b), (e)(i) (but only to the extent such guarantee is in respect of Debt that is permitted to be secured on the Collateral pursuant to any other clause of this definition), (f) (*provided* that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Debt and any improvements or accessions to such assets and property), (h), (q) (*provided* that immediately following the Incurrence of Debt pursuant to such clause (q) and after giving effect thereto on a *pro forma* basis, the Consolidated Senior Secured Net Leverage Ratio would have been less than 3.25 to 1.00 or would not be greater than it was immediately prior to giving effect to the relevant acquisition, merger or consolidation), or (t), in each case, of paragraph (2) of the covenant described under the caption "*—Certain Covenants—Limitation on Debt*"; and

(c) any Permitted Refinancing Debt in respect of Debt referred to in the foregoing clause (b)

provided, however, that, with respect to clauses (b) and (c) above, any such Lien ranks equal or junior to all other Liens on such Collateral securing the Notes or the Guarantees (except that any Debt Incurred under clauses (a)(ii) and (h) of paragraph (2) of the covenant described under the caption "*—Certain Covenants—Limitation on Debt*" may receive priority as to enforcement proceeds from such Collateral) and each of the secured parties to any such Debt (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

A Lien shall be deemed to rank equally with another Lien notwithstanding (i) any different preference or hardening period applicable thereto, (ii) any other difference in priority so long as an "assignment of ranking" or other sharing arrangement has been entered into by or for the benefit of beneficiaries of each such Lien or (iii) any difference in validity or enforceability.

For purposes of determining compliance with this definition, (i) a Lien need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category), (ii) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Collateral Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (iii) the principal amount of Debt secured by a Lien outstanding under any category of Permitted Collateral Liens shall be determined after giving effect to the application of proceeds of any such Debt to refinance any such other Debt, (iv) any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt shall also be permitted to secure any increase in the amount of such Debt in connection with the accrual of interest and the accretion of accreted value, (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Collateral Liens measured by reference to a percentage of Consolidated EBITDA at the time of incurrence of such Debt or other obligations, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Collateral Liens, and such refinancing would cause the percentage of Consolidated EBITDA to be exceeded if calculated based on the Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt or other obligation being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing and (vi) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Collateral Liens measured by reference to an amount in Sterling, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Collateral Liens, and such refinancing would cause such Sterling amount to be exceeded, such Sterling amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing.

"Permitted Investments" means any of the following (in each case made by the Issuer or any of the Restricted Subsidiaries):

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clause (d) of the definition of "Permitted Debt";

(c) Investments in: (i) the Issuer; (ii) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary); or (iii) another Person (including the Capital Stock of such Person) if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(d) Investments as a result of or retained in connection with an Asset Sale permitted under or made in compliance with "*—Certain Covenants—Limitation on Asset Sales*" to the extent such Investments are non-cash proceeds permitted thereunder;

(e) Investments (i) in payroll, travel, entertainment, moving, other relocation and similar advances to cover matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS and (ii) Investments in the ordinary course of business consisting of endorsements for collection or deposit and customary trade arrangement with customers;

(f) Management Advances;

(g) Investments in the Notes, any Additional Notes and other Debt of the Issuer or any Restricted Subsidiary;

(h) Investments existing, or made pursuant to legally binding commitments in existence, at the Issue Date and any Investment that amends, extends, renews, replaces or refinances an Investment existing on the date of the Indenture; *provided* that the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the Issue Date or (ii) as otherwise not prohibited under the Indenture;

(i) Investments in any Hedging Agreements permitted under clause (2)(h) of "*—Certain Covenants—Limitation on Debt*";

(j) Investments in a Person to the extent that the consideration therefor consists of the Issuer's Qualified Capital Stock or the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock or Subordinated Shareholder Debt;

(k) any Investments received (i) in satisfaction of judgments, foreclosure, perfection or enforcement of any liens or settlement of debts, (ii) in compromise of obligations of such persons that were Incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (iii) in compromise or resolution of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (iv) litigation, arbitration or other disputes;

(l) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (a), (g), (h) and (i) of paragraph (2) of the covenant described under "*—Certain Covenants—Limitation on Transactions with Affiliates*";

(m) lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business;

(n) Investments consisting of purchases and acquisitions of inventory, supplies, trading stock, materials and equipment or licenses or leases of intellectual property, in any case, either in the ordinary course of business or in furtherance of a Permitted Business and, in either case, as not prohibited by the Indenture;

(o) guarantees permitted to be incurred under the "*Limitation on Debt*" covenant and (other than with respect to, or given in connection with the incurrence of, Debt) guarantees, keepwells and similar arrangements in the ordinary course of business;

(p) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the "*Limitation on Liens*" covenant;

(q) (x) a minority Investment in any Person engaged in a Permitted Business and (y) Investments by the Issuer or any Restricted Subsidiary in Qualified Joint Ventures or Unrestricted Subsidiaries, including a guarantee thereof or loans or letter of credit thereto, the amount of which, measured by reference to the Fair Market Value of each such Investment on the day it was made but net of any distributions, dividends payments or other returns in respect of such Investments, not to exceed the greater of £35.0 million and 31.0% of Consolidated EBITDA in the aggregate outstanding at any one time; *provided*, that if an Investment is made pursuant to this clause (q) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause (q);

(r) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of the Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of the Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(s) (i) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and (ii) advance payments made in relation to capital expenditures in the ordinary course of business;

(t) any acquisition of assets or Capital Stock solely in exchange for the issuance of the Issuer's Capital Stock (other than Redeemable Capital Stock);

(u) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made but net of any distributions, dividends payments or other returns in respect of such Investments), when taken together with all other Investments made pursuant to this clause (u) that are at the time outstanding, not to exceed the greater of £45.0 million or 40.0% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause (u) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause (u);

(v) loans or advances to directors, officers, employees or consultants of any Parent, the Issuer or any of its Restricted Subsidiaries to fund the purchase of Capital Stock of the Issuer or any Parent not to exceed £5.0 million in any calendar year (with unused amounts in any twelve-month period being carried over to succeeding periods); and

(w) Investments in receivables made in connection with any Qualified Receivables Financing, including Investments held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Debt.

"Permitted Liens" means the following types of Liens:

(a) Liens existing or contemplated by written arrangements as of the Issue Date;

(b) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer or any Restricted Subsidiary;

(c) Liens securing Debt (including Liens securing any obligations in respect thereof) consisting of (i) the Notes or the Guarantees, as the case may be;

(d) any interest or title of a lessor under any lease or any Capitalized Lease Obligation;

(e) Liens to secure Debt (including Capitalized Lease Obligations) permitted by clause (2)(f) of "*—Certain Covenants—Limitation on Debt*"; *provided* that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Debt and any improvements or accessions to such assets and property;

(f) Liens arising out of conditional sale, title retention, consignment, deferred payment, supply agreements or similar arrangements for the sale or purchase of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Issuer's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent for more than 60 days or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(h) Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(i) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(j) Liens Incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, trade contracts, surety or appeal bonds, performance bonds or other obligations of a like nature Incurred in the ordinary course of business;

(k) zoning restrictions, survey exceptions, easements, licenses, reservations, title defects, rights of others for rights -of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and the Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(l) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(m) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(n) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(o) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such Person is acquired by, merged with or into or consolidated with, the Issuer or any Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, Capital Stock or Debt); *provided* that such Liens: (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets acquired or than those of the Person merged into or consolidated with the Issuer or Restricted Subsidiary; and (ii) were created prior to, and not in connection with or in contemplation of, such acquisition, merger, consolidation, amalgamation or other combination;

(p) Liens securing the Issuer's or any Restricted Subsidiary's obligations under any Hedging Agreements permitted under clause (2)(h) "*—Certain Covenants—Limitation on Debt*" or any collateral for the Debt to which such Hedging Agreements relate;

(q) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance;

(r) Liens Incurred in connection with any cash management program established in the ordinary course of business for the Issuer's or any Restricted Subsidiary's benefit;

(s) Liens made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and set-off;

(t) Liens on assets of a Restricted Subsidiary that is not a Guarantor to secure Debt of such Restricted Subsidiary (or any other Restricted Subsidiary that is not a Guarantor) and that is otherwise not prohibited under the Indenture;

(u) any extension, renewal or replacement, in whole or in part, of any Lien (excluding any Liens pursuant to clause (x) of this definition); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;

(v) Liens securing Debt Incurred to refinance Debt that has been secured by a Lien (excluding any Liens pursuant to clause (x) of this definition) permitted by the Indenture; *provided* that: (i) any such Lien shall not extend to or cover any assets not securing the Debt so refinanced; and (ii) the Debt so refinanced shall have been permitted to be Incurred;

(w) purchase money Liens to finance property or assets of the Issuer or any Restricted Subsidiary acquired in the ordinary course of business; *provided* that: (i) the related purchase money Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Issuer or any Restricted Subsidiary other than the property and assets so acquired; and (ii) the Lien securing such Debt shall be created within 90 days of any such acquisitions;

(x) Liens Incurred by the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed the greater of £20.0 million and 18.0% of Consolidated EBITDA;

(y) Liens resulting from escrow arrangements, including in respect of software or other intangible assets, entered into in connection with any type of disposition, including by way of license, of assets;

(z) any right of refusal, right of first offer, option or other arrangement to sell or otherwise dispose of an asset of the Issuer or any Restricted Subsidiary;

(aa) leases, subleases, licenses, sublicenses and other conveyances of assets (including real property) entered into in the ordinary course of business;

(bb) any encumbrance or restriction (including, but not limited to, pursuant to put and call agreements or buy/ sell arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(cc) Liens (including put and call arrangements) on Capital Stock, Debt or other securities of an Unrestricted Subsidiary or a joint venture that is not a Subsidiary of the Issuer that secure Debt or other obligations of such Unrestricted Subsidiary or joint venture respectively;

(dd) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(ee) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Debt; or (ff) Liens on receivables and other assets of the type described in the definition of "Qualified Receivables Financing" Incurred in connection with a Qualified Receivables Financing.

For purposes of determining compliance with this definition, (i) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category), (ii) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (iii) the principal amount of Debt secured by a Lien outstanding under any category of Permitted Liens shall be determined after giving effect to the application of proceeds of any such Debt to refinance any such other Debt, (iv) any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt shall also be permitted to secure any increase in the amount of such Debt in connection with the accrual of interest and the accretion of accreted value, (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to a percentage of Consolidated EBITDA at the time of incurrence of such Debt or other obligations, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause the percentage of Consolidated EBITDA to be exceeded if calculated based on the Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt or other obligation being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing, (vi) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to an amount in Sterling, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause such Sterling amount to be exceeded, such Sterling amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing and (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to an amount in euro, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause such euro amount to be exceeded, such euro amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing.

"Permitted Parent Payments" means, without duplication as to amounts, payments to any Parent to permit such entity to pay:

(a) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its articles of incorporation, charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and/or its Subsidiaries;

(b) obligations of any Parent in respect of directors' fees, remuneration and expenses (including director and officer insurance (including premiums therefore)) to the extent relating to the Issuer and/or its Subsidiaries;

(c) professional fees and expenses of any Parent related to the ownership of the Capital Stock of the Issuer and its Subsidiaries (including, without limitation, accounting, legal, audit corporate reporting, and administrative expenses and other reasonable and normal course expenses required to maintain such Parent's corporate existence or its holding of the Capital Stock of the Issuer);

(d) any income taxes to the extent such income taxes are attributable to the income of the Parent derived from the Issuer and its Subsidiaries or the Issuer and its Subsidiaries and reduced by any such income taxes directly paid by the Issuer or any of its Subsidiaries;

(e) payments to cover franchise taxes and other fees, taxes and expenses required to maintain the corporate existence of the Issuer and its Subsidiaries; and

(f) expenses incurred by any Parent in connection with any public offering or other sale of Capital Stock or Debt, (i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Subsidiary of the Issuer or (ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed to the Issuer or a Subsidiary of the Issuer.

"Permitted Refinancing Debt" means any renewals, extensions, substitutions, defeasances, discharges, refinancings, exchanges or replacements (each, for purposes of this definition and paragraph (2) of "*—Certain Covenants—Limitation on Debt*," a "refinancing") of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, as long as:

(a) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced; and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) if the Debt being refinanced is Subordinated Debt, the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced or, if shorter, the Stated Maturity of the Notes; and

(c) if the Debt being refinanced is subordinated in right of payment to the Notes or the Guarantees (as applicable), such Permitted Refinancing Debt is subordinated in right of payment to, the Notes or the Guarantees (as applicable) on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced,

    provided further, however, that Permitted Refinancing Debt shall not include (i) Debt of the Issuer or a Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary or (ii) Debt of a Restricted Subsidiary that is not a Guarantor that refinances Debt of the Issuer or a Guarantor.

"Permitted Reorganization" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving any Parent, the Issuer or any of its Restricted Subsidiaries (a "Reorganization") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries; and

(b) if any of the Guarantees are released pursuant to "*—Guarantees—Release of the Guarantees*," substantially equivalent Guarantees must be granted by a surviving entity, if any.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Post-Closing Guarantors" means Keraben Grupo, S.A.U. and Cerámica Saloni, S.A.U.

"Pre-Expansion European Union" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"Preferred Stock" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person, whether now outstanding or issued after the Issue Date and including, without limitation, all classes and series of preferred or preference stock of such Person.

"*pro forma*" means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation made in good faith by the Issuer's Group Finance Director.

"Property" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

"Public Debt" means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale. The term "Public Debt" shall not include (i) the Notes, (ii) any Debt issued to institutional investors in a direct placement of such Debt that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not underwritten), (iii) any bank Debt, commercial bank or similar Debt, Capitalized Lease Obligation or recourse transfer of any financial asset or (iv) any other type of Debt Incurred in a manner not customarily viewed as a "securities offering."

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"Qualified Joint Venture" means a joint venture in which the Issuer or any of the Restricted Subsidiaries has a direct or indirect ownership interest that is engaged in a Permitted Business and that is not a Subsidiary of (i) the Issuer or (ii) any of the Restricted Subsidiaries.

"Qualified Receivables Financing" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person, or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables, the bank accounts into which the proceeds of such receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations, receivable sale facilities, factoring facilities or invoice discounting facilities involving receivables; *provided* that the Board of Directors will have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the applicable Restricted Subsidiary or Receivables Subsidiary.

"Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a wholly owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Debt or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Debt) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary, (c) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset

of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"Redeemable Capital Stock" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the Holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in which the Holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*" and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Notes as are required to be repurchased pursuant to "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*."

"Replacement Assets" means (i) non-current properties and assets (including Capital Stock of a Person that is or becomes a Restricted Subsidiary and such Restricted Subsidiary's property, business or assets are used or useful in a Permitted Business or any and all businesses that in the good faith judgment of the Board of Directors of the Issuer are reasonably related) that replace the properties and assets that were the subject of an Asset Sale, or (ii) non-current properties and assets that are used or useful in a Permitted Business or any and all businesses that in the good faith judgment of the Board of Directors of the Issuer are reasonably related.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Revolving Credit Facility" means the £60.0 million revolving credit facility made available to Victoria PLC pursuant to the Senior Credit Facilities Agreement.

"S&P" means Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

"Securities Act" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Security Agent" means National Westminster Bank plc in its capacity as security agent for the secured creditors under the Intercreditor Agreement or any Additional Intercreditor Agreement or any successor thereto appointed in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

"Security Documents" means the security arrangements, charge agreements, collateral assignments, debentures and any other instrument and document executed and delivered pursuant to the Intercreditor Agreement or any of the foregoing, and in each case pursuant to which the Collateral is charged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Notes and the Trustee or notice of such charge, assignment or grant is given, in each case as the same may be amended, supplemented or otherwise modified from time to time.

"Security Interest" has the meaning assigned thereto under the heading "*—Security—Priority*."

"Senior Credit Facilities" means the Term Loan Facility and Revolving Credit Facility made available to Victoria PLC pursuant to the Senior Credit Facilities Agreement.

"Senior Credit Facilities Agreement" means the term and revolving credit facility agreement, dated June 25, 2019, among, *inter alios*, the Issuer, as borrower, the Initial Guarantors, National Westminster Bank PLC as agent, the lenders as described therein and other parties named therein from time to time, as amended and restated from time to time.

"Senior Debt" means (i) any Debt of the Issuer or any Guarantor that is either secured or not Subordinated Debt and (ii) any Debt of a Restricted Subsidiary that is not a Guarantor other than Debt Incurred pursuant to clause (2)(d) of the covenant described under the heading "*—Certain Covenants—Limitation on Debt*."

"Senior Secured Debt" means, as of any date of determination, with respect to any specified Person, the total amount of Debt under Credit Facilities of such Person and its Restricted Subsidiaries on a consolidated basis that is secured by a first-priority Lien on the Collateral that is incurred under paragraph (1) of the covenant described under "*—Certain Covenants—Limitation on Debt*" or clauses (a), (b), (c), (q), (s) and (t) of paragraph (2) of the covenant described under "*—Certain Covenants—Limitation on Debt*" and any Permitted Refinancing Debt in respect thereof.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" of the Issuer within the meaning of Rule 1-02 (but excluding clause (1) of the definition of "significant subsidiary") under Regulation S-X promulgated by the SEC, as in effect on the Issue Date.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, when used with respect to any Note or any instalment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such instalment of interest, respectively, is due and payable, and, when used with respect to any other debt, means the date specified in the instrument governing such debt as the fixed date on which the principal of such debt, or any instalment of interest thereon, is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase such principal prior to the date originally scheduled for the payment thereof.

"Sterling" means the lawful currency of the United Kingdom.

"Sterling Equivalent" means, with respect to any monetary amount in a currency other than Sterling, at any time for the determination thereof, the amount of Sterling obtained by converting such foreign currency involved in such computation into Sterling at the spot rate for the purchase of Sterling with the applicable foreign currency as published under "Currency Rates" in the section of The Financial Times entitled "Currencies, Bonds & Interest Rates" on the date two Business Days prior to such determination.

"Subordinated Debt" means Debt of the Issuer or any of the Guarantors that is expressly subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be.

"Subordinated Shareholder Debt" means, collectively, any funds provided to the Issuer by any direct or indirect Parent of the Issuer, or Affiliate of such Parent, pursuant to any security, instrument or agreement, other than Capital Stock, that pursuant to its terms:

(a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Qualified Capital Stock or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the happening of any event) require the payment in cash or otherwise, of interest or any other amounts prior to the first anniversary of the maturity of the Notes (*provided* that interest may accrete while such Subordinated Shareholder Debt is outstanding and accretion interest may become due upon maturity as permitted by clause (a) or acceleration of maturity as permitted by clause (c) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Debt);

(c) does not (including upon the happening of any event) provide for the acceleration of its maturity and its holders have no right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a Lien or any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(e) is contractually subordinated and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the Notes and the Guarantors under the Guarantees; and

(f) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Qualified Capital Stock of the Issuer;

provided that in any event or circumstance that results in such Debt ceasing to qualify as Subordinated Shareholder Debt, such Debt shall constitute an Incurrence of such Debt by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Debt since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"Subsidiary" means, with respect to any Person:

(a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person; and

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"Successor Parent" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"TARGET Settlement Day" means any day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System is open.

"Tax Sharing Agreement" means any tax consolidation agreement or any similar arrangements in respect of any consolidated, combined, affiliated or unitary tax group or an arrangement relating to the surrender of group relief to which the Issuer or any of the Restricted Subsidiaries is a party.

"Term Loan Facility" means the £143.2 million senior secured amortizing term loan facility made available to Victoria PLC pursuant to the Senior Credit Facilities Agreement.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer's Board of Directors pursuant to the covenant under the caption "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*") and any Subsidiary thereof.

"U.S. dollars" means the lawful currency of the United States of America.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE SECURITY AND THE GUARANTEES AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which Guarantees or Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests on the Collateral.

Also set out below is a brief description of certain aspects of insolvency law in England and Wales, Spain and Australia. In the event that any one or more of the Issuer or the Guarantors experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Issuer and some of the Guarantors are incorporated and organized under the laws of member states of the European Union.

The EC Regulation No. 2015/848 on Insolvency Proceedings (the "**Insolvency Regulation**") which applies within the European Union, other than Denmark, to insolvency proceedings opened on or after June 26, 2017 (subject to certain exceptions).

Pursuant to Article 3(1) of the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU member state (other than Denmark) where the company concerned has its "centre of main interests." The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different EU member states may have differing and conflicting views.

The term "centre of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. In the case of a corporate debtor, the centre of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the centre of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in an EU member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision of its interests is located in that other EU member state. In that respect, the factors that courts may take into consideration when determining the center of main interests of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors recognize as being the centre of the company's operations.

If the centre of main interests of a company, at the time an insolvency application is made, is located in an EU member state (other than Denmark), only the courts of that EU member state have jurisdiction to open main insolvency proceedings in respect of that company under the Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the Insolvency Regulation.

If the centre of main interests of a company is in one EU member state (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another EU member state (other than Denmark) have jurisdiction to open secondary and territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the Insolvency Regulation) in the territory of such other EU member state. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation and, for the avoidance of doubt, are not limited to winding up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "establishment" is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those secondary or territorial insolvency proceedings opened in that other EU member state are restricted to the assets of the company which are situated in such other EU member state.

Pursuant to Article 3(4) of the Insolvency Regulation, where main proceedings in the EU member state in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another EU member state where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the EU member state in which the company's centre of main interests is situated under that EU member state's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from the operation of the establishment or a public authority requests the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the Lex fori concursus, that is, the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor.

The courts of all EU member states (other than Denmark) must recognise the judgment of the court opening main proceedings (subject to any public policy objection) and give the same effect to the order in the other relevant EU member state so long as no secondary proceedings have been opened there. The insolvency practitioner appointed by a court in an EU member state that has jurisdiction to open main proceedings may exercise the powers conferred on him by the law of that EU member state in another EU member state (such as to remove assets of the company from that other EU member state), subject to certain limitations, as long as no insolvency proceedings have been opened in that other EU member state or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other EU member state where the company has assets.

In addition, the concept of "group coordination proceedings" has been introduced in the Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency proceedings of several members of a group of companies opened in one or more Member States (other than Denmark). Under Article 61 of the Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

On June 23, 2016, the United Kingdom voted in favour of withdrawing from the European Union in a referendum and, on March 29, 2017, the UK Government exercised its right under Article 50 of the Treaty on the European Union to notify the European Union of the United Kingdom's intention to withdraw from the European Union.

There remains considerable uncertainty (and there is likely to be uncertainty for some time to come) as to the impact the UK's withdrawal from the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom. In a 'no deal' Brexit scenario in particular, it will likely be harder for UK office holders and UK restructuring and insolvency proceedings to be recognised in Member States and to effectively deal with assets located in those other Members States. Much depends upon the private international rules in the particular Member State and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of a UK office holder has been made in reliance on a UK domestic approach, it is much less certain that there will be recognition in the relevant Member State even if UK jurisdiction is exercised on the grounds of UK centre of main interests or establishment (where such concepts are retained as a matter of UK domestic law). The guidance contained in this Offering Memorandum as to centre of main interests and any cross-border proceedings within Europe should be construed as a description of the current law as at the date of this Offering Memorandum.

England and Wales

The Issuer and certain of the Guarantors are companies incorporated under the laws of England and Wales (an "**English company**"). Any insolvency proceedings with respect to an English company would likely (subject to the location of the relevant company's centre of main interests at the time of any filing) be based on English insolvency laws. Insolvency proceedings in respect of English companies could also be based in other jurisdictions under certain circumstances (see "—*European Union*" above).

In addition, the U.K. Cross Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross Border Insolvency in Great Britain and which apply to foreign insolvency proceedings (subject to certain exceptions) anywhere in the world without any condition of reciprocity, provide that certain collective foreign (i.e. non English) proceedings may be recognized by the English courts as foreign main proceedings where any English company has its COMI in that foreign jurisdiction, or as foreign non main proceedings where it has an "establishment" in such foreign jurisdiction (being a place of operations where it carries out a non transitory economic activity with human means and assets or services). As such, should any English company have its COMI in a jurisdiction that is neither within the UK nor is a Member State of the EU, and insolvency proceedings are opened in that jurisdiction and afforded recognition by the English courts, any proceedings opened in England and Wales would be foreign non-main proceedings and would be limited to the assets that the relevant company has in the UK. Upon recognition of foreign main proceedings, an automatic stay, equivalent to the stay in an English compulsory liquidation (see below), will apply to prevent certain types of creditor action in the UK, including commencement of proceedings concerning the debtor's assets, rights, obligations or liabilities (but the automatic stay will not affect a creditor's rights to enforce security over the debtor's property (albeit such a stay may be requested from the English court)). No automatic stay applies in relation to foreign non-main proceedings (albeit such a stay may be requested from the English court). To the extent that the Cross Border Insolvency Regulations 2006 conflict with the Insolvency Regulation, (subject to limited exceptions) the Insolvency Regulation will prevail.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a "qualifying floating charge" (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). A company with its centre of main interests in England and Wales may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes (as described below).

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the guarantees and security interests granted over the collateral. The application of these laws could adversely affect investors, including their ability to enforce their rights under the collateral securing the Notes and may limit the amounts that investors may receive in an English law insolvency of a company. A summary of these processes is set out below.

Formal Insolvency Processes

Under the Insolvency Act 1986, as amended by the Enterprise Act 2002, and as otherwise amended from time to time (the "Insolvency Act"), certain types of company may file for or become subject to certain formal insolvency processes. Formal insolvency proceedings under the laws of England and Wales include administration and liquidation,

The distinction between administration and liquidation is discussed further below but, in essence, administration is designed to provide a tool to rescue the company or its business as a going concern where the company is or is likely to become insolvent, whereas liquidation is a termination procedure designed to distribute the company's assets to its creditors.

In addition to administration and liquidation, there are two other insolvency regimes under the Insolvency Act for certain types of company in England and Wales, namely company voluntary arrangements and administrative receivership. Certain secured creditors may also have the ability to appoint a receiver (in contrast to an administrative receiver) which is a self-help remedy often granted within the documents granting the security interests over the collateral. Save for receivership and administrative receivership, all of these insolvency procedures under the Insolvency Act are collective remedies for the benefit of all creditors.

Administration

be The Insolvency Act empowers English courts to make an administration order in respect of an English company, or a company with its COMI in England and Wales, in certain circumstances. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the stated purpose of the administration*. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, a company (falling within the definition set out in the Company's Act 2006), the directors of such company or the holder of a qualifying floating charge (see "*—Administrative receivership and Receivership*" below as to what constitutes a qualifying floating charge) where the floating charge has become enforceable, may also appoint an administrator via an out of court process, and different procedures apply according to the identity of the appointor.

*In addition, upon the application of the holder of a qualifying floating charge (who would otherwise be entitled to appoint an administrator via an out of court process), the court may make an administration order if it is satisfied that the administration order is reasonably likely to achieve the stated purpose of the administration (and without having regard to whether the relevant company is or is likely to become "unable to pay its debts").

An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge, and different procedures apply according to the identity of the person making the appointment. During the administration, as a general rule, no resolution may be passed, and no order may be made, for the winding up of the debtor and no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with permission of the court or the consent of the administrator.

Upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider a range of discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if a company were to enter into administration, the collateral granted by that company could not be enforced while that company was in administration without the permission of the court or consent of the administrator. There can be no assurance that the security agent would obtain such permission of the court or consent of the administrator.

In addition, while an administrator is in office, the powers of the board of directors of an English company (save those that do not interfere with the exercise of that administrators' powers, and those permitted by the administrator) cease, and an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge)—however, an administrator may only dispose of assets subject to a fixed charge with the leave of the Court. The administrator also has the ability to challenge certain antecedent transactions.

However, whilst the restrictions of the moratorium are extensive they are not total. For example, contractual set-off rights may continue to be exercised, at least until the administrator makes an authorised distribution and certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the administration moratorium in relation to a "security financial collateral arrangement" (generally, a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "**FCARs**").

It is likely, to the extent that it is not a financial collateral arrangement, that the security granted by a company may not be enforced while it is in administration without leave of the court or consent of the administrators.

The administration of a company must achieve one of the following statutory objectives: (1) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (2) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the secondary objective); or (3) the realization of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the tertiary objective). An administrator must attempt to achieve the objectives of administration in order, unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. Therefore, the administrator cannot pursue the tertiary objective unless he thinks that it is not reasonably practicable to achieve either the primary objective or the secondary objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the tertiary objective.

Administrative receivership and Receivership

There are, broadly speaking, two different types of receiver: An 'administrative receiver' (being a receiver or manager of the whole or substantially the whole of a company's property appointed by a holder of a charge which was created was a floating charge, or by such a charge and one or more other securities and who normally takes over the running of the company's business) and a receiver (often described as a "fixed charge receiver"). The latter are not administrative receivers and are mostly used to sell land or other specific assets subject to a fixed charge).

In order to empower the Security Agent to appoint an administrative receiver to an English company, the floating charge granted by the relevant English company must constitute a qualifying floating charge for the purposes of English insolvency law and the qualifying floating charge must, unless the relevant Security Document pre-dates September 15, 2003, fall within one of the exceptions of the Insolvency Act to the prohibition on the appointment of administrative receivers.

In order to constitute a qualifying floating charge in England, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act.

The relevant party will be the holder of a qualifying floating charge if it holds one or more debentures secured by (a) a qualifying floating charge which relates to the whole or substantially the whole of the company's property, (b) a number of qualifying floating charges which, together, relate to the whole or substantially the whole of the company's property, or (c) charges and other forms of security which, together, relate to the whole or substantially the whole of the company's property and one of the charges is a qualifying floating charge.

The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company under the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and is generally a rated, listed or traded debt instrument).

The ability to appoint a receiver over secured assets (in contrast to an administrative receiver) is typically provided for in English law security documents. There is also a (limited) statutory right under section 101 of the Law of Property Act 1925 for the holder of a mortgage or charge created by deed over the assets of a chargor to appoint a receiver over the charged assets to collect the income of the charged property and apply it in satisfaction of the secured debt.

A receiver can be appointed in accordance with the terms of the security documentation which typically provide for the ability to appoint a receiver once the relevant security interests become enforceable in accordance with their terms. Once appointed, the receiver acts as the agent of the chargor. The charge document pursuant to which the receiver is appointed will typically set out the powers of the receiver once appointed. Typically, these powers will include the right to take possession of and sell the charged assets, with the proceeds being used to pay the secured creditors.

An administrative receiver and, typically a receiver's, primary duty is to realise the secured assets and to pay the proceeds to the secured creditor, up to the amount of the secured debt (subject to the requirement to set aside the prescribed part (discussed below)). He does, however, also owe duties to the company, in particular a duty to obtain the best price reasonably obtainable at the relevant time when selling any asset.

There is no moratorium in receivership or administrative receivership, so creditors can enforce any rights that are consistent with the priority of the security, including exercising rights of set-off and forfeiture, collecting goods that are subject to valid retention of title claims and terminating contracts.

Where a company is in administrative receivership, an administrator can only be appointed by court order (and only in the limited circumstances set out in the Insolvency Act)—in contrast the appointment of a receiver who is not an administrative receiver does not prevent the appointment of an administrator. The appointment of an administrator automatically dismisses any administrative receiver already appointed to the debtor, and any already appointed fixed charge receiver must resign if requested to do so by the administrator, subject to the application of the FCARs. If a company is already in administration, the moratorium on creditor action will prevent the appointment of a receiver or administrative receiver unless the administrator consents, the court permits the appointment or an exception to the moratorium applies (see above).

Liquidation/winding-up

Liquidation is an asset realization and distribution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see below "Priority of claims"). At the end of the liquidation process the company will normally be dissolved.

There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, by resolution of the company's members, and which is in turn divided into members' voluntary liquidation ("**MVL**") and creditors' voluntary liquidation ("**CVL**"). A CVL (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, but once in place is subject to some degree of control by the creditors.

Companies registered in England and Wales or foreign companies with their COMI in England and Wales (a main insolvency proceeding under the Recast Insolvency Regulation), with their COMI in a Member State (except Denmark) and an establishment in England and Wales (a secondary proceeding under the Recast Insolvency Regulation) or whose COMI is not located in a Member State (except Denmark) but having "sufficient connection" with England and Wales may be wound up via compulsory liquidation. Only companies registered in England and Wales may be subject to voluntary liquidation (save that a foreign company where its COMI is in England and Wales or in another Member State (except Denmark) but which has an establishment in England and Wales) may enter a creditors' voluntary liquidation).

A creditor, the company or in certain circumstances a shareholder, among others, can present a winding-up petition to the Court for the compulsory winding-up of a company. The most common grounds for the compulsory winding-up of a company is that it is either unable to pay its debts (as defined in Section 123 of the Insolvency Act) or the court is of the opinion that it is just and equitable for the company to be wound up.

The effect of a compulsory liquidation differs in a number of respects from that of a voluntary liquidation. In a compulsory liquidation, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding up is, unless sanctioned by the court, void. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced from the time of the presentation of the winding-up petition. In the case of a liquidation commenced by way of an English court order, there is a stay on the commencement or continuation of proceedings against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected).

In the context of a voluntary liquidation however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the members' resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary liquidation—it is for the liquidator, or any creditor or contributory of the company, to apply for a stay.

An MVL is a solvent liquidation that is controlled by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is no involvement by the court. Not more than five weeks prior to the making of the winding up resolution, the directors must swear a statutory declaration of solvency stating that, after having made full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts, including interest and the costs of the MVL process, within a stated period not exceeding 12 months from the start of the liquidation.

A CVL is also commenced by the shareholders resolving to place the company into liquidation and has no court involvement. In contrast to an MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent). If the creditors choose a different person to act as liquidator from that appointed by the shareholders, the creditors' choice will prevail.

On the appointment of a liquidator, the directors' powers to bind the company automatically cease, save for those powers that are sanctioned by the liquidator or creditors (as appropriate). Under English insolvency law, a liquidator has, among other things, the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company, to disclaim any onerous property by serving a prescribed notice on the relevant party and to challenge antecedent transactions.

Challenges to guarantees and security

There are circumstances under English insolvency law in which the granting by an English company, or a company with its centre of main interest in England and Wales, of security and guarantees, or the entry by a company into a transaction can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of time following the relevant act. Therefore, if during the specified period an administrator or liquidator is appointed to an company, the administrator or liquidator may challenge the validity of the security or guarantee given, or certain transactions entered into by such company. The Issuer cannot be certain that, in the event that the onset of a company's insolvency is within any of the requisite time periods set out below, the grant of a security interest or guarantee in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (all discussed below), depends on whether that action took place at the "relevant time."

In the case of a preference or a transaction at an undervalue, the relevant time is deemed to be:

a) if the preference was in favour of a connected person (other than by reason of being an employee), and in the case of all transactions at an undervalue, the period of two years ending with the onset of the company's insolvency (as defined below);

b) if the preference is not given in favour of a connected person, the period of 6 months ending with the onset of the company's insolvency;

c) at a time between the making of an administration application in respect of the company and the making of a an administration order on that application; or

d) at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that at the time the transaction at an undervalue was entered into or the preference was given the company was unable to pay its debts or became unable to pay its debts as a result of the transaction at an undervalue or the transaction in respect of which the preference was given. If the transaction at an undervalue is entered into in favour of a connected party, the company will be assumed to have been unable to pay its debts or became unable to pay its debts as a result of the transaction.

In the case of a floating charge which is being challenged, the relevant time is deemed to be:

a) if the floating charge is created in favour of a connected person, the period of two years ending with the onset of the company's insolvency (as defined below);

b) if the charge is not created in favour of a connected person, the period of 12 months ending with the onset of the company's insolvency;

c) at a time between the making of an administration application in respect of the company and the making of a an administration order on that application; or

d) at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that at the time the charge was granted the company was unable to pay its debts or became unable to pay its debts as a result of the transaction in respect of which the floating charge was granted.

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the "onset of insolvency" is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

Connected persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person," then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences and invalid floating charges is a party who is (i) a director of the company, (ii) a shadow director, (iii) an associate of such director or shadow director, or (iv) an associate of the relevant company.

A party is associated with an individual if they are (i) a relative of the individual, (ii) the individual's husband, wife or civil partner, (iii) a relative of the individual's husband, wife or civil partner, or (iv) the husband, wife or civil partner of a relative of the individual.

A person is an associate of any person with whom he is in partnership and of the husband, wife or civil partner or relative of any individual with whom he is in partnership.

A party is associated with a company if they are employed by that company (and in this case directors of a company are treated as employees of that company). A person is also an associate of any person whom he employs. A company is an associate of another person if that person has control of it or if that person and persons who are his associates together have control of it.A company is associated with another company if (i) the same person has control of both companies, or (ii) it is controlled by a person, that person's associates have control of the other company, or (iii) it is controlled by a group of two or more persons who also control the other company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by a company include, without limitation, the following.

Transaction at an undervalue

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or in consequence of the transaction, the company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act).

A transaction might be subject to being set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was insolvent unless a beneficiary of the transaction was a connected person (see "—*Connected persons*" above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings. The transaction must also have occurred at the "relevant time" (see "—*Onset of insolvency*" above).

However, a court will generally not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts unless a beneficiary of the transaction was a connected person (as set out above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings. An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not he is the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where that person was a party to the transaction..

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or in consequence of the transaction the company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act).

A transaction may constitute a preference if it has the effect of putting a creditor of the company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. However, for the court to determine a preference, it must be shown that the company was influenced by a desire to produce the preferential result, and the transaction must have occurred at the Relevant Time.

In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts and that there was such desire to prefer the relevant creditor, unless the beneficiary of the transaction was a connected person, in which case the connected person must demonstrate in such proceedings that there was no such desire, on the part of the company, to prefer them. The desire to prefer requires a "positive wish to improve the creditor's position in the event of the company's insolvent liquidation" (*Re Fairway Magazines Ltd* 1993 BCLC 643). A preferential effect for a creditor may be foreseen by the company without being desired. Where a company is influenced by "proper commercial considerations" there will be no desire to prefer and therefore no voidable preference (*Re MC Bacon Ltd (No. 1)* 1990 BCLC 324).

If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he is the person to whom the preference was given, and could include reducing payments under or setting aside the relevant Notes, Guarantees and collateral—however such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when he was a creditor of the company.

Transaction defrauding creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. There is no statutory time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of or as a result of the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction to pay any sum unless such person was a party to the transaction.

Extortionate credit transaction

n administrator or a liquidator can apply to court to set aside an extortionate credit transaction. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

It is presumed, unless otherwise proved by the person extending the credit, that a transaction with respect to which an administrator or liquidator makes an application to set aside an extortionate credit transaction is extortionate. The court can make an order in relation to extortionate credit transactions entered into by a company up to three years before the day on which a company entered into administration or went into liquidation. That order may set aside, either in whole or in part, any obligation created by the transaction (which could include obligations of sureties). It may also vary the terms of the transaction or the terms of any security for the purposes of the transaction. The court may require any party to the transaction to repay to the liquidator or administrator sums already paid under the transaction and it may order the surrender of any security held for the purpose of the transaction. It should be noted that there are no provisions for the protection of third parties who acquire interests in the extortionate credit transaction (e.g. assignees of the benefit of the transaction from the person who provided credit under it).

Fixed versus floating charges

There are a number of ways in which fixed charge security has an advantage over floating charge security, namely: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet certain, statutory administration expenses (which can include the costs of continuing to operate the business of the charging company) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallised at the time the fixed charge was granted); (c) general costs and expenses (including the remuneration of the insolvency officeholders) properly incurred in a winding-up or administration are generally payable out of the assets of the charging company (including the assets that are the subject of the floating charge) in priority to floating charge claims (the same does not apply to fixed charge assets); (d) until the floating charge security crystallises, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) there are particular insolvency "clawback" risks in relation to floating charge security; (f) where the floating charge is not a security financial collateral arrangement, floating charge security is (i) subject to the claims of certain preferential creditors (such as employee, salary claims (up to a cap per employee), employee holiday claims and certain unpaid pension contributions) and (ii) subject to the ring-fencing of the Prescribed Part (see "*—Prescribed part*" below) for unsecured creditors; and (g) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court but the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge. With prior approval of the court, an administrator may deal with property subject to a fixed charge provided that disposing of the property is likely to promote the administration's purpose and that the administrator apply the net proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

There is a possibility that a court could find that some or all of the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If any fixed security interests are recharacterised as floating security interests: (a) the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings; and (b) it is possible that any purported floating charge security may no longer relate to the whole or substantially the whole of the property of the relevant company and therefore may not constitute a "qualifying floating charge" (see also "Administrative receivership" above).

Avoidance of floating charges

Under English insolvency law, floating charges created by a company during the Relevant Time may be invalid, in whole or in part if certain conditions are met. Nevertheless, even if a floating charge is prima facie invalid, it will be valid to the extent of the value of (i) the money paid to, or (ii) the goods or services supplied to, or (iii) any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge (plus certain interest) (the "**Consideration**"). The requirement for an company to be insolvent at the time of granting the floating charge or becoming insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the Consideration.

The transaction can be challenged if the company enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) for the date the relevant company grants the floating charge. However, if the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended), the floating charge will not be subject to challenge as described in this paragraph.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, whether the relevant company is solvent or insolvent at the time of grant.

Limitation on enforcement

The grant of a guarantee or security by any of the English companies in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Security over shares

Security over shares granted by an English company or over shares of an English company are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favour of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Security over bank accounts

With respect to any security over bank accounts (each an "**Account Charge**") located in England and Wales granted by a company, the banks with which some of those accounts are held (each an "**Account Bank**") may hold a right at any time (at least prior to them being notified of a crystallisation event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that guarantor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallised and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant English company) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights since the Account Bank will only be entitled to exercise its netting and set-off rights while the bank accounts are subject only to floating security, except where account banks have expressly reserved set-off rights.

Scheme of arrangement

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise or arrangement between a company and its creditors (or any class of them) including secured creditors, or members (or any class of them) outside of a formal insolvency process.

An English company may be able to pursue a scheme in respect of its financial liabilities. In addition, a foreign company (including potentially a foreign Guarantor) which is liable to be wound up under the Insolvency Act and has a "sufficient connection" to England and Wales could also pursue a scheme (provided that, where the company has its COMI in another Member State, there is nothing in the Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (the "Recast Judgments Regulation") which would prevent the English court approving the scheme and, if the company is incorporated or has its COMI in another jurisdiction, the effect of the scheme will be recognized in that jurisdiction). In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, among other things, the company's COMI is in England, the company's finance documents are English law-governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case. Provided that at least some of a foreign company's scheme creditors are domiciled in England, then the Recast Judgments Regulation has not, in the past, fettered the English court's powers to sanction a scheme. Whether the effect of the scheme will be recognized in the jurisdiction of a foreign company or a company with its COMI in a foreign jurisdiction will depend on the jurisdiction in question. The English court has previously sanctioned schemes where expert evidence was provided showing that the foreign jurisdiction would recognize the scheme in that jurisdiction (e.g. a large number of Member States (including Spain, Germany, France and Italy) and certain jurisdictions outside of the EU (such as the United States)). However, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not this test would be satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme will be considered (the "**Sanction Hearing**"), affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. That meeting of creditors must be convened by the Court. Classes must be comprised of those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. To proceed to the Sanction

Hearing, the scheme must be approved by 75 percent in value and a majority in number of those creditors present and voting in person or by proxy in respect of each class of creditors, irrespective of the terms and approval thresholds contained in the finance documents

If the requisite majorities approve the Scheme at the creditor meetings, the scheme then needs to be considered by the Court at the Sanction Hearing. In this hearing the court will consider the fairness of the scheme and whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme. If sanctioned by the court, a scheme will be binding on each class of creditors (both secured and unsecured) and members including any dissenting or abstaining party.

Priority of claims

One of the primary functions of administration and liquidation under English law is to realize the assets of the insolvent company and to distribute realizations made from those assets to its creditors. Under the Insolvency Act and the Insolvency Rules 2016, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the "Prescribed Part" (see "—Prescribed part" below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a pari passu basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority on insolvency is as follows (in descending order of priority):

- **First ranking:** holders of fixed charge security but only to the extent the value of the secured assets covers that indebtedness and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor but only with respect to the assets in which they have a proprietary interest;
- **Second ranking:** expenses of the insolvent estate incurred during the relevant inslolvency proceedings (there are statutory provisions setting out the order of priority in which expenses are paid);
- **Third ranking:** preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency; and (d) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit. As between one another, ordinary preferential debts rank equally. Secondary preferential debts include (a) bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and (b) from 6 April 2020, but only if the requisite legislation is passed by the UK government, claims by HMRC for taxes including VAT, PAYE income tax, employee National Insurance contributions and Construction Industry Scheme deductions but excluding corporation tax and employers' National Insurance contributions, and in each case rank for payment after the discharge of the ordinary preferential debts. As between one another, secondary preferential debts rank equally;
- **Fourth ranking:** holders of floating charge security to the extent of the realisations form those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realisations to the holders of any floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;
- **Fifth ranking**:
  - firstly, provable debts of unsecured creditors (save where such creditors are deferred under section 74(2(f)) of the Insolvency Act) and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. In the case of any unsecured shortfall for secured creditors, the insolvency officeholder can only use realisations form unsecured assets and is not permitted to make a distribution from the Prescribed Part to such secured creditors unless the Prescribed Part is sufficient to first pay out all unsecured creditors;

- secondly, interest on the company's debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation, or after the commencement of any administration which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Guarantees, such interest due to the holders of the Notes may, if there are sufficient realisations from the secured assets, be discharged out of such security recoveries; and
- thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid; and

- **Sixth ranking:** shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation (and provided that such terms do not contravene the Insolvency Act).

Prescribed part

An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (the "Prescribed Part"). Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. As noted above, the Prescribed Part will not be available for any shortfall claims of secured creditors.

The requirement for an administrator, liquidator or receiver (including administrative receiver) to set aside a prescribed part of the company's property which is subject to a floating charge, and make it available for unsecured creditors, will not apply to any charge created or otherwise arising under a financial collateral arrangement (as described in the Financial Collateral Arrangements (No 2) Regulations 2003 (SI 2003/3226).

Financial Collateral Arrangements (No 2) Regulations 2003

The Financial Collateral Arrangements (No 2) Regulations 2003 (SI 2003/3226) (the "Financial Collateral Regulations"), apply in respect of certain security interests granted over, and certain title transfer arrangements in, "financial collateral" (together, "financial collateral arrangements"). Financial collateral is defined in the Financial Collateral Regulations as cash, financial instruments or credit claims. The definition of "financial instruments" includes shares in companies and debt instruments such as bonds and claims under loans made by credit institutions. The original primary purpose of the Financial Collateral Regulations was to implement Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements (OJ 2002 L168/43) in the UK. The purpose of that directive was to simplify the process of taking financial collateral across the European Union by introducing a minimum uniform legal framework.

If an arrangement qualifies as a financial collateral arrangement under the Financial Collateral Regulations certain modifications or exclusions to English insolvency law apply which remove restrictions on enforcing security, disapply provisions relating to the order of payment of creditors and prohibit avoidance by the insolvency office-holder of the financial collateral arrangement in certain situations. For example, security interests to which the Financial Collateral Regulations apply are not required to be registered as a registrable charge at Companies House, and are not subject to the statutory moratorium on enforcement of security that would otherwise apply when a company enters into administration proceedings and furthermore, the Financial Collateral Regulations enable the creditor holding the security interest to appropriate (i.e. to become the absolute legal owner of) the financial collateral to which the security interests applies without the need for a court order provided the security interests have become enforceable in accordance with their terms and provided the creditor has been granted the power to appropriate in the relevant contract.

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claims for their debts, the office-holder will convert all foreign currency denominated proofs of debt into sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the relevant date. If a creditor considers the rate to be unreasonable, they may apply to the court.

Spain

Under Spanish law, the guarantees and the security interests must guarantee or secure a primary obligation and therefore, they have an ancillary nature. Due to this, they would be declared null, void and/or terminated if the principal obligation is declared null, void and/or terminated. Any transfer of the principal obligation carries along with it the transfer of the security interest. Additionally, the transfer of the security interest itself cannot be done independently from the principal obligation due to its accessory nature. In the event that the guarantor or security provider is able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the guarantor or security provider's obligations under the relevant guarantee or security agreement are not enforceable. In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the secured obligations. Therefore, the primary obligation must be clearly identified in the guarantee or security agreement.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

A Spanish company must have a corporate interest in granting the security interest. It is difficult to determine whether or not a corporate benefit is obtained when granting the so-called upstream security interests. Some factors may be considered, such as the receipt by the Spanish company of the funds (even indirectly) or the actual benefit that the Spanish company receive from the financing. The absence of a corporate interest may lead to the creditors of the Spanish company to contest, on the grounds of Section 1,111 of the Spanish Civil Code, acts carried out by the Spanish company implying fraud of the creditors' rights. In addition, directors' liability may be triggered. See *"Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability."*

In particular, Spanish law may limit the ability of a Spanish Guarantor to guarantee the Notes or to grant security interests over its assets to secure the Notes. Recent Spanish rulings which do not constitute settled case law indicate, and certain scholars understand, that risk associated with a guarantee or the value of a security interest provided by a Spanish company to guarantee or secure indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the Spanish company's perspective and justified under the corporate interest of such company. Therefore, as stated in section "Insolvency laws" below, guarantees granted by a Spanish company in favor of other group companies may be challenged on the basis that such guarantees have no consideration unless evidence could be provided that there was a tangible and identifiable economic interest for the Spanish companies (beyond an abstract group interest). Whether there is a specific consideration in favor of the guarantor for the granting of the guarantee, is a factual matter that will need to be proven on a case by case basis. The lack of proof in that regard, may entail, if the guarantee is challenged, that a judge declares the guarantee null and/or void.

Spanish law prohibits financial assistance: (i) for public limited liability companies (*sociedades anónimas*) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company, and (ii) for private limited liability companies (*sociedades de responsabilidad limitada*), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, guarantees or security interests granted by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuer for the purpose of acquiring the shares of such Spanish subsidiary or the shares or its direct or indirect parent company or, as applicable, any member of their group, to the extent that such guarantee or security interest would constitute unlawful financial assistance within the meaning of Articles 150 and 143 of the Spanish Companies Act (*Real Decreto*

Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital). This limitation would also apply to the refinancing of acquisition debt although this is widely debated between academics. No whitewash procedures are available. Accordingly, any guarantee or security interest granted by any Spanish company will be limited by the amount of the funds that are not used for unlawful financial assistance purposes. For example, where proceeds from the Notes are used to refinance the Existing Term Loan Facility, the value of the Guarantee granted by Saloni would be limited to the portion of the Existing Term Loan Facility not used to fund our acquisition of Saloni.

In addition, and whilst this remains debatable, it is possible that certain defenses available to the Spanish Guarantors relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capital preservation or thin capitalization may limit the amount guaranteed under the Guarantee. Such limitation, *inter alia*, may be referred to the net equity, net assets or share capital of the Spanish Guarantor or even the portion of the proceeds of the Notes used directly or indirectly to pay or refinance obligations of the Spanish Guarantor.

First demand guarantee

The structure of first demand guarantees is not specifically regulated in the Spanish Civil Code but their validity and effectiveness have been reviewed in several judgments and defined by the Spanish Supreme Court (*Tribunal Supremo*) as autonomous guarantees, detached from the underlying agreement whose obligations are being guaranteed. These judgments acknowledge the validity of provisions pursuant to which guarantors waive the ability to call on enforceability exceptions different to those stated under the guarantee. Notwithstanding the foregoing, certain case law has also admitted the possibility that, with certain limitations, the guarantor automatically raises the enforceability exception of fraud, bad faith or abuse of right (*abuso de derecho*) in the event where the beneficiary enforces the guarantee in a fraudulent manner or in bad faith. Certain case law has also admitted that the guarantor can stay enforcement by showing that there has been no event of default (the guarantor bearing the burden of proof), usually through a motion for declaratory relief filed by the guarantor.

Enforcement

Under Spanish law, a secured party may not appropriate the collateral subject to a security interest, nor dispose of such collateral as it deems fit; the so-called "pacto comisorio" (or appropriation of collateral by the creditor) is prohibited as a general rule. Because of this prohibition, a creditor must initiate the enforcement of the security interest and use as payment of the debt the proceeds obtained in the sale of the collateral in a public auction or through certain other proceedings aimed at ensuring that fair value is obtained from the enforcement process. These proceedings are monitored either by a court or a notary public, depending on the type of proceeding. The only applicable exceptions to the prohibition of the "pacto comisorio" are the following:

- financial collateral arrangements: Royal Decree-Law 5/2005, of March 11, 2005 ("**RDL 5/2005**"), which implements in Spain Directive 2002/47/EC of the European Parliament and of the Council of June 6, 2002, on financial collateral arrangements, regulates, among other matters, financial collateral arrangements. RDL 5/2005 regulates the two following types of financial collateral arrangements: title transfer collateral arrangements (*acuerdos de garantía financiera con cambio de titularidad*) and security financial collateral arrangements (*acuerdos de garantía pignoraticia*) (i.e. pledges over cash or securities); and
- pledges of credit rights: As an exception to the general rule that requires the enforcement of pledges through a public auction, pledges over credit rights may be "foreclosed" by way of set-off since the pledged credit rights or receivables are considered "liquid" (i.e. credit rights arising from the relevant bank accounts and receivables). In other words, the asset does not need to be "realized" into money because it is precisely the right to claim an amount of money such as the balance of a bank account or the right to receive payment of the receivable.

Without notarization of the security documents, the secured parties will not have access to the executive summary proceedings (juicio ejecutivo) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (juicio ordinario).

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event be subject to:

- the nature of the remedies available; and
- the availability of defenses such as (without limitation) setoff (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

Parallel debt/Security agent

Spanish law does not recognize the concept of "security agent" holding security on behalf of a syndicate of lenders or parallel debt structures, and there is some uncertainty as to whether a Spanish court would recognize the authority of a security agent (including the Security Agent) and whether this would cause delays in the enforcement and the consequences of not being able to enforce the collateral as provided in the relevant security agreements. Although this by itself does not prohibit appointing the Security Agent, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent's actions in an enforcement situation. Some legal scholars argue that a security agent (such as the Security Agent) would only be entitled to enforce its portion of the secured obligation but not that of the other secured parties. Therefore, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, and enforcement thereof by the Security Agent, may be subject to a due and express power of attorney granted by each of the secured parties (e.g., lenders and the holders of the notes) in favor of the Security Agent for such purpose, duly notarized and legalized (and, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961). Regardless of the authority that may be conferred upon the security agent under the relevant financing framework agreement, such agent will need to prove that it is duly and expressly empowered for such purpose by means of duly notarized and apostilled powers of attorney by all lenders in its favor.

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (*acreedor solidario*) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself. As a result, the ability of the Security Agent to represent the Trustee and the holders of the Notes may be challenged.

- The concept of "parallel debt" may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish Court.

Enforcement Proceedings in Spain

Creditors are entitled to initiate actions under the following three types of proceedings: (i) the so-called declarative proceeding (*juicio declarativo*) provided for under the Spanish Civil Procedure Act 1/2000, of January 7, 2000 (Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil); (ii) the executive proceeding (*juicio ejecutivo*) provided for under the same Spanish regulation; and (iii) the procedure managed by notaries to enforce guarantees under article 1872 of the Spanish Civil Code, which must be jointly interpreted with the Notary Public Law of 28 May 1862 (the "**Notarial Law**") that establishes the requisites to be met by the mentioned notary public auction system regulated in the Spanish Civil Code. The aforementioned procedures are aimed at selling the relevant asset in a public auction monitored either by a Court or by a notary public if the debtor does not verify payment of the amount due prior to the public auction. As for first demand guarantees, either declarative proceedings or executive proceedings (if the guarantee is granted in accordance with the Spanish Civil Procedure Act 1/2000) could be used to enforce payment from the guarantor.

The law regulating the enforcement of pledges through auctions organized by notaries as described in the Notarial Law was significantly amended by Law 15/2015 of 2 July on voluntary jurisdiction ("**Law 15/2015**"). There is a high degree of uncertainty surrounding this new legal framework given that some provisions of the Notarial Law seem be in conflict with laws on the enforcement of pledges that were not expressly repealed by Law 15/2015. As a result, certain aspects of these types of auctions are open to interpretation.

The recognition by Spanish courts of security interests created abroad will be governed by Spanish law. Generally, such security interests will be upheld provided that the security interests are not contrary to

Spanish public policy (*orden público*). Once this test is met, the Spanish courts should not re-characterize or otherwise amend the security interest to conform it to security interests regulated by Spanish law.

After the debtor is declared insolvent, the enforcement of in rem securities (e.g., mortgages, pledges) affecting assets owned by the debtor and necessary for the continuity of its professional or business activities (presumably most of the debtor's assets) will be stayed until the first of the following circumstances occurs: (i) approval of a creditors' agreement (unless the content has been approved by the favorable vote of the creditor secured by the security, in which case the creditor will be bound to whatever has been agreed in the creditors' agreement), or (ii) one year has elapsed since the declaration of insolvency without liquidation proceedings having been initiated.

Pursuant to Spanish law, the creation of pledges requires the fulfillment of certain formalities in order for such security interests to be considered existing and perfected. "Ordinary" pledges (which may be created over shares/quotas, credit rights arising from contracts, etc.), for instance, require the transfer of possession of the pledged assets to the pledgee, and their formalization in a notarial document (which is not compulsory in all cases but habitual and advisable in order for the security interest to be effective vis-à-vis third parties). The specific way to fulfill the request of transfer of possession varies depending on the nature of the assets to be pledged.

In respect of pledges over credit rights arising from contracts or bank deposits/accounts, the transfer of possession requirement is met by formalizing such pledge in a notarial document and the pledge is typically notified to the relevant debtor/depositary bank. Hence, the formalizing of the pledge and (although not strictly and legally required) the notice to the relevant debtor/depositary bank would suffice for the purposes of creating this security.

Insolvency laws

Any insolvency proceedings against Keraben and Saloni would be likely based on Spanish insolvency laws. However, pursuant to the Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings and the Spanish Act 22/2003, of July 9, 2003, on Insolvency (the "**Spanish Insolvency Act**"), where a Spanish company conducts business in another country, the jurisdiction of the Spanish courts may be limited if the company's center of main interest is found to be in a country other than the Kingdom of Spain. This "centre of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "centre of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the "centre of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "**territorial insolvency proceedings**").

The following is a brief description of certain aspects of the Spanish Insolvency Act.

The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "concurso de acreedores," applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Insolvency Act). These proceedings may lead either to reorganization through the implementation of an agreement between the creditors and the debtor (composition agreement) or to the liquidation of the debtor's assets.

Both the debtor and creditors may initiate the insolvency proceeding. Bankruptcy is considered voluntary (*concurso voluntario*) if filed by the debtor and involuntary (*concurso necesario*) if filed by a third-party creditor.

A debtor (in the case of a company, its directors) is required to file the insolvency petition upon inability to regularly pay its liabilities as they become due. The debtor is also entitled (but not required) to apply for such insolvency proceedings when it foresees its inability to regularly pay liabilities as they become due. It is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. Where the debtor fails to file a petition for insolvency within the time period established by law (two months), (i) the directors may be removed from office and substituted by an insolvency authority once the insolvency is declared and the insolvency process is initiated; (ii) the debtor may be unable to exercise certain courses of action (including, *inter alia*, the possibility of submitting a pre-arranged settlement proposal); and (iii) the directors may be held liable for the impaired claims accrued as from the consent of insolvency, should the debtor be liquidated and insolvency be classified as "guilty."

The general obligation to file for insolvency within two months from the date of being in a situation of current insolvency (*insolvencia actual*) does not apply if the debtor notifies the applicable Court that it has initiated negotiations with its creditors to obtain accessions to a pre-arranged anticipated composition agreement (*propuesta de convenio anticipado*) or to reach an out-of-court refinancing agreement set out in Section 71 bis.1 or in the 4th Additional Provision of the Spanish Insolvency Act (the so-called 5 bis communication). Effectively, by means of the 5 bis communication, the debtor gains a three-month period to achieve an agreement with its creditors or to obtain accessions to an anticipated composition agreement and one further month to file for insolvency, if after the above mentioned period of three months has elapsed without an agreement being reached and the situation of insolvency persists. During such period of time, creditors' applications for insolvency will not be accepted and enforcement will be prevented: (i) by creditors, other than public, over assets which are necessary for the continuity of the debtor's business activities; and (ii) by financial creditors referred to in the 4th Additional Provision of the Spanish Insolvency Act over any asset, provided financial creditors holding at least 51% of the financial indebtedness (by value) of the insolvent debtor have expressed their will to commence negotiations in order to reach a refinancing agreement and have committed not to initiate or continue enforcement proceedings against the debtor. Further, any outstanding enforcement action which falls into the above categories that was commenced before the filing for a pre-insolvency moratorium will be suspended.

Creditors may file for the declaration of insolvency of the debtor but must provide evidence of its actual and not just its imminent insolvency. To this end, creditors must prove to the court: (i) a generalized default on payments by the debtor; (ii) a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) a misplacement, "fire sale," hasty, loss-making or ruinous liquidation of the debtor's assets; or (iv) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (i.e. three months). However, creditors having acquired debt by means of *inter vivos* acts and by a singular title after becoming due and payable may not file for the declaration of insolvency of the debtor within six months of the date of the debt acquisition.

Creditors must communicate their claims to the insolvency trustee (*administrador concursal*) within one month from the publication of the judicial resolution declaring the insolvency of the debtor in the Official Gazette (*Boletín Oficial del Estado*), by providing original documentation that justifies their claims. In addition, the insolvency trustee is obliged to include all creditors appearing in the corporate documentation of the debtor in the list of creditors to be attached to the insolvency trustee's report, even if such creditors did not communicate their claims to the insolvency trustee.

The sole declaration of insolvency does not imply the automatic suspension of the business activities of the debtor. The insolvency court can either determine that the debtor continues to be managed by its management body under the supervision of one or three insolvency trustees, or that the management body loses control over the debtor, in which case the insolvency trustees will take over the full management of the debtor.

The debtor may not carry out any management activity or enter into any new transactions concerning the disposal of its assets, unless approved by either the insolvency trustee or the management body with the authorization of the insolvency trustee, in both cases with the acquiescence of the insolvency court. Actions carried out by the debtor that breach any required supervision of the bankruptcy authorities may be declared null and void.

Neither private nor governmentally-led foreclosure proceedings can be initiated or continued against the debtor's assets after its declaration of insolvency. See the previous section "—*Enforcement Proceedings in Spain*" for any details on the exceptions to the foregoing.

Set-off is not allowed under the Spanish Insolvency Act once a debtor has been declared insolvent, but where the operating requirements of set-off are met before the declaration of insolvency, set-off can still apply. However, set-off may be exercised by a determined creditor vis-à-vis the insolvent company if the law governing the reciprocal credit right of the insolvent company permits it during insolvency proceedings. Accrual of both legal and contractual interest is suspended from the declaration of the insolvency except for those credits secured with *in rem* security up to the maximum amount covered by the relevant security.

The general rule is the maintenance of all contracts entered into by the debtor from which obligations derive for both parties that are still outstanding, regardless of the declaration of insolvency or the existence of an early termination for insolvency clause in the relevant contract (which shall be deemed as not included within the agreement). Contracts can be terminated if one of the parties breaches its contractual obligations, although the court, even existing a termination cause, may force the fulfillment of the contract if it is in the interest of the debtor's estate. Contracts can also be terminated if the insolvency trustees deem it convenient for the debtor's estate upon approval of the insolvency court. In addition, the insolvency trustees and, under certain circumstances, other creditors may seek the termination of certain acts and contracts harmful to the debtor's estate by initiating a claw-back action (see further details below). There are specific rules for employment agreements, mainly affecting collective dismissals, which are dealt with by the insolvency court.

The judge's insolvency resolution contains an express request for creditors to declare debts owed to them within a one-month period, by providing original documentation that justifies their claims. Based on such documentation provided by the creditors and that held by the debtor, the insolvency trustee draws up a list of acknowledged claims and classifies them according to the categories established under law, which are as follows: (i) claims against the debtor's state, (ii) claims benefiting from special privileges, (iii) claims benefitting from general privileges, (iv) ordinary claims and (v) subordinated claims.

(a) Claims against the insolvency estate (*créditos contra la masa*) are not considered part of the debtor's general debt and are payable when due according to their own terms (and, therefore, are paid before other debts under insolvency proceedings). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, (iv) those that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor in the ordinary course of business following the declaration of insolvency; (vii) in case of liquidation, the credit rights granted to the debtor under a composition agreement (*convenio*) in accordance with article 100.5 of the Spanish Insolvency Act, (viii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71. bis or the 4th Additional Provision of the Spanish Insolvency Act. This classification shall not apply to the new funds lent by the debtor or persons being in a special relationship with the debtor resulting from a share capital increase, loans or acts with analogous purpose.

(b) Claims benefiting from special privileges, representing security on certain assets (essentially *in rem security*). Creditors benefiting from special privileges, representing security over certain assets (*in rem* securities) up to the amount of the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset determined in accordance with the rules provided for in the Spanish Insolvency Act minus senior claims). The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims may entail separate proceedings, and are subject to certain restrictions related to a mandatory waiting period that may last up to one year and certain additional limitations set forth in the Spanish Insolvency Act, provided that the relevant asset is necessary for the continuity of the debtor's business. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency trustee has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to composition agreements (*convenios*), unless they give their express support by voting in favor of the arrangement or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of secured claims of the same class vote in favor of such composition agreement. In the event of liquidation, they are the first to collect payment against the secured assets.

(c) Claims benefiting from general privileges including, among others, certain labor debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations are recognized as privileged for half of their amount, and so is 50% of the amount of the debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71. bis or the 4th Additional Provision of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be affected by the restructuring (if under a composition agreement) except if they give their express support by voting in favor of the composition agreement or, in the case they do not give such express support, if creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of claims benefiting from general privileges of the same class vote in favor of such composition agreement. If they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment (in the order established by law) and with the exception of secured assets, from which payments will be collected first by the relevant creditors holding claims with a special privilege.

(d) Ordinary claims (non-subordinated and non-privileged claims) will be paid on a prorated basis from the proceeds of the assets not subject to secured claims, former pre-deduction of estate claims and generally privileged claims.

(e) Subordinated claims are thus classified contractually or pursuant to law. Debts subordinated by virtue of law include, among others, those credits held by parties in special relationships with the debtor. In the case of individuals, this includes their relatives. In the case of a legal entity, this includes directors (whether duly appointed or "*de facto*" acting as such—*administradores de hecho*) and those holding general powers of attorney (including those that have held those positions during the two years prior to the insolvency declaration); group companies and their common shareholders, and any shareholders holding over 5% (for listed companies) or 10% (for non-listed companies) of the entity's share capital. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Section 71 *bis* or the 4th Additional Provision of the Spanish Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open. Claims related to accrued and unpaid interest unless and to the extent they are secured by an in rem right are also subordinated. Subordinated creditors are second-level creditors; they may not vote on a composition agreement (*convenio*) and in the event of liquidation collect payment according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

Once the insolvency proceeding is instituted, the harmful actions to the debtor's estate carried out by the debtor within two years prior to the date of declaration of the insolvency proceeding may be declared rescinded (*rescindido*) or clawed back. Some transactions are presumed detrimental to the debtor's estate without the parties being able to provide evidence to the contrary, non-rebuttable presumptions, (e.g., disposal of assets without consideration and payment of non-matured unsecured obligations). In some cases, the prejudice is presumed although such presumption can be challenged (rebuttable presumption) as in the case of (i) disposal acts in favor of specially-related persons to the debtor; (ii) the granting of in rem rights as security for preexisting obligations (or new obligations in substitution of the preexisting obligations); or (iii) early repayment of secured obligations. In the remaining cases, detriment would have to be evidenced by the party seeking rescission.

Under no circumstances can be rescinded: (i) ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, provided that they are carried out under market conditions, (ii) actions contemplated in the specific legislation regarding systems of payment, set-off or liquidation of values and derivative instruments, (iii) guarantees constituted in favor of Public Law credits or credits in favor of the labor authorities, and (iv) transactions subject to foreign law in case the beneficiary of the transaction can prove that such transaction cannot be rescinded under the law to which it is subject to.

The Spanish Insolvency Act excludes as well certain types of refinancing agreements from the scope of claw-back actions, including the guarantees and security interest granted in execution of such agreements as explained in the "*—Cramdown effects of certain refinancing agreements in Spain*" section below.

On top of claw-back actions, acts and contracts entered into by the debtor in fraud of creditors within the last four years may be judicially challenged (through the so-called "***actio pauliana***").

If a rescission action is successful, restoration of the assets that are the subject of the transaction, together with the proceeds and interest, will be ordered by the judge. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay an amount in cash equal to the value of the assets at the time of their disposal, plus interest. If the judge rules that the transaction has been conducted in bad faith, the liable party will be obligated to indemnify the debtor for loss and damages suffered as its claim will be classified as subordinated. If the judge does not conclude that the transaction was conducted in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate as per bilateral contracts.

The foreclosure of a security interest under the different proceedings set forth in the Spanish Civil Procedure Law (e.g., judicial or notarial auction) does not guarantee -at least in practice- that the proceeds to be obtained as a result of the enforcement proceeding are equivalent to the amount secured by such asset or even to the value on the asset.

Enforcement of guarantees may be limited since the guarantor may not be required to pay any amount in excess of the amount owed by the principal debtor or under condition less favorable than those applicable to the principal debtor.

Guarantees or security interests granted by a Spanish company in favor of a third party, to secure other group companies' debt may be subject to clawback, on the basis that such guarantees or security interests may be considered as detrimental to the guarantor's estate, if the guarantor is not able to show that there was a tangible and identifiable corporate benefit for the guarantor to grant such guarantee or security (beyond an abstract group interest or general mentions to pertinence to the same group of companies or the so-called "group interest"). Whether or not the granting of any upstream guarantee or security by the guarantor is detriment to the guarantor's estate is a factual matter that will need to be proven on a case by case basis (the beneficiary of the guarantee bearing the burden of such proof). Notwithstanding the foregoing, Spanish case law recognizes the validity of upstream guarantees.

Conclusion of insolvency

Settlement

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to reach a composition agreement regarding payment of the insolvency debts. Such an agreement may be proposed either by the debtor or by the creditors, and shall set forth how, when and up to what amount creditors are to be paid. Once executed, the composition agreement must be honored by the debtor and respected by the creditors.

The composition agreement must contain proposals for write-offs and stays. Article 100 of Spanish Insolvency Act provides that it may also contain alternative or additional proposals for all creditors or for certain classes of creditors (except for public entities), including conversion of credits into shares, into profit-sharing credits, convertible bonds or subordinated debt, or any financial instrument different from the original debt. It may also include proposals for allocation of all assets or of certain assets related to the debtor's business activity to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the composition agreement.

The proposals in the composition agreement shall include a payment schedule.

In order for a composition agreement to be deemed approved by the creditors, the following majorities shall be met at the creditors' meeting:

(a) In case the composition agreement contains write-offs equal to or less than 50% of the amount of the claims; to stays on the payment of principal, interest or any other outstanding amount, for a period not exceeding five years; or, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans (*préstamos participativos*) over the same period, at least 50% of the ordinary claims have voted in favor of such composition agreement. Notwithstanding the above, a simple majority will suffice when the composition agreement consists of (i) full payment of ordinary claims within a period not exceeding three years or (ii) immediate repayment of outstanding ordinary claims applying a write off of less than 20%.

(b) In case the composition agreement contains stays of between five and ten years; write-offs of more than 50% of the amount of the claims and, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit-participating loans over the same period and any other proposal under article 100 of the Spanish Insolvency Act, 65% of the ordinary credits should have voted for the composition agreement.

The holders of subordinated credits and those creditors considered as especially related to the debtor are not entitled to vote.

Although in principle privileged creditors are not subject to an approved composition agreement (unless they have expressly voted in its favor), the effects of an approved composition agreement can be extended to privileged creditors provided that the relevant composition agreement has been approved by the following majorities of creditors within its category of creditors (labor creditors, public law creditors, financial creditors or others):

(a) In case the composition agreement contains a write-off (or debt discharges) equal to or less than 50% of the amount of the claims, stays for a period no longer than 5 years or conversion of debt into profit participating loans, also for a period no longer than 5 years, at least 60% of privileged creditors have voted in favor; and

(b) In case the composition agreement contains a write-off of more than 50% of the claim; stays (for a period between 5 and 10 years), conversion of debt into profit participating loans also for a period between 5 and 10 years, and any other proposal under article 100 of the Insolvency Act, at least 75% of privileged creditors have voted in favor.

Cramdown effects of certain refinancing agreements in Spain

In order to seek protection against clawback, refinancing agreements (out-of-court workouts) can also be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct an eventual insolvency proceedings of the debtor, upon request by the debtor or by any creditor having entered into such refinancing agreements, provided that, among other requirements, (i) they entail a significant enlargement of debtor's credit or a change in the debt structure by either granting a longer term or replacing previous claims with new ones, all these in accordance with a viability plan enabling the continuity of the debtor business activity in the short and medium term; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group a companies, the majority refers both individually to each company and to the Group as a whole -where the intercompany claims are not taken into account-); and (iv) the refinancing agreement and the documents sustaining performance of conditions (i) to (iii) above are formalized in a notarial deed. Such judicially sanctioned refinancing agreements may not be subject to a claw-back action, but may be challenged in certain cases pursuant to general fraudulent conveyance law (i.e., in case of breach of formalities or in case they impose disproportionate sacrifices on dissenting creditors—see below).

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement (for the purposes of petitioning protection against clawback) if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement.

The following cramdown effects of homologated refinancing agreements may be imposed on dissenting or non-participating unsecured financial creditors including secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the latest reform of the Spanish Insolvency Act, provided they achieve the thresholds mentioned below:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (*préstamos participativos*) of duration up to five years.

    Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

(b) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

    (i) stays of payments for up to ten years;

(ii) uncapped haircuts;

(iii) capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

(iv) conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

(v) assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro soluto*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors in the amount covered by their security interest (valued in accordance with the rules set out in the Fourth Additional Provision of the Spanish Insolvency Act), when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

Liquidation

Failure to obtain the approval of a composition agreement or upon debtor's petition at any time leads to liquidation. The debtor must file a petition for liquidation if, after a composition agreement has been approved, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such composition agreement. Additionally, in such case, if the debtor does not file a petition for liquidation while the composition agreement is in force, any creditor may file such petition based on Article 2.4 of the Spanish Insolvency Law. Therefore, the company will be aimed at dissolution and the directors and liquidators will be removed. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The insolvency trustee will be required to prepare a liquidation plan that must be approved by the insolvency court. The insolvency trustee is required to report quarterly on the liquidation and has one year to complete it. If the liquidation is not completed within one year, the court may appoint a different insolvency trustee.

Termination of the insolvency proceedings

Article 176.4 of the Spanish Insolvency Act also foresees the termination of the insolvency proceeding at any stage when it is proven that all credits have been paid, or that all creditors have been entirely satisfied by other means, or that the situation of insolvency (*i.e.* the impossibility to face payment obligations regularly) has been overcome.

Finally, it must be noted that article 176 bis of the Spanish Insolvency Act foresees the termination of the insolvency proceeding at any time when assets are not enough to pay post-insolvency debt, as long as no future claw back actions are envisaged, nor actions claiming liability to third parties, nor the assessment of the proceeding as guilty.

Fraudulent Conveyance Laws

Under Spanish law, in addition to insolvency claw back action, the insolvency administrator and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against the debtor and the third party which is a party to such contract or agreement, provided that the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;

- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed (as opposed to claw back actions where the subjective component or fraud does not have to be proven). Pursuant to article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (*i.e.* it cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (*i.e.* it is a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return to the debtor the consideration received under the contract in order to satisfy the debt owed to the creditor (or any other debts that may be owed to other creditors). Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor.

If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages if it is proved that such third party incurred in willful misconduct when entering into the fraudulent agreement with the debtor. In any other case (i.e. if it is proved that the third party acted in good faith and was not aware of the debtor's fraudulent intention) it will be the person who has actually and consciously caused the damage to the creditor who will have to reimburse the corresponding amount.

The deadline to file a rescission action expires after four years as from the date when the claim could have been filed.

Australia

In the event of insolvency, insolvency proceedings may be initiated in Australia under the insolvency laws of Australia, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law or the insolvency laws of other jurisdictions with which you may be familiar.

There are three main forms of insolvency processes in Australia: voluntary administration (which may result in a deed of company arrangement), receivership and winding-up (also called liquidation). Corporate reorganizations can also be effected using, among other things, schemes of arrangement, which can be a solvent or insolvent procedure.

Voluntary Administration

Voluntary administration is a non-terminal insolvency process begun by the appointment of one or more administrators to a company.

The most common method for appointment of an administrator is by resolution of the company's board. However, a creditor with a security interest over the whole, or substantially the whole, of the company's property can also appoint an administrator (provided that security interest is immediately enforceable), as can a liquidator or provisional liquidator (if the company is already in liquidation or provisional liquidation). A company need not be presently insolvent to enter into voluntary administration, however in the case of an appointment by the company's board or a liquidator or provisional liquidator, the appointer must believe that the company is likely to become insolvent at some future time.

Voluntary administration is the only formal process in Australia with rehabilitation as one of its express goals. During the period of voluntary administration, there is a moratorium on claims by the company's creditors, such that (with certain exceptions) no proceedings against the company, or in relation to the company's property, can be commenced or continued with, and no enforcement processes can begin or proceed other than with the consent of the administrator or the relevant Australian Court.

Similarly, a security interest cannot be enforced over the property of the company except with the consent of the administrator or the Court, unless the secured creditor holds a security interest over the whole or substantially the whole of the company's property and enforces the security interest within 13 business days following the appointment of the administrator. These restrictions may affect the enforceability of the security interests granted by the Australian Guarantors if a voluntary administrator were appointed to those entities.

The duration of voluntary administration is prescribed in the Australian Corporations Act and is intended to be for a short period of time, although the administrator can seek an order from an Australian Court to lengthen the period of the administration where the circumstances justify that course. During the period of voluntary administration, the administrator controls the company (the powers of the directors and officers are suspended). The administrator may carry on the business of the company and does so as the company's agent.

At the second creditors' meeting, creditors will be asked to vote on whether the company should execute a Deed of Company Arrangement if one is proposed (see below), be wound up (see below) or revert to the control of its directors. That decision is made by the company's creditors (by a majority in number and value) at a meeting convened by the administrator. If the vote is split between value and number, the administrator which generally chairs the meeting of creditors has a casting vote on the outcome. The voluntary administration ends when the company executes a Deed of Company Arrangement or the creditors resolve that it be wound up or revert to the control of its directors.

Deed of Company Arrangement

A deed of company arrangement is a statutory instrument which, once executed, binds the company, its officers, members, the deed's administrators, its unsecured creditors (whether or not they voted in favor of it), any secured creditors who vote in favor of it and any other parties to the document. Secured creditors who do not vote in favor of the deed of company arrangement will generally not be bound by its terms.

The content of a deed of company arrangement will depend on the arrangement proposed which is put to vote at a meeting of the company's creditors at the second creditors' meeting held during the voluntary administration procedure. A deed of company arrangement will generally provide for the restructure or rehabilitation of the company, usually by compromising claims against the company in exchange for a distribution to creditors. It may also provide for the realization of assets, the orderly winding down of the company's business, the pursuit of litigation for the benefit of creditors and, as stated above, the compromise of claims against the company. It will generally also provide for a moratorium on claims against the company for the period in which the deed of company arrangement operates.

A deed of company arrangement can be terminated in accordance with its terms, by an order of the relevant Australian Court, or by resolution of the company's creditors.

The consequences of termination will depend on the terms of the deed or (if applicable) the Court orders made or the creditors' resolution. Two common consequences of termination are:

- that the company is wound up (for example, if the deed has not been performed, the Court makes orders terminating the deed or the creditors pass a resolution terminating the deed and that the company be wound up); or
- that the company returns to the control of its directors and officers (if the deed has been performed).

Receivership

Receivership is a form of non-terminal insolvency process, under which a receiver (or receiver and manager) is appointed in respect of a company to take control of or get in specific property, so as to protect the rights of a party (usually a secured creditor) entitled to that property. Receivers are generally appointed privately by a secured creditor in accordance with the terms of a security document. In certain limited circumstances, receivers may also be appointed by an Australian Court.

Depending on the extent of the assets securing the company's obligation to the secured creditor and the terms of the security, the secured creditor will usually have the ability to appoint either a receiver or a receiver and manager. A receiver is charged with the realization or management of the secured asset over which he or she has been appointed. Where the terms of the relevant security permit it to do so, a receiver and manager may be empowered to take control of the debtor's business as a going concern for the purpose of repayment of the secured debt, through realization of the debtor's assets and/or through the income generated by the debtor's business. For the purposes of this document, there is no distinction between receivers and receivers and managers, so the term "receivers" is used to describe both types of appointment.

A receiver's powers are determined by the terms of the security under which she or he is appointed (or in the case of a Court appointed receiver, the relevant Court orders). Receivers' powers and obligations are also subject to the Australian Corporations Act and general law. Generally, a receiver's powers will include the power to enter into possession and control of the secured property, lease or sell the property, and to carry on the business of the debtor and do all things which the debtor is normally empowered to do. It is common for the document creating the security interest to provide that receivers exercise their powers as agent of the company. As such, while directors and officers of the debtor are not formally displaced by the appointment of a receiver, the powers of the receiver supersede those of the existing company management, in respect of dealing with secured property. The directors may however be required to provide the receiver with reports as to the company's affairs and to cooperate with the receiver to the extent necessary to achieve the purposes of the receivership.

A receivership can occur concurrently with a voluntary administration, deed of company arrangement or a liquidation. Where a receivership occurs concurrently with a voluntary administration, the administrator's powers are subject to the functions and powers of the receiver. Where a receivership occurs concurrently with a winding up (or liquidation), the receiver's powers are not diminished, although there may be some restrictions on the extent to which the receiver may exercise those powers.

A receiver owes her or his primary duty to the secured creditor who appointed them. However, the Australian Corporations Act also imposes certain statutory duties on a receiver. In particular, s 420A(1) of that Act, obliges receivers to take reasonable care to ensure that, if sold, the secured property is sold for market value (or, if the assets do not have a market value, for the best price reasonably obtainable having regard to the circumstances that exist when the property is sold). Receivers are also officers of the company and therefore, are subject to the officers' duties imposed by the Australian Corporations Act.

In the normal course, a privately-appointed receivership will terminate where the purpose for which the receiver was appointed has been achieved. This will usually be the repayment of the debt owed to the secured creditor. If there are insufficient assets held by the debtor to repay the secured debt in full, the receivership will terminate when the receiver exhausts all of the available assets of the debtor and retires. On termination of the receivership (assuming there is no concurrent voluntary administration, deed of company arrangement or liquidation), control of the company and all of its remaining assets are returned to the company's directors and officers.

Winding Up

A winding-up (or liquidation) is a terminal insolvency process by which a company's affairs are brought to an end, and its assets are distributed among its creditors and (if there is a surplus after creditors are paid) its members.

A winding up most commonly occurs where a company is insolvent, and is commenced:

- where a Court makes an order that the company be wound up in insolvency (or for some other reason);
- by resolution of the company's members (known as a creditors' voluntary winding up if the company is insolvent); or
- by resolution of the company's creditors at the conclusion of a voluntary administration.

It is also possible for a company to be wound up on a solvent basis, most commonly because its members wish it to cease trading and have their capital returned (known as a members' voluntary winding up).

During a winding up:

- subject to a Court order, a stay is imposed upon existing proceedings against the company and claimants are prohibited from commencing new proceedings;
- instead claimants must lodge a proof of debt with the liquidator for the amount of their claim against the company; and
- any distress or execution put in force against the property of the company is void.

However, a secured creditor does not require the leave of the Court to deal with the charged property. Where a receivership and liquidation occur concurrently, a liquidator will generally not have power to deal with the company's assets that are the subject of a valid security interest in favor of the secured creditor.

On liquidation, unsecured creditors have a right to vote at any creditors' meetings and are entitled to participate in the distribution of a fund of assets protected and properly administered. Secured creditors generally retain the right to enforce their security and may elect to appoint a receiver.

Once appointed, a liquidator is able to bring proceedings, among other things, against persons in relation to "voidable transactions," pursuant to section 588FE(1) of the Australian Corporations Act. The most commonly prosecuted "voidable transaction" claims, and their relevance to noteholders, are discussed further in the limitations section below.

The proceeds of successful claims will be available for distribution to the company's creditors.

Section 556(1) of the Australian Corporations Act provides a prescribed order (commonly referred to as a "**waterfall**") for the payment of certain unsecured debts and claims against the company, which must be paid in priority to all other unsecured debts and claims against the company. These include, among others, debts or amounts owing to employees for certain claims.

The final step in a winding-up is the deregistration of the company. The steps for deregistration are governed by the Australian Corporations Act. Once deregistered, the company ceases to exist and the liquidator's role comes to an end.

Scheme of Arrangement

A scheme of arrangement is a Court approved compromise or arrangement between a company and its creditors or members, or a specific class of creditors (for creditors' schemes) or members (for members' schemes).

Schemes can be utilized by companies to provide for a modification or adjustment of the rights of the company's creditors or members which, if approved by the requisite majority of creditors or members of the class to which the scheme was proposed and approved by the Court, will be binding on all creditors or members in that class (including dissenting creditors or members).

Members' schemes will generally involve some restructuring of the company and the rights and obligations of its members. A creditors' scheme will often involve a proposal to defer, compromise or extinguish the company's debts. A typical scenario would involve a moratorium in respect of claims against the company and a compromise of debts owed by it (and/or a modification of the rights of creditors or a class of them in relation to the company). A creditors' scheme needs to be approved by each class of affected creditors (in each case by a voting majority constituting 75% in value and majority in number). Unlike a deed of company arrangement, schemes of arrangement can bind secured creditors, owners and lessors in respect of their property and can release third-party claims.

Schemes are, however, extremely flexible and can be utilized to implement any arrangement relating to the rights and obligations of the company and its creditors. However, a scheme which is contrary to law, or not in the public interest is unlikely to be approved by the Court (even if it has the support of members and/or creditors).

Summary of Limitations on the Validity and Enforceability of Guarantees and Collateral Under Australian Law

General

Under Australian law, the enforceability of the Notes Guarantees and security interests is subject to various limitations, some of which are summarized below.

Breach of Directors' Duties

The decision to provide the Notes Guarantees and/or security interests may be found to have been in breach of the duties owed by the directors of the Australian Guarantors, including the duty to act in good faith in the interests of the Australian Guarantors, and for a proper purpose.

If a Court were to find that the directors of the Australian Guarantors breached those duties in connection with providing the Notes Guarantees and/or security interests, they may become voidable.

If any of the Guarantees from an Australian Guarantor is avoided, it is possible that Noteholders would be left with a claim solely against the Company and the other Guarantors.

Risks Relating to Registration

Under the Personal Property Securities Act 2009 (Cth) (the "**PPSA**"), security interests over personal property (as that term is defined in the PPSA) may be susceptible to a loss of priority (or in certain circumstances extinguishment) unless the security interest has attached to the relevant collateral and has been perfected. Perfection will usually occur upon registration of the security interest on the Personal Property Securities Register within the requisite timeframe (but can also be effected by "possession" or "control" of the relevant collateral in some cases). If a security interest is not perfected or is extinguished, a secured party will continue to have an unsecured claim against a grantor upon the appointment of a voluntary administrator or a liquidator to the grantor.

The PPSA also sets out detailed rules for priority between security interests over personal property and for the circumstances in which assets may become free from security interests. To the extent that security interests granted by the Australian Guarantors are created over personal property, these rules will apply. The general rule is that security interests rank in order of perfection subject to a number of exceptions, which have general application. For example, a security interest perfected by "control" ranks ahead of other security interests and a purchase money security interest can rank ahead of earlier perfected security interests provided it is registered within a certain time.

Risks Arising in a Winding-Up

Voidable transactions

If an Australian Guarantor is subject to a winding up, the liquidator may apply to an Australian Court for orders that the entry into the Notes Guarantees and/or security interests or a transaction in connection with the Notes Guarantees and/or security interests constitutes a voidable transaction and should be set aside.

The most commonly brought voidable transactions claims include the following:

- an "unfair preference," (sections 588FA and 588FC of the Australian Corporations Act) being a transaction between the company and a creditor carried out at a time when the company was insolvent (or the company became insolvent as a result of the transaction) that results in the creditor receiving from the company, in respect of an unsecured debt, more than the creditor would receive on a winding up of the company;
- an "uncommercial transaction," (sections 588FB and 588FC of the Australian Corporations Act) being a transaction that a reasonable person in the company's position would not have entered into, having regard to the benefits and detriment to the company of entering into the transaction, the benefits to the other parties to the transaction of entering into it and any other relevant matters; or
- an "unreasonable director-related transaction" or an "unfair loan" (sections 588FDA and 588FD, respectively, of the Australian Corporations Act).

"Green" security

A security interest granted by the company in respect of "circulating assets" in the 6 month period leading up to the liquidator's appointment or, if the liquidation was preceded by voluntary administration, the commencement of the voluntary administration, will be void except so far as the security interest secures:

- a new advance (other than an advance to discharge an unsecured debt owed to the secured party which must be given as consideration for the circulating security interest);
- interest on such an advance;
- the amount of a liability (e.g. under a guarantee) undertaken at or after that time on behalf of, or for the benefit of, the company; or
- an amount payable for property services supplied to the company at or after that time or interest on an amount so payable.

The security interest will not be void if the company is proven to have been solvent immediately after the time it granted the security interest.

Impact of the above on entry into the Notes Guarantees and/or security interests

The extent to which the entry into the Notes Guarantees and/or security interests is susceptible to challenge on the bases set out above depends, among other things, on when the relevant transaction was entered into relative to the commencement of the winding up (or, if a voluntary administration precedes the winding up, the commencement of the voluntary administration).

Different time periods apply depending on the circumstances of the relevant transaction and the identity of the parties to it.

Ipso facto reforms

On 18 September 2017, the Treasury Laws Amendment (2017 Enterprise Incentives No.2) Act 2017 (the "TLA Act") was enacted in Australia. With effect from 1 July 2018, this legislation introduced new provisions into the Australian Corporations Act, which provide for an automatic stay on the enforcement of certain rights and self-executing provisions (known as "ipso facto" rights) arising under certain contracts (such as a right entitling a creditor to terminate the contract or to accelerate payments or providing for automatic acceleration), if the reason for the enforcement of those rights or provisions is (a) the contractual counterparty being under voluntary administration, having a managing controller appointed over the whole or substantially the whole of its property, or announcing, applying for or being the subject of a scheme of arrangement (for the purpose of it avoiding being wound up in insolvency), (b) the contractual counterparty's financial position during any of those affected procedures or (c) a reason that is in substance contrary to the TLA Act (known as "prescribed reasons"). Notably, the procedures under which the automatic stay would apply do not include being subject to winding up or liquidation (unless those processes are consequent to a voluntary administration or a scheme) or where a deed of company arrangement has been executed (unless the deed administrators obtain a court order for a stay to operate).

The automatic stay will apply to ipso facto rights arising under contracts, agreements or arrangements entered into at or after 1 July 2018, subject to certain exclusions set out in the Corporations Act, subordinate regulations and a Declaration related to the TLA Act that also came into effect on 1 July 2018. The subordinate regulations prescribe that a right contained in a kind of contract, agreement or arrangement for the underwriting of an issue, or sale, of bonds or that is, or governs, bonds, is not subject to the automatic stay.

Rights exercised with the consent of the relevant administrator, managing controller, scheme administrator (or a liquidator if a liquidation follows the administration or scheme) and the right to appoint a controller (in respect of security over the whole or substantially the whole property) during the decision period following the appointment of administrators are excluded. In addition to the exclusions currently applicable as a result of related subordinate regulations and Declaration that came into effect on 1 July 2018, rights prescribed by regulations or Ministerial declarations following 1 July 2018 may also be excluded. Any such subordinate legislation that may be implemented following 1 July 2018 may also prescribe additional reasons to which the automatic stay on enforcement applies. The legislation also gives the Court the power to impose stay orders in respect of a potentially broader range of contractual rights (where the court is satisfied that the relevant right is being exercised, is likely to be exercised or there is a threat that it might be exercised because of one of the prescribed reasons described above), lift the automatic stay (where the court is satisfied that doing so is in the interests of justice) and extend the duration of the automatic stay.

In relation to the Australian Guarantor, the effect of the ipso facto reforms means that, in the event of the Australian Guarantor being subject to voluntary administration, a managing controllership over the whole or substantially the whole of its property or a scheme of arrangement (for the purpose of avoiding it being wound up in insolvency), but not winding up or liquidation (unless those processes are consequent to a voluntary administration or a scheme) or where a deed of company arrangement has been executed (unless the deed administrators obtain a court order for a stay to operate), the rights of any counterparty to a contract with the Australian Guarantor that would otherwise be triggered by those events (or triggered by its financial position whilst affected by one of those affected procedures) may be unenforceable. This may affect the exercise of rights under the Guarantees as against the Australian Guarantor.

Until judicial consideration of the new provisions of the Australian Corporations Act as introduced by the TLA Act, the subordinate regulations and the Declaration and any changes in market practice, the scope of the ipso facto reform and its potential effect on the Notes and Guarantees remains uncertain.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold to non-U.S. persons outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**"). The Regulation S Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**" and, together with the Regulation S Global Notes, the "**Global Notes**"). The 144A Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interest**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear or Clearstream, as applicable (or its nominees) will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Issuer, the Registrar, Paying Agent, Transfer Agent, and their respective agents, nor the Trustee under the Indenture nor any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes (as defined below):

(a) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(b) if Euroclear or Clearstream so requests following an Event of Default under the Indenture; or

(c) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names of holders and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; provided that a Definitive Registered Note will only be issued in denominations of €100,000 or in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, we will issue and the Registrar or an Authenticating Agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Registrar's and our requirements are met. We or the Trustee or Registrar may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee, the Paying Agent, the Transfer Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*."

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of less €100,000 principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, Registrar and Transfer Agent will treat the registered holder of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the Transfer Agent, the Registrar nor any Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, Paying Agent, Transfer Agent, Registrar nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such Notes (the "**Euroclear/Clearstream Holders**") through Euroclear or Clearstream, as applicable, in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

After the expiration of the 40-day distribution period (as defined in Regulation S), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Transfer Agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act (if available).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer*" and, if required, only if the transferor first delivers to the Trustee, Transfer Agent or the Registrar (as applicable) a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "*Notice to Investors*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations, they also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear and Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear and Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

CERTAIN TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Notes or any interest therein.

United Kingdom

The following is a general summary of the United Kingdom withholding taxation treatment and of certain other United Kingdom taxation issues at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and published practice of HMRC, which may be subject to change, possibly with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Notes, and some aspects do not apply to some classes of persons, such as dealers in securities. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Notes. Prospective holders of the Notes who are in any doubt as to their tax position should consult their professional advisers. Prospective holders of the Notes who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on UK Source Interest

The Notes will constitute "quoted Eurobonds" provided they are and continue to be admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange within the meaning of sections 987 (as amended by the Finance Act 2018) and section 1005 of the Income Tax Act 2007 (the "**ITA**"). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The International Securities Market is a multilateral trading facility operated by an EEA-regulated recognized stock exchange (the London Stock Exchange) for these purposes.

If the Notes cease to constitute quoted Eurobonds, interest will generally be paid by the Issuer under deduction of UK income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty (a "**Treaty**"), or to any other exemption which may apply.

Payments by Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to such relief as may be available under an applicable Treaty, or to any other exemption which may apply. Such payments by a Guarantor may not be eligible for the "quoted Eurobond" exemption described above.

In certain circumstances and subject to certain exceptions, the Issuer and Guarantors (as applicable) will be obliged to gross-up payments on the Notes to ensure that the holders of the Notes receive and retain a net payment equal to the payment which it would have received had no such deduction or withholding for or on account of United Kingdom income tax been required. See "*Description of the Notes—Guarantees—Additional Amounts.*"

Provision of Information

Holders of Notes should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of that Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant holder (save where such person is engaged solely in a passive role in the payment process, for example clearing or arranging the clearing of a check) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the holder (including the holder's name and address). These provisions will apply whether or not the interest has been paid subject to deduction or withholding for or on account of United Kingdom income tax and whether or not the holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the holder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the holder is resident for taxation purposes.

The provisions referred to above may also apply, in certain circumstances, to amounts paid on redemption of the Notes if they constitute "deeply discounted securities" as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 ("**ITTOIA 2005**").

Other Rules Relating to United Kingdom Tax

(1) Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as described above.

(2) The references in this section (also see "*Certain Tax Considerations—United Kingdom*") to "interest," "premium" and "discount" above are to "interest," "premium" and "discount" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest," "premium" and "discount" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Holders of the Notes should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest," "premium" and "discount" as those terms are understood in United Kingdom tax law.

(3) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

Further United Kingdom Taxation Issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and may be subject to United Kingdom tax by way of direct assessment (including self-assessment) even where paid without withholding or deduction. However, interest with a United Kingdom source received without withholding or deduction for or on account of United Kingdom income tax will not generally be chargeable to United Kingdom tax on income in the hands of a holder of Notes (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless (a) that holder of Notes is a company which carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom or, if not such a company, carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and (b) the interest is received in connection with, or the Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of the Notes.

United Kingdom Corporation Tax Payers

In general, holders of Notes which are within the charge to United Kingdom corporation tax (including non-resident holders whose Notes are used, held or acquired for the purpose of a trade carried on in the United Kingdom through a permanent establishment) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) in accordance with the "loan relationship" rules contained in Part 5 of the Corporation Tax Act 2009 on a basis broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Taxation of Chargeable Gains

If the Notes constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 (as to which, see "*—Taxation of Discount*" below), the Notes should also constitute "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992, with the result that on a disposal of the Notes neither chargeable gains nor allowable losses should arise for the purposes of United Kingdom taxation of capital gains. If the Notes are not "deeply discounted securities," they will fall outside the definition of "qualifying corporate bond" mentioned above. Where the Notes do not constitute "qualifying corporate bonds," any disposal of such a Note by an individual holder who is resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which such a Note is attributable may give rise to a chargeable gain or allowable loss for the purposes of United Kingdom tax on chargeable gains, depending on individual circumstances.

Accrued Income Profits

On a disposal of Notes by a holder of Notes, any interest which has accrued since the last interest payment date or such amount as HMRC deems just and reasonable may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the Income Tax Act 2007 if that holder of Notes is resident for tax purposes in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable. These provisions will not apply if the Notes are deemed to be "deeply discounted securities" (as to which, see "—*Taxation of Discount*" below).

Taxation of Discount

Dependent, among other things, on the discount (if any) at which the Notes are issued, or, in certain cases, the premium (if any) payable on redemption, the Notes may be deemed to constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the ITTOIA 2005. If the Notes are deemed to constitute deeply discounted securities, individual holders of the Notes who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable generally will be liable to United Kingdom income tax on any gain realized on the sale or other disposal (including redemption) of the Notes; however, such holders will not be able to claim relief from United Kingdom income tax in respect of costs incurred on the acquisition, transfer or redemption of, or losses incurred on the transfer or redemption of, the Notes. Holders of Notes are advised to consult their own professional advisers if they require any advice or further information relating to "deeply discounted securities."

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue or transfer of the Notes.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "—*Foreign Account Tax Compliance Act*" below), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e. the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Original Issue Discount

The Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. Notes will be treated as issued with OID if the stated principal amount of such Notes exceeds its issue price (as defined above) by an amount equal to or greater than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event the Notes are issued with OID, U.S. holders of Notes generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of any OID with respect to a Note includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

OID, if any, on the Notes will be determined for any accrual period in euro and then translated into U.S. dollars in accordance with either of the two alternative methods described in the third paragraph under "*—Payments of Stated Interest*" above.

A U.S. holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received, translated at the spot rate of exchange on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payment of stated interest payable on the Note; second, as receipt of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal. The rules governing OID instruments are complex and prospective purchasers should consult their tax advisors concerning the application of such rules to the Notes as well as the interplay between the application of the OID rules and the currency exchange gain or loss rules.

Foreign currency exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income (and OID, if any) on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder, increased by any OID previously accrued by such U.S. holder with respect to the Note. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and OID, if any, which will be treated as discussed above under "*—Payments of Stated Interest*" or "*—Original Issue Discount*," as applicable. However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest and accrued OID, if any) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest (and the accrual of OID, if any) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under recently proposed regulations, any withholding on foreign passthru payments on the Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

Certain Other Tax Considerations

Payment by a Guarantor

If a guarantor of the Notes makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by a guarantor of the Notes will be eligible for all exemptions described above.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and persons that are not U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We have not registered and will not register the Notes or the Guarantees under the U.S. Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and
- non-U.S. persons outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act) or acting on our behalf and you are either:

    (a) a QIB, within the meaning of Rule 144A under the U.S. Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

    (b) you are a non-U.S. person that is purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that none of us, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property

of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account or accounts for which you are purchasing the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee, Registrar or Transfer Agent (as applicable). The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR][IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO AN OFFER OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR

(E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE, TRANSFER AGENT OR REGISTRAR (AS APPLICABLE) AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(7) You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes is no longer accurate, it shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

ERISA Considerations

Any purchaser, including, without limitation, (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) subject to the provisions of Part 4 of Subtitle B of Title I of ERISA or a plan, individual retirement account or other arrangement to which Section 4975 of the Code applies (each, a "**Plan**"), (ii) an entity whose underlying assets include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) or any applicable Similar Laws (as defined below) with respect to a Plan by reason of a Plan's investment in such entity or otherwise (each, a "**Benefit Plan Investor**") or (iii) a governmental (as defined in Section 3(32) of ERISA), church (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) or non-U.S. plan (as described in Section 4(b)(4) of ERISA) or other arrangement that is subject to any Federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("**Similar Laws**"), and any Plan Fiduciary (as defined below), and any transferee or holder of the Notes will be deemed to have represented, agreed and acknowledged (as applicable) in its corporate and fiduciary capacity, that:

(a) With respect to the acquisition, holding and disposition of the Notes, or any interest therein, (1) either (A) it is not, and it is not acting directly or indirectly on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting directly or indirectly on behalf of), a Plan, a Benefit Plan Investor or a governmental, church or non-U.S. plan or other arrangement that is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan or other arrangement that is subject to Similar Laws, or (B) (i) its acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Part 4 of Subtitle B of Title I of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan or other arrangement, a violation of any applicable Similar Laws); and (ii) if it is or is acting directly on behalf of a Plan or Benefit Plan Investor subject to Title I of ERISA or Section 4975 of the Code, then it will be required or deemed to represent, warrant and agree that (a) none of the Issuer, the Guarantors, the Initial Purchasers or the Trustee (the "**Transaction Parties**"), nor any of their respective affiliates, has provided or undertaken to provide any impartial investment recommendation or investment advice on which the Plan, or Benefit Plan Investor, or any fiduciary or other person investing the assets of the Plan, or Benefit Plan Investor ("**Plan Fiduciary**"), has relied in connection with its decision to invest in the Notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, in connection with the Plan, or Benefit Plan Investor's acquisition of the Notes and (b) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction; and (2) it will not sell or otherwise transfer such Notes or any interest therein other than to a purchaser or transferee that is deemed (or if required by the applicable Indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

(b) The acquirer and any fiduciary or representative acting in a fiduciary capacity causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuer, the guarantors, the Initial Purchasers, the Trustee and/or their respective affiliates, from and against any cost, damage or loss incurred by the Issuer, the Guarantors, the Initial Purchasers, the Trustee and/or any of their respective affiliates, as applicable, as a result of any of the foregoing representations and agreements being or becoming false.

(c) Any purported acquisition or transfer of any Note or beneficial interest therein to a purchaser or transferee that does not comply with the requirements of the above provisions shall be void *ab initio*.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement dated as of , 2019, among the Issuer, the Guarantors and the Initial Purchasers (the "**Purchase Agreement**"), we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, Notes in the aggregate principal amount of €330.0 million as follows:

Initial Purchasers	Principal Amount of the Notes
Credit Suisse Securities (Europe) Limited	€
HSBC Bank plc	€
ING Bank N.V., London Branch	€
NatWest Markets Plc	€
Banco Bilbao Vizcaya Argentaria, S.A.	€
Total	**€**

General

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering prices and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States may be made through certain affiliates of the Initial Purchasers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

No Sale of Similar Securities

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 60 days after the date hereof, we will not, and the Guarantors will not, without the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any of the Guarantors that are substantially similar to the Notes.

Securities Not Being Registered Under the U.S. Securities Act

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and outside the United States to persons that are not U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "*Notice to Investors*."

United Kingdom

Each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

EEA

Each of the Initial Purchasers has represented and agreed that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(1) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(2) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

Other Jurisdictions

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Investors*."

Resale Restriction

We and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

New Issue of Securities

The Notes are a new issue of securities for which there currently is no market. We have applied to list the Notes on the International Securities Market of the London Stock Exchange, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes and Our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be   business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T +   "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the following   business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Stabilization

In connection with the Offering, Credit Suisse Securities (Europe) Limited (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. "*Risk Factors—Risks Related to the Notes and Our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with applicable laws and regulations. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time.

Other Relationships

The Initial Purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may currently and/or in the future perform, various financial advisory, investment and corporate banking, commercial lending and banking, consulting and other commercial services in the ordinary course of business for us and our affiliates, and may have from time to time in the past held, and may in the future hold, positions in our or any of our affiliates' securities or enter into hedging or general derivative transactions with us or our affiliates in the ordinary course of business, for which they received or will receive customary fees and commissions and reimbursement of expenses.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and U.S. securities activities may involve our or our affiliates' securities and/or instruments (directly, as collateral securing other obligations or otherwise). The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and at any time may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

If any of the Initial Purchasers or their affiliates has a lending relationship with us or our affiliates, certain of those Initial Purchasers or their affiliates may routinely hedge their credit exposure to our or our affiliates in a manner consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our or our affiliates' securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby.

Certain of the Initial Purchasers or their respective affiliates are arrangers and lenders under the Senior Facilities Agreement that we have entered into as borrowers and under the Existing Revolving Credit Facility and Existing Term Loan Facility that we used to provide financing for a portion of the Saloni Acquisition and repay certain outstanding indebtedness and have received and will receive customary fees in such capacities. The proceeds of the Offering will be used to repay the Existing Revolving Credit Facility and Existing Term Loan Facility on the Issue Date, for general corporate purposes, and to pay the fees and expenses in connection with the Transactions. See "*Use of Proceeds*."

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins (London) LLP, as to matters of U.S. federal and New York state law and English law, by Linklaters S.L.P. as to matters of Spanish law and by Clayton Utz as to matters of Australian law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Milbank LLP as to matters of U.S. federal, New York state and English law, by Uría Menéndez Abogados, S.L.P. as to matters of Spanish law and by King & Wood Mallesons as to matters of Australian law.

INDEPENDENT AUDITORS

The Group Financial Statements, included elsewhere in this Offering Memorandum, have been audited by Grant Thornton UK LLP as stated in their auditor's reports appearing herein. The audit reports of Grant Thornton UK LLP, included elsewhere in this Offering Memorandum, did not contain any adverse opinion or a disclaimer of opinion, nor were they qualified as to uncertainty, audit scope or accounting principles. Our current independent auditors are Grant Thornton UK LLP.

WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendment or supplement to this Offering Memorandum. Each person receiving this Offering Memorandum acknowledges that: (1) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein; (2) such person has not relied on any of the Initial Purchasers or any person affiliated with any Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or any Initial Purchaser. We have agreed in the Indenture governing these Notes that, for so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon written request of a holder or beneficial owner of the Notes, furnish to such holder or beneficial owner or to the Trustee or any relevant paying agent for delivery to such holder or beneficial owner or prospective purchaser of the Notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the Notes. Any such request should be directed to the Issuer at Worcester Road, Kidderminster, Worcestershire DY10 1JR.

So long as the Notes are admitted to the Exchange, and the rules and regulations of the Exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Issuer.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer and many of the Guarantors are companies incorporated in England and Wales. Other Guarantors are organized under the laws of Spain and Australia, and future Guarantors may also be organized under the laws of non-U.S. jurisdictions. Most of our directors and executive officers and many of the directors and officers of the Guarantors are non-residents of the United States. Although we and each of the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers and the directors and executive officers of the Guarantors or security providers. In addition, as many of our and the Guarantors' assets and the assets of our and their directors and executive officers are located outside of the United States, you may be unable to enforce against them or us judgments obtained in the U.S. courts predicated on civil liability provisions of the Federal securities laws of the United States.

If a judgment is obtained in a U.S. court against us or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

England and Wales

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and is not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- the U.S. judgment is not a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England or conflicts with an earlier judgment of such court; or
- the English enforcement proceedings being commenced within the relevant limitation period).

Subject to the foregoing, investors may be able to enforce in England judgments that have been obtained from U.S. federal or state courts. Notwithstanding the preceding, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, we cannot assure you whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

Spain

Any final and conclusive judgment rendered outside Spain, in a country not bound by the provisions of EU Regulation number 1215/2012 of the European Parliament and of the Council on jurisdiction and recognition and enforcement of judgments in civil and commercial matters (and, in particular, in the United States), would be recognized and enforced by the courts of Spain pursuant to the following regimes:

- In accordance with the provisions of any applicable treaty (there being none currently in existence between Spain and the United States for these purposes);
- In the absence of any such treaty, the judgment would be enforced in Spain subject to Article 523 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) if none of the following grounds for refusal in compliance with the Spanish International Legal Cooperation in Civil Matters Act (*Ley 29/2015, de 30 de julio de cooperación jurídica internacional en materia civil,* the "**Spanish International Cooperation in Civil Matters Act**") concur:

  (i) the judgment is contrary to Spanish public policy (*orden público*);

  (ii) the judgement is not final (*i.e.*, subject to further appeal) and therefore is not an enforceable nature (*fuerza ejecutiva*) in the foreign jurisdiction;

  (iii) the judgment is rendered due to a clear breach of the rights to defense of either party (if a judgement has been rendered by default ("*en rebeldía*") against the defendant it is deemed to breach his rights of defense if he not been regularly and timely notified in a manner enabling him to defend himself properly);

  (vi) the judgment is on a matter over which the Spanish courts have exclusive jurisdiction, or with respect to other matters if the foreign court's jurisdiction does not have reasonable connection with the dispute;

  (v) the judgment is incompatible with another judgment rendered in Spain;

  (vi) the judgment is incompatible with a previous judgment rendered in another country which satisfies the conditions to be enforceable in Spain;

  (vi) existence of an action pending in Spain between the same parties and on the same subject-matter, commenced before the foreign proceeding; or

  (vii) the Guarantors are subject to an insolvency proceeding in Spain and the foreign judgment does not meet the requirements provided for in the Spanish Insolvency Act.

  (viii) the copy of the judgment presented before the Spanish Court is not duly apostilled or the documentation prepared for the purposes of requesting the enforcement is not accompanied by a Spanish translation in accordance with Article 144 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*).

In addition, should the Guarantors be subject to an insolvency proceeding in Spain the Provisions contained in the Spanish Insolvency Act should be taken into account.

According to Article 3.2 of the Spanish International Cooperation in Civil Matters Act, the Spanish Government may establish that the Spanish authorities will not cooperate with another country's authorities where there has been a refusal of cooperation or a legal prohibition of providing cooperation by such other country's authorities.

Additionally, article 47 of the Spanish International Cooperation in Civil Matters Act provides for a special provision and a special rule concerning the recognition of foreign judgments rendered in proceedings resulting from collective action, which may be recognized and enforced in Spain insofar as they satisfy the conditions set forth therein.

The United States and Spain are not party to any treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, any party wishing to have a U.S. ruling recognized or enforced in Spain, which would not directly be recognized or enforced in Spain, must file an application seeking declaration of enforceability of the U.S. resolution (exequatur) with the relevant Spanish Judge of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (Juzgado de lo Mercantil) for which the foregoing requirements must be met.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or a Guarantor, but in case of enforcement in Spain, the court costs and interest will be paid in euros.

A final and conclusive judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation number 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters would be recognized and enforceable by the Spanish courts, without review of its merits.

The enforcement of any judgments in Spain entails, among others, the following actions and costs: (a) documents in a language other than Spanish must be accompanied by a sworn translation into Spanish (translator's fees will be payable); (b) foreign documents may be required to be legalized and apostilled; (c) certain court fees must be paid, and (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (*procurador)*; and (e) the content and validity of foreign law, if needed, must be evidenced to the Spanish courts (which could, again, entail certain costs). In addition, Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Notes.

Australia

While the Australian *Foreign Judgments Act 1991* (Cth) makes provision for the enforcement of certain overseas judgments in Australia by registration, that Act does not apply to United States judgments. In order to enforce a United States judgment in Australia:

- the judgment creditor must rely on common law principles in Australia by commencing fresh proceedings in an Australian court to sue for the judgment amount as a debt; and
- each of the following conditions must be satisfied:
  - (i) the U.S. judgment must be final and conclusive, in that it must end the proceeding and the dispute to which the proceeding relates and the matter was not the subject of an earlier final and conclusive judgment by another court having jurisdiction;
  - (ii) the parties to the U.S. judgment must be identical to the parties to the Australian enforcement proceeding;
  - (iii) the U.S. judgment must be for a fixed, or readily calculable, sum and not in the nature of a tax, fine or penalty;
  - (iv) the U.S. Court giving the judgment did not lack jurisdiction to give the judgment;
  - (v) the U.S. Court must have exercised jurisdiction which is recognized by Australia—this requirement will usually be satisfied where the judgment debtor was ordinarily resident or present in the U.S. at the time the proceeding was served, or otherwise voluntarily submitted to the jurisdiction of the U.S. Court;
  - (vi) the U.S. judgment must not be wholly satisfied (and enforcement must only be sought to the extent the judgment is not satisfied); and
  - (vii) the enforcement proceeding must have been commenced within any applicable limitation periods.

Under common law principles in Australia, a defense will be available against the enforcement of a U.S. judgment in Australia if:

- the U.S. judgment was obtained by fraud or duress;
- enforcement of the U.S. judgment would contravene public policy; or
- enforcement of the U.S. judgment would offend notions of natural justice or fairness.

The Australian Attorney-General may also make a declaration under the *Foreign Proceedings (Excess of Jurisdiction) Act 1984* in respect of a U.S. judgment in relation to anti-trust proceedings, resulting in the judgment not being enforceable in Australia.

LISTING AND GENERAL INFORMATION

General

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

Admission to listing

Application has been made for the Notes to be listed on the International Securities Market of the London Stock Exchange.

Listing information

So long as the Notes are listed on the International Securities Market of the London Stock Exchange, copies of the Issuer's Articles of Association and those of the Guarantors, the Indenture (including the Guarantees granted thereunder) and the Intercreditor Agreement will be available free of charge during normal business hours on any weekday at the offices of the Issuer.

The Trustee for the Notes is Deutsche Trustee Company Limited and its address is Winchester House, 1 Great Winchester House, London EC2N 2DB, United Kingdom. The Trustee will be acting in its capacity as trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in the Indenture.

We have appointed Deutsche Bank AG, London Branch, as our Principal Paying Agent. The Registrar and Transfer Agent is Deutsche Bank Luxembourg S.A., and the Security Agent is National Westminster Bank plc.

Clearing information

The Global Notes sold pursuant to Regulation S and Rule 144A under the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes and , respectively. The ISIN number for the Notes sold pursuant to Regulation S is and the ISIN number for the Notes sold pursuant to Rule 144A is .

The Issuer

Victoria PLC, the issuer, is a public limited company incorporated under the laws of England and Wales, with company number 00282204. The registered office of Victoria PLC is Worcester Road, Kidderminster, Worcestershire DY10 1JR, United Kingdom.

The Notes as well as the issuance of the Notes were authorized by resolutions of the Issuer's board of directors passed at a meeting held on April 29, 2019.

The Guarantors

Below is a summary of the main information regarding the Guarantors:

Victoria Midco Holdings Limited

Victoria Midco Holdings Limited is a private limited company, which is a direct wholly-owned subsidiary of Victoria PLC, incorporated under the laws of England and Wales with company number 09966342. Its registered address is Worcester Road, Kidderminster, Worcestershire, DY10 1JR, United Kingdom.

Victoria Carpets Limited

Victoria Carpets Limited is a private limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of England and Wales with company number 1178145. Its registered address is Worcester Road, Kidderminster, Worcestershire, DY10 1JR, United Kingdom.

Westex (Carpets) Limited

Westex (Carpets) Limited is a private limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of England and Wales with company number 1480813. Its registered address is Castle Mills, Moorend, Cleckheaton, West Yorkshire, DB19 3PS, United Kingdom.

Abingdon Flooring Limited

Abingdon Flooring Limited is a private limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of England and Wales with company number 4923718. Its registered address is Parkway, Pen Y Fan Industrial Estate, Croespenmaen Crumlin, Newport, NP11 4XG, United Kingdom.

Interfloor Limited

Interfloor Limited is a private limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of England and Wales with company number 00162988. Its registered address is Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, United Kingdom.

View Logistics Limited

View Logistics Limited is a private limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of England and Wales with company number 6387995. Its registered address is Park View Road East, Hartlepool, Cleveland, TS25 1HT, United Kingdom.

The Victoria Carpet Company Proprietary Limited

The Victoria Carpet Company Proprietary Limited is a proprietary limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of Australia with company number A.C.N. 004304956. Its registered address is 7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia.

Quest Flooring Pty Ltd

Quest Flooring Pty Ltd is a proprietary limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of Australia with company number A.C.N. 606397273. Its registered address is 43-55 Mark Anthony Drive, Dandenong South, Victoria, 3175, Australia.

Primary Flooring Pty Ltd

Primary Flooring Pty Ltd is a proprietary limited company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of Australia with company number A.C.N. 615172097. Its registered address is 7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia.

Keraben Grupo, S.A.U.

Keraben Grupo, S.A.U. is a joint stock company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of Spain with company number A12017372. Its registered address is Ctra. Valencia—Barcelona, Km 44,3, 12520 Nules, Castellón, Spain.

Cerámica Saloni, S.A.U.

Cerámica Saloni, S.A.U. is a joint stock company, which is an indirect wholly-owned subsidiary of Victoria PLC, incorporated under the laws of Spain with company number A12014577. Its registered address is Ctra. de Alcora, Km 17, 12130 Sant Joan de Moró, Castellón, Spain.

GLOSSARY

"Artificial grass"	Imitation grass product composed of synthetic fiber yarns, a backing sheet, infill and shock absorption pads;
"Carpet tile"	Carpeting manufactured in smaller tile format and adhered to floors using adhesives or staples;
"Flooring accessories"	Products such as carpet gripper rods and carpet adhesives, which prevent carpet movement and slippage;
"Hard flooring"	Flooring products consisting of resilient or non-resilient components;
"I&R end-market"	Improvement and repair end-market, meaning the refurbishment market within the construction industry;
"Luxury Vinyl Tile (LVT)"	A premium vinyl tile product often produced to imitate stone, ceramic and other natural materials;
"Non-resilient flooring"	Includes ceramic tiles, laminate, wood flooring as well as flooring manufactured from miscellaneous materials (e.g. bamboo, glass, plastic, grating);
"OEM"	Original equipment manufacturer;
"Polyurethane foam"	An artificial foam material composed of polyurethane, a polymer using crude oil as its source material;
"Resilient flooring"	Includes vinyl flooring products, but also including flooring products manufactured using asphalt, cork, linoleum and rubber;
"SKU"	Stock keeping unit;
"Soft flooring"	Flooring products manufactured using textiles; and
"Underlay"	A layer of insulation placed under flooring products used to reduce noise, provide thermal insulation and increased comfort.

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VICTORIA PLC

Annual Report and Accounts
for the 52 weeks ended March 30, 2019

Independent auditor's report
to the members of Victoria PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Victoria PLC (the 'Company') and its subsidiaries (the 'Group') for the 52 week period ended 30 March 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows, the significant accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 March 2019 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

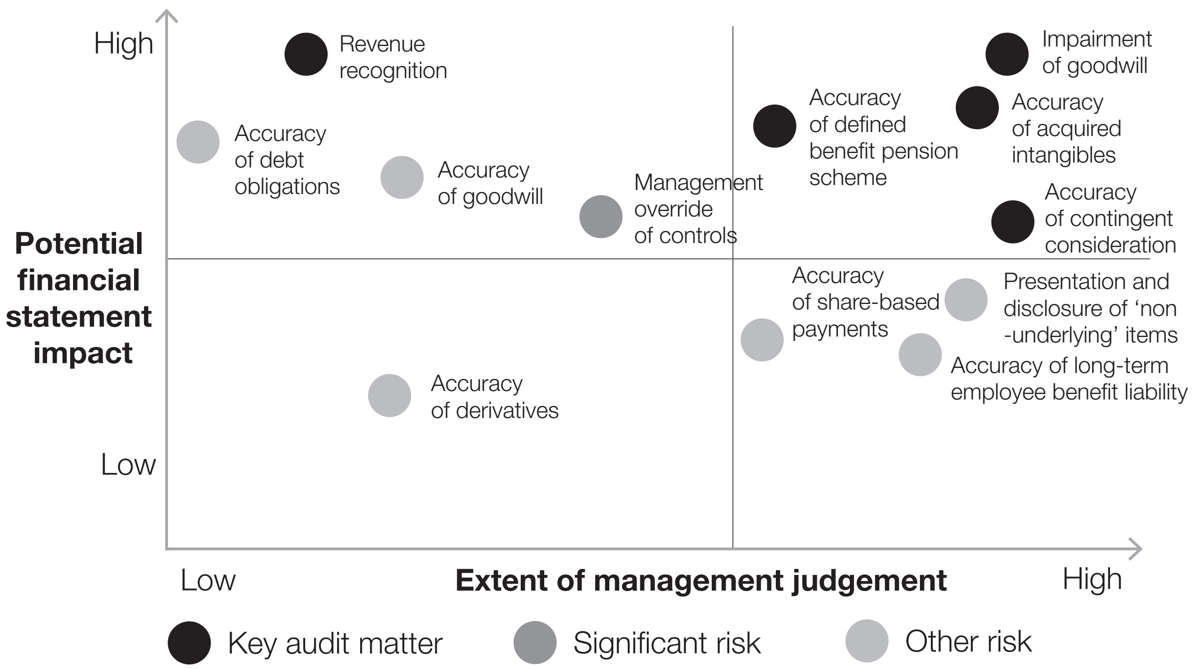
Grant Thornton

Overview of our audit approach

- Overall materiality: £2,613,000, which represents approximately 4.75% of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles and other non-underlying finance costs, at the planning stage of the audit;
- Key audit matters were identified as accuracy of acquired intangibles, accuracy of contingent consideration, impairment of goodwill, and accuracy of defined benefit pension scheme for the Group;
- Full scope audit procedures were performed by the Group audit team on significant components in the United Kingdom and by component auditors on significant components in Spain, Italy and Australia. The Group audit team performed targeted procedures on certain components in the Netherlands and the United Kingdom, and performed analytical procedures over non-significant components in the Netherlands, Belgium, and the United Kingdom; and
- We issued Group instructions to component auditors in respect of their full scope audit of the significant components.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Accuracy of acquired intangibles During the period the Group acquired the entire share capital of Ceramica Saloni S.A. (Saloni). This acquisition has had a material impact on the financial statements, resulting in the recognition of acquired intangible assets upon consolidation of this entity. 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. Intangible assets of £58.4 million were recognised as a result of the acquisition of Saloni. These intangibles were valued, using input from a third-party valuation expert, based on discounted cash flow forecasts, which require judgement by the Directors around key assumptions such as revenue growth, discount rates, brand royalty rates, customer attrition and long-term growth rates. We therefore identified accuracy of intangibles recognised in respect of the current period acquisition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing whether the Group's accounting policy for acquired intangibles was in accordance with the financial reporting framework, including IFRS 3 'Business Combinations' and whether the Group had accounted for acquired intangibles in accordance with that accounting policy; • using our auditor's expert to evaluate and challenge the assumptions used, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the intangibles recognised; and • testing the completeness and accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long-term growth forecasts. The Group's accounting policy on intangible assets is shown on page 53 and related disclosures are included in note 10 to the financial statements. **Key observations** Based on our audit work, we found that the assumptions and judgements used in management's measurement of acquired intangibles were reasonable and that the associated amounts recognised were materially accurate. We found no material errors in the underlying calculations.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Accuracy of contingent consideration At 30 March 2019 amounts owing in respect of contingent consideration were £23.9 million. Contingent consideration in respect of acquisitions is measured in accordance with IFRS 3 'Business Combinations'. Contingent consideration is recognised initially at fair value with subsequent changes to the fair value of the contingent consideration recognised in the Consolidated Income Statement. The accuracy of contingent consideration upon both acquisition and at each reporting date requires management to make judgements and estimates around the future performance of the relevant businesses and the discount rates to be applied. Estimated payments are calculated using such financial projections for the next 12 months and applying growth assumptions for future periods where relevant. Given the high level of estimation uncertainty in these judgements, we therefore identified accuracy of contingent consideration as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing whether the Group's accounting policy for contingent consideration was in accordance with the financial reporting framework, including IFRS 3, and whether the Group had correctly applied the accounting policy during the period; • testing that the contingent consideration conditions as defined in the respective share purchase agreements from previous acquisitions have been appropriately reflected in management's calculations; and • challenging and sensitising the appropriateness of the assumptions used, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the contingent consideration. The Group's accounting policy in respect of contingent consideration is shown on page 56, and related disclosures are included in note 17 to the financial statements. **Key observations** Based on our audit work, we found that the assumptions and estimates used by management in their calculation of contingent consideration were reasonable and did not identify a material misstatement in respect of the amount recorded at 30 March 2019. We found no material errors in the underlying calculations.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Impairment of goodwill 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 certain key inputs in the value in use discounted cash flow models. These include revenue growth, discount rates and long-term growth rates. We therefore identified impairment of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing whether the Group's accounting policy was in accordance with the financial reporting framework, including IAS 36, and whether the policy had been applied in management's assessment of goodwill impairment; • testing the mathematical accuracy of management's model; • testing the key underlying assumptions for the financial period 2020 budget (FY20); • challenging management on its cash flow forecast and the implied growth rates for FY20 and corroborating to relevant evidence such as external market data to support these assumptions; • using our auditor's expert to assess the discount rates and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; and • testing the sensitivity analysis performed by management in respect of the key assumptions, such as discount and growth rates, to determine there was sufficient headroom in their calculation. The Group's accounting policy on goodwill is shown on page 49 and 50 related disclosures are included in note 9 to the financial statements. **Key observations** Based on our audit work, we found that the assumptions made, and estimates used by management in their assessment of goodwill impairment were balanced and supportive of goodwill not being impaired. We found no material errors in the underlying calculations.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Accuracy of defined benefit pension scheme The Group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 30 March 2019 the defined benefit pension scheme's net liability was £7.8 million. The gross value of pension scheme assets and liabilities which form the net liability amount to £24.7 million and £32.6 million respectively. The valuation of the pension liabilities in accordance with IAS 19: 'Employee Benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the Group financial statements. The impact of the equalisation of Guaranteed Minimum Pensions (GMPs) on the accounting for the defined benefit pension scheme also requires to be considered by management and their expert. We therefore identified accuracy of defined benefit scheme as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing whether the Group's accounting policy was in accordance with the financial reporting framework, including IAS 19, through the following procedures and whether it was correctly applied during the period; • testing the accuracy and appropriateness of the data and inputs used in the period end valuation, utilising the support of an auditor's expert to challenge the assumptions used, including discount rates, growth rates and mortality rates and reviewing the calculation methods employed in the calculation of the pension liability; • using the work of our auditor's expert to assess the accuracy of the GMP impact calculation and the appropriateness of the accounting treatment in the financial statements; and • directly confirming the existence of pension scheme assets with external asset managers. The Group's accounting policy on retirement benefit costs, including defined benefit schemes is shown on page 52 and related disclosures are included in note 20 to the financial statements. **Key observations** Based on our audit work, we found the valuation methodologies, including the inherent actuarial assumptions, to be balanced and consistent with the expectation of our auditor's expert. We found no material errors in calculations or in the accuracy of the defined benefit pension scheme liability at 30 March 2019.

We did not identify any key audit matters relating to the audit of the financial statements of the Company.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Company
Financial statements as a whole	£2,613,000, which represents approximately 4.75% of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles and other non-underlying finance costs, at the planning stage of the audit. We determined that no revision to materiality was required in the light of the final results. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the Group. Materiality for the current period is higher than the level that we determined for the period ended 31 March 2018 as a result of the increase in the current period of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles and other non-underlying finance costs.	£1,940,000, which is based on 2% of the Company's total assets, restricted to 75% of Group materiality. This benchmark was considered to be the most appropriate as we consider that it reflects the Company's status as a non-trading holding company. Materiality for the current period is higher than the level that we determined for the period ended 31 March 2018 to reflect the Company's increased total assets in the current period and the restriction referred to above.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of materiality for Directors' remuneration and related party transactions outside of the normal course of business.	We determined a lower level of materiality for Directors' remuneration and related party transactions outside of the normal course of business.
Communication of misstatements to the audit committee	£130,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£97,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile. The components of the Group were evaluated by the Group audit team based on a measure of materiality, considering each as a percentage of the Group's total assets, revenues and profit before taxation, to assess the significance of the component to determine the planned audit response.

A full-scope audit approach for all components evaluated as significant was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach we or the component auditors evaluated the controls over the financial reporting system identified as part of our risk assessment, reviewed the financial statement production process and addressed critical accounting matters. For all significant risks identified we documented our understanding of management's process for evaluating the applicable risk and assessed the design effectiveness of related key controls. We sought, wherever possible, to rely on the effectiveness of the Group's internal controls in order to reduce substantive testing. We then undertook substantive testing on significant transactions and material account balances.

In order to address the described audit risks identified during our planning procedures, the Group audit team performed a full-scope audit of the financial statements of the Company, Victoria PLC (in the United Kingdom), and of other significant component entities in the United Kingdom, and component auditors performed a full-scope audit of the financial statements of other significant components in Spain, Italy and Australia. The operations that were subject to full-scope audit procedures totalled 88.6 percent of consolidated revenues and 94.1 percent of consolidated underlying profit before taxation. Statutory audits of subsidiaries, where required by local laws, were performed at a lower materiality where applicable.

We also determined that targeted procedures were to be carried out by the Group audit team in respect of certain entities based in the Netherlands and United Kingdom where significant assessed risks of material misstatement had been identified.

The remaining operations of the Group were subjected to analytical procedures with a focus on the audit risks identified above and the significance to the Group's balances.

Detailed audit instructions were issued to the component auditors of the reporting components where a full-scope approach had been identified. 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 audit team. The Group audit 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.

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 33, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

11 July 2019

Consolidated income statement

For the 52 weeks ended 30 March 2019

	Notes	52 weeks ended 30 March 2019 Underlying performance £m	52 weeks ended 30 March 2019 Non-underlying items £m	52 weeks ended 30 March 2019 Reported numbers £m	52 weeks ended 31 March 2018 Underlying performance £m	52 weeks ended 31 March 2018 Non-underlying items £m	52 weeks ended 31 March 2018 Reported numbers £m
Continuing operations							
Revenue	1	**574.4**	**—**	**574.4**	424.8	—	424.8
Cost of sales		**(370.1)**	**—**	**(370.1)**	(279.4)	—	(279.4)
Gross profit		**204.3**	**—**	**204.3**	145.4	—	145.4
Distribution costs		**(71.1)**	**—**	**(71.1)**	(59.4)	—	(59.4)
Administrative expenses		**(66.0)**	**(48.1)**	**(114.1)**	(38.6)	(22.4)	(61.0)
Other operating income		**3.1**	**1.8**	**4.9**	1.4	—	1.4
Operating profit		**70.3**	**(46.3)**	**24.0**	48.8	(22.4)	26.4
Comprising:							
Operating profit before non-underlying and exceptional items		**70.3**	**—**	**70.3**	48.8	—	48.8
Amortisation of acquired intangibles	2	**—**	**(22.5)**	**(22.5)**	—	(11.2)	(11.2)
Other non-underlying items	2	**—**	**(3.4)**	**(3.4)**	—	—	—
Exceptional items	2	**—**	**(20.4)**	**(20.4)**	—	(11.2)	(11.2)
Finance costs	3	**(13.1)**	**(14.6)**	**(27.7)**	(8.0)	(5.0)	(13.0)
Comprising:							
Net interest payable on loans	3	**(11.3)**	**—**	**(11.3)**	(6.6)	—	(6.6)
Amortisation of prepaid finance costs and accrued interest	3	**(1.6)**	**(3.1)**	**(4.7)**	(1.1)	(0.5)	(1.6)
Translation difference on foreign currency loans	3	**—**	**(3.6)**	**(3.6)**	—	(3.5)	(3.5)
Net interest expense on defined benefit pensions	3	**(0.2)**	**—**	**(0.2)**	(0.3)	—	(0.3)
Other non-underlying, non-cash finance costs	3	**—**	**(7.9)**	**(7.9)**	—	(1.0)	(1.0)
(Loss) / profit before tax	4	**57.2**	**(60.9)**	**(3.7)**	40.8	(27.4)	13.4
Taxation	6	**(13.9)**	**9.7**	**(4.2)**	(9.2)	4.4	(4.8)
(Loss) / profit for the period		**43.3**	**(51.2)**	**(7.9)**	31.6	(23.0)	8.6
Earnings / (loss) per share—pence							
basic	7	**35.27**		**(6.44)**	31.38		8.58
diluted	7	**35.25**		**(6.44)**	30.61		8.37

Consolidated statement of comprehensive income

For the 52 weeks ended 30 March 2019

	Note	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
(Loss) / profit for the period		**(7.9)**	8.6
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit pension scheme	20	**1.8**	2.0
Decrease in deferred tax asset relating to pension scheme liability		**(0.3)**	(0.4)
Items that will not be reclassified to profit or loss		**1.5**	1.6
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**(0.6)**	(2.1)
Items that may be reclassified subsequently to profit or loss		**(0.6)**	(2.1)
Other comprehensive income / (expense)		**0.9**	(0.5)
Total comprehensive (loss) / income for the year attributable to the owners of the parent		**(7.0)**	8.1

Consolidated and Company balance sheets
As at 30 March 2019

	Notes	Group 30 March 2019 £m	Group 31 March 2018 £m	Company 30 March 2019 £m	Company 31 March 2018 £m
Non-current assets					
Goodwill	9	**223.7**	188.1	**—**	—
Intangible assets other than goodwill	10	**241.4**	210.3	**0.3**	0.2
Property, plant and equipment	11	**190.6**	142.9	**—**	—
Investment property	12	**0.2**	0.8	**0.1**	0.2
Investments in subsidiaries	12	**—**	—	**51.4**	49.3
Investments in associates	12	**—**	1.0	**—**	—
Trade and other non-current receivables	14	**—**	—	**577.9**	14.8
Deferred tax assets	19	**5.8**	4.6	**0.2**	0.2
Total non-current assets		**661.7**	547.7	**629.9**	64.7
Current assets					
Inventories	13	**140.5**	100.3	**—**	—
Trade and other receivables	14	**116.0**	88.2	**34.4**	484.0
Cash and cash equivalents	17	**66.4**	54.0	**19.0**	6.2
Total current assets		**322.9**	242.5	**53.4**	490.2
Total assets		**984.6**	790.2	**683.3**	554.9
Current liabilities					
Trade and other current payables	15	**168.6**	121.5	**2.5**	3.1
Current tax liabilities		**—**	1.0	**—**	—
Other financial liabilities	16, 17	**10.4**	3.0	**2.1**	12.9
Total current liabilities		**179.0**	125.5	**4.6**	16.0
Non-current liabilities					
Trade and other non-current payables	15	**19.5**	29.2	**—**	0.4
Other non-current financial liabilities	16	**392.3**	306.1	**388.6**	300.7
Deferred tax liabilities	19	**66.1**	54.7	**—**	—
Retirement benefit obligations	20	**7.8**	9.1	**—**	—
Total non-current liabilities		**485.7**	399.1	**388.6**	301.1
Total Liabilities		**664.7**	524.6	**393.2**	317.1
Net Assets		**319.9**	265.6	**290.1**	237.8
Equity					
Share capital	21	**6.3**	5.9	**6.3**	5.9
Share premium		**288.7**	229.8	**288.7**	229.8
Retained earnings		**20.6**	26.7	**(6.9)**	1.8
Foreign exchange reserve	22	**2.3**	2.9	**—**	—
Other reserves	22	**2.0**	0.3	**2.0**	0.3
Total Equity		**319.9**	265.6	**290.1**	237.8

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £8,954,000 (2018: loss of £5,430,000).

Company Registered Number (England & Wales) 282204.

The financial statements on pages 44 to 94 were approved by the Board of Directors and authorised for issue on 10 July 2019.

They were signed on its behalf by:

Michael Scott
Group Finance Director

Consolidated statement of changes in equity

For the 52 weeks ended 30 March 2019

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
At 2 April 2017	4.5	52.5	16.5	5.0	0.8	79.3
Profit for the period to 31 March 2018	—	—	8.6	—	—	8.6
Other comprehensive profit for the period	—	—	1.6	—	—	1.6
Retranslation of overseas subsidiaries	—	—	—	(2.1)	—	(2.1)
Total comprehensive profit	—	—	10.2	(2.1)	—	8.1
Issue of share capital	1.4	176.6	—	—	—	178.0
BGF equity transfer	—	0.7	—	—	(0.7)	—
Share-based payment charge	—	—	—	—	0.2	0.2
Transactions with owners	1.4	177.3	—	—	(0.5)	178.2
At 31 March 2018	5.9	229.8	26.7	2.9	0.3	265.6
Loss for the period to 30 March 2019	—	—	(7.9)	—	—	(7.9)
Other comprehensive profit for the period	—	—	1.5	—	—	1.5
Retranslation of overseas subsidiaries	—	—	—	(0.6)	—	(0.6)
Total comprehensive loss	—	—	(6.4)	(0.6)	—	(7.0)
Issue of share capital	0.4	58.9	—	—	—	59.3
Exercise of share options	—	—	0.3	—	(0.3)	—
Share-based payment charge	—	—	—	—	2.0	2.0
Transactions with owners	0.4	58.9	0.3	—	1.7	61.3
At 30 March 2019	**6.3**	**288.7**	**20.6**	**2.3**	**2.0**	**319.9**

Company statement of changes in equity

For the 52 weeks ended 30 March 2019

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 2 April 2017	4.5	52.5	7.2	0.8	65.0
Loss for the period to 31 March 2018	—	—	(5.4)	—	(5.4)
Total comprehensive loss	—	—	(5.4)	—	(5.4)
Issue of share capital	1.4	176.6	—	—	178.0
BGF equity transfer	—	0.7	—	(0.7)	—
Share-based payment charge	—	—	—	0.2	0.2
Transactions with owners	1.4	177.3	—	(0.5)	178.2
At 31 March 2018	5.9	229.8	1.8	0.3	237.8
Loss for the period to 30 March 2019	—	—	(9.0)	—	(9.0)
Total comprehensive loss	—	—	(9.0)	—	(9.0)
Issue of share capital	0.4	58.9	—	—	59.3
Exercise of share options	—	—	0.3	(0.3)	—
Share-based payment charge	—	—	—	2.0	2.0
Transactions with owners	0.4	58.9	0.3	1.7	61.3
At 30 March 2019	**6.3**	**288.7**	**(6.9)**	**2.0**	**290.1**

Consolidated and Company statements of cash flows

For the 52 weeks ended 30 March 2019

	Note	Group 52 weeks ended 30 March 2019 £m	Group 52 weeks ended 31 March 2018 £m	Company 52 weeks ended 30 March 2019 £m	Company 52 weeks ended 31 March 2018 £m
Cash flows from operating activities					
Operating profit / (loss)		**24.0**	26.4	**(9.9)**	(4.0)
Adjustments For:					
Depreciation charges		**25.9**	15.8	**0.1**	0.1
Amortisation of intangible assets		**22.8**	11.3	**—**	—
Asset impairment		**0.5**	—	**—**	—
Amortisation of government grants		**(0.7)**	(0.3)	**—**	—
(Profit) / loss on disposal of property, plant and equipment		**(0.1)**	0.1	**—**	—
Profit on disposal of investment property		**(1.8)**	(0.0)	**(1.8)**	—
Loss on disposal of associates		**0.7**	—	**—**	—
Share incentive plan charge		**1.9**	0.2	**1.1**	0.2
Acquisition-related performance plan charge		**1.5**	—	**—**	—
Defined benefit pension		**0.3**	(0.2)	**—**	—
Net cash flow from operating activities before movements in working capital		**75.0**	53.3	**(10.5)**	(3.7)
Change in inventories		**(13.8)**	(8.0)	**—**	—
Change in trade and other receivables		**7.1**	2.6	**(0.2)**	0.1
Change in trade and other payables		**16.8**	6.4	**—**	1.2
Cash generated/(used) by operations		**85.1**	54.3	**(10.7)**	(2.4)
Interest paid		**(16.5)**	(6.7)	**(15.6)**	(6.5)
Income taxes paid		**(16.2)**	(10.6)	**—**	(0.2)
Net cash inflow/(outflow) from operating activities		**52.4**	37.0	**(26.3)**	(9.1)
Investing activities					
Purchases of property, plant and equipment		**(43.7)**	(25.9)	**—**	—
Purchases of intangible assets		**(0.7)**	(0.7)	**(0.1)**	(0.3)
Loan to subsidiary companies		**—**	—	**(54.1)**	(288.5)
Proceeds on disposal of property, plant and equipment		**0.9**	2.1	**—**	—
Deferred consideration and earn-out payments		**(8.9)**	(15.3)	**—**	(5.8)
Acquisition of subsidiaries net of cash acquired		**(82.6)**	(276.5)	**—**	—
Proceeds from disposal of investment property		**2.0**	—	**1.9**	—
Net cash used in investing activities		**(133.0)**	(316.3)	**(52.3)**	(294.6)
Financing activities					
Increase in long-terms loans		**43.9**	128.8	**45.2**	129.2
Issue of share capital		**59.3**	178.1	**59.3**	178.1
Repayment of reverse factoring facility acquired with Saloni		**(13.4)**	—	**—**	—
Repayment of obligations under finance leases / hire purchase		**(1.0)**	(0.3)	**—**	—
Net cash generated in financing activities		**88.8**	306.6	**104.5**	307.3
Net increase in cash and cash equivalents		**8.2**	27.3	**25.9**	3.6
Cash and cash equivalents at beginning of period		**53.1**	28.0	**(6.7)**	(10.1)
Effect of foreign exchange rate changes		**(1.1)**	(2.2)	**(0.2)**	(0.2)
Cash and cash equivalents at end of period		**60.2**	53.1	**19.0**	(6.7)
Comprising:					
Cash and cash equivalents	17	**66.4**	54.0	**19.0**	6.2
Bank overdrafts	17	**(6.2)**	(0.9)	**—**	(12.9)
		60.2	53.1	**19.0**	(6.7)

1. Segmental information

The Group is organised into three operating divisions: the sale of soft flooring products in UK & Europe, ceramic tiles in the UK & Europe and the sale of soft flooring products in Australia. The entities that comprise each division are combined into one reporting segment on the basis that they share economic characteristics. The reportable segments have changed in the current year and the corresponding items of segmental information for the prior year have been restated.

Geographical segment information for revenue, operating profit and a reconciliation to entity net profit is presented below.

Income statement

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central expenses £m**	**Total £m**	**UK & Europe Soft Flooring £m**	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central expenses £m**	**Total £m**
Income statement										
Revenue	**280.5**	**193.9**	**100.0**	**—**	**574.4**	265.0	47.0	112.8	—	424.8
Underlying operating profit	**17.0**	**48.2**	**6.8**	**(1.7)**	**70.3**	24.8	13.7	11.6	(1.3)	48.8
Non-underlying operating items	**(5.1)**	**(17.7)**	**(2.0)**	**(1.1)**	**(25.9)**	(4.8)	(4.6)	(1.8)	—	(11.2)
Exceptional operating items	**(7.4)**	**(4.7)**	**(2.4)**	**(5.9)**	**(20.4)**	(6.7)	—	(0.3)	(4.2)	(11.2)
Operating profit	**4.5**	**25.8**	**2.4**	**(8.7)**	**24.0**	13.3	9.1	9.5	(5.5)	26.4
Underlying net finance costs					**(13.1)**					(8.0)
Non-underlying finance costs					**(14.6)**					(5.0)
(Loss) / profit before tax					**(3.7)**					13.4
Tax					**(4.2)**					(4.8)
(Loss) / profit for the period					**(7.9)**					8.6

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 between the UK & Europe and Australia were immaterial.

The Group's revenue for the period was split geographically as follows:

	52 weeks ended 30 March 2019 £m	**52 weeks ended 31 March 2018 £m**
Revenue		
UK & other European countries	**280.5**	265.0
Spain	**167.9**	41.3
Italy	**26.0**	5.7
Australia	**100.0**	112.8
	574.4	424.8

Materially all revenue within 'UK & other European countries' relate to the UK.

1. Segmental information (Continued)

Balance sheet

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Central £m	Total £m	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Central £m	Total £m
Total Assets	**233.1**	**634.6**	**75.0**	**41.9**	**984.6**	228.1	468.9	77.8	15.4	790.2
Total Liabilities	**(94.8)**	**(159.7)**	**(20.8)**	**(389.4)**	**(664.7)**	(88.7)	(115.5)	(25.0)	(295.4)	(524.6)
Net Assets	**138.3**	**474.9**	**54.2**	**(347.5)**	**319.9**	139.4	353.4	52.8	(280.0)	265.6

The Group's non-current assets as at 30 March 2019 were split geographically as follows:

	As at 30 March 2019 £m	As at 31 March 2018 £m
Non-current assets		
UK & other European countries	**129.7**	130.5
Spain	**451.7**	332.2
Italy	**44.7**	49.1
Australia	**35.6**	35.9
	661.7	547.7

Materially all non-current assets within 'UK & other European countries' relate to the UK.

Other segmental information

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central liabilities £m	Total £m	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central liabilities £m	Total £m
Other segmental information										
Depreciation	**12.3**	**10.9**	**2.7**	**—**	**25.9**	10.3	2.5	3.0	—	15.8
Amortisation of acquisition intangibles	**4.7**	**16.1**	**1.7**	**—**	**22.5**	4.8	4.6	1.8	—	11.2
Amortisation of other intangibles	**0.2**	**0.2**	**—**	**—**	**0.4**	0.1	—	—	—	0.1
	17.2	**27.2**	**4.4**	**—**	**48.8**	15.2	7.1	4.8	—	27.1

1. Segmental information (Continued)

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central liabilities £m	Total £m	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central liabilities £m	Total £m
Investments in fixed assets										
Purchases of property, plant and equipment	**20.1**	**19.5**	**4.5**	**—**	**44.1**	17.3	8.8	2.5	—	28.6
Disposals of property, plant and equipment	**(0.4)**	**(0.1)**	**(0.2)**	**—**	**(0.7)**	(0.5)	(0.4)	(0.3)	—	(1.2)
Purchases of intangible assets	**0.2**	**0.5**	**—**	**0.1**	**0.8**	0.4	—	—	0.3	0.7
Total capital expenditure	**19.9**	**19.9**	**4.3**	**0.1**	**44.2**	17.2	8.4	2.2	0.3	28.1

2. Exceptional and non-underlying items

	2019 £m	2018 £m
Exceptional items		
(a) Acquisition related costs	**(1.8)**	(5.8)
(b) Reorganisation costs	**(12.7)**	(5.4)
(c) Bond issue and related structuring costs	**(7.3)**	—
(d) Pension adjustment	**(0.4)**	—
(e) Gain on sale of investment property	**1.8**	—
	(20.4)	(11.2)

	2019 £m	2018 £m
Non-underlying items		
(f) Acquisition-related performance plan charge	**(1.5)**	—
(g) Non-cash share incentive plan charge	**(1.9)**	—
(h) Amortisation of acquired intangibles	**(22.5)**	(11.2)
	(25.9)	(11.2)

All exceptional items are classified within administrative expenses.

(a) Professional fees in connection with prospecting and completing acquisitions during the period.

(b) Reorganisation costs comprise various fees, redundancy and other one-off costs in relation to a number of synergy projects and performance improvement programmes. The key projects comprise: (1) the integration of the operations and administration of the most recent acquisition, Saloni, with our incumbent Spanish ceramic tiles business, Keraben; (2) the optimisation of the Group's South Wales carpet factory (further to the closure and consolidation of the Kidderminster factory in the prior year), including a substantial increase in speed and capacity of manufacturing; (3) the transfer of our UK logistics operation to two new distribution centres in the South and Midlands to optimise service levels and cost; and (4) the closure of the Group's underlay factory in Melbourne, Australia, and consolidation into the Sydney factory. Further details are provided in the Financial Review section of the annual report.

2. Exceptional and non-underlying items (Continued)

(c) One-off advisory, legal and structuring costs in relation to the aborted financing exercise during the year.

(d) Guaranteed Minimum Pension one-off equalisation charge on the sole defined benefit pension scheme in the Group (within Interfloor).

(e) Gain on the sale of property held as an investment.

(f) Charge relating to the accrual of expected liability under the acquisition-linked performance plan with the Keraben senior management team as part of the acquisition in the prior year. See Accounting Policies for further details.

(g) Non-cash, IFRS2 share-based payment charge in relation to the long-term management incentive plan that was put into place in April 2018. See Accounting Policies for further details.

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

3. Finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**11.0**	5.7
Cash interest payable on BGF loan	**0.6**	0.8
Interest payable on Hire Purchase and Finance Leases	**0.1**	0.1
Interest income	**(0.4)**	—
Total interest payable on loans	**11.3**	6.6
Amortisation of prepaid finance costs	**1.5**	1.0
Interest rolled up into BGF loan	**0.1**	0.1
Net interest expense on defined benefit pensions	**0.2**	0.3
Underlying interest costs	**13.1**	8.0
(a) Release of prepaid finance costs	**3.0**	—
(b) BGF loan and option, redemption premium charge	**0.1**	1.2
(c) Unwinding of present value of deferred and contingent consideration liabilities	**2.9**	3.0
(d) Other adjustments to present value of contingent earn-out liabilities	**4.3**	(2.9)
(e) Mark to market adjustments on foreign exchange forward contracts	**0.7**	0.2
(f) Translation difference on foreign currency loans	**3.6**	3.5
	27.7	13.0

(a) Non-cash charge relating to the release of prepaid costs on previous bank facilities, which were extinguished and subsequently refinanced in August 2018.

(b) Non-cash annual cost of the redemption premium in relation to the BGF loan and option. Also included in the prior year is a £0.9m non-cash charge relating to a significant modification to the terms of the BGF loan, on which the coupon was reduced from 10% to 6%.

(c) Non-cash costs relating to the revaluation of deferred consideration and continent earn-outs. 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. The present value is then remeasured at each half year and in relation to the appropriateness of the discount factor and the unwind of this discount.

(d) Non-cash 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.

(e) Non-cash fair value adjustments on foreign exchange forward contracts. Also included in the prior year is a £0.1m fair value adjustment on corporate bonds assets.

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

4. Profit/(loss) on ordinary activities before taxation

	2019 £m	2018 £m
After charging / (crediting):		
Net foreign exchange losses	**0.1**	0.2
Depreciation of property, plant and equipment (see Note 11)	**25.9**	15.8
Amortisation of intangible assets (see Note 10)	**22.8**	11.3
Staff costs (see Note 5)	**107.7**	76.7
Cost of inventories recognised as an expense	**282.1**	230.2
Profit / (loss) on sale of fixed assets	**0.1**	(0.1)
Government grants (see Note 24)	**(0.7)**	(0.3)
Operating lease rentals	**9.2**	6.5

Auditor's remuneration	2019 £m	2018 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.07**	0.08
The audit of the Company's subsidiaries pursuant to legislation	**0.42**	0.30
Total audit fees	**0.49**	0.38
Audit-related assurance services	**0.04**	—
Tax compliance services	**0.08**	0.05
Taxation advisory services	**0.08**	0.07
Services relating to corporate finance transactions (etiher proposed or entered into) by or on behalf of the Company or any of its associates	**0.16**	0.01
Total non-audit fees	**0.36**	0.13

5. Staff costs

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Wages and salaries	**88.2**	65.7	**0.7**	0.6
Social security costs	**13.8**	7.1	**0.1**	0.1
Share-based employee remuneration	**1.9**	0.2	**1.1**	0.2
Other pension costs	**3.8**	3.7	**—**	—
	107.7	76.7	**1.9**	0.9

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 26 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Directors	**56**	50	**6**	6
Sales and marketing	**482**	381	**—**	—
Production, logistics and maintenance	**2,293**	1,893	**—**	—
Finance, IT and administration	**212**	176	**2**	1
	3,043	2,500	**8**	7

5. Staff costs (Continued)

Share based payment schemes

B Shares and C Shares schemes

On 29 April 2016, the Group Finance Director, Michael Scott, was awarded 5,000 B ordinary shares (the "B Shares") in a new intermediate holding company, Victoria Midco Holdings Limited, in connection with a share-based incentive plan as recommended by the Remuneration Committee. Between the second and third anniversary of his joining the company, Mr Scott is able to exchange the B Shares into ordinary shares in Victoria PLC ("Ordinary Shares") of equivalent value. The monetary value of the award represents approximately 0.611% of the growth in value of the Ordinary Shares above a share price of £3.00. On 7 June 2018, Mr Scott exercised his option, exchanging the 5,000 B Shares for 395,476 Ordinary Shares in Victoria Plc. In the year ended 30 March 2019, no further B shares were granted and no B share options remained outstanding.

On 8 June 2017, Mr Scott was awarded 5,350 C ordinary shares and certain other employees 1,070 C ordinary shares (collectively the "C Shares") in connection with the share-based incentive plan. Between 1 July 2019 and 30 June 2020 participants will be able to exchange C Shares into Ordinary Shares of equivalent value. The monetary value of the award represents approximately 0.733% of the growth in value of the Ordinary Shares above a share price of £6.75. The Plan is subject to good leaver and bad leaver provisions. In the year ended 30 March 2019, none of the C shares were exercisable, no additional C shares were granted and all of the existing 6,420 C shares remained in place.

The B and C Shares have been valued for the purposes of IFRS 2 (Share-based Payments) using a Black Scholes model. The key inputs and assumptions applied in this model for the B and C Shares are set out in the table below:

Inputs and Assumptions	B Shares	C Shares
Grant date	29 April 2016	8 June 2017
Victoria Plc share price at grant	£2.81	£5.53
Exercise price	£3.00	£6.75
Expected term	2.18 years	2.56 years
Risk free rate (continously compounded)	0.50%	0.13%
Expected dividend yield	0.0%	0.0%
Expected volatility	32.76%	31.30%

Based on this model, the aggregate fair value of the B Shares was assessed to be £263,150 and for the C Shares £322,733. The fair value of the respective B and C shares are charged to the income statement over the vesting period.

The expected volatility assumption has been determined based on historical share price volatility over a period commensurate with the expected maximum term of the respective B & C Shares issued.

I Shares scheme

On 10 April 2018, a new 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.

5. Staff costs (Continued)

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 B and C Shares are set out in the table below:

Inputs and Assumptions	I Shares
Grant date	10 April 2018
Victoria Plc share price at grant	£7.31
Expected term	5.4 years
Risk free rate (continously compounded)	1.10%
Expected dividend yield	0.0%
Expected volatility	26.00%

Based on this model, the aggregate fair value of the I Shares was assessed to be £9,800,000. 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, with a corresponding credit to equity as the charge is non-cash.

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.

In the year ended 30 March, 2019 73,855 I shares were issued. Certain of the Company's directors are participating in the plan, as detailed below.

Name	I Shares awarded
Geoffrey Wilding	19,230
Philippe Hamers	11,540
Michael Scott	9,230
Other employees	33,855

In the year ended 30 March 2019, none of the I shares were exercisable and all of the I shares issued in the period remained in place.

6. Taxation

	2019 £m	2018 £m
Current tax		
—Current year UK	**0.1**	2.0
—Current year overseas	**6.7**	5.3
—Adjustments in respect of prior years	**(0.1)**	0.2
	6.7	7.5
Deferred tax (Note 19)		
—Credit recognised in the current year	**(6.0)**	(2.7)
—Adjustments in respect of prior years	**3.3**	—
—Effect of rate change	**0.2**	—
	(2.5)	(2.7)
Total tax	**4.2**	4.8

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

6. Taxation (Continued)

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

	2019		2018	
	£m	%	£m	%
(Loss) / profit before tax	**(3.7)**		13.4	
Tax charge at the UK corporation tax rate of 19% (2018: 19%)	**(0.7)**	**19.0**	2.5	19.0
Tax effect of items that are not deductible/non taxable in determining taxable profit	**1.3**	**(35.1)**	1.1	7.8
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1.0**	**(27.0)**	1.0	7.8
Deferred consideration fair value remeasurement non taxable	**1.1**	**(29.7)**	—	—
Effect of change in rate	**0.2**	**(5.4)**	—	—
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**0.6**	**(16.2)**	(0.1)	(1.0)
Tax losses not recognised as a deferred tax asset	**0.8**	**(21.6)**	0.1	0.7
Adjustments to prior periods	**(0.1)**	**2.5**	0.2	1.3
Tax charge and effective tax rate	**4.2**	**(113.5)**	4.8	35.6

7. Earnings per share

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

	Basic 2019 £m	Adjusted 2019 £m	Basic 2018 £m	Adjusted 2018 £m
(Loss)/profit attributable to ordinary equity holders of the parent entity	**(7.9)**	**(7.9)**	8.6	8.6
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**—**	**22.5**	—	11.2
Acquisition related costs	**—**	**1.8**	—	5.8
Reorganisation costs	**—**	**12.7**	—	5.4
Bond issue and related structuring costs	**—**	**7.3**	—	—
Pension adjustment	**—**	**0.4**	—	—
Gain on sale of investment property	**—**	**(1.8)**	—	—
Acquisition-related performance plan charge	**—**	**1.5**	—	—
Non-cash share incentive plan charge	**—**	**1.9**	—	—
Release of prepaid finance costs	**—**	**3.0**	—	—
BGF loan and option, non-underlying charges	**—**	**0.1**	—	1.2
Unwinding of present value of deferred and contingent consideration	**—**	**2.9**	—	3.0
Other adjustments to present value of contingent earn-out liabilities	**—**	**4.3**	—	(2.9)
Mark to market adjustments on forward foreign exchange contracts	**—**	**0.7**	—	0.2
Translation difference on foreign currency loans	**—**	**3.6**	—	3.5
Tax effect on adjusted items where applicable	**—**	**(9.7)**	—	(4.4)
Earnings for the purpose of basic and adjusted (loss) / earnings per share	**(7.9)**	**43.3**	8.6	31.6

7. Earnings per share (Continued)

Weighted average number of shares

	2019 Number of shares (000's)	2018 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**122,739**	100,701
Effect of dilutive potential ordinary shares:		
BGF share options and growth shares	**64**	2,533
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**122,803**	103,234

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 per share are as follows:

	2019 Pence	2018 Pence
Earnings per share		
Basic (loss) / earnings per share	**(6.44)**	8.58
Diluted (loss) / earnings per share	**(6.44)**	8.37
Basic adjusted earnings per share	**35.27**	31.38
Diluted adjusted earnings per share	**35.25**	30.61

8. Rates of exchange

	2019		2018	
	Average	Year end	Average	Year end
Australia—A$	**1.8049**	**1.8377**	1.7206	1.8246
Europe—€	**1.1344**	**1.1624**	1.1373	1.1370

9. Goodwill

	Goodwill £m
At 2 April 2017	59.8
Arising on acquisition	130.7
Exchange movements	(2.4)
At 31 March 2018	188.1
At 1 April 2018	188.1
Arising on acquisition	40.1
Exchange movements	(4.5)
At 30 March 2019	**223.7**

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.

9. Goodwill (Continued)

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

	Reported Segment	2019 £m	2018 £m
Westex (Carpets) Limited	UK & Europe—Soft Flooring	**2.7**	2.7
Whitestone Weavers Group	UK & Europe—Soft Flooring	**1.4**	1.4
Interfloor Limited	UK & Europe—Soft Flooring	**25.2**	25.2
Quest Flooring Pty Limited	Australia	**7.9**	8.0
Ezi Floor Limited	UK & Europe—Soft Flooring	**7.1**	7.1
Primary Flooring Pty Limited	Australia	**6.3**	6.3
Grass Inc. B.V. & Avalon B.V.	UK & Europe—Soft Flooring	**7.6**	7.8
Keraben Grupo S.A.	UK & Europe—Ceramic Tiles	**112.2**	114.7
Ceramiche Serra S.p.A.	UK & Europe—Ceramic Tiles	**14.6**	14.9
Ceramica Saloni S.A. (note 23)	UK & Europe—Ceramic Tiles	**38.7**	—
		223.7	188.1

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 the discount rates, growth rates and expected changes to selling prices and direct costs during the period. These assumptions have been sensitised as part of current year testing procedures. The discount rates used of: 11.1% to 12.0% for CGUs within the UK; 12.0% to 12.7% for CGUs within Holland; 12.0% to 13.0% for CGUs within Spain; 12.2% to 13.2% for CGUs within Italy; and 13.6% to 14.6% for CGUs within Australia are estimated using pre-tax weighted-average costs of capital 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 the rates between the UK, Europe and Australia are the differences in underlying risk-free rates and cost of debt. The calculation uses cash flow projections extrapolated from the budget for the year ending 28 March 2020. At the end of the discrete forecast period, a terminal value is calculated based on terminal growth rate assumptions of: 2.0% to 2.5% for CGUs within the UK; 2.5% to 3.0% for CGUs within Australia; and 2.0% to 2.5% for CGUs within Continental Europe.

Given the sensitivities used in testing, the Group does not consider it probable that any reasonable changes to the key assumptions would result in impairment to any of the Goodwill balances. As at 30 March 2019 no impairment provision was therefore considered necessary.

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 2 April 2017	62.0	11.8	—	—	73.8
	Additions	—	—	—	0.7	0.7
	Business combinations	119.4	32.9	4.8	0.3	157.4
	Exchange difference	(2.5)	(0.5)	—	—	(3.0)
	At 31 March 2018	178.9	44.2	4.8	1.0	228.9
	At 1 April 2018	**178.9**	**44.2**	**4.8**	**1.0**	**228.9**
	Additions	**—**	**—**	**—**	**0.7**	**0.7**
	Business combinations	**47.1**	**11.3**	**—**	**0.1**	**58.5**
	Exchange difference	**(4.5)**	**(1.1)**	**(0.1)**	**(0.1)**	**(5.8)**
	At 30 March 2019	**221.5**	**54.4**	**4.7**	**1.7**	**282.3**
Amortisation	At 2 April 2017	6.5	1.0	—	—	7.5
	Charge for the period	9.4	1.4	0.4	0.1	11.3
	Exchange difference	(0.2)	—	—	—	(0.2)
	At 31 March 2018	15.7	2.4	0.4	0.1	18.6
	At 1 April 2018	**15.7**	**2.4**	**0.4**	**0.1**	**18.6**
	Charge for the period	**18.0**	**3.3**	**1.2**	**0.3**	**22.8**
	Exchange difference	**(0.4)**	**(0.1)**	**—**	**(0.1)**	**(0.5)**
	At 30 March 2019	**33.3**	**5.6**	**1.6**	**0.4**	**40.9**
Net book value	At 30 March 2019	**188.2**	**48.8**	**3.1**	**1.3**	**241.4**
	At 31 March 2018	163.2	41.8	4.4	0.9	210.3
	At 2 April 2017	55.5	10.8	—	—	66.3

Company		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 1 April 2018	**—**	**—**	**—**	**0.3**	**0.3**
	Additions				**0.1**	**0.1**
	At 30 March 2019	**—**	**—**	**—**	**0.4**	**0.4**
Amortisation	At 1 April 2018	**—**	**—**	**—**	**0.1**	**0.1**
	Charge for the period				**0.1**	**0.1**
	At 30 March 2019	**—**	**—**	**—**	**0.1**	**0.1**
Net book value	At 30 March 2019	**—**	**—**	**—**	**0.3**	**0.3**
	At 31 March 2018				**0.2**	**0.2**

11. Property, plant and equipment

	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 2 April 2017	14.0	51.2	15.3	80.5
Additions	0.7	16.5	11.4	28.6
Disposals	—	(2.8)	(6.4)	(9.2)
Business combinations	61.6	28.0	1.4	91.0
Exchange differences	(0.7)	(3.2)	(0.5)	(4.4)
At 31 March 2018	75.6	89.7	21.2	186.5
At 1 April 2018	**75.6**	**89.7**	**21.2**	**186.5**
Exchange differences	**(2.3)**	**(3.7)**	**(0.2)**	**(6.2)**
Business combinations	**18.5**	**15.8**	**—**	**34.3**
Additions	**1.7**	**29.1**	**13.3**	**44.1**
Transfers	**0.2**	**(0.3)**	**—**	**—**
Disposals	**—**	**(5.4)**	**(6.5)**	**(11.9)**
At 30 March 2019	**93.7**	**125.2**	**27.8**	**246.7**
Accumulated depreciation				
At 2 April 2017	0.8	31.8	6.1	38.7
Exchange differences	(0.1)	(2.5)	(0.3)	(2.9)
Charge for the period	0.7	6.3	8.8	15.8
Disposals	—	(1.9)	(6.1)	(8.0)
At 31 March 2018	1.4	33.7	8.5	43.6
At 1 April 2018	**1.4**	**33.7**	**8.5**	**43.6**
Exchange differences	**(0.4)**	**(2.2)**	**(0.1)**	**(2.7)**
Charge for the period	**1.9**	**13.3**	**10.7**	**25.9**
Impairment	**0.1**	**0.4**	**—**	**0.5**
Disposals	**—**	**(4.9)**	**(6.3)**	**(11.2)**
At 30 March 2019	**3.0**	**40.3**	**12.8**	**56.1**
Net Book Value				
At 30 March 2019	**90.7**	**84.9**	**15.0**	**190.6**
At 31 March 2018	74.2	56.0	12.8	142.9
At 2 April 2017	13.2	19.4	9.2	41.8

The Company holds no property, plant and equipment.

11. Property, plant and equipment (Continued)

Included within fixed assets are the following:

	Plant and machinery Hire purchase £m	Fixtures, vehicles and equipment Hire purchase £m	Plant and machinery Finance lease £m	Fixtures, vehicles and equipment Finance lease £m	Group Total £m
Held under hire purchase / finance leases:					
Cost at 30 March 2019	**2.8**	**1.2**	**1.9**	**1.1**	**7.0**
Accumulated depreciation at 30 March 2019	**1.4**	**0.5**	**1.8**	**0.6**	**4.3**
Depreciation charged in year	**0.3**	**0.2**	**0.1**	**0.2**	**0.8**
Held under hire purchase / finance leases:					
Cost at 31 March 2018	1.2	1.4	4.1	0.8	7.5
Accumulated depreciation at 31 March 2018	0.1	0.5	3.3	0.3	4.2
Depreciation charged in year	0.1	0.2	0.3	0.1	0.7

Capital expenditure authorised and committed at the period end:

	2019 £m	2018 £m
Contracts placed	**1.7**	6.1

The Company held no assets under finance lease or hire purchase agreements and had no capital commitments at either year end.

12. Fixed asset investments

		Group		Company	
	Note	2019 £m	2018 £m	2019 £m	2018 £m
Investment property	(a)	**0.2**	0.8	**0.1**	0.2
Investment in subsidiaries	(b)	**—**	—	**51.4**	49.3
Investment in associates	(c)	**—**	1.0	**—**	—

(a) Investment property held in the Company's opening balance sheet relates to the legacy ownership of two small areas of land in Kidderminster and the surrounding area, held at cost. One of the sites was sold in February 2019 for £2,005,000, resulting in an exceptional gain on sale.

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. A number of these properties have been disposed of during the year, and the fair value at 30 March 2019 of the remaining properties is deemed to be materially unchanged.

12. Fixed asset investments (Continued)

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies.

As at 30 March 2019	Country of incorporation and operation	Nature of business	Ownership
Victoria Midco Holdings Limited	England	Holding Company	Direct
Victoria Carpets Limited	England	Carpet distributor	Indirect
Whitestone Carpets Holdings Limited	England	Holding Company	Indirect
View Logistics Limited	England	Carpet distributor	Indirect
A&A Carpets Limited	England	Carpet distributor	Indirect
Abingdon Flooring Limited	England	Carpet manufacturer	Indirect
Alliance Distribution Limited	England	Logistic Services	Indirect
Distinctive Flooring Limited	England	Flooring distributor	Indirect
Venture Floorcoverings Limited	England	Carpet distributor	Indirect
Globesign Limited	England	Holding Company	Indirect
Westex (Carpets) Limited	England	Carpet manufacturer	Indirect
Interfloor Limited	England	Underlay manufacturer	Indirect
Ezi Floor Limited	England	Underlay manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacturer	Indirect
Primary Flooring Pty Limited	Australia	Underlay manufacturer	Indirect
Quest Flooring Pty Ltd	Australia	Carpet manufacturer	Indirect
Victoria Bidco BV	The Netherlands	Holding Company	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
Millennium Weavers N.V	Belgium	Carpet distributor	Indirect
Ceramiche Serra S.p.A	Italy	Ceramic tile manufacturer	Indirect
Kinsan Trade, S.L.	Spain	Holding Company	Indirect
Keraben Grupo S.A.U	Spain	Ceramic tile manufacturer	Indirect
Sandover Investments, S.L.U	Spain	Holding Company	Indirect
Ceramica Saloni, S.A.	Spain	Ceramic tile manufacturer	Indirect
Sanicova, S.L.	Spain	Ceramic tile distributor	Indirect
Saloni Portugal Materiais De Construcao LTDA	Portugal	Ceramic tile distributor	Indirect
Saloni UK Limited	England	Ceramic tile distributor	Indirect
Saloni France S.A.S.	France	Ceramic tile distributor	Indirect
The Victoria Carpet Company Limited	England	Non-trading	Indirect
Munster Carpets Limited	Ireland	Non-trading	Indirect
V-Line Carpets Limited	England	Non-trading	Indirect
Carpet Line Direct Limited	England	Non-trading	Indirect
Whitestone Weavers Limited	England	Non-trading	Indirect
Thomas Witter Carpets Limited	England	Non-trading	Indirect
Gaskell Mackay Carpets Limited	England	Non-trading	Indirect
Interfloor Group Limited	England	Non-trading	Indirect
Interfloor Operations Limited	England	Non-trading	Indirect
Tacktrim Limited	England	Non-trading	Indirect
Stikatak Limited	England	Non-trading	Indirect
Flooring at Home Limited	England	Non-trading	Direct
Keraben Guatemala	Guatemala	Ceramic tile manufacturing services	Indirect
Kerainvest S.L.	Spain	Non-trading	Indirect

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

As at 30 March 2019	Perecentage ownership
Keraben Bolivia, S.R.L.	50%

The agregate result for the associated undertaking during the period was immaterial.

Due to the immaterial nature of this investment, further detailed disclosures have been ommitted.

13. Inventories

Inventories held at year-end	2019 £m	2018 £m
Raw materials	**30.5**	22.2
Work-in-progress	**3.8**	3.6
Finished goods	**106.2**	74.5
	140.5	100.3

During the year to 30 March 2019, the total movement in stock provisions resulted in a credit to the income statement of £996,000 (2018: £477,000).

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade debtors	**100.9**	79.1	**—**	—
Amounts owed by subsidiaries	**—**	—	**34.3**	484.0
Other debtors	**10.4**	4.1	**—**	—
Prepayments and accrued income	**4.7**	5.0	**0.1**	—
	116.0	88.2	**34.4**	484.0

Amounts falling due after one year:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Amounts owed by subsidiaries	**—**	—	**577.9**	14.8
	—	—	**577.9**	14.8

Where intercompany loans have been formally documented, interest is charged on amounts owed by subsidiaries to the Company at market rates. Specific repayment terms attached to all intercompany loans were formally documented during the year and the classification between amounts falling due within one year and more than one year are reflective of these terms.

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

The above amounts are stated net of an allowance (net of VAT) of £3,890,000 (2018: £2,014,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	2019 £m	2018 £m
Opening balance at 1 April 2018	**2.0**	0.8
Acquisition opening balances	**3.4**	3.1
Increase/(decrease) taken to income statement	**0.3**	(0.1)
Utilised against receivables	**(1.5)**	(1.7)
Exchange differences	**(0.3)**	(0.1)
Closing balance at 30 March 2019	**3.9**	2.0

14. Trade and other receivables (Continued)

An analysis of the age of trade receivables that are past due at the reporting date but not impaired can be seen in the table below:

	2019 £m	2018 £m
1–30 days overdue	**23.4**	12.2
31–60 days overdue	**6.5**	2.6
> 60 days overdue	**3.5**	2.2
Total	**33.4**	17.0

An analysis of the age of impaired trade receivables is as follows:

	2019 £m	2018 £m
Current	**—**	0.3
1–30 days overdue	**0.6**	0.1
31–60 days overdue	**0.5**	0.1
> 60 days overdue	**3.4**	1.8
Total	**4.5**	2.3

The main factors in assessing the impairment of trade receivables are the age of the balance and the circumstances of the individual customer. The Directors consider that the carrying amount of all receivables, including those impaired, approximates to their fair value.

15. Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade creditors	**102.4**	77.1	**—**	—
Amounts due to subsidiaries	**—**	—	**—**	1.1
Deferred and contingent earn-out liabilities	**16.6**	6.1	**—**	—
Other creditors	**28.9**	20.5	**1.0**	—
Accruals	**13.6**	10.5	**1.5**	2.0
Acquisition-related performance plan liability	**7.1**	7.2	**—**	—
Deferred income	**—**	0.1	**—**	—
	168.6	121.5	**2.5**	3.1

Amounts falling due after one year:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Deferred and contingent earn-out liabilities	**12.5**	25.2	**—**	0.4
Deferred income	**2.0**	0.9	**—**	—
Acquisition-related performance plan liability	**1.4**	—	**—**	—
Other creditors	**3.5**	3.1	**—**	—
	19.5	29.2	**—**	0.4

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of Ezi Floor Limited, Avalon B.V., Grass Inc B.V., and Ceramiche Serra S.p.A. Under IFRS 13 Fair Value Measurement this is classified under the fair value hierarchy as Level 3. The deferred and contingent

15. Trade and other payables (Continued)

earn-out liabilities falling due after one year of £12.5m is split as follows: between one to two years £7.5m and between two to five years £5.0m.

Deferred income relates to government grants as shown in Note 24.

Acquisition-related performance plan liability relates to the expected liability under the acquisition-linked performance plan with the Keraben senior management team. As part of the Keraben acquisition terms, the senior management team were required to invest €8.3 million into a performance plan linked to the financial results of the target business over a five year period. The value of this plan can go up or down from the original €8.3 million subscription, depending on performance. Customary leaver provisions apply during the five year period. This investment by management was rolled over from their exit value under a scheme with the previous private equity owners.

16. Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Bank overdraft	**6.2**	0.9	**—**	12.9
Bank loans	**1.2**	1.2	**—**	—
BGF loan	**2.1**	—	**2.1**	—
Finance leases & hire purchase agreements	**0.9**	0.9	**—**	—
	10.4	3.0	**2.1**	12.9

Amounts falling due after one year:

	Group		Company	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Bank loans (net of prepaid finance costs):				
—due between one and two years	**380.4**	—	**379.2**	—
—due between two and five years	**1.8**	293.7	**—**	289.4
Subordinated Loans:				
—due between one and two years	**—**	2.1	**—**	2.1
—due between two and five years	**9.4**	9.2	**9.4**	9.2
Finance leases & hire purchase agreements:				
—due between one and two years	**0.4**	0.7	**—**	—
—due between two and five years	**0.2**	0.4	**—**	—
	392.3	306.1	**388.6**	300.7

Bank loans as at 30 March 2019 predominantly relate to a €445 million term loan provided by HSBC and Barclays. This facility matures in August 2020, and is secured by way of debenture over the assets of the Group. As announced on 30 April 2019, the Group has since signed an irrevocable commitment from Credit Suisse to provide five year debt financing in order to refinance this facility.

The Suboardinated loans relate to the debt component of the BGF loan and option instruments. During the prior year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6% in September 2017.

The Group's net debt position as at 30 March 2019 was £339.9m (2018: £258.7m), before netting off prepaid finance costs. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 25.

17. Financial assets and liabilities

The financial assets of the Group comprised:

	At 30 March 2019				At 31 March 2018			
	Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m	Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	**11.8**	**—**	**—**	**11.8**	6.7	—	—	6.7
US Dollars	**1.7**	**—**	**—**	**1.7**	2.7	—	—	2.7
Euros	**47.3**	**—**	**—**	**47.3**	27.7	—	—	27.7
Australian Dollars	**5.3**	**—**	**—**	**5.3**	11.2	—	—	11.2
New Zealand Dollars	**0.3**	**—**	**—**	**0.3**	0.3	—	—	0.3
Investments in listed corporate bonds	**—**	**—**	**—**	**—**	—	5.4	—	5.4
	66.4	**—**	**—**	**66.4**	48.6	5.4	—	54.0
Current assets								
Trade and other receivables	**105.5**	**—**	**10.5**	**116.0**	83.1	—	5.0	88.1
Current Inventories	**—**	**—**	**140.5**	**140.5**	—	—	100.3	100.3
Forward foreign exchange contracts	**—**	**—**	**—**	**—**	—	0.1	—	0.1
Current assets	**171.9**	**—**	**151.0**	**322.9**	131.7	5.5	105.3	242.5

Investments in listed corporate bonds are held for short-term trading and are highly liquid, and are therefore treated as cash equivalents and designated at fair value through profit and loss.

17. Financial assets and liabilities (Continued)

The financial liabilities of the Group comprised:

	At 30 March 2019				At 31 March 2018			
	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	**1.1**	**—**	**—**	**1.1**	0.9	—	—	0.9
US Dollars	**0.1**	**—**	**—**	**0.1**	—	—	—	—
Euro	**5.0**	**—**	**—**	**5.0**	—	—	—	—
	6.2	**—**	**—**	**6.2**	0.9	—	—	0.9
Current liabilities								
Trade and other payables	**139.8**	**12.5**	**8.4**	**160.6**	106.4	1.6	5.9	113.9
Acquisition-related performance plan liability	**7.1**	**—**	**—**	**7.1**	7.2	—	—	7.2
Current tax liabilities	**—**	**—**	**—**	**—**	—	—	1.0	1.0
Forward foreign exchange contracts	**—**	**0.9**	**—**	**0.9**	—	0.4	—	0.4
Finance leases and hire purchase	**0.9**	**—**	**—**	**0.9**	0.9	—	—	0.9
Bank loans	**1.2**	**—**	**—**	**1.2**	1.2	—	—	1.2
BGF loan	**2.1**	**—**	**—**	**2.1**	—	—	—	—
Current liabilities	**157.2**	**13.4**	**8.4**	**179.0**	116.6	2.0	6.9	125.5
Non-current liabilities								
Trade and other payables	**4.6**	**11.4**	**2.0**	**18.1**	7.4	20.9	0.9	29.2
Acquisition-related performance plan liability	**—**	**—**	**1.4**	**1.4**	—	—	—	—
Deferred tax liabilities	**—**	**—**	**66.1**	**66.1**	—	—	54.7	54.7
Retirement benefit obligations	**—**	**—**	**7.8**	**7.8**	—	—	9.1	9.1
Finance leases & hire purchase	**0.7**	**—**	**—**	**0.7**	1.1	—	—	1.1
Bank loans	**382.2**	**—**	**—**	**382.2**	293.7	—	—	293.7
BGF loan	**9.4**	**—**	**—**	**9.4**	11.3	—	—	11.3
Non-current liabilities	**397.0**	**11.4**	**77.4**	**485.7**	313.5	20.9	64.7	399.1
Total liabilities	**554.1**	**24.8**	**85.7**	**664.7**	430.1	22.9	71.6	524.6

17. Financial assets and liabilities (Continued)

The financial assets of the Company comprised:

	At 30 March 2019				At 31 March 2018			
	Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m	Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	**4.4**	**—**	**—**	**4.4**	—	—	—	—
US Dollars	**1.0**	**—**	**—**	**1.0**	0.9	—	—	0.9
Euros	**13.5**	**—**	**—**	**13.5**	2.8	—	—	2.8
Australian Dollars	**—**	**—**	**—**	**—**	2.5	—	—	2.5
	19.0	**—**	**—**	**19.0**	6.2	—	—	6.2
Current assets								
Trade and other receivables	**34.3**	**—**	**0.1**	**34.4**	484.0	—	—	484.0
Current assets	**53.3**	**—**	**0.1**	**53.4**	490.2	—	—	490.2
Non-current assets								
Amounts owed by subsidiaries	**577.9**	**—**	**—**	**577.9**	14.8	—	—	14.8
Deferred tax assets	**—**	**—**	**0.2**	**0.2**	—	—	0.2	0.2
Non-current assets	**577.9**	**—**	**0.2**	**578.1**	14.8	—	0.2	15.0
Total financial assets	**631.2**	**—**	**0.3**	**631.5**	505.0	—	0.2	505.2

The financial liabilities of the Company comprised:

	At 30 March 2019				At 31 March 2018			
	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	**—**	**—**	**—**	**—**	12.9	—	—	12.9
	—	**—**	**—**	**—**	12.9	—	—	12.9
Current liabilities								
Trade and other current payables	**1.5**	**—**	**—**	**1.5**	3.1	—	—	3.1
Forward foreign exchange contracts	**—**	**0.9**	**—**	**0.9**	—	—	—	—
BGF loan	**2.1**	**—**	**—**	**2.1**	—	—	—	—
Current liabilities	**3.7**	**0.9**	**—**	**4.6**	16.0	—	—	16.0
Non-current liabilities								
Trade and other payables	**—**	**—**	**—**	**—**	—	0.4	—	0.4
Bank loans	**379.2**	**—**	**—**	**379.2**	289.4	—	—	289.4
BGF loan	**9.4**	**—**	**—**	**9.4**	11.3	—	—	11.3
Non-current liabilities	**388.6**	**—**	**—**	**388.6**	300.7	0.4	—	301.1
Total liabilities	**392.3**	**0.9**	**—**	**393.2**	316.7	0.4	—	317.1

17. Financial assets and liabilities (Continued)

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 indrectly
- Level three: unobservable inputs for the assets or liabilities

All financial assets and liabilities have been identified as Level one with the exception of:

- Forward foreign exchange contracts, which are Level two financial assets/liabilities and all expire within 12 months from 30 March 2019.

The Group has relied upon valuations performed by third party valuations specialists for complex valuations of the 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.

- Contingent earn-out liabilities, which are Level three liabilities.

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 range between 11.5% and 18.5%.

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 sensititve 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 to the estimated fair value. Any reasonably probable improvement in business performance is unlikely to give rise to a material change to the fair value of these liabilities. While we don't expect a decline in business performance, this would likely give rise to a significant reduction in the fair values of these liabilities. Details of assumptions used in this review are detailed in Note 9.

There were no transfers between level one, level two and level three in 2019 or 2018.

17. Financial assets and liabilities (Continued)

Analysis of net debt

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

	At 31 March 2018 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 30 March 2019 £m
Cash and cash equivalents	54.0	9.9	—	3.6	—	(1.1)	**66.4**
Bank overdraft	(0.9)	(5.3)	—	—	—	—	**(6.2)**
Net cash and cash equivalents	53.1	4.6	—	3.6	—	(1.1)	**60.2**
Finance leases and hire purchase agreements:							
—due in less than one year	(0.9)	0.9	—	(0.2)	(0.7)	—	**(0.9)**
—due in more than one year	(1.1)	—	(0.3)	—	0.7	—	**(0.7)**
Bank loans:							
—due in less than one year	(1.2)	—	—	—	—	—	**(1.2)**
—due in more than one year	(297.3)	(43.9)	—	(54.4)	—	9.8	**(385.8)**
Subordinated loans:							
—due in less than one year	—	—	—	—	(2.1)	—	**(2.1)**
—due in more than one year	(11.3)	—	—	—	1.8	—	**(9.4)**
Reverse factoring facility aquired with Saloni:							
—due in less than one year	—	13.4	—	(13.4)	—	—	**—**
Net debt	(258.7)	(25.0)	(0.3)	(64.4)	(0.3)	8.7	**(339.9)**
Prepaid finance costs	3.6	4.4	—	—	(4.4)	—	**3.6**
Net debt including prepaid finance costs	(255.2)	(20.5)	(0.3)	(64.4)	(4.7)	8.7	**(336.3)**

	At 1 April 2017 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 31 March 2018 £m
Cash and cash equivalents	28.0	10.4	—	17.8	—	(2.2)	54.0
Bank overdraft	—	(0.9)	—	—	—	—	(0.9)
Net cash and cash equivalents	28.0	9.5	—	17.8	—	(2.2)	53.1
Finance leases and hire purchase agreements:							
—due in less than one year	(0.6)	0.3	0.2	—	(0.8)	—	(0.9)
—due in more than one year	(1.0)	—	(0.9)	—	0.8	—	(1.1)
Bank loans:							
—due in less than one year	—	—	—	(1.2)	—	—	(1.2)
—due in more than one year	(105.8)	(128.8)	—	(64.8)	—	2.1	(297.3)
Subordinated loans:							
—due in more than one year	(10.2)	—	—	—	(1.1)	—	(11.3)
Net debt	(89.6)	(119.0)	(0.7)	(48.2)	(1.1)	(0.1)	(258.7)
Prepaid finance costs	0.9	3.9	—	—	(1.2)	—	3.6
Net debt including prepaid finance costs	(88.7)	(115.1)	(0.7)	(48.2)	(2.3)	(0.1)	(255.1)

The bank loans and subordinated loan 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.

17. Financial assets and liabilities (Continued)

Reconciliation of movements in the Company's net debt position

	At 31 March 2018 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 30 March 2019 £m
Cash and cash equivalents	6.2	13.0	—	—	—	(0.2)	**19.0**
Bank overdraft	(12.9)	12.9	—	—	—	—	**—**
Net cash and cash equivalents	(6.7)	25.9	—	—	—	(0.2)	**19.0**
Bank loans:							
—due in less than one year	—	—	—	—	—	—	**—**
—due in more than one year	(293.0)	(45.2)	—	—	(54.4)	9.8	**(382.8)**
Subordinated loans:							
—due in less than one year	—	—	—	—	(2.1)	—	**(2.1)**
—due in more than one year	(11.3)	—	—	—	1.8	—	**(9.4)**
Net debt	(311.0)	(19.3)	—	—	(54.7)	9.6	**(375.4)**
Prepaid finance costs	3.6	4.4	—	—	(4.4)	—	**3.6**
Net debt including prepaid finance costs	(307.4)	(14.9)	—	—	(59.1)	9.6	**(371.8)**

	At 1 April 2017 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 31 March 2018 £m
Cash and cash equivalents	0.3	5.8	—	—	—	0.1	6.2
Bank overdraft	(10.4)	(2.2)	—	—	—	(0.3)	(12.9)
Net cash and cash equivalents	(10.1)	3.6	—	—	—	(0.2)	(6.7)
Bank loans:							
—due in more than one year	(105.8)	(129.2)	—	—	(60.0)	2.0	(293.0)
Subordinated loans:							
—due in more than one year	(10.2)	—	—	—	(1.1)	—	(11.3)
Net debt	(126.1)	(125.6)	—	—	(61.1)	1.8	(311.0)
Prepaid finance costs	0.9	3.9	—	—	(1.2)	—	3.6
Net debt including prepaid finance costs	(125.2)	(121.7)	—	—	(62.3)	1.8	(307.4)

The bank loans and suboardinated loan are disclosed in the table excluding prepaid finance costs.

Amounts falling due within one year:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Deferred earn-out liabilities	**4.1**	4.5	**—**	—
Contingent earn-out liabilities	**12.5**	1.6	**—**	—
	16.6	6.1	**—**	—

17. Financial assets and liabilities (Continued)

Amounts falling due after one year:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Deferred earn-out liabilities:				
—due between one and two years	**1.1**	4.5	—	—
—due between two and five years	**—**	1.1	—	—
Contingent earn-out liabilities:				—
—due between one and two years	**6.4**	7.9	—	0.4
—due between two and five years	**5.0**	11.7	—	—
	12.5	25.2	—	0.4

Reconciliation of movement in contingent earn-out liabilities	Group £m	Company £m
Contingent earn-out liabilities as at 1 April 2018	21.2	0.4
Payments made during the period	(3.8)	—
Unwinding of present value	2.7	—
Other fair value adjustments	4.4	(0.4)
Exchange rate difference	(0.6)	—
Contingent earn-out liabilities as at 30 March 2019	**23.9**	**—**

18. Operating lease arrangements

The Group and Company as lessee

Details of operating lease arrangements for the Group and Company are as follows:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Payments under operating leases recognised in income statement for the year	**9.2**	6.5	**0.5**	0.5

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

Minimum lease payments	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Within one year	**9.2**	7.3	**0.5**	0.5
In the second to fifth years inclusive	**27.5**	20.8	**2.2**	2.1
After five years	**19.7**	20.2	**5.4**	5.8
	56.4	48.3	**8.1**	8.4

Operating lease payments represent rentals payable by the Group and Company principally for vehicles and certain of its properties. Leases of vehicles are usually negotiated for a term of 3-5 years and rentals are fixed for the term of the lease. Leases of land and buildings are usually negotiated for 5-20 years.

19. Deferred taxation

	Group £m	Company £m
At 2 April 2017	10.2	(0.3)
Credit to income statement (see Note 6)	(2.7)	0.1
Deferred tax in relation to pension scheme	0.4	—
Deferred tax on intangible assets acquired	40.2	—
Adjustment for acquisitions in the year	2.7	—
Exchange adjustment	(0.7)	—
At 31 March 2018	50.1	(0.2)
At 1 April 2018	**50.1**	**(0.2)**
Credit to income statement (see Note 6)	**(2.5)**	**—**
Deferred tax in relation to pension scheme	**0.3**	**—**
Deferred tax on intangible assets acquired	**14.6**	**—**
Adjustment for acquisitions in the year	(0.7)	—
Exchange adjustment	**(1.5)**	**—**
At 30 March 2019	**60.3**	**(0.2)**

The provision for deferred taxation is as follows:

	Group		Company	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Fixed assets	**0.4**	(1.3)	**—**	—
Investment property	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Tax losses	**(1.9)**	(2.6)	**(0.1)**	(0.1)
Deferred tax on intangible assets acquired	**59.0**	51.3	**—**	—
Deferred tax on defined benefit pension	**(1.3)**	(1.7)	**—**	—
Other timing differences	**4.2**	4.5	**—**	—
	60.3	50.0	**(0.2)**	(0.2)

The provision is based on taxation rates of 30% in respect of balances relating to the Australian businesses (2018: 30%), 25% in respect of balances relating to the Dutch businesses (2018: 25%), 25% in respect of balances relating to the Spanish business (2018: 25%), 29% in respect of balances relating to the Belgian business, and 27.9% in respect of balances relating to the Italian business. The rates applied to UK balances vary dependent on the timing of when the balances are expected to unwind as noted below.

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

The UK corporation tax rate reductions, from 20% to 19% on 1 April 2017, and to 17% on 1 April 2020, have been substantively enacted. Accordingly, deferred tax balances at 30 March 2019 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Deferred tax liabilities	**66.1**	54.7	**—**	—
Deferred tax assets	**(5.8)**	(4.6)	**(0.2)**	(0.2)
	60.3	50.1	**(0.2)**	(0.2)

20. Retirement benefit obligations

Defined contribution schemes

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

Contributions are charged to the Income Statement as incurred and amounted to £3,831,000 (2018: £3,712,000), of which £2,257,000 (2018: £2,126,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2018: £nil).

Defined benefit schemes

The Group has two defined benefit schemes, both of which relate to Interfloor Limited.

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

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 31 July 2018.

The contributions made by the employer over the financial period were £95,000 (2018: £95,000) in respect of the Main Scheme and £126,000 (2018: £126,000) 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 £136,000 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 2021.

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.

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.

20. Retirement benefit obligations (Continued)

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

	2019 £m	2018 £m
Discount rate	**2.3%**	2.5%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.3%**	2.3%
Pension in payment increases of RPI or 5% p.a. if less	**3.1%**	3.1%
Pension in payment increases of CPI or 3% p.a. if less	**2.0%**	2.1%
Inflation (RPI)	**3.3%**	3.3%
Inflation (CPI)	**2.3%**	2.3%

The assumptions relating to longevity underlying the pension liabilities at the Consolidated Statement of Financial Position date are based on 115% 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: 20.8 years (male), 22.7 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 21.9 years (male), 23.9 years (female).

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

	2019 £m	2018 £m
Net interest expense	**0.2**	0.3
Past service cost	**0.4**	—
Components of defined benefit costs recognised in profit or loss	**0.6**	0.3

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. The past service cost relates to a GMP equalisation charge and has been included within exceptional costs in administrative expenses.

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

	2019 £m	2018 £m
The return on plan assets (excluding amounts included in net interest expense)	**1.1**	0.9
Actuarial gains arising from changes in demographic assumptions	**0.2**	0.4
Actuarial (losses) / gains arising from changes in financial assumptions	**(1.1)**	0.4
Actuarial gains arising from experience adjustments	**1.6**	0.3
Remeasurement of the net defined benefit liability	**1.8**	2.0

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:

	2019 £m	2018 £m
Present value of defined benefit obligations	**(32.6)**	(33.4)
Fair value of plan assets	**24.7**	24.3
Net liability arising from defined benefit obligation	**(7.8)**	(9.1)
Deferred tax applied to net obligation	**1.5**	1.7

20. Retirement benefit obligations (Continued)

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

	2019 £m	2018 £m
Opening defined benefit obligation	**33.4**	36.5
Interest cost	**0.8**	0.9
Remeasurement (gains)/losses:		
Actuarial losses arising from changes in demographic assumptions	**(0.2)**	(0.4)
Actuarial gains / (losses) arising from changes in financial assumptions	**1.1**	(0.4)
Actuarial losses arising from experience adjustments	**(1.7)**	(0.3)
Benefits paid and expenses	**(1.4)**	(2.9)
Past service costs	**0.4**	—
Closing defined benefit obligation	**32.5**	33.4

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

	2019 £m	2018 £m
Opening fair value of plan assets	**24.3**	25.4
Interest income	**0.6**	0.6
Remeasurement gains:		—
The return on plan assets (excluding amounts included in net interest expense)	**1.1**	1.0
Contributions from the employer	**0.2**	0.2
Benefits paid and expenses	**(1.4)**	(2.9)
Closing fair value of plan assets	**24.7**	24.3

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

	2019 £m	2018 £m
Cash and cash equivalents	**0.2**	0.2
Government bonds	**0.4**	1.6
Corporate bonds	**10.0**	8.9
LDI	**4.1**	3.8
UK equities	**0.5**	0.6
Property	**1.5**	1.8
Overseas equities	**8.1**	7.4
Closing fair value of plan assets	**24.7**	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 £1,671,000 (2018: £1,551,000).

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 0.25% per annum, the defined benefit obligation would increase by 4.6%.

If the rate of inflation increases by 0.25% per annum, the defined benefit obligation would increase by 3.5%.

20. Retirement benefit obligations (Continued)

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.0%.

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 £136,000 (2018: £221,000) to the defined benefit schemes during the next financial period

21. Share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
Ordinary shares	**6.3**	5.9

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

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, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The Group is subjected to a number of financial covenants in connection with its group bank facilities. These covenants are tested quarterly and were not breached during the year.

22. Reserves

(a) Retained earnings

Retained earnings for the Group as at 30 March 2019 were £20,563,000 (2018: £26,659,000).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £8,954,000 (2018: loss of £5,430,000). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

(b) Foreign exchange reserve

The foreign exchange reserve for the Group as at 30 March 2019 was £2,335,000 (2018: £2,878,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at 30 March 2019 was £288,700,000 (2018: £229,822,000), in respect of premium received on the issuance of equity above the nominal value of the shares issued.

22. Reserves (Continued)

(d) Other reserves

Other reserves for the Group as at 30 March 2019 were £1,951,000 (2018: £336,000) and relate to share-based payment charges (see further details in Note 5).

23. Acquisition of subsidiaries

(a) Ceramica Saloni, S.A.

On 7 August 2018 the Group acquired 100% of the equity of each of Ceramica Saloni, S.A.U. and Sanicova, S.L.U. (together "Saloni").

Saloni operates from a site in Castellon, Spain, close to the Group's existing business, Keraben. Saloni designs, manufactures and distributes branded, mid to high-end ceramic tiles, which are sold domestically and exported internationally. Saloni is a well-invested business, with a new production line installed prior to the acquisition that has significantly increased the company's manufacturing capacity. Even prior to any synergies delivered from the integration of Saloni with Keraben, the acquisition is expected to be materially accretive to earnings per share in the first full year of ownership (after accounting for the impact of the new Ordinary Shares issued by way of placing, as part of the acquisition funding). For the year ended 31 December 2017, Saloni generated audited net revenues of €106.3 million (£94.7 million) and adjusted EBITDA of €15.6 million (£13.9 million). For the twelve months ended 31 May 2018, Saloni generated unaudited adjusted EBITDA of €17.8 million (£15.9 million).

The Group results for the year ended 30 March 2019 include contribution from Saloni of €65.2m (£57.5m[1]) of revenue and €5.8m (£5.1m[1]) 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 €43.1m (£38.0m[1]) and €2.9m (£2.6m[1]) respectively.

Consideration

Initial cash consideration of €96.7m (£86.2m[2]) was paid on completion of the acquisition.

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[1] Applying the average exchange rate over the financial year of 1.1344.

[2] Applying the GBP to € exchange rate at the date of acquisition of 1.1218.

23. Acquisition of subsidiaries (Continued)

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	27.8
IT software	0.1
Trade and other receivables	31.1
Inventories	28.4
Trade and other payables	(26.0)
Reverse factoring	(13.4)
Deferred tax assets	2.7
Deferred tax liabilities	(0.5)
Current tax liabilities	(1.8)
Net cash	3.6
Loans	(54.4)
Finance leases and hire purchase	(0.2)
Book value of net liabilities acquired	(2.6)
Fair value adjustment on fixed assets	6.5
Intangible assets arising on acquisition (see Note 10)	58.4
Deferred tax liability on intangible assets acquired	(14.6)
Deferred tax liability on fair value adjustment on fixed assets	(1.5)
Fair value of total identifiable net assets	46.1
Goodwill (see Note 9)	40.1
Total consideration	86.2
Satisfied by:	
Cash	86.2
	86.2

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

After fair value adjustments, goodwill of £40.1m is created on the consolidation of Saloni, which relates to expected future profits of the business.

Transaction costs amounting to £1.8m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

24. Government grants

	2019 £m	2018 £m
Deferred income at 1 April 2018	**1.0**	0.4
Grant income received in the year	**1.4**	0.2
Amortisation to deferred income by release through cost of production	**(0.7)**	(0.3)
Adjustment for acquisitions in the year	**0.4**	0.7
Exchange adjustment	**—**	—
Deferred income at 30 March 2019	**2.1**	1.0
Presented in:		
Current liabilities	**—**	0.1
Non-current liabilities	**2.1**	0.9
	2.1	1.0

There are no unfulfilled conditions or other contingencies attaching to government assistance.

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, trade and other receivables and investments.

25. Financial instruments (Continued)

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. Trade receivables consist of a large number of customers spread across geographical locations. A review of aged debt history was carried out to evaluate whether this was indicative of any expected credit exposures. These historical rates of credit losses were then viewed in the context of customer credit worthiness. Trade receivables are written off when there is considered to be little likelihood of recovering the debt. The group's expected credit loss is an immaterial amount. The group continues to monitor its exposure to expected credit losses and further disclosure will be provided in future periods if the assessed expected credit losses are considered significant.

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 Board monitors annual cash budgets and updated forecasts against actual cash position on a monthly basis. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The maturity of financial liabilities is detailed in Note 16.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), or market pricing (price risk). 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 thrd 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 an increase in post-tax profit for the year of £400,000 (2018: increase in post-tax profit of £1,209,000). A 50 basis point

25. Financial instruments (Continued)

increase in the interest rate would, on the same basis, have reduced the profit for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

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

	As at 30 March 2019					As at 31 March 2018				
	Effective Interest Rate %	Total £m	0–1 Years £m	1–2 Years £m	2–5 Years £m	Effective Interest Rate %	Total £m	0–1 Years £m	1–2 Years £m	2–5 Years £m
Group										
Cash and cash equivalents	**0.00%**	**66.4**	**66.4**	**—**	**—**	0.00%	54.0	54.0	—	—
Bank Loans & overdraft	**3.47%**	**(429.6)**	**(29.1)**	**(398.5)**	**(1.9)**	2.92%	(320.6)	(8.7)	(311.9)	—
BGF Loan	**6.00%**	**(13.8)**	**(2.7)**	**(0.6)**	**(10.5)**	7.91%	(13.8)	(0.6)	(2.1)	(11.1)
Finance lease and HP	**5.93%**	**(1.6)**	**(0.9)**	**(0.4)**	**(0.2)**	5.25%	(2.0)	(0.9)	(0.7)	(0.4)
		(378.4)	**33.7**	**(399.6)**	**(12.6)**		(282.4)	43.8	(314.7)	(11.5)
Company										
Cash and cash equivalents	**0.00%**	**19.0**	**19.0**	**—**	**—**	0.00%	6.2	6.2	—	—
Bank Loans & overdraft	**3.50%**	**(418.7)**	**(21.5)**	**(397.2)**	**—**	2.96%	(315.0)	(8.7)	(306.3)	—
BGF Loan	**6.00%**	**(13.8)**	**(2.7)**	**(0.6)**	**(10.5)**	7.91%	(13.8)	(0.6)	(2.1)	(11.1)
		(413.5)	**(5.2)**	**(397.8)**	**(10.5)**		(322.6)	(3.1)	(308.4)	(11.1)

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

	As at 30 March 2019				As at 31 March 2018			
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	**(5.3)**	**(4.1)**	**(1.2)**	**—**	(10.4)	(4.5)	(4.7)	(1.2)
Contingent earn-out liabilities	**(28.1)**	**(13.4)**	**(8.1)**	**(6.6)**	(28.6)	(1.6)	(8.5)	(18.5)
	(33.4)	**(17.5)**	**(9.3)**	**(6.6)**	(39.0)	(6.1)	(13.2)	(19.7)
Company								
Contingent earn-out liabilities	**—**	**—**	**—**	**—**	(0.7)	—	(0.7)	—
	—	**—**	**—**	**—**	(0.7)	—	(0.7)	—

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 ownership of the continental European and Australian subsidiaries, which account for approximately 66.7% and 7.6% of the Group's total assets, respectively.

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

25. Financial instruments (Continued)

Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported. These exposures 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.

Currency risk sensitivity

The effect of a 10% strengthening of the Australian Dollar against Sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £171,000 (2018: increased Group post-tax profit by £705,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £140,000 (2018: decreased Group post-tax profit by £577,000).

The effect of a 10% strengthening of the Australia Dollar against Sterling at year-end rates would have resulted in an increase to equity of £2,087,000 (2018: an increase of £2,235,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,707,000 (2018: decrease of £1,828,000).

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £1,157,000 (2018: decrease of £309,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £947,000 (2018: increase of £253,000).

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in an increase to equity of £1,518,000 (2018: decrease of £280,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,242,000 (2018: increase of £229,000).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (excluding intercompany balances) at the reporting date are as follows:

	Liabilities		Assets	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Australia Dollar	**20.8**	24.9	**73.0**	77.8
Euro	**139.9**	131.3	**635.0**	502.1

c) 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. There are no critical judgements that are deemed to have a significant impact on the financial statements. 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 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

26. Key sources of estimation uncertainty (Continued)

impairment review to assess whether the carrying value of goodwill balances are less than its recoverable amount. 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.

Measurement of intangible assets (note 10)

Intangible assets are recognised on acquisitions in relation to customer relationships, brands and developed technology.

The fair value of these assets are determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. These are assessed based upon management forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates, expected changes to selling prices and direct costs, brand royalty rates and customer attrition. The valuation of acquired intangbles is highly sensitive to these key assumptions, hence any change to these assumptions could give rise to a significant increase or decrease in the valuation of the intangible assets acquired. Details of assumptions used in this review are detailed in Note 9.

Valuation of deferred and contingent earn-out consideration (note 17)

Liabilities are recognised in respect of acquisitions with outstanding deferred or contingent earn-outs at the end of the period. These are assessed for each relevant business based upon management financial projections for the next 12 months and applying growth assumptions for future years where relevant. Key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. Further details are set out in Note 17.

Defined benefit obligation (note 20)

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

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

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 and its subsidiaries.

As at 30 March 2019, the key management personnel, and their immediate relatives, controlled 20.93% of the voting shares of the Company.

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

27. Related parties (Continued)

Furthermore, details of an employee incentive plan in relation to the key management personnel of Keraben, are provided in Note 15.

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.

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Short-term employee benefits	**4.0**	5.1
Post-employment benefits	**0.2**	0.3
	4.2	5.4

Transactions with subsidiary undertakings:	52 weeks ended 31 March 2018 £m	52 weeks ended 2 April 2017 £m
Management fees—Victoria Bidco B.V	**0.03**	0.03
Management fees—Victoria Carpets Ltd	**0.01**	—
Management fees—Westex (Carpets) Ltd	**0.03**	0.03
Management fees—Abingdon Flooring Ltd	**0.03**	0.03
Management fees—View Logistics Ltd	**0.03**	0.03
Management fees—Interfloor Group Ltd	**0.03**	0.03
Management fees—Ezi Floor Ltd	**0.03**	0.03
Management fees—The Victoria Carpet Company Pty Ltd	**0.03**	0.03
Management fees—Quest Flooring Pty Ltd	**0.03**	0.03
Management fees—Primary Flooring Pty Limited	**0.03**	0.03
Interest payable—Victoria Bidco B.V	**3.94**	0.36
Interest payable—Victoria Carpets Ltd	**0.34**	0.32
Interest payable—Globesign Ltd	**0.05**	0.25
Interest payable—Abingdon Flooring Ltd	**0.52**	0.44
Interest payable—Whitestone Carpets Holdings Ltd	**0.87**	0.68
Interest payable—Interfloor Group Ltd	**1.15**	1.49
Interest payable—Interfloor Operations Ltd	**0.59**	0.57
Interest payable—Ezi Floor Ltd	**0.42**	0.31
Interest payable—Primary Flooring Pty Limited	**1.03**	1.20
Interest payable—Keraben Grupo S.A.	**2.21**	0.73
Interest payable—Kinsan Trade, S.L.	**3.75**	1.31
Interest payable—Ceramiche Serra S.p.A	**0.87**	—
Interest payable—Sandover Investments, S.L.U	**0.97**	—
Interest payable—Ceramica Saloni, S.A.	**3.06**	—
Dividend Income—Victoria Midco Holdings Ltd	**1.11**	2.75
Dividend Income—Quest Flooring Pty Ltd	**0.74**	0.76
Amounts due from subsidiary undertakings	**613.7**	497.5
Amounts due to subsidiary undertakings	**—**	1.0

Transactions with the Business Growth Fund

Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund's ("BGF") Regional Director for the Midlands. On the 30 September 2014 the Company entered into a £10m unsecured loan facility with BGF, which is repayable in 2021. During the prior year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6%.

Interest charged to the income statement during the period in relation to the BGF loan was £885,000 (2018: £1,182,000).

28. Post balance sheet events

On 25 June 2019, the Group entered into an irrevocable commitment from Credit Suisse and a number of other banks to provide five-year debt financing in order to refinance the existing facility, maturing in August 2020. Further details are provided in the Financial Review.

VICTORIA PLC

Annual Report and Accounts
for the 52 weeks ended March 31, 2018

Independent auditor's report
to the members of Victoria PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Victoria PLC (the 'parent company') and its subsidiaries (the 'group') for the period ended March 31, 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at March 31, 2018 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

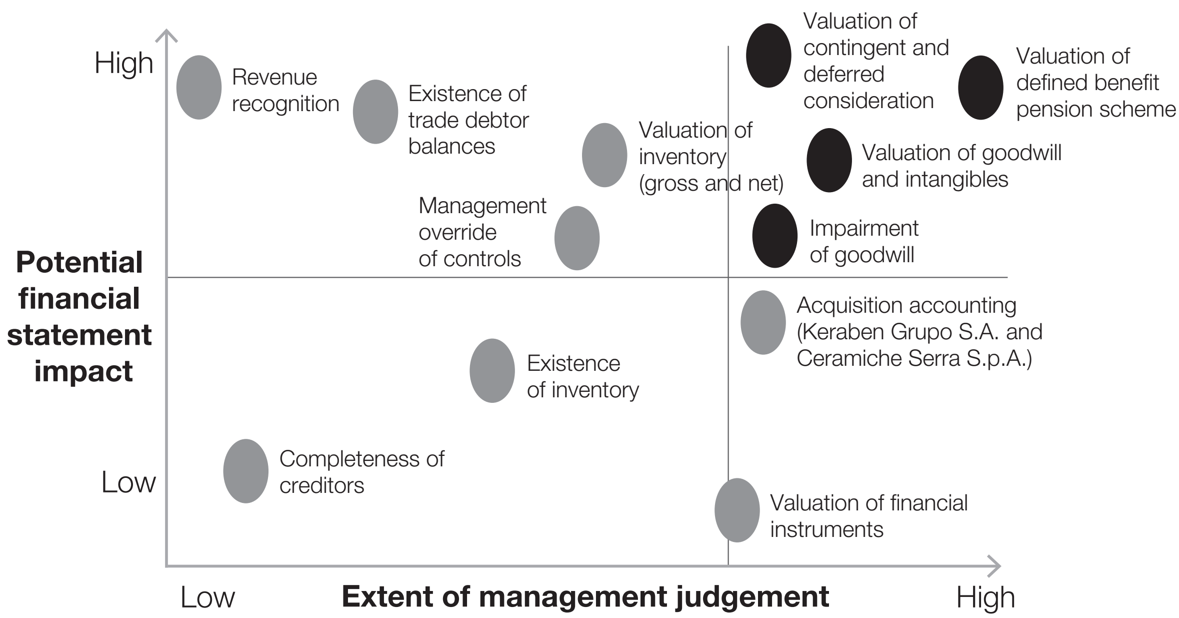
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £1,600,000, which represents 4% of the group's profit before tax after exceptional items, amortisation of acquired intangibles and other non-underlying finance costs have been excluded;
- Key audit matters were identified as valuation of goodwill and intangibles, valuation of contingent and deferred consideration, impairment of goodwill, and valuation of defined benefit pension scheme for the group;
- We performed full scope audit procedures on significant components in the United Kingdom, Spain, the Netherlands, Italy and Australia. We performed analytical procedures over non-significant components in the Netherlands and Belgium, and the United Kingdom; and
- We issued group instructions to component auditors in respect of their full scope audit of the significant components

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, 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.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Risk 1—Valuation of goodwill and intangibles During the year the group acquired the entire share capital of Keraben Grupo S.A. (Keraben) and Ceramiche Serra S.p.A. (Serra). These acquisitions have had a material impact on the financial statements, resulting in the recognition of goodwill and intangible assets upon consolidation of these entities. The group measures goodwill at the acquisition date as being the fair value of consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed. Goodwill of £113.3 million and £14.9 million was recognised as a result of the acquisitions of Keraben and Serra respectively. 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. Intangible assets of £131.4 million and £29.0 million were recognised as a result of the acquisitions of Keraben and Serra respectively. These intangibles were valued, using input from a third party valuation expert, based on discounted cash flow forecasts, which require judgement by the Directors around key assumptions such as revenue growth, discount rates, brand royalty rates, customer attrition and long term growth rates. We therefore identified valuation of goodwill and intangibles recognised in respect of current year acquisitions as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the valuation of goodwill and intangibles and assessing the design effectiveness of related key controls; • reperforming management's calculation of the fair value of the consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed; • using our internal valuation specialist to evaluate and challenge the assumptions used, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the intangibles recognised; and • testing the completeness and accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long-term growth forecasts. The group's accounting policy on intangibles is shown on pages 42 and 43 and related disclosures are included in notes 9 and 10. **Key observations** Based on our audit work, we found that the assumptions and judgements used in management's estimation of the valuation of goodwill and intangibles recognised in respect of current year acquisitions were reasonable. We found no errors in the underlying calculations.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Risk 2—Valuation of contingent and deferred consideration At March 31, 2018 amounts owing in respect of deferred and contingent consideration were £31.3 million, with additional amounts recognised on the acquisition in the period of Serra of £12.4 million. Deferred and contingent consideration in respect of acquisitions is measured in accordance with International Financial Reporting Standard (IFRS) 3 'Business Combinations'. Contingent consideration is recognised initially at fair value with subsequent changes to the fair value of the contingent consideration recognised in the Consolidated Income Statement. Deferred consideration is initially recognised at fair value and subsequently at amortised cost. The valuation of contingent consideration upon both acquisition and at each reporting date requires management to make judgements and estimates around the future performance of the relevant businesses and the discount rates to be applied. Estimated payments are calculated using such financial projections for the next 12 months and applying growth assumptions for future years where relevant. Given the high level of estimation uncertainty in these judgements, we therefore identified valuation of contingent and deferred consideration as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the valuation of contingent and deferred consideration and assessing the design effectiveness of related key controls; • confirming that the deferred and contingent consideration conditions as defined in the respective share purchase agreements have been appropriately reflected in management's calculations; • challenging the appropriateness of the assumptions used, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the deferred and contingent consideration; and • testing the appropriateness of management's accounting policy through the above procedures and confirming it was correctly applied during the period. The group's accounting policies in respect of deferred and contingent consideration are shown on pages 45 and 46, and related disclosures are included in note 17. **Key observations** Based on our audit work, we found that the assumptions and estimates used by management's evaluation of the valuation of deferred and consideration were reasonable. Note 17 also appropriately discloses the assumptions used in determining the estimate. We found no significant errors in the underlying calculations.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Risk 3—Impairment of goodwill 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 the management to make judgements over certain key inputs in the value in use discounted cash flow models. These include revenue growth, discount rates and long term growth rates. We therefore identified impairment of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the impairment of intangible assets and assessing the design effectiveness of related key controls; • testing the methodology applied in the value in use calculation complies with the requirements of IAS 36; • testing the mathematical accuracy of management's model; • testing the key underlying assumptions for the financial year 2019 budget (FY19); • challenging management on its cash flow forecast and the implied growth rates for FY19 and corroborating to relevant evidence such as external market data to support these assumptions; • assessing the discount rates and long term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; and • testing the sensitivity analysis performed by management in respect of the key assumptions, such as discount and growth rates, to ensure there was sufficient headroom in their calculation. The group's accounting policy on goodwill is shown on Pages 39 and 40 and related disclosures are included in note 9. **Key observations** Based on our audit work, we found that the assumptions made and estimates used in management's assessment of goodwill impairment were balanced. Note 9 also appropriately discloses the assumptions used in determining the estimate. We found no errors in the underlying calculations.

Key Audit Matter—Group	How the matter was addressed in the audit—Group
Risk 4—Valuation of defined benefit pension scheme The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At March 31, 2018 the defined benefit pension schemes net liability was £9.1 million (2017: £11.1 million). The gross value of pension scheme assets and liabilities which form the net liability amount to £24.2 million and £33.4 million, respectively. The valuation of the pension liabilities and assets in accordance with IAS 19 'Employee benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the group financial statements. We therefore identified valuation of defined benefit pension scheme as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the defined benefit pension scheme and assessing the design effectiveness of related key controls; • using an internal actuarial specialist to challenge the assumptions used, including discount rates, growth rates, mortality rates and the calculation methods employed in the calculation of the pension liability; • testing the accuracy of underlying membership data used by the group's actuary for the purpose of calculating the scheme liabilities by selecting a sample of employees and agreeing key member data to source records and by testing a sample of movements in the pension scheme membership; and • directly confirming the existence of pension scheme assets with the entity pension scheme's external asset managers. The group's accounting policy on the defined benefit pension scheme is shown on page 41 and related disclosures are included in note 20. **Key observations** Based on our audit work, we found the valuation methodologies and the actuarial assumptions applied by management to be reasonable and consistent with the expectation of our actuarial specialists. We consider that the group's disclosures in note 20 appropriately describe the significant degree of inherent imprecision in the assumptions and estimates and the potential impact on future periods of revisions to these estimates. We found no errors in the underlying calculations.

We did not identify any Key Audit Matters relating to the audit of the financial statements of the parent company.

Our application of materiality

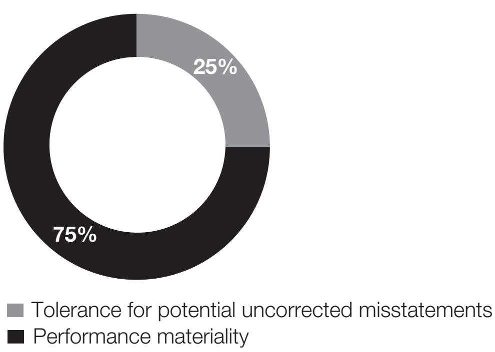
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

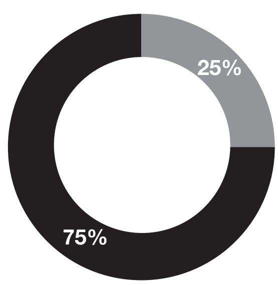
Materiality measure	Group	Parent
Financial statements as a whole	£1,600,000, which represents approximately 4% of the group's profit before tax after exceptional items, amortisation of acquired intangibles, and other non-underlying finance costs have been excluded. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the group. Underlying profit before tax is also a consistent basis for determining materiality compared with the previous periods. Materiality for the current year is higher than the level that we determined for the period ended April 1, 2017 as a result of the increased underlying group profit before tax in the current period.	£1,200,000, which represents approximately 2% of the parent company total assets, capped at 75% of group materiality. The benchmark is considered the most appropriate as it most accurately reflects the parent company's status as a non-trading holding company. Materiality for the current year is higher than the level that we determined for the period ended April 1, 2017 to reflect the parent company's increased total assets in the current period.
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the group's overall control environment, we determined a performance materiality of 75% of the financial statement materiality.	Based on our risk assessment, including the company's overall control environment, we determined a performance materiality of 75% of the financial statement materiality.
Specific materiality	We determined a lower level of materiality for directors' remuneration and related party transactions.	We determined a lower level of materiality for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£80,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£60,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – group



Overall materiality – parent



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile. The components of the group were identified by the group audit team based on a measure of materiality, considering each as a percentage of the group's total assets, revenues and profit before taxation, to assess the significance of the component and determine the planned audit response.

A full scope audit approach for all significant components was determined based on their relative materiality to the group and our assessment of the audit risk. For significant components requiring a full scope approach we evaluated the processes and controls over the financial reporting system identified as part of our risk assessment, reviewed the financial statement production process and addressed critical accounting matters such as those related to the key audit matters as identified above. We then undertook substantive testing on significant transactions and material account balances.

In order to respond to the audit risks identified in our risk assessment, we performed a full scope audit of the financial statements of the parent company, Victoria PLC (in the United Kingdom), and of other significant component entities in the United Kingdom, the Netherlands, Spain, Italy and Australia. The significant components represented 91.7 percent of consolidated revenues and 92.4 percent of underlying profit before taxation. Statutory audits of subsidiaries, where required by local legislation, were performed to a lower materiality where applicable.

The non-significant group components were subject to analytical procedures with a focus on the key audit matters as identified above and the significance to the group's balances.

Detailed audit instructions were issued to the auditors of all the significant components. The instructions highlighted the significant risks to be addressed through their procedures and detailed the information to be reported to the group audit team. The group audit team conducted a remote review of the work performed by the component auditors, and communicated with all component auditors throughout the planning, fieldwork and concluding stages of the local audits.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 23, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

July 24, 2018

Consolidated income statement

For the 52 weeks ended March 31, 2018

	Notes	52 weeks ended March 31, 2018 Underlying performance £m	52 weeks ended March 31, 2018 Non-underlying items £m	52 weeks ended March 31, 2018 Reported numbers £m	52 weeks ended April 1, 2017 Underlying performance £m	52 weeks ended April 1, 2017 Non-underlying items £m	52 weeks ended April 1, 2017 Reported numbers £m
Continuing operations							
Revenue	1	**424.8**	**—**	**424.8**	330.4	—	330.4
Cost of sales		**(279.4)**	**—**	**(279.4)**	(220.8)	—	(220.8)
Gross profit		**145.4**	**—**	**145.4**	109.6	—	109.6
Distribution costs		**(59.4)**	**—**	**(59.4)**	(54.9)	—	(54.9)
Administrative expenses		**(38.6)**	**(22.4)**	**(61.0)**	(21.5)	(7.0)	(28.5)
Other operating income		**1.4**	**—**	**1.4**	0.5	—	0.5
Operating profit/(loss)		**48.8**	**(22.4)**	**26.4**	33.7	(7.0)	26.7
Comprising:							
Operating profit before non-underlying and exceptional items	1	**48.8**	**—**	**48.8**	33.7	—	33.7
Amortisation of acquired intangibles		**—**	**(11.2)**	**(11.2)**	—	(4.4)	(4.4)
Exceptional items	1, 2	**—**	**(11.2)**	**(11.2)**	—	(2.6)	(2.6)
Finance costs	3	**(8.0)**	**(5.0)**	**(13.0)**	(4.3)	(3.6)	(7.9)
Comprising:							
Interest payable on loans	3	**(6.6)**	**—**	**(6.6)**	(3.6)	—	(3.6)
Amortisation of prepaid finance costs	3	**(1.0)**	**(0.2)**	**(1.2)**	(0.4)	—	(0.4)
Interest accrued on BGF loan	3	**(0.1)**	**(0.3)**	**(0.4)**	(0.2)	(0.2)	(0.4)
Net interest expense on defined benefit pensions	3	**(0.3)**	**—**	**(0.3)**	(0.1)	—	(0.1)
Other non-underlying finance costs	3	**—**	**(4.5)**	**(4.5)**	—	(3.4)	(3.4)
Profit / (loss) before tax	4	**40.8**	**(27.4)**	**13.4**	29.4	(10.6)	18.8
Taxation	6	**(9.2)**	**4.4**	**(4.8)**	(6.4)	0.2	(6.2)
Profit / (loss) for the period		**31.6**	**(23.0)**	**8.6**	23.0	(10.4)	12.6
Earnings per share—pence							
basic	7	**31.38**		**8.58**	25.25		13.84
diluted	7	**30.61**		**8.37**	24.43		13.60

Consolidated statement of comprehensive income

For the 52 weeks ended March 31, 2018

	Note	52 weeks ended March 31, 2018 £m	52 weeks ended April 1, 2017 £m
Profit for the period		**8.6**	12.6
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on defined benefit pension scheme	20	**2.0**	(7.8)
(Decrease) / increase in deferred tax asset relating to pension scheme liability		**(0.4)**	1.4
Items that will not be reclassified to profit or loss		**1.6**	(6.4)
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**(2.1)**	1.9
Items that may be reclassified subsequently to profit or loss		**(2.1)**	1.9
Other comprehensive expense		**(0.5)**	(4.5)
Total comprehensive income for the year attributable to the owners of the parent		**8.1**	8.1

Consolidated and Company balance sheets

As at March 31, 2018

		Group		Company	
	Notes	March 31, 2018 £m	April 1, 2017 £m	March 31, 2018 £m	April 1, 2017 £m
Non-current assets					
Goodwill	9	**188.1**	59.8	**—**	—
Intangible assets other than goodwill	10	**210.3**	66.3	**0.2**	—
Property, plant and equipment	11	**142.9**	41.8	**—**	—
Investment property	12	**0.8**	0.2	**0.2**	0.2
Investments in subsidiaries	12	**—**	—	**49.3**	49.3
Investments in associates	12	**1.0**	—	**—**	—
Trade and other non-current receivables	14	**—**	—	**14.8**	14.1
Deferred tax assets	19	**4.6**	5.0	**0.2**	0.3
Total non-current assets		**547.7**	173.1	**64.7**	63.9
Current assets					
Inventories	13	**100.3**	73.1	**—**	—
Trade and other receivables	14	**88.2**	55.1	**484.0**	132.9
Cash and cash equivalents	17	**54.0**	28.0	**6.2**	0.3
Total current assets		**242.5**	156.2	**490.2**	133.2
Total assets		**790.2**	329.3	**554.9**	197.1
Current liabilities					
Trade and other current payables	15	**121.5**	82.8	**3.1**	6.6
Current tax liabilities	17	**1.0**	4.3	**—**	—
Other financial liabilities	16, 17	**3.0**	0.6	**12.9**	10.4
Total current liabilities		**125.5**	87.7	**16.0**	17.0
Non-current liabilities					
Trade and other non-current payables	15	**29.2**	19.9	**0.4**	—
Other non-current financial liabilities	16	**306.1**	116.1	**300.7**	115.1
Deferred tax liabilities	19	**54.7**	15.2	**—**	—
Retirement benefit obligations	20	**9.1**	11.1	**—**	—
Total non-current liabilities		**399.1**	162.3	**301.1**	115.1
Total liabilities		**524.6**	250.0	**317.1**	132.1
Net assets		**265.6**	79.3	**237.8**	65.0
Equity					
Share capital	21	**5.9**	4.5	**5.9**	4.5
Share premium		**229.8**	52.5	**229.8**	52.5
Retained earnings	22	**26.7**	16.5	**1.8**	7.2
Foreign exchange reserve	22	**2.9**	5.0	**—**	—
Other reserves	22	**0.3**	0.8	**0.3**	0.8
Total equity		**265.6**	79.3	**237.8**	65.0

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £5,430,000 (2017: profit of £2,733,000). Company Registered Number (England & Wales) 282204

The financial statements on pages 34 to 84 were approved by the Board of Directors and authorised for issue on July 24, 2018.

They were signed on its behalf by:

Michael Scott
Group Finance Director

Consolidated statement of changes in equity

For the 52 weeks ended March 31, 2018

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
At April 3, 2016	4.5	52.5	10.3	3.1	0.7	71.1
Profit for the period to April 1, 2017	—	—	12.6	—	—	12.6
Other comprehensive loss for the period	—	—	(6.4)	—	—	(6.4)
Retranslation of overseas subsidiaries	—	—	—	1.9	—	1.9
Total comprehensive profit	—	—	6.2	1.9	—	8.1
Issue of share capital	—	—	—	—	—	—
Share-based payment charge	—	—	—	—	0.1	0.1
Transactions with owners	—	—	—	—	0.1	0.1
At April 1, 2017	4.5	52.5	16.5	5.0	0.8	79.3
Profit for the period to March 31, 2018	—	—	8.6	—	—	8.6
Other comprehensive profit for the period	—	—	1.6	—	—	1.6
Retranslation of overseas subsidiaries	—	—	—	(2.1)	—	(2.1)
Total comprehensive profit / (loss)	—	—	10.2	(2.1)	—	8.1
Issue of share capital	1.4	176.6	—	—	—	178.0
BGF equity transfer	—	0.7	—	—	(0.7)	—
Share-based payment charge	—	—	—	—	0.2	0.2
Transactions with owners	1.4	177.3	—	—	(0.5)	178.2
At March 31, 2018	**5.9**	**229.8**	**26.7**	**2.9**	**0.3**	**265.6**

Company statement of changes in equity

For the 52 weeks ended March 31, 2018

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At April 3, 2016	4.5	52.5	4.5	0.7	62.2
Profit for the period to April 1, 2017	—	—	2.7	—	2.7
Total comprehensive profit	—	—	2.7	—	2.7
Issue of share capital	—	—	—	—	—
Share-based payment charge	—	—	—	0.1	0.1
Transactions with owners	—	—	—	0.1	0.1
At April 1, 2017	4.5	52.5	7.2	0.8	65.0
Loss for the period to March 31, 2018	—	—	(5.4)	—	(5.4)
Total comprehensive loss	—	—	(5.4)	—	(5.4)
Issue of share capital	1.4	176.6	—	—	178.0
BGF equity transfer	—	0.7	—	(0.7)	—
Share-based payment charge	—	—	—	0.2	0.2
Transactions with owners	1.4	177.3	—	(0.5)	178.2
At March 31, 2018	**5.9**	**229.8**	**1.8**	**0.3**	**237.8**

Consolidated and Company statements of cash flows

For the 52 weeks ended March 31, 2018

	Note	Group		Company	
		52 weeks ended March 31, 2018 £m	52 weeks ended April 1, 2017 £m	52 weeks ended March 31, 2018 £m	52 weeks ended April 1, 2017 £m
Cash flows from operating activities					
Operating profit / (loss)		**26.4**	26.7	**(4.0)**	(2.1)
Adjustments for:					
Depreciation charges		**15.8**	12.0	**—**	—
Amortisation of intangible assets		**11.3**	4.4	**0.1**	—
Amortisation of government grants		**(0.3)**	(0.2)	**—**	—
Loss on disposal of property, plant and equipment		**0.1**	—	**—**	—
Share-based employee remuneration		**0.2**	0.1	**0.2**	0.1
Defined benefit pension		**(0.2)**	(0.2)	**—**	—
Net cash flow from operating activities before movements in working capital		**53.3**	42.8	**(3.7)**	(2.0)
Change in inventories		**(8.0)**	(0.5)	**—**	—
Change in trade and other receivables		**2.6**	(5.9)	**0.1**	—
Change in trade and other payables		**6.4**	4.7	**1.2**	0.4
Cash generated / (used) by operations		**54.3**	41.1	**(2.4)**	(1.6)
Interest paid		**(6.7)**	(3.6)	**(6.5)**	(3.4)
Income taxes paid		**(10.6)**	(5.8)	**(0.2)**	(0.1)
Net cash inflow / (outflow) from operating activities		**37.0**	31.7	**(9.1)**	(5.1)
Investing activities					
Purchases of property, plant and equipment		**(25.9)**	(9.4)	**—**	—
Proceeds on disposal of property, plant and equipment		**2.1**	0.2	**—**	—
Purchases of intangible assets		**(0.7)**	—	**(0.3)**	—
Loan to subsidiary companies		**—**	—	**(288.5)**	(28.5)
Deferred and contingent consideration payments		**(15.3)**	(10.3)	**(5.8)**	(5.8)
Acquisition of subsidiaries net of cash acquired		**(276.5)**	(37.8)	**—**	—
Net cash used in investing activities		**(316.3)**	(57.3)	**(294.6)**	(34.3)
Financing activities					
Increase in long-terms loans		**128.8**	34.3	**129.2**	34.9
Issue of share capital		**178.1**	—	**178.1**	—
Repayment of obligations under finance leases / hire purchase		**(0.3)**	(0.9)	**—**	—
Net cash generated in financing activities		**306.6**	33.4	**307.3**	34.9
Increase / (decrease) in net cash and cash equivalents		**27.3**	7.8	**3.6**	(4.5)
Net cash and cash equivalents at beginning of period		**28.0**	19.1	**(10.1)**	(5.6)
Effect of foreign exchange rate changes		**(2.2)**	1.1	**(0.2)**	—
Net cash and cash equivalents at end of period		**53.1**	28.0	**(6.7)**	(10.1)
Comprising:					
Cash and cash equivalents	17	**54.0**	28.0	**6.2**	0.3
Bank overdrafts	17	**(0.9)**	—	**(12.9)**	(10.4)
		53.1	28.0	**(6.7)**	(10.1)

Notes to the accounts

1. Segmental information

The Group is organised into two operating divisions, the sale of floorcovering products in the UK & Europe and in Australia. The CGUs that comprise the UK & Europe division are combined into one reporting segment on the basis that they share economic characteristics.

Geographical segment information for revenue, operating profit and a reconciliation to entity net profit is presented below.

Income statement

	52 weeks ended March 31, 2018				52 weeks ended April 1, 2017			
	UK & Europe £m	Australia £m	Unallocated central expenses £m	Total £m	UK & Europe £m	Australia £m	Unallocated central expenses £m	Total £m
Revenue	**312.0**	**112.8**	**—**	**424.8**	241.7	88.7	—	330.4
Underlying operating profit	**38.5**	**11.6**	**(1.3)**	**48.8**	26.2	8.3	(0.8)	33.7
Non-underlying operating items	**(9.3)**	**(1.9)**	**—**	**(11.2)**	(3.6)	(0.8)	—	(4.4)
Exceptional operating items	**(6.7)**	**(0.3)**	**(4.2)**	**(11.2)**	(0.8)	(0.5)	(1.3)	(2.6)
Operating profit	**22.5**	**9.4**	**(5.5)**	**26.4**	21.8	7.0	(2.1)	26.7
Underlying finance costs				**(8.0)**				(4.3)
Non-underlying finance costs				**(5.0)**				(3.6)
Profit before tax				**13.4**				18.8
Tax				**(4.8)**				(6.2)
Profit for the period				**8.6**				12.6

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 between the UK & Europe and Australia were immaterial.

The Group's revenue for the period was split geographically as follows:

	52 weeks ended March 31, 2018 £m	52 weeks ended April 1, 2017 £m
Revenue		
UK & other European countries	**265.0**	241.7
Spain	**41.3**	—
Italy	**5.7**	—
Australia	**112.8**	88.7
	424.8	330.4

Materially all revenue within 'UK & other European countries' relate to the UK.

Balance sheet

	As at March 31, 2018			As at April 1, 2017		
	UK & Europe £m	Australia £m	Total £m	UK & Europe £m	Australia £m	Total £m
Total Assets	**712.7**	**77.5**	**790.2**	277.0	52.3	329.3
Total Liabilities	**(467.0)**	**(57.6)**	**(524.6)**	(216.3)	(33.7)	(250.0)
Net Assets	**245.7**	**19.9**	**265.6**	60.7	18.6	79.3

1. Segmental information (Continued)

The Group's non-current assets as at March 31, 2018 were split geographically as follows:

	As at March 31, 2018 £m	As at April 1, 2017 £m
Non-current assets		
UK & other European countries	**130.5**	130.4
Spain	**332.2**	—
Italy	**49.1**	—
Australia	**35.9**	42.7
	547.7	173.1

Materially all non-current assets within 'UK & other European countries' relate to the UK.

Other segmental information

	52 weeks ended March 31, 2018				52 weeks ended April 1, 2017			
	UK & Europe £m	Australia £m	Unallocated central liabilities £m	Total £m	UK & Europe £m	Australia £m	Unallocated central liabilities £m	Total £m
Depreciation and amortisation								
Depreciation	**12.8**	**3.0**	**—**	**15.8**	9.3	2.7	—	12.0
Amortisation of acquisition intangibles	**9.4**	**1.8**	**—**	**11.2**	3.6	0.8	—	4.4
Amortisation of other intangibles	**0.1**	**—**	**—**	**0.1**	—	—	—	—
	22.3	**4.8**	**—**	**27.1**	12.9	3.5	—	16.4

	52 weeks ended March 31, 2018				52 weeks ended April 1, 2017			
	UK & Europe £m	Australia £m	Unallocated central expenditure £m	Total £m	UK & Europe £m	Australia £m	Unallocated central expenditure £m	Total £m
Investments in fixed assets								
Purchases of property, plant and equipment	**26.1**	**2.5**	**—**	**28.6**	9.4	1.8	—	11.2
Disposals of property, plant and equipment	**(0.9)**	**(0.3)**	**—**	**(1.2)**	(0.2)	—	—	(0.2)
Purchases of intangible assets	**0.4**	**—**	**0.3**	**0.7**	—	—	—	—
Total capital expenditure	**25.6**	**2.2**	**0.3**	**28.1**	9.2	1.8	—	11.0

2. Exceptional items

	2018 £m	2017 £m
(a) Acquisition and disposal related costs	**(5.8)**	(2.1)
(b) Reorganisation costs	**(5.4)**	(0.3)
(c) Prior year preference payment claim	**—**	(0.2)
	(11.2)	(2.6)

All exceptional items are classified within administrative expenses.

(a) One-off professional fees in connection with prospecting and completing acquisitions during the year.

(b) One-off reorganisation costs, including redundancy costs, in relation to the Group's manufacturing and logistics operations, as well as other corporate restructuring.

(c) Potential preference payment claim in respect of an Australian customer that went into administration during the prior year.

3. Finance costs

	2018 £m	2017 £m
Interest payable on bank loans and overdrafts	**5.7**	2.5
Cash interest payable on BGF loan	**0.8**	1.0
Interest payable on Hire Purchase and Finance Leases	**0.1**	0.1
Total interest payable on loans	**6.6**	3.6
Amortisation of prepaid finance costs	**1.0**	0.4
Interest rolled up into BGF loan	**0.1**	0.2
Net interest expense on defined benefit pensions	**0.3**	0.1
Underlying interest costs	**8.0**	4.3
Non-underlying finance costs:		
(a) BGF loan, one-off non-cash adjustments arising on modification	**0.9**	—
(b) BGF loan and option, redemption premium charge	**0.3**	0.2
(c) Unwinding of present value of contingent earn-out liabilities	**2.6**	1.8
(c) Unwinding of present value of deferred consideration liabilities	**0.4**	0.4
(c) Other adjustments to present value of contingent earn-out liabilities	**(2.9)**	1.6
(d) Mark to market adjustment on corporate bonds held	**0.1**	—
(e) Mark to market adjustment on foreign exchange forward contracts	**0.1**	—
(f) Retranslation of foreign currency loans	**3.5**	(0.4)
	13.0	7.9

(a) Non-cash charge relating to a significant modification to the terms of the BGF loan, on which the coupon was reduced from 10% to 6% in September 2017. The charge comprises an extinguishment charge of £705,000 and a release of prepaid costs of £210,000.

(b) Non-cash annual cost of the redemption premium in relation to the BGF loan and option.

(c) Non-cash costs relating to the revaluation of deferred consideration and contingent earn-outs. 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. The present value is then remeasured at each half-year and year-end in relation to the appropriateness of the discount factor and the unwind of this discount. In addition, 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.

(d) Fair value adjustments on corporate bonds held.

(e) Non-cash fair value adjustment on foreign exchange forward contracts.

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

4. Profit/(loss) on ordinary activities before taxation

	2018 £m	2017 £m
After charging / (crediting):		
Net foreign exchange losses / (gains)	**0.2**	(1.9)
Depreciation of property, plant and equipment (see Note 11)	**15.8**	12.0
Amortisation of intangible assets (see Note 10)	**11.3**	4.4
Staff costs (see Note 5)	**76.7**	59.8
Cost of inventories recognised as an expense	**230.2**	183.9
Profit on sale of fixed assets	**(0.1)**	—
Government grants (see Note 24)	**(0.3)**	(0.2)
Operating lease rentals	**6.5**	5.4

Auditor's remuneration	2018 £m	2017 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.08**	0.05
The audit of the Company's subsidiaries pursuant to legislation	**0.30**	0.25
Total audit fees	**0.38**	0.30
Tax compliance services	**0.05**	0.04
Taxation advisory services	**0.07**	0.02
Services relating to corporate finance transactions (etiher proposed or entered into) by or on behalf of the Company or any of its associates	**0.01**	0.09
Pension scheme advisory services	**—**	0.02
Total non-audit fees	**0.13**	0.17

5. Staff costs

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Wages and salaries	**65.7**	52.0	**0.6**	0.4
Social security costs	**7.1**	4.4	**0.1**	—
Share-based employee remuneration	**0.2**	0.1	**0.2**	0.1
Other pension costs	**3.7**	3.3	**—**	—
	76.7	59.8	**0.9**	0.5

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 21 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2018	2017	2018	2017
Directors	**50**	38	**6**	6
Sales and marketing	**381**	242	**—**	—
Production, logistics and maintenance	**1,893**	1,397	**—**	—
Finance, IT and administration	**176**	125	**2**	1
	2,500	1,802	**8**	7

5. Staff costs (Continued)

Share based payment schemes

On April 29, 2016, the Group Finance Director, Michael Scott, was awarded 5,000 B ordinary shares (the "B Shares") in a new intermediate holding company, Victoria Midco Holdings Limited, in connection with a share-based incentive plan as recommended by the Remuneration Committee. Between the second and third anniversary of his joining the Company, Mr Scott is able to exchange the B Shares into ordinary shares in Victoria PLC ("Ordinary Shares") of equivalent value. The monetary value of the award represents approximately 0.611% of the growth in value of the Ordinary Shares above a share price of £3.00. Since the year end, Mr Scott has exercised his option, exchanging the B Shares for 395,476 Ordinary Shares.

On June 8, 2017, Mr Scott was awarded 5,350 C ordinary shares and certain other employees 1,070 C ordinary shares (collectively the "C Shares") in connection with the share-based incentive plan. Between the July 1, 2019 and June 30, 2020 participants will be able to exchange the C Shares into Ordinary Shares of equivalent value. The monetary value of the award represents approximately 0.733% of the growth in value of the Ordinary Shares above a share price of £6.75. The Plan is subject to good leaver and bad leaver provisions.

The B and C Shares have been valued for the purposes of IFRS 2 (Share-based Payments) using a Black Scholes model. The key inputs and assumptions applied in this model for the B and C Shares are set out in the table below:

Inputs and Assumptions	B Shares	C Shares
Grant date	April 29, 2016	June 8, 2017
Victoria Plc share price at grant	£2.81	£5.53
Exercise price	£3.00	£6.75
Expected term	2.18 years	2.56 years
Risk free rate (continuously compounded)	0.50%	0.13%
Expected dividend yield	0%	0%
Expected volatility	32.76%	31.30%

Based on this model, the aggregate fair value of the B Shares was assessed to be £263,150 and for the C Shares £322,733. The fair value of the respective B and C Shares are charged to the income statement over the expected terms.

The expected volatility assumption has been determined based on historical share price volatility over a period commensurate with the expected maximum term of the respective B and C Shares issued.

6. Taxation

	2018 £m	2017 £m
Current tax		
—Current year UK	**2.0**	4.6
—Current year overseas	**5.3**	2.5
—Adjustments in respect of prior years	**0.2**	(0.2)
	7.5	6.9
Deferred tax (Note 19)		
—Credit recognised in the current year	**(2.7)**	(1.3)
—Charge in respect of non-qualifying sampling assets	**—**	0.7
—Adjustments in respect of prior years	**—**	(0.1)
—Effect of rate change	**—**	—
	(2.7)	(0.7)
Total tax	**4.8**	6.2

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% in the Netherlands and Spain; 27.9% in Italy; 30% in Australia; and 29% in Belgium.

The charge in respect of non-qualifying sampling assets incurred in the prior year of £682,000 is a non-recurring timing difference resulting from the change in accounting policy in the year ended April 2, 2016.

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

	2018		2017	
	£m	%	£m	%
Profit before tax from continuing operations	**13.4**		18.8	
Tax charge at the UK corporation tax rate of 19% (2017: 20%)	**2.5**	**19.0**	3.8	20.0
Tax effect of items that are not deductible/non-taxable in determining taxable profit	**1.1**	**7.8**	1.5	7.9
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1.0**	**7.8**	0.6	3.3
Deferred consideration fair value remeasurement non-taxable	**—**	**—**	0.8	4.3
Effect of change in rate	**—**	**—**	—	—
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**(0.1)**	**(1.0)**	(0.1)	(0.7)
Movement in deferred tax on revalued land no longer required	**—**	**—**	—	—
Tax losses not recognised as a deferred tax asset	**0.1**	**0.7**	—	—
Adjustments to prior periods	**0.2**	**1.3**	(0.4)	(1.9)
Tax charge and effective tax rate	**4.8**	**35.6**	6.2	32.9

7. Earnings per share

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

	Basic 2018 £m	Adjusted 2018 £m	Basic 2017 £m	Adjusted 2017 £m
Profit attributable to ordinary equity holders of the parent entity	**8.6**	**8.6**	12.6	12.6
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**—**	**11.2**	—	4.4
Acquisition and disposal-related cost	**—**	**5.8**	—	2.1
Reorganisation costs	**—**	**5.4**	—	0.3
Other exceptional items	**—**	**—**	—	0.2
BGF loan and option, non-underlying charges	**—**	**1.2**	—	0.2
Unwinding of present value of deferred and contingent consideration	**—**	**3.0**	—	2.2
Other adjustments to present value of contingent earn-out liabilities	**—**	**(2.9)**	—	1.6
Mark to market adjustment on corporate bonds held	**—**	**0.1**	—	—
Mark to market adjustment on foreign exchange forward contracts	**—**	**0.1**	—	—
Retranslation of foreign currency loans	**—**	**3.5**	—	(0.4)
Tax effect on adjusted items where applicable	**—**	**(4.4)**	—	(0.9)
Deferred tax charge in respect of non-qualifying sampling assets	**—**	**—**	—	0.7
Earnings for the purpose of basic and adjusted earnings per share	**8.6**	**31.6**	12.6	23.0

7. Earnings per share (Continued)

Weighted average number of shares

	2018 Number of shares (000's)	2017 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**100,701**	90,968
Effect of dilutive potential ordinary shares:		
BGF share options and growth shares	**2,533**	3,080
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**103,234**	94,048

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 per share are as follows:

	2018 Pence	2017 Pence
Earnings per share		
Basic adjusted earnings per share	**31.38**	25.25
Diluted adjusted earnings per share	**30.61**	24.43
Basic earnings per share	**8.58**	13.84
Diluted earnings per share	**8.37**	13.60

8. Rates of exchange

	2018		2017	
	Average	Year end	Average	Year end
Australia—A$	**1.7206**	**1.8246**	1.7435	1.6448
Europe—€	**1.1373**	**1.1370**	1.1785	1.1777

9. Goodwill

	Goodwill £m
At April 3, 2016	37.2
Arising on acquisition	21.7
Exchange movements	0.9
At April 1, 2017	59.8
At April 2, 2017	59.8
Arising on acquisition	130.7
Exchange movements	(2.4)
At March 31, 2018	**188.1**

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.

9. Goodwill (Continued)

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

	Reporting segment	2018 £m	2017 £m
Westex (Carpets) Limited	UK & Europe	**2.7**	2.7
Whitestone Weavers Group	UK & Europe	**1.4**	1.4
Interfloor Limited	UK & Europe	**25.2**	25.2
Quest Flooring Pty Limited	Australia	**8.0**	8.8
Ezi Floor Limited	UK & Europe	**7.1**	7.1
Primary Flooring Pty Limited	Australia	**6.3**	7.1
GrassInc. B.V. and Avalon B.V.	UK & Europe	**7.8**	7.5
Keraben Grupo S.A.	UK & Europe	**114.7**	—
Ceramiche Serra S.p.A.	UK & Europe	**14.9**	—
		188.1	59.8

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

The recoverable amounts of the goodwill have been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The discount rates used of 10.4% for CGUs within the UK; 9.1% for CGUs within Holland; 10.4% for CGUs within Spain; 12.7% for CGUs within Italy; and 11% for CGUs within Australia are estimated using weighted-average costs of capital that reflect current market assessments of the time value of money and the risks specific to the markets in which the businesses operate. The primary reasons for the difference in the rates between the UK, Europe and Australia are the differences in underlying risk-free rates and cost of debt. The calculation uses cash flow projections extrapolated for five years from the budget for the year ending March 30, 2019. Mid-term growth rates in EBITDA are estimated at 4% for CGUs within the UK; 4% for CGUs within Australia; and 7% for CGUs within Continental Europe. At the end of the discrete forecast period, a terminal value is calculated based on a terminal growth rate assumption of 2.0%.

The Group does not consider it probable that any reasonable changes to the key assumptions would result in impairment to any of the Goodwill balances. As at March 31, 2018 no impairment provision was therefore considered necessary.

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 April 3, 2016	37.1	9.3	—	—	46.4
	Business combinations	24.2	2.4	—	—	26.6
	Exchange difference	0.7	0.1	—	—	0.8
	At April 1, 2017	62.0	11.8	—	—	73.8
	At April 2, 2017	**62.0**	**11.8**	**—**	**—**	**73.8**
	Additions	**—**	**—**	**—**	**0.7**	**0.7**
	Business combinations	**119.4**	**32.9**	**4.8**	**0.3**	**157.4**
	Exchange difference	**(2.5)**	**(0.5)**	**—**	**—**	**(3.0)**
	At March 31, 2018	**178.9**	**44.2**	**4.8**	**1.0**	**228.9**
Amortisation	At April 3, 2016	2.4	0.6	—	—	3.0
	Charge for the period	4.0	0.4	—	—	4.4
	Exchange difference	0.1	—	—	—	0.1
	At April 1, 2017	6.5	1.0	—	—	7.5
	At April 2, 2017	**6.5**	**1.0**	**—**	**—**	**7.5**
	Charge for the period	**9.4**	**1.4**	**0.4**	**0.1**	**11.3**
	Disposals	**—**	**—**	**—**	**—**	**—**
	Exchange difference	**(0.2)**	**—**	**—**	**—**	**(0.2)**
	At March 31, 2018	**15.7**	**2.4**	**0.4**	**0.1**	**18.6**
Net book value	At March 31, 2018	**163.2**	**41.8**	**4.4**	**0.9**	**210.3**
	At April 1, 2017	55.5	10.8	—	—	66.3
	At April 2, 2016	34.7	8.7	—	—	43.4

Company		Customer relationships £m	Brand names £m	Other acquired intangibles £m	IT software £m	Total £m
Cost	At April 2, 2017	**—**	**—**	**—**	**—**	**—**
	Additions	**—**	**—**	**—**	**0.3**	**0.3**
	At March 31, 2018	**—**	**—**	**—**	**0.3**	**0.3**
Amortisation	At April 2, 2017	**—**	**—**	**—**	**—**	**—**
	Charge for the period	**—**	**—**	**—**	**0.1**	**0.1**
	At March 31, 2018	**—**	**—**	**—**	**0.1**	**0.1**
Net book value	At March 31, 2018	**—**	**—**	**—**	**0.2**	**0.2**

11. Property, Plant and equipment

	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At April 3, 2016	13.8	43.0	13.9	70.7
Additions	0.1	3.6	7.5	11.2
Disposals	—	(1.4)	(6.8)	(8.2)
Business combinations	0.1	3.1	0.2	3.4
Exchange differences	—	2.9	0.5	3.4
At April 1, 2017	14.0	51.2	15.3	80.5
At April 2, 2017	**14.0**	**51.2**	**15.3**	**80.5**
Additions	**0.7**	**16.5**	**11.4**	**28.6**
Disposals	**—**	**(2.8)**	**(6.4)**	**(9.2)**
Business combinations	**61.6**	**28.0**	**1.4**	**91.0**
Exchange differences	**(0.7)**	**(3.2)**	**(0.5)**	**(4.4)**
At March 31, 2018	**75.6**	**89.7**	**21.2**	**186.5**
Accumulated depreciation				
At April 3, 2016	0.3	26.7	4.9	31.9
Charge for the period	0.4	4.1	7.5	12.0
Disposals	—	(1.4)	(6.6)	(8.0)
Exchange differences	0.1	2.4	0.3	2.8
At April 1, 2017	0.8	31.8	6.1	38.7
At April 2, 2017	**0.8**	**31.8**	**6.1**	**38.7**
Charge for the period	**0.7**	**6.3**	**8.8**	**15.8**
Disposals	—	(1.9)	(6.1)	(8.0)
Exchange differences	**(0.1)**	**(2.5)**	**(0.3)**	**(2.9)**
At March 31, 2018	**1.4**	**33.7**	**8.5**	**43.6**
Net book value				
At March 31, 2018	**74.2**	**56.0**	**12.7**	**142.9**
At April 1, 2017	13.2	19.4	9.2	41.8
At April 2, 2016	13.5	16.3	9.0	38.8

The Company holds no property, plant and equipment.

11. Property, Plant and equipment (Continued)

Included within fixed assets are the following:

	Plant and machinery hire purchase £m	Fixtures, vehicles and equipment hire purchase £m	Plant and machinery finance lease £m	Fixtures, vehicles and equipment finance lease £m	Group total £m
Held under hire purchase / finance leases:					
Cost at March 31, 2018	**1.2**	**1.4**	**4.1**	**0.8**	**7.5**
Accumulated depreciation at March 31, 2018	**0.1**	**0.5**	**3.3**	**0.3**	**4.2**
Depreciation charged in year	**0.1**	**0.2**	**0.3**	**0.1**	**0.7**
Held under hire purchase / finance leases:					
Cost at April 1, 2017	0.6	1.0	4.2	0.5	6.3
Accumulated depreciation at April 1, 2017	0.1	0.4	3.1	0.2	3.8
Depreciation charged in year	0.1	0.2	0.3	0.1	0.7

Capital expenditure authorised and committed at the period end:

	2018 £m	2017 £m
Contracts placed	**6.1**	0.3

The Company held no assets under finance lease or hire purchase agreements and had no capital commitments at either year-end.

12. Fixed asset investments

		Group		Company	
	Note	2018 £m	2017 £m	2018 £m	2017 £m
Investment property	(a)	**0.8**	0.2	**0.2**	0.2
Investment in subsidiaries	(b)	**—**	—	**49.3**	49.3
Investment in associates	(c)	**1.0**	—	**—**	—

(a) Investment property held in the opening balance sheet relates to the legacy ownership of a small area of land in Kidderminster, which is held at cost. The fair value of this land is dependent on future use and therefore cannot be accurately estimated.

The increase in investment property during the year relates to properties obtained as part of the acquisition of Keraben. These are held at cost, according to the opening balance sheet of Keraben, which is equal to their total fair value at the date of acquisition. The fair value at March 31, 2018 is deemed to be materially unchanged.

12. Fixed asset investments (Continued)

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies.

As at March 31, 2018	Country of incorporation and operation	Nature of business	Ownership
Victoria Midco Holdings Limited	England	Holding company	Direct
Victoria Carpets Limited	England	Carpet manufacturer	Indirect
Whitestone Carpets Holdings Limited	England	Holding company	Indirect
View Logistics Limited	England	Logistic services	Indirect
A&A Carpets Limited	England	Carpet distributor	Indirect
Abingdon Flooring Limited	England	Carpet manufacturer	Indirect
Alliance Flooring Distribution Limited	England	Logistic services	Indirect
Distinctive Flooring Limited	England	Flooring distributor	Indirect
Globesign Limited	England	Holding company	Indirect
Westex (Carpets) Limited	England	Carpet manufacturer	Indirect
Interfloor Limited	England	Carpet underlay manufacturer	Indirect
Ezi Floor Limited	England	Carpet underlay manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacturer	Indirect
Primary Flooring Pty Limited	Australia	Carpet underlay manufacturer	Indirect
Quest Flooring Pty Ltd	Australia	Carpet manufacturer	Indirect
Victoria Bidco BV	The Netherlands	Holding company	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
Serra Holdings S.p.A	Italy	Holding company	Indirect
Ceramiche Serra S.p.A	Italy	Ceramics manufacturer	Indirect
Kinsan Trade, S.L.	Spain	Holding company	Indirect
Keraben Grupo S.A.U	Spain	Ceramics manufacturer	Indirect
Victoria Belgium N.V	Belgium	Carpet distributor	Indirect
The Victoria Carpet Company Limited	England	Non-trading	Indirect
Munster Carpets Limited	Ireland	Non-trading	Indirect
V-Line Carpets Limited	England	Non-trading	Indirect
Carpet Line Direct Limited	England	Non-trading	Indirect
Whitestone Weavers Limited	England	Non-trading	Indirect
Thomas Witter Carpets Limited	England	Non-trading	Indirect
Gaskell Mackay Carpets Limited	England	Non-trading	Indirect
Interfloor Group Limited	England	Non-trading	Indirect
Interfloor Operations Limited	England	Non-trading	Indirect
Tacktrim Limited	England	Non-trading	Indirect
Stikatak Limited	England	Non-trading	Indirect
Flooring at Home Limited	England	Non-trading	Direct
Keraben Guatemala	Guatamala	Ceramics manufacturing services	Indirect
Kerainvest S.L.	Spain	Non-trading	Indirect

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

As at March 31, 2018	Percentage ownership
Ceramica Navagres S.A.	40%
Keraben Bolivia, S.R.L.	50%
Cong Ty Tnhh Taicera Keraben (Vietnam)	49%

The agregate 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	2018 £m	2017 £m
Raw materials	**22.2**	18.8
Work-in-progress	**3.6**	3.4
Finished goods	**74.5**	50.9
	100.3	73.1

During the year to March 31, 2018, the total movement in stock provisions resulted in a credit to the income statement of £477,000 (2017: £189,000).

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	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade debtors	**79.1**	51.5	**—**	—
Amounts owed by subsidiaries	**—**	—	**484.0**	132.7
Other debtors	**4.1**	0.2	**—**	—
Prepayments and accrued income	**5.0**	3.4	**—**	0.2
	88.2	55.1	**484.0**	132.9

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts owed by subsidiaries	**—**	—	**14.8**	14.1
	—	—	**14.8**	14.1

Where intercompany loans have been formally documented, interest is charged on amounts owed by subsidiaries to the Company at market rates. There are no repayment terms attached to those loans classified as being due within one year.

Amounts owed by subsidiaries to the Company are not considered to be impaired.

The above amounts are stated net of an allowance (net of VAT) of £2,014,000 (2017: £777,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	2018 £m	2017 £m
Opening balance at April 2, 2017	**0.8**	1.0
Acquisition opening balances	**3.1**	0.2
(Decrease)/Increase in provisions	**(0.1)**	0.5
(Recovered)/written off against provisions	**(1.7)**	(0.9)
Exchange differences	**(0.1)**	—
Closing balance at March 31, 2018	**2.0**	0.8

14. Trade and other receivables (Continued)

An analysis of the age of trade receivables that are past due at the reporting date but not impaired can be seen in the table below:

	2018 £m	2017 £m
1–30 days overdue	**12.2**	8.9
31–60 days overdue	**2.6**	0.9
> 60 days overdue	**2.2**	1.0
Total	**17.0**	10.8

An analysis of the age of impaired trade receivables is as follows:

	2018 £m	2017 £m
Current	**0.3**	—
1–30 days overdue	**0.1**	—
31–60 days overdue	**0.1**	—
> 60 days overdue	**1.8**	0.9
Total	**2.3**	0.9

The main factors in assessing the impairment of trade receivables are the age of the balance and the circumstances of the individual customer. The Directors consider that the carrying amount of all receivables, including those impaired, approximates to their fair value.

15. Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade creditors	**77.1**	46.4	**—**	—
Amounts due to subsidiaries	**—**	—	**1.1**	—
Deferred and contingent earn-out liabilities	**6.1**	14.7	**—**	5.8
Other creditors	**20.5**	12.0	**—**	—
Accruals	**10.5**	9.5	**2.0**	0.8
Employee incentive plan liability	**7.2**	—	**—**	—
Deferred income	**0.1**	0.2	**—**	—
	121.5	82.8	**3.1**	6.6

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Deferred and contingent earn-out liabilities	**25.2**	19.3	**0.4**	—
Deferred income	**0.9**	0.2	**—**	—
Other creditors	**3.1**	0.4	**—**	—
	29.2	19.9	**0.4**	—

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of Globesign Limited, Quest Carpet Manufacturers Pty Limited, Ezi Floor Limited, Avalon B.V., Grass Inc B.V., and Ceramiche Serra S.p.A. Under IFRS 13 Fair Value Measurement this is classified under the

15. Trade and other payables (Continued)

fair value hierarchy as Level 3. The deferred and contingent earn-out liabilities falling due after one year of £25.25m is split as follows: between one to two years is £11.20m and between two to five years is £14.05m.

Deferred income relates to government grants as shown in Note 24.

Employee incentive plan liability relates to an incentive plan put in place for the senior management of Keraben Grupo S.A.U. which involved an initial investment by participants. The fair value of the scheme is linked to the performance of Keraben over a five year period, and the difference between the expected future fair value and the initial investment is being spread over this term. See accounting policies for further details.

16. Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Bank overdraft	**0.9**	—	**12.9**	10.4
Bank loans	**1.2**	—	**—**	—
Finance leases & hire purchase agreements	**0.9**	0.6	**—**	—
	3.0	0.6	**12.9**	10.4

Amounts falling due after one year:

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Bank loans:				
—due between one and two years	**—**	—	**—**	—
—due between two and five years	**293.7**	105.2	**289.4**	105.2
—due over five years	**—**	—	**—**	—
Subordinated loans:	**—**	—	**—**	—
—due between one and two years	**2.1**	2.9	**2.1**	2.9
—due between two and five years	**9.2**	5.4	**9.2**	5.4
—due over five years	**—**	1.6	**—**	1.6
Finance leases & hire purchase agreements:	**—**	—	**—**	—
—due between one and two years	**0.7**	0.6	**—**	—
—due between two and five years	**0.4**	0.4	**—**	—
—due over five years	**—**	—	**—**	—
	306.1	116.1	**300.7**	115.1

Bank loans as at March 31, 2018 relate to a Group multi-currency Revolving Credit Facility and Euro Term Loan, each provided by a number of banks. Both facilities mature on October 15, 2020, and are secured by way of debenture over the assets of the Group.

The Subordinated loans relate to the debt component of the BGF loan and option instruments. During the year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6% in September 2017. A corresponding extinguishment charge of £705,000 and release of prepaid costs of £210,000 have been charged to finance costs within the income statement (see Note 3).

The Group's net debt position as at March 31, 2018 was £258.7m (2017: £89.6m), before netting off prepaid finance costs. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 25.

17. Financial assets and liabilities

The financial assets of the Group comprised:

	At March 31, 2018				At April 1, 2017			
	Loans and receivables £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IAS 39 £m	Total £m	Loans and receivables £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IAS 39 £m	Total £m
Cash and cash equivalents								
Sterling	**6.7**	**—**	**—**	**6.7**	10.9	—	—	10.9
US Dollars	**2.7**	**—**	**—**	**2.7**	1.5	—	—	1.5
Euros	**27.7**	**—**	**—**	**27.7**	1.4	—	—	1.4
Australian Dollars	**11.2**	**—**	**—**	**11.2**	14.1	—	—	14.1
New Zealand Dollars	**0.3**	**—**	**—**	**0.3**	0.1	—	—	0.1
Investments in listed corporate bonds	**—**	**5.4**	**—**	**5.4**	—	—	—	—
	48.6	**5.4**	**—**	**54.0**	28.0	—	—	28.0
Current assets								
Trade and other receivables	**83.1**	**—**	**5.0**	**88.1**	51.7	—	3.4	55.1
Current inventories	**—**	**—**	**100.3**	**100.3**	—	—	73.1	73.1
Forward foreign exchange contracts	**—**	**0.1**	**—**	**0.1**	—	—	—	—
Current assets	**131.7**	**5.5**	**105.3**	**242.5**	79.7	—	76.5	156.2

Investments in listed corporate bonds are held for short-term trading and are highly liquid, and are therefore treated as cash equivalents and designated at fair value through profit and loss.

17. Financial assets and liabilities (Continued)

The financial liabilities of the Group comprised:

	At March 31, 2018				At April 1, 2017			
	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IAS 39 £m	Total £m	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IAS 39 £m	Total £m
Overdraft								
Sterling	**0.9**	**—**	**—**	**0.9**	—	—	—	—
	0.9	**—**	**—**	**0.9**	—	—	—	—
Current liabilities								
Trade and other payables	**106.4**	**1.6**	**5.9**	**113.9**	70.1	7.7	4.9	82.7
Employee incentive plan liability	**7.2**	**—**	**—**	**7.2**	—	—	—	—
Current tax liabilities	**—**	**—**	**1.0**	**1.0**	—	—	4.3	4.3
Forward foreign exchange contracts	**—**	**0.4**	**—**	**0.4**	—	0.1	—	0.1
Finance leases and hire purchase	**0.9**	**—**	**—**	**0.9**	0.6	—	—	0.6
Bank loans	**1.2**	**—**	**—**	**1.2**	—	—	—	—
Current liabilities	**116.6**	**2.0**	**6.9**	**125.5**	70.7	7.8	9.2	87.7
Non-current liabilities								
Trade and other payables	**7.4**	**20.9**	**0.9**	**29.2**	10.2	9.5	0.2	19.9
Deferred tax liabilities	**—**	**—**	**54.7**	**54.7**	—	—	15.2	15.2
Retirement benefit obligations	**—**	**—**	**9.1**	**9.1**	—	—	11.1	11.1
Finance leases & hire purchase	**1.1**	**—**	**—**	**1.1**	1.0	—	—	1.0
Bank loans	**293.7**	**—**	**—**	**293.7**	105.2	—	—	105.2
BGF loan	**11.3**	**—**	**—**	**11.3**	9.9	—	—	9.9
Non-current liabilities	**313.5**	**20.9**	**64.7**	**399.1**	126.3	9.5	26.5	162.3
Total liabilities	**430.1**	**22.9**	**71.6**	**524.6**	197.0	17.3	35.7	250.0

17. Financial assets and liabilities (Continued)

The financial assets of the Company comprised:

	At March 31, 2018				At April 1, 2017			
	Loans and receivables £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IAS 39 £m	Total £m	Loans and receivables £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IAS 39 £m	Total £m
Cash and cash equivalents								
US Dollars	**0.9**	**—**	**—**	**0.9**	—	—	—	—
Euros	**2.8**	**—**	**—**	**2.8**	—	—	—	—
Australian Dollars	**2.5**	**—**	**—**	**2.5**	0.3	—	—	0.3
	6.2	**—**	**—**	**6.2**	0.3	—	—	0.3
Current assets								
Trade and other receivables	**484.0**	**—**	**—**	**484.0**	132.7	—	0.2	132.9
Current assets	**490.2**	**—**	**—**	**490.2**	133.0	—	0.2	133.2
Non-current assets								
Amounts owed by subsidiaries	**14.8**	**—**	**—**	**14.8**	14.2	—	—	14.2
Deferred tax assets	**—**	**—**	**0.2**	**0.2**	—	—	0.3	0.3
Non-current assets	**14.8**	**—**	**0.2**	**15.0**	14.2	—	0.3	14.5
Total financial assets	**505.0**	**—**	**0.2**	**505.2**	147.2	—	0.5	147.7

The financial liabilities of the Company comprised:

	At March 31, 2018				At April 1, 2017			
	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IAS 39 £m	Total £m	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IAS 39 £m	Total £m
Overdraft								
Sterling	**12.9**	**—**	**—**	**12.9**	10.4	—	—	10.4
	12.9	**—**	**—**	**12.9**	10.4	—	—	10.4
Current liabilities								
Trade and other payables	**3.1**	**—**	**—**	**3.1**	0.8	5.8	—	6.6
Current tax liabilities	**—**	**—**	**—**	**—**	—	—	—	—
Current liabilities	**16.0**	**—**	**—**	**16.0**	11.2	5.8	—	17.0
Non-current liabilities								
Trade and other payables	**—**	**0.4**	**—**	**0.4**	—	—	—	—
Bank loans	**289.4**	**—**	**—**	**289.4**	105.2	—	—	105.2
BGF loan	**11.3**	**—**	**—**	**11.3**	9.9	—	—	9.9
Non-current liabilities	**300.7**	**0.4**	**—**	**301.1**	115.1	—	—	115.1
Total liabilities	**316.7**	**0.4**	**—**	**317.1**	126.3	5.8	—	132.1

17. Financial assets and liabilities (Continued)

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:

- Forward foreign exchange contracts, which are Level two financial assets/liabilities and all expire within 12 months from March 31, 2018.
- The Group's interest rate swap contract, which is a Level two financial asset and expired in May 2018.

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

- Contingent earn-out liabilities, which are Level three liabilities.

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 range between 11.5% and 18.5%.

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 possible alternative assumptions would not result in a significant change in the estimated fair value.

There were no transfers between Level one, Level two and Level three in 2018 or 2017.

17. Financial assets and liabilities (Continued)

Analysis of net debt

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

	At April 1, 2017 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At March 31, 2018 £m
Cash and cash equivalents	28.0	10.4	—	17.8	—	(2.2)	**54.0**
Bank overdraft	—	(0.9)	—	—	—	—	**(0.9)**
Net cash and cash equivalents	28.0	9.5	—	17.8	—	(2.2)	**53.1**
Finance leases and hire purchase agreements:							
—due in less than one year	(0.6)	0.3	0.2	—	(0.8)	—	**(0.9)**
—due in more than one year	(1.0)	—	(0.9)	—	0.8	—	**(1.1)**
Bank loans:							
—due in less than one year	—	—	—	(1.2)	—	—	**(1.2)**
—due in more than one year	(105.8)	(128.8)	—	(64.8)	—	2.1	**(297.3)**
Subordinated loans:							
—due in less than one year	—	—	—	—	—	—	**—**
—due in more than one year	(10.2)	—	—	—	(1.1)	—	**(11.3)**
Net debt	(89.6)	(119.0)	(0.7)	(48.2)	(1.1)	(0.1)	**(258.7)**
Prepaid finance costs	0.9	3.9	—	—	(1.2)	—	**3.6**
Net debt including prepaid finance costs	(88.7)	(115.1)	(0.7)	(48.2)	(2.3)	(0.1)	**(255.1)**

The bank loans and subordinated 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:

	At April 1, 2017 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At March 31, 2018 £m
Cash and cash equivalents	0.3	5.8	—	—	—	0.1	**6.2**
Bank overdraft	(10.4)	(2.2)	—	—	—	(0.3)	**(12.9)**
Net cash and cash equivalents	(10.1)	3.6	—	—	—	(0.2)	**(6.7)**
Finance leases and hire purchase agreements:							
—due in less than one year	—	—	—	—	—	—	**—**
—due in more than one year	—	—	—	—	—	—	**—**
Bank loans:							
—due in less than one year	—	—	—	—	—	—	**—**
—due in more than one year	(105.8)	(129.2)	—	—	(60.0)	2.0	**(293.0)**
Subordinated loans:							
—due in less than one year	—	—	—	—	—	—	**—**
—due in more than one year	(10.2)	—	—	—	(1.1)	—	**(11.3)**
Net debt	(126.1)	(125.6)	—	—	(61.1)	1.8	**(311.0)**
Prepaid finance costs	0.9	3.9	—	—	(1.2)	—	**3.6**
Net debt including prepaid finance costs	(125.2)	(121.7)	—	—	(62.3)	1.8	**(307.4)**

The bank loans and subordinated loans are disclosed in the table excluding prepaid finance costs.

17. Financial assets and liabilities (Continued)

Amounts falling due within one year:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Deferred earn-out liabilities	**4.5**	7.0	**—**	—
Contingent earn-out liabilities	**1.6**	7.7	**—**	5.8
	6.1	14.7	**—**	5.8

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Deferred earn-out liabilities:				
—due between one and two years	**4.5**	4.4	**—**	—
—due between two and five years	**1.1**	5.4	**—**	—
Contingent earn-out liabilities:	**—**	—	**—**	—
—due between one and two years	**7.9**	4.4	**0.4**	—
—due between two and five years	**11.7**	5.1	**—**	—
	25.2	19.3	**0.4**	—

Reconciliation of movement in contingent earn-out liabilities	Group £m	Company £m
Contingent earn-out liabilities as at April 2, 2017	17.2	5.8
Additional liabilities from acquisitions in the period	12.4	—
Payments made during the period	(8.2)	(5.9)
Unwinding of present value	2.6	0.3
Other fair value adjustments	(2.9)	0.2
Exchange rate difference	0.1	—
Contingent earn-out liabilities as at March 31, 2018	**21.2**	**0.4**

18. Operating lease arrangements

The Group and Company as lessee

Details of operating lease arrangements for the Group and Company are as follows:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Payments under operating leases recognised in income statement for the year	**6.5**	5.0	**0.5**	—

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	2018 £m	2017 £m	2018 £m	2017 £m
Within one year	**7.3**	6.5	**0.5**	0.5
In the second to fifth years inclusive	**20.8**	15.1	**2.1**	2.1
After five years	**20.2**	12.9	**5.8**	6.3
	48.3	34.5	**8.4**	8.9

18. Operating lease arrangements (Continued)

Operating lease payments represent rentals payable by the Group and Company principally for vehicles and certain of its properties. Leases of vehicles are usually negotiated for a term of 3–5 years and rentals are fixed for the term of the lease. Leases of land and buildings are usually negotiated for 5–20 years.

19. Deferred taxation

	Group £m	Company £m
At April 3, 2016	5.8	(0.3)
Credit to income statement (see Note 6)	(1.4)	—
Charge in respect of non-qualifying sampling assets (see Note 6)	0.7	—
Deferred tax in relation to pension scheme	(1.4)	—
Deferred tax on intangible assets acquired	6.8	—
Adjustment for acquisitions in the year	(0.3)	—
Exchange adjustment	—	—
At April 1, 2017	10.2	(0.3)
At April 2, 2017	**10.2**	**(0.3)**
Credit to income statement (see Note 6)	**(2.7)**	**0.1**
Deferred tax in relation to pension scheme	**0.4**	**—**
Deferred tax on intangible assets acquired	**40.2**	**—**
Adjustment for acquisitions in the year	**2.7**	**—**
Exchange adjustment	**(0.7)**	**—**
At March 31, 2018	**50.1**	**(0.2)**

The provision for deferred taxation is as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Fixed assets	**(1.3)**	(0.8)	**—**	—
Investment property	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Deferred grant income	**—**	(0.1)	**—**	—
Tax losses	**(2.6)**	(0.5)	**(0.1)**	(0.2)
Deferred tax on intangible assets acquired	**51.3**	14.9	**—**	—
Deferred tax on defined benefit pension	**(1.7)**	(2.1)	**—**	—
Other timing differences	**4.5**	(1.1)	**—**	—
	50.1	10.2	**(0.2)**	(0.3)

The provision is based on taxation rates of 30% in respect of balances relating to the Australian businesses (2017: 30%), 25% in respect of balances relating to the Dutch businesses (2017: 25%), 25% in respect of balances relating to the Spanish business (2017: n/a), 29% in respect of balances relating to the Belgian business (2017: n/a), and 27.9% in respect of balances relating to the Italian business (2017: n/a). The rates applied to UK balances vary dependent on the timing of when the balances are expected to unwind as noted below.

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

The UK corporation tax rate reductions, from 20% to 19% on April 1, 2017, and to 17% on April 1, 2020, have been substantively enacted. Accordingly, deferred tax balances at March 31, 2018 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

19. Deferred taxation (Continued)

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Deferred tax liabilities	**54.7**	15.2	**—**	—
Deferred tax assets	**(4.6)**	(5.0)	**(0.2)**	(0.3)
	50.1	10.2	**(0.2)**	(0.3)

20. Retirement benefit obligations

Defined contribution schemes

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

Contributions are charged to the Income Statement as incurred and amounted to £3,712,000 (2017: £3,265,000), of which £2,126,000 (2017: £2,111,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2017: £nil).

Defined benefit schemes

The Group has two defined benefit schemes, both of which relate to Interfloor Limited.

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

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at July 31, 2015.

The contributions made by the employer over the financial period were £95,000 (2017: £95,000) in respect of the Main Scheme and £126,000 (2017: £126,000) 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 £95,000 in respect of the Main Scheme and £126,000 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 August 1, 2018.

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.

20. Retirement benefit obligations (Continued)

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.

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:

	2018	2017
Discount rate	**2.5%**	2.5%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.3%**	2.4%
Pension in payment increases of RPI or 5% p.a. if less	**3.1%**	3.2%
Pension in payment increases of CPI or 3% p.a. if less	**2.1%**	2.1%
Inflation (RPI)	**3.3%**	3.4%
Inflation (CPI)	**2.3%**	2.4%

The assumptions relating to longevity underlying the pension liabilities at the Consolidated Statement of Financial Position date are based on 115% 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: 20.9 years (male), 22.8 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 22.0 years (male), 24.1 years (female).

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

	2018 £m	2017 £m
Net interest expense	**0.3**	0.1
Components of defined benefit costs recognised in profit or loss	**0.3**	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:

	2018 £m	2017 £m
The return on plan assets (excluding amounts included in net interest expense)	**0.9**	3.0
Actuarial gains arising from changes in demographic assumptions	**0.4**	—
Actuarial gains and (losses) arising from changes in financial assumptions	**0.4**	(11.1)
Actuarial gains arising from experience adjustments	**0.3**	0.3
Remeasurement of the net defined benefit liability	**2.0**	(7.8)

20. Retirement benefit obligations (Continued)

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

	2018 £m	2017 £m
Present value of defined benefit obligations	**(33.4)**	(36.5)
Fair value of plan assets	**24.3**	25.4
Net liability arising from defined benefit obligation	**(9.1)**	(11.1)
Deferred tax applied to net obligation	**1.7**	2.1

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

	2018 £m	2017 £m
Opening defined benefit obligation	**36.5**	26.0
Interest cost	**0.9**	0.9
Remeasurement (gains)/losses:		
Actuarial gains arising from changes in demographic assumptions	**(0.4)**	—
Actuarial (gains)/losses arising from changes in financial assumptions	**(0.4)**	11.1
Actuarial gains arising from experience adjustments	**(0.3)**	(0.3)
Benefits paid and expenses	**(2.9)**	(1.2)
Closing defined benefit obligation	**33.4**	36.5

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

	2018 £m	2017 £m
Opening fair value of plan assets	**25.4**	22.6
Interest income	**0.6**	0.8
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	**1.0**	3.0
Contributions from the employer	**0.2**	0.2
Benefits paid and expenses	**(2.9)**	(1.2)
Closing fair value of plan assets	**24.3**	25.4

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

	2018 £m	2017 £m
Cash and cash equivalents	**0.2**	0.7
Government bonds	**1.6**	2.6
Corporate bonds	**8.9**	3.0
LDI	**3.8**	—
UK equities	**0.6**	9.9
Property	**1.8**	1.4
Overseas equities	**7.4**	7.8
Closing fair value of plan assets	**24.3**	25.4

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 £1,551,000 (2017: £3,795,000).

20. Retirement benefit obligations (Continued)

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 0.25% per annum, the defined benefit obligation would increase by 4.5%.

If the rate of inflation increases by 0.25% per annum, the defined benefit obligation would increase by 3.3%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.5%.

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 £221,000 (2017: £221,000) to the defined benefit schemes during the next financial period.

21. Share capital

	2018 £m	2017 £m
Allotted, called up and fully paid		
Ordinary shares	**5.9**	4.5

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

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, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The Group is subjected to a number of financial covenants in connection with its Group bank facilities. These covenants are tested quarterly and were not breached during the year.

22. Reserves

(a) Retained earnings

Retained earnings for the Group as at March 31, 2018 were £26,659,000 (2017: £16,451,000).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £5,430,000 (2017: profit of £2,733,000). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

22. Reserves (Continued)

(b) Foreign exchange reserve

The foreign exchange reserve for the Group as at March 31, 2018 was £2,878,000 (2017: £5,027,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at March 31, 2018 was £229,822,000 (2017: £52,472,000), in respect of premium received on the issuance of equity above the nominal value of the shares issued.

(d) Other reserves

In September 2014, the Company entered into a fully subordinated £10m 2022 unsecured loan note facility provided by the Business Growth Fund ("BGF") at the time of the acquisition of the Abingdon Flooring group and granted BGF an option for 3,730,000* new Victoria PLC ordinary 5p shares at an exercise price of £0.572* (together, the "BGF loan and option"). The BGF loan and option is accounted for as separate debt and equity components. The equity component was determined to have a fair value of £682,000. Following the exercise of the BGF share option, in November 2017, this amount was transferred to Share Premium.

The above decrease in the current year was partially offset by an increase of £222,000 relating to a share-based payment charge (see further details in Note 5).

23. Acquisition of subsidiaries

(a) Keraben Grupo

On November 16, 2017 the Group acquired 100% of the equity of Keraben Grupo S.A.

Keraben is a large ceramic tiles business, based in Castellon, Spain. It designs, manufactures and distributes a range of white body and porcelain tiles for both wall and floor covering. Its products are priced at the medium to high-end of the market and are sold throughout western Europe under three different brands, each with a strong market reputation.

The acquisition is expected to be significantly earnings-accretive, with additional commercial synergy opportunities to drive incremental profits. The enlarged group is substantially diversified in terms of both product and geography, and Keraben is considered an ideal platform for further potential acquisitions within this market segment.

The Group results for the year ended March 31, 2018 include contribution from Keraben of €46.8m (£41.1m[1]) of revenue and €10.8m (£9.5m[1]) 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 €82.9m (£72.9m[1]) and €21.0m (£18.5m[1]) respectively.

Consideration

Cash consideration of €274.1m (£243.4m[2]) was paid on completion of the acquisition. There is no deferred or contingent consideration.

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* Figures restated for the effect of the five for one share split effective from September 12, 2016.

1 Applying the average exchange rate over the financial year of 1.1373.

2 Applying the GBP to € exchange rate at the date of acquisition of 1.1258.

23. Acquisition of subsidiaries (Continued)

Net assets acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	89.1
Investments in associates	0.9
IT software	0.3
Trade and other receivables	29.8
Inventories	17.7
Trade and other payables	(28.2)
Other taxes and social security	(21.5)
Deferred tax liabilities	(3.0)
Net cash / (overdraft)	6.4
Loans	(60.0)
Finance leases and hire purchase	—
Book value of net assets acquired	31.5
Fair value adjustments:	
Intangible assets arising on acquisition—Customer Relationships (see Note 10)	97.5
Intangible assets arising on acquisition—Brand Names (see Note 10)	30.6
Deferred tax liability on intangible assets acquired	(32.0)
Fair value of total identifiable net assets	127.6
Goodwill (see Note 9)	115.8
Total consideration	243.4
Satisfied by:	
Cash	243.4
Deferred consideration	—
	243.4

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.

The other taxes and social security figure in the acquired balance sheet of £21.5m is a one-off transaction-related tax liability which crystallised on acquisition and was settled following completion. As such, whilst it does not form part of the cost of investment in the Group balance sheet, it has been treated as an investment-related item in the Group cash flow statement and included as part of investments in subsidiaries net of cash acquired.

As a condition of the acquisition, the senior management team of Keraben Grupo S.A.U were required to invest £7.2m in a new incentive structure under Victoria ownership (see Note 15). This cash inflow has been treated as investment related and deducted from the investment in subsidiaries net of cash acquired.

After fair value adjustments, goodwill of £115.8m is created on the consolidation of Keraben, which relates to expected future profits of the business.

Transaction costs amounting to £836,000 relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group income statement.

(b) Ceramiche Serra

On December 1, 2017 the Group acquired 100% of the equity of Ceramiche Serra S.p.A.

Serra, operating from sites in Serramazzoni, Sassuolo (near Bologna), the heart of the Italian ceramics industry, manufactures ceramic flooring, which is sold domestically and exported internationally. It sells to

23. Acquisition of subsidiaries (Continued)

a combination of wholesalers, retail groups, and independent stores throughout Continental Europe, North America, and the Far East.

The Group results for the year ended March 31, 2018 include contribution from Serra of €6.5m (£5.7m[1]) of revenue and €2.5m (£2.2m[1]) 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 €12.8m (£11.3m[1]) and €5.6m (£4.9m[1]) respectively.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of €38.1m (£33.6m[2]);

(ii) Contingent cash consideration of up to €20.0m (£17.6m[2]) dependent on improved EBITDA and other criteria over the next four years.

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	2.1
IT software	—
Trade and other receivables	5.8
Inventories	1.2
Trade and other payables	(4.6)
Deferred tax assets	0.2
Net cash / (overdraft)	11.4
Loans	(6.0)
Book value of net assets acquired	10.1
Fair value adjustments:	
Intangible assets arising on acquisition—Customer Relationships (see Note 10)	21.9
Intangible assets arising on acquisition—Brand Names (see Note 10)	2.4
Intangible assets arising on acquisition—Developed Technology (see Note 10)	4.8
Deferred tax liability on intangible assets acquired	(8.1)
Fair value of total identifiable net assets	31.1
Goodwill (see Note 9)	14.9
Total consideration	46.0
Satisfied by:	
Cash	33.6
Deferred consideration	12.4
	46.0

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.

Contingent consideration is measured at fair value, so depending on the future performance of Serra, the contingent element of consideration could vary from the present value assessed above. However, based on

1 Applying the average exchange rate over the financial year of 1.1373.

2 Applying the GBP to € exchange rate at the date of acquisition of 1.1341.

23. Acquisition of subsidiaries (Continued)

the overall quantum and sensitivity to changes in assumed future growth rates, the range in potential outcomes of contingent consideration is considered to be immaterial.

After fair value adjustments, goodwill of £14.9m is created on the consolidation of Serra, which relates to expected future profits of the business.

Transaction costs amounting to £1,657,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group income statement.

(c) Millennium Weavers Europe

On June 1, 2017 the Group acquired the business and assets of Millennium Weavers Europe, a carpet distribution business based in Belgium. The acquisition further enhances the Group's coverage of the UK volume market.

Cash consideration of €3,494,000 (£3,069,000) was paid, with transaction costs of £170,000 recognised within administrative expenses. The fair value of the acquired assets and liabilities was equal to the price paid. No goodwill is recognised on acquisition and no separately identified intangible assets were acquired.

24. Government grants

	2018 £m	2017 £m
Deferred income at April 2, 2017	**0.4**	0.6
Grant income received in the year	**0.2**	—
Amortisation to deferred income by release through cost of production	**(0.3)**	(0.2)
Adjustment for acquisitions in the year	**0.7**	—
Exchange adjustment	**—**	—
Deferred income at March 31, 2018	**1.0**	0.4
Presented in:		
Current liabilities	**0.1**	0.2
Non-current liabilities	**0.9**	0.2
	1.0	0.4

There are no unfulfilled conditions or other contingencies attaching to government assistance.

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.

[1] Applying the GBP to € exchange rate at the date of acquisition of 1.1386.

25. Financial instruments (Continued)

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, trade and other receivables and investments.

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. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction on the recoverability of the cash flows.

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 Board monitors annual cash budgets and updated forecasts against actual cash position on a monthly basis. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The maturity of financial liabilities is detailed in Note 16.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), or market pricing (price risk).

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.

25. Financial instruments (Continued)

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 an increase in post-tax profit for the year of £1,209,000 (2017: increase in post-tax profit of £423,000). A 50 basis point increase in the interest rate would, on the same basis, have reduced the profit for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

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

	As at March 31, 2018						As at April 1, 2017					
	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%**	**54.0**	**54.0**	**—**	**—**	**—**	0.00%	28.0	28.0	—	—	—
Bank loans & overdraft	**2.92%**	**(320.6)**	**(8.7)**	**(311.9)**	**—**	**—**	2.83%	(110.4)	(3.0)	(107.4)	—	—
BGF loan	**7.91%**	**(13.8)**	**(0.6)**	**(2.1)**	**(11.1)**	**—**	13.30%	(16.1)	(1.0)	(3.1)	(10.3)	(1.7)
Finance lease and HP	**5.25%**	**(2.0)**	**(0.9)**	**(0.7)**	**(0.4)**	**—**	4.10%	(1.6)	(0.6)	(0.6)	(0.4)	—
		(282.4)	**43.8**	**(314.7)**	**(11.5)**	**—**		(100.1)	23.4	(111.1)	(10.7)	(1.7)
Company												
Cash and cash equivalents	**0.00%**	**6.2**	**6.2**	**—**	**—**	**—**	0.00%	—	—	—	—	—
Bank loans & overdraft	**2.96%**	**(315.0)**	**(8.7)**	**(306.3)**	**—**	**—**	2.83%	(120.8)	(13.4)	(107.4)	—	—
BGF loan	**7.91%**	**(13.8)**	**(0.6)**	**(2.1)**	**(11.1)**	**—**	13.30%	(16.1)	(1.0)	(3.1)	(10.3)	(1.7)
		(322.6)	**(3.1)**	**(308.4)**	**(11.1)**	**—**		(136.9)	(14.4)	(110.5)	(10.3)	(1.7)

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 March 31, 2018					As at April 1, 2017				
Total undiscounted obligations	Total £m	0–1 Years £m	1–2 Years £m	2–5 Years £m	Over 5 Years £m	Total £m	0–1 Years £m	1–2 Years £m	2–5 Years £m	Over 5 Years £m
Group										
Deferred consideration liabilities	**(10.4)**	**(4.5)**	**(4.7)**	**(1.2)**	**—**	(17.6)	(7.0)	(4.8)	(5.8)	—
Contingent earn-out liabilities	**(28.6)**	**(1.6)**	**(8.5)**	**(18.5)**	**—**	(22.3)	(7.7)	(6.2)	(8.4)	—
	(39.0)	**(6.1)**	**(13.2)**	**(19.7)**	**—**	(39.9)	(14.7)	(11.0)	(14.2)	—
Company										
Contingent earn-out liabilities	**(0.7)**	**—**	**(0.7)**	**—**	**—**	(5.8)	(5.8)	—	—	—
	(0.7)	**—**	**(0.7)**	**—**	**—**	(5.8)	(5.8)	—	—	—

25. Financial instruments (Continued)

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 ownership of the continental European and Australian subsidiaries, which account for approximately 62.8% and 9.8% of the Group's total assets, respectively.

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

Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported. These exposures 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.

Currency risk sensitivity

The effect of a 10% strengthening of the Australian Dollar against Sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £705,000 (2017: increased Group post-tax profit by £176,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £577,000 (2017: decreased Group post-tax profit by £144,000).

The effect of a 10% strengthening of the Australia Dollar against Sterling at year-end rates would have resulted in an increase to equity of £2,235,000 (2017: an increase of £2,103,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,828,000 (2017: decrease of £1,721,000).

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant, have resulted in a decrease in Group post-tax profit for the year of £309,000 (2017: decrease of £68,000). A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £253,000 (2017: increase of £48,000).

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in a decrease to equity of £280,000 (2017: decrease of £69,000). A 10% weakening in the exchange rate would, on the same basis, have increased equity by £229,000 (2017: increase of £56,000).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Australian Dollar	**24.9**	33.7	**77.8**	52.3
Euro	**131.3**	5.8	**502.1**	5.2

c) Price

The group is exposed to price risk in respect of corporate bonds held, which are accounted for within cash and cash equivalents. The volatility of such securities is very low. If the quoted price for these securities increased or decreased by 10%, profit before tax for the period and equity would have changed by £540,000.

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 judgements, 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 and critical judgements that have the most significant impact on the financial statements are described in the following notes:

Estimates

Measurement of intangible assets

Intangible assets are recognised on acquisitions in relation to customer relationships, brands and developed technology.

The fair value of these assets are determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. These are assessed based upon management forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates, expected changes to selling prices and direct costs, brand royalty rates and customer attrition.

Measurement of deferred tax assets

The Group has potential deferred tax assets, principally in the form of tax losses but deferred tax assets are only recognised to the extent it is probable that sufficient future taxable income will be available against which the losses and deductions can be utilised. Recognition therefore involves assessment of the future performance of the particular legal entity in which the deferred tax asset has been recognised. Deferred tax assets in respect of losses recognised at the balance sheet date are based on the assumption that there is a high expectation that the asset will be realised in due course.

Valuation of deferred and contingent earn-out consideration

Liabilities are recognised in respect of acquisitions with outstanding deferred or contingent earn-outs at the end of the period. These are assessed for each relevant business based upon management financial projections for the next 12 months and applying growth assumptions for future years where relevant. Key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. Further details are set out in Note 17.

Share based payments

The Group has share based payment incentive arrangements in place for certain employees. 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 appropriate valuation model (Black-Scholes or Monte Carlo) at grant date. Key assumptions include expected volatility and the expected exercise period. The growth shares awarded effectively track the market capitalisation of the Company, therefore historical share price volatility has been used as a guide to the expected future volatility of the growth shares. As the fair value of the share based payment charge is spread on a straight line basis to the income statement over the expected term this estimate impacts the annual charge recognised.

Defined benefit obligation

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

Because of 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

26. Key sources of estimation uncertainty (Continued)

assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. Further details are set out in Note 20.

Judgements

Impairment of goodwill, investments or intercompany balances

Determining whether goodwill, investments or intercompany balances are impaired requires an estimation of the value in use of the cash-generating units 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, investments or intercompany balances are less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in this review are detailed in Note 9.

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 and its subsidiaries.

As at March 31, 2018, the key management personnel, and their immediate relatives, controlled 25.0% of the voting shares of the Company.

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

Furthermore, details of an employee incentive plan in relation to the key management personnel of Keraben, are provided in Note 15.

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.

	52 weeks ended March 31, 2018 £m	**52 weeks ended April 1, 2017 £m**
Short-term employee benefits	**5.1**	3.8
Post-employment benefits	**0.3**	0.5
	5.4	4.3

27. Related parties (Continued)

Company

Transactions with subsidiary undertakings:	52 weeks ended March 31, 2018 £m	52 weeks ended April 1, 2017 £m
Management fees—Victoria Carpets Ltd	**—**	0.03
Management fees—Whitestone Carpets Holdings Ltd	**—**	0.03
Management fees—View Logistics Ltd	**0.03**	—
Management fees—Abingdon Flooring Ltd	**0.03**	0.03
Management fees—Globesign Ltd	**—**	0.03
Management fees—Westex (Carpets) Ltd	**0.03**	0.03
Management fees—Interfloor Group Ltd	**0.03**	0.03
Management fees—Ezi Floor Ltd	**0.03**	0.02
Management fees—The Victoria Carpet Company Pty Ltd	**0.03**	0.03
Management fees—Quest Flooring Pty Ltd	**0.03**	0.03
Management fees—Primary Flooring Pty Limited	**0.03**	0.01
Management fees—Victoria Bidco B.V	**0.03**	—
Interest payable—Victoria Carpets Ltd	**0.32**	0.29
Interest payable—Whitestone Carpets Holdings Ltd	**0.68**	0.58
Interest payable—Abingdon Flooring Ltd	**0.44**	0.45
Interest payable—Globesign Ltd	**0.25**	0.33
Interest payable—Interfloor Group Ltd	**1.49**	1.65
Interest payable—Interfloor Operations Ltd	**0.57**	1.54
Interest payable—Ezi Floor Ltd	**0.31**	0.15
Interest payable—The Victoria Carpet Company Pty Ltd	**—**	0.08
Interest payable—Primary Flooring Pty Limited	**1.20**	0.20
Interest payable—Victoria Bidco B.V	**0.36**	0.04
Interest payable—Keraben Grupo S.A.	**0.73**	—
Interest payable—Kinsan Trade, S.L.	**1.31**	—
Dividend Income—Victoria Midco Holdings Ltd	**2.75**	5.11
Preference dividend Income—Quest Flooring Pty Ltd	**0.76**	0.77

	52 weeks ended March 31, 2018 £m	52 weeks ended April 1, 2017 £m
Amounts due from subsidiary undertakings	**497.5**	146.9
Amounts due to subsidiary undertakings	**1.0**	—

Transactions with the Business Growth Fund

Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund's ("BGF") Regional Director for the Midlands. On the September 30, 2014 the Company entered into a £10m 2022 unsecured loan facility with BGF. In addition, BGF has been granted an option over 3,730,000* new Ordinary 5p shares in the Company at 57.2p* per share, representing 5% of the Company's deemed enlarged issued share capital at the time of grant. During the year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6%, details are provided in Note 16. The share option was redeemed in November 2017, details are provided in Note 22.

Interest charged to the income statement during the period in relation to the BGF loan was £1,182,000 (2017: £1,372,000). Furthermore, during the period there was a one-off non-cash finance charge of £915,000 relating to the significant modification.

* Figures restated for the effect of the five for one share split effective from September 12, 2016.

28. Post balance sheet events

Senior management long-term incentive plan

A new long-term management incentive plan was implemented post year end involving the issue of up to 100,000 ordinary shares in Victoria Midco Holdings Limited (the "Incentive Shares"), a subsidiary of the Company. Participants in the Plan will subscribe for these shares. The Plan will operate for a five year period, with the value of the Incentive Shares linked to cumulative Total Shareholder Return delivered each year above a hurdle, being the current market capitalisation of the Company increased annually by 20% p.a. on a compounding basis. 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 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. The financial impact of the scheme has yet to be determined.

VICTORIA PLC

Annual Report and Accounts
for the 52 weeks ended April 1, 2017

INDEPENDENT AUDITOR'S REPORT
to the members of Victoria PLC

We have audited the financial statements of Victoria PLC for the 52 weeks ended April 1, 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at April 1, 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

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

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

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

July 24, 2017

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended April 1, 2017

	Notes	52 weeks ended April 1, 2017 Underlying performance £000	Non-underlying items £000	Reported numbers £000	53 weeks ended April 2, 2016 Underlying performance £000	Non-underlying items £000	Reported numbers £000
Continuing operations							
Revenue	1	**330,406**	**—**	**330,406**	255,174	—	255,174
Cost of sales		**(220,791)**	**—**	**(220,791)**	(169,930)	(249)	(170,179)
Gross profit		**109,615**	**—**	**109,615**	85,244	(249)	84,995
Distribution costs		**(54,886)**	**—**	**(54,886)**	(49,852)	(157)	(50,009)
Administrative expenses		**(21,507)**	**(7,036)**	**(28,543)**	(13,753)	(3,787)	(17,540)
Other operating income		**445**	**—**	**445**	292	—	292
Operating profit/(loss)		**33,667**	**(7,036)**	**26,631**	21,931	(4,193)	17,738
Comprising:							
Operating profit before non-underlying and exceptional items	1	**33,667**	**—**	**33,667**	21,931	—	21,931
Amortisation of acquired intangibles		**—**	**(4,432)**	**(4,432)**	—	(2,315)	(2,315)
Exceptional items	1, 2	**—**	**(2,604)**	**(2,604)**	—	(1,878)	(1,878)
Finance costs	3	**(4,259)**	**(3,598)**	**(7,857)**	(3,714)	(4,734)	(8,448)
Comprising:							
Interest payable on loans	3	**(3,555)**	**—**	**(3,555)**	(3,225)	—	(3,225)
Amortisation of prepaid finance costs	3	**(419)**	**—**	**(419)**	(226)	(228)	(454)
Interest accrued on BGF loan	3	**(169)**	**(202)**	**(371)**	(199)	(180)	(379)
Net interest expense on defined benefit pensions	3	**(116)**	**—**	**(116)**	(64)	—	(64)
Other non-underlying finance costs	3	**—**	**(3,396)**	**(3,396)**	—	(4,326)	(4,326)
Profit/(loss) before tax	4	**29,408**	**(10,634)**	**18,774**	18,217	(8,927)	9,290
Taxation	6	**(6,437)**	**255**	**(6,182)**	(4,302)	961	(3,341)
Profit/(loss) for the period from continuing operations		**22,971**	**(10,379)**	**12,592**	13,915	(7,966)	5,949
Loss from discontinued operations		**—**	**—**	**—**	—	(2,132)	(2,132)
Profit/(loss) for the period		**22,971**	**(10,379)**	**12,592**	13,915	(10,098)	3,817
Earnings per share from continuing operations—pence							
basic	7			**13.84**			7.22
diluted	7			**13.60**			7.11
Earnings per share—pence							
basic	7			**13.84**			4.63
diluted	7			**13.60**			4.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended April 1, 2017

	Note	52 weeks ended April 1, 2017 £000	53 weeks ended April 2, 2016 £000
Profit for the period		**12,592**	3,817
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension scheme	20	**(7,846)**	(152)
Increase in deferred tax asset relating to pension scheme liability		**1,448**	53
Items that will not be reclassified to profit or loss		**(6,398)**	(99)
Items that may be reclassified subsequently to profit or loss:			
Currency translation gains		**1,943**	708
Items that may be reclassified subsequently to profit or loss		**1,943**	708
Other comprehensive (expense)/income		**(4,455)**	609
Total comprehensive income for the year attributable to the owners of the parent		**8,137**	4,426

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at April 1, 2017

		Group		Company	
	Notes	April 1, 2017 £000	April 2, 2016 £000	April 1, 2017 £000	April 2, 2016 £000
Non-current assets					
Goodwill	9	**59,830**	37,205	**—**	—
Intangible assets other than goodwill	10	**66,320**	43,476	**—**	—
Property, plant and equipment	11	**41,826**	38,811	**—**	—
Investment property	12	**180**	180	**180**	180
Investments in subsidiaries	12	**—**	—	**49,270**	49,270
Trade and other non-current receivables	14	**—**	—	**14,194**	16,778
Deferred tax assets	19	**4,986**	3,287	**264**	264
Total non-current assets		**173,142**	122,959	**63,908**	66,492
Current assets					
Inventories	13	**73,062**	58,970	**—**	—
Trade and other receivables	14	**55,076**	42,946	**132,929**	88,646
Cash at bank and in hand	17	**27,979**	19,078	**277**	—
Total current assets		**156,117**	120,994	**133,206**	88,646
Total assets		**329,259**	243,953	**197,114**	155,138
Current liabilities					
Trade and other current payables	15	**82,873**	66,913	**6,470**	5,355
Current tax liabilities		**4,260**	2,891	**—**	—
Other financial liabilities	16, 17	**617**	596	**10,432**	5,682
Total current liabilities		**87,750**	70,400	**16,902**	11,037
Non-current liabilities					
Trade and other non-current payables	15	**19,855**	11,524	**39**	3,903
Other non-current financial liabilities	16	**116,086**	78,522	**115,129**	78,009
Deferred tax liabilities	19	**15,190**	9,129	**—**	—
Retirement benefit obligations	20	**11,086**	3,345	**—**	—
Total non-current liabilities		**162,217**	102,520	**115,168**	81,912
Total liabilities		**249,967**	172,920	**132,070**	92,949
Net assets		**79,292**	71,033	**65,044**	62,189
Equity					
Share capital	21	**4,548**	4,548	**4,548**	4,548
Share premium		**52,472**	52,462	**52,472**	52,462
Retained earnings	22	**16,451**	10,257	**7,230**	4,497
Foreign exchange reserve	22	**5,027**	3,084	**—**	—
Other reserves	22	**794**	682	**794**	682
Total Equity		**79,292**	71,033	**65,044**	62,189

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £2,733,000 (2016: profit of £2,679,000).

Company Registered Number (England & Wales) 282204

The financial statements on pages 24 to 71 were approved by the Board of Directors and authorised for issue on July 24, 2017.

They were signed on its behalf by:

Michael Scott
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended April 1, 2017

	Share capital £000	Share premium £000	Retained earnings £000	Foreign exchange reserve £000	Other reserves £000	Total equity £000
At March 29, 2015	3,639	10,144	6,539	2,376	682	23,380
Profit for the period to April 2, 2016	—	—	3,817	—	—	3,817
Other comprehensive profit for the period	—	—	(99)	—	—	(99)
Retranslation of overseas subsidiaries	—	—	—	708	—	708
Total comprehensive profit	—	—	3,718	708	—	4,426
Issue of share capital	909	42,318	—	—	—	43,227
Transactions with owners	909	42,318	—	—	—	43,227
At April 2, 2016	4,548	52,462	10,257	3,084	682	71,033
Profit for the period to April 1, 2017	—	—	12,592	—	—	12,592
Other comprehensive loss for the period	—	—	(6,398)	—	—	(6,398)
Retranslation of overseas subsidiaries	—	—	—	1,943	—	1,943
Total comprehensive profit	—	—	6,194	1,943	—	8,137
Issue of share capital	—	10	—	—	—	10
Share-based payment charge	—	—	—	—	112	112
Transactions with owners	—	10	—	—	112	122
At April 1, 2017	**4,548**	**52,472**	**16,451**	**5,027**	**794**	**79,292**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended April 1, 2017

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Total equity £000
At March 29, 2015	3,639	10,144	1,818	682	16,283
Profit for the period to April 2, 2016	—	—	2,679	—	2,679
Total comprehensive profit	—	—	2,679	—	2,679
Issue of share capital	909	42,318	—	—	43,227
Movement in other reserves	—	—	—	—	—
Transactions with owners	909	42,318	—	—	43,227
At April 2, 2016	4,548	52,462	4,497	682	62,189
Profit for the period to April 1, 2017	—	—	2,733	—	2,733
Other comprehensive profit/(loss) for the period	—	—	—	—	—
Total comprehensive profit	—	—	2,733	—	2,733
Issue of share capital	—	10	—	—	10
Share-based payment charge	—	—	—	112	112
Transactions with owners	—	10	—	112	122
At April 1, 2017	**4,548**	**52,472**	**7,230**	**794**	**65,044**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the 52 weeks ended April 1, 2017

	Note	Group		Company	
		52 weeks ended April 1, 2017 £000	53 weeks ended April 2, 2016 £000	52 weeks ended April 1, 2017 £000	53 weeks ended April 2, 2016 £000
Cash flows from operating activities					
Operating profit/(loss) from continuing operations		**26,631**	17,738	**(2,096)**	10,914
Adjustments for:					
—Depreciation charges		**12,039**	10,347	**—**	—
—Amortisation of intangible assets		**4,432**	2,315	**—**	—
—Goodwill adjustment		**—**	(43)	**—**	—
—Asset impairment		**17**	160	**—**	—
—Amortisation of government grants		**(233)**	(269)	**—**	—
—Profit on disposal of property, plant and equipment		**(40)**	(143)	**—**	—
—Share-based employee remuneration		**112**	—	**112**	—
—Defined benefit pension		**(221)**	166	**—**	—
Net cash flow from operating activities before movements in working capital		**42,737**	30,271	**(1,984)**	10,914
Change in inventories		**(445)**	(7,767)	**—**	—
Change in trade and other receivables		**(5,919)**	215	**(67)**	—
Change in trade and other payables		**4,752**	7,731	**338**	179
Cash generated/(used) by continuing operations		**41,125**	30,450	**(1,713)**	11,093
Interest paid		**(3,554)**	(3,243)	**(3,435)**	(2,977)
Income taxes paid		**(5,792)**	(3,243)	**(52)**	—
Net cash flow from discontinued operations		**—**	65	**—**	—
Net cash inflow/(outflow) from operating activities		**31,779**	24,029	**(5,200)**	8,116
Investing activities					
Purchases of property, plant and equipment		**(9,422)**	(9,752)	**—**	—
Loan to subsidiary companies		**—**	—	**(28,465)**	(80,137)
Proceeds on disposal of property, plant and equipment		**215**	1,034	**—**	—
Deferred consideration and earn-out payments		**(10,314)**	(7,453)	**(5,765)**	(5,409)
Acquisition of subsidiaries net of cash acquired		**(37,798)**	(19,265)	**—**	(14,024)
Proceeds from disposal of discontinued operations		**—**	431	**—**	431
Net cash used in investing activities		**(57,319)**	(35,005)	**(34,230)**	(99,139)
Financing activities					
Increase/(decrease) in long-term loans		**34,283**	(4,573)	**34,947**	51,815
Issue of share capital		**10**	43,043	**10**	43,043
Repayment of obligations under finance leases/ hire purchase		**(934)**	(650)	**—**	—
Net cash generated in financing activities		**33,359**	37,820	**34,957**	94,858
Net increase/(decrease) in cash and cash equivalents		**7,819**	26,844	**(4,473)**	3,835
Cash and cash equivalents at beginning of period		**19,078**	(8,502)	**(5,682)**	(9,517)
Effect of foreign exchange rate changes		**1,082**	736	**—**	—
Cash and cash equivalents at end of period		**27,979**	19,078	**(10,155)**	(5,682)
Comprising:					
Cash at bank and in hand	17	**27,979**	19,078	**277**	—
Bank overdrafts	17	**—**	—	**(10,432)**	(5,682)
		27,979	19,078	**(10,155)**	(5,682)

1. Segmental information

The Group is organised into two operating divisions, the sale of floorcovering products in the UK & Europe and Australia.

Geographical segment information for revenue, operating profit and a reconciliation to entity net profit is presented below.

Income statement

	52 weeks ended April 1, 2017				53 weeks ended April 2, 2016			
	UK & Europe £000	Australia £000	Unallocated central expenses £000	Total £000	UK & Europe £000	Australia £000	Unallocated central expenses £000	Total £000
Revenue from continuing operations	**241,748**	**88,658**	**—**	**330,406**	196,908	58,266	—	255,174
Underlying operating profit from continuing operations	**26,218**	**8,238**	**(789)**	**33,667**	18,183	4,958	(1,210)	21,931
Non-underlying operating items	**(3,573)**	**(859)**	**—**	**(4,432)**	(1,890)	(425)	—	(2,315)
Exceptional operating items	**(816)**	**(481)**	**(1,307)**	**(2,604)**	(1,311)	(251)	(316)	(1,878)
Operating profit from continuing operations	**21,829**	**6,898**	**(2,096)**	**26,631**	14,982	4,282	(1,526)	17,738
Underlying finance costs				**(4,259)**				(3,714)
Non-underlying finance costs				**(3,598)**				(4,734)
Profit before tax from continuing operations				**18,774**				9,290
Taxation				**(6,182)**				(3,341)
Profit after tax from continuing operations				**12,592**				5,949
Loss from discontinued operations*				**—**				(2,132)
Profit for the period				**12,592**				3,817

* The prior year loss from discontinued operations relates to the disposal of Westwood Yarns Limited, which was sold on October 2, 2015.

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 between the UK & Europe and Australia were immaterial.

Balance sheet

	52 weeks ended April 1, 2017			53 weeks ended April 2, 2016		
	UK & Europe £000	Australia £000	Total £000	UK & Europe £000	Australia £000	Total £000
Total assets	**276,954**	**52,304**	**329,259**	205,654	38,299	243,953
Total liabilities	**(216,293)**	**(33,673)**	**(249,967)**	(148,822)	(24,098)	(172,920)
Net assets	**60,661**	**18,631**	**79,292**	56,832	14,201	71,033

The Group's non-current assets as at April 1, 2017 of £173,142,000 (2016: £122,959,000) are split geographically as follows: £130,404,000 in the UK & Europe (2016: £102,170,000) and £42,738,000 in Australia (2016: £20,789,000).

1. Segmental information (Continued)

Materially all revenue and non-current assets in the UK & Europe segment relate to the UK other than goodwill and intangible assets (disclosed in Notes 9 and 10) relating to the acquisition disclosed in Note 23(c).

Other segmental information

	52 weeks ended April 1, 2017			53 weeks ended April 2, 2016		
	UK & Europe £000	**Australia £000**	**Total £000**	**UK & Europe £000**	**Australia £000**	**Total £000**
Depreciation (from continuing operations)	**9,305**	**2,734**	**12,039**	8,314	2,033	10,347
Amortisation of acquisition intangibles	**3,573**	**859**	**4,432**	1,890	425	2,315
	12,878	**3,593**	**16,471**	10,204	2,458	12,662
Capital expenditure (from continuing operations)	**9,361**	**1,864**	**11,225**	8,961	1,242	10,203

2. Exceptional items

	2017 £000	**2016 £000**
(a) Acquisition and disposal related costs	**(2,109)**	(1,355)
(b) Reorganisation costs	**(331)**	(406)
(c) Negative goodwill arising on acquisition	**—**	43
(d) Asset impairment	**(17)**	(160)
(e) Preference payment claim	**(147)**	—
Exceptional items	**(2,604)**	(1,878)

All exceptional items are classified within administrative expenses.

(a) Professional fees in connection with prospecting and completing acquisitions during the year.

(b) Reorganisation costs comprise various fees incurred to date in relation to reviewing the Group's manufacuturing and logistics operations, as well as other corporate restructuring.

(c) Credit of £43,000 in the prior year in relation to negative goodwill arising on the acquisition of A&A Carpets.

(d) Figure in 2017 relates to impairment of capitalised facility costs. The prior year figure was previously included within other non-underlying items.

(e) Potential preference payment claim in respect of an Australian customer that has gone into administration.

3. Finance costs

	2017 £000	2016 £000
Interest payable on bank loans and overdrafts	**2,493**	2,145
Cash interest payable on BGF loan	**1,000**	1,000
Interest payable on Hire Purchase and Finance Leases	**62**	80
Total interest payable on loans	**3,555**	3,225
Amortisation of prepaid finance costs	**419**	226
Interest rolled up into BGF loan	**169**	199
Net interest expense on defined benefit pensions	**116**	64
Underlying interest costs	**4,259**	3,714
(a) Release of prepaid finance costs	**—**	228
(b) BGF loan and option, redemption premium charge	**202**	108
(c) Unwinding of present value of contingent earn-out liabilities	**1,776**	1,387
(c) Unwinding of present value of deferred consideration liabilities	**413**	257
(c) Other fair value adjustments to contingent earn-out liabilities	**1,616**	2,581
(d) Mark to market adjustment on foreign exchange forward contracts	**(15)**	136
(e) Mark to market adjustment on interest rate swap contracts	**4**	36
(f) Retranslation of foreign currency loans	**(398)**	—
	7,857	8,448

(a) Non-cash charge in the prior year relating to the release of the prepaid costs on the previous bank facilities, which were refinanced in April 2015.

(b) Non-cash annual cost of the redemption premium in relation to the BGF loan and option.

(c) Deferred and contingent consideration in respect to acquisitions is measured under IFRS 3, initially at fair value discounted for the time value of money. The present value is then remeasured at each half-year and year-end in relation to the unwind of this discount. In addition, any changes to contingent earn-outs arising from actual and forecast business performance are reflected. All such adjustments are non-cash items.

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

(e) Non-cash fair value adjustment on an interest rate swap contract.

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

4. Profit on ordinary activities before taxation

	2017 £000	2016 £000
After charging/(crediting):		
Net foreign exchange (gains)/losses	**(1,897)**	553
Depreciation of property, plant and equipment (see Note 11)	**12,039**	10,472
Amortisation of intangible assets (see Note 10)	**4,432**	2,315
Staff costs (see Note 5)	**59,840**	48,942
Cost of inventories recognised as an expense	**183,868**	144,354
Profit on sale of fixed assets	**(39)**	(143)
Government grants (see Note 24)	**(233)**	(269)
Operating lease rentals	**5,447**	5,485

4. Profit on ordinary activities before taxation (Continued)

Auditor's remuneration	2017 £000	2016 £000
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group's consolidated accounts	**54**	39
The audit of the Company's subsidiaries pursuant to legislation	**253**	143
Total audit fees	**307**	182
Audit related assurance services	**2**	—
Tax compliance services	**43**	30
Taxation advisory services	**16**	—
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**90**	—
Pension scheme advisory services	**18**	—
Total non-audit fees	**169**	30

5. Staff costs

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Wages and salaries	**52,061**	42,727	**367**	234
Social security costs	**4,402**	3,673	**46**	28
Share-based employee remuneration	**112**	—	**112**	—
Other pension costs	**3,265**	2,542	**8**	8
	59,840	48,942	**533**	270

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 19 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2017	2016	2017	2016
Directors	**38**	32	**6**	5
Sales and marketing	**242**	187	**—**	—
Production, logistics and maintenance	**1,397**	1,153	**—**	—
Finance, IT and administration	**125**	141	**1**	1
	1,802	1,513	**7**	6

6. Tax from continuing operations

	2017 £000	2016 £000
Current tax		
—Current year UK	**4,648**	2,961
—Current year overseas	**2,482**	1,455
—Adjustments in respect of prior years	**(216)**	53
	6,914	4,469
Deferred tax (see Note 19)		
—Credit recognised in the current year	**(1,271)**	(1,643)
—Adjustments in respect of prior years	**(143)**	(78)
—Effect of rate change	**—**	149
—Charge in respect of non-qualifying sampling assets	**682**	—
—Prior year Group relief adjustment	**—**	444
	(732)	(1,128)
Total tax charge	**6,182**	3,341

Corporation tax is calculated at 20%, 25% and 30% of the estimated assessable profit for the year in the UK, the Netherlands and Australia respectively.

The charge in respect of non-qualifying sampling assets incurred in the year of £682,000 is a non-recurring timing difference resulting from the change in accounting policy in the prior year relating to sampling assets.

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

	2017		2016	
	£000	%	£000	%
Profit before tax from continuing operations	**18,774**		**9,290**	
Tax charge/(credit) at the UK corporation tax rate of 20% (2016: 20%)	**3,755**	20.0	**1,858**	20.0
Tax effect of items that are not deductible/non taxable in determining taxable profit	**1,494**	7.9	**392**	4.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	**631**	3.3	**450**	4.8
Deferred consideration fair value remeasurement non taxable	**810**	4.3	**824**	8.9
Effect of change in rate	**(9)**	—	**149**	1.6
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**(136)**	(0.7)	**(461)**	(5.0)
Movement in deferred tax on revalued land no longer required	**(4)**	—	**7**	0.1
Quest acquired retained earnings	**—**	—	**147**	1.6
Adjustments to prior periods	**(359)**	(1.9)	**(25)**	(0.2)
Tax charge and effective tax rate	**6,182**	32.9	**3,341**	36.0

7. Earnings per share

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

	Basic 2017 £000	Adjusted 2017 £000	Basic 2016 £000	Adjusted 2016 £000
Profit attributable to ordinary equity holders of the parent entity from continuing operations	**12,592**	**12,592**	5,949	5,949
Exceptional items:				
Amortisation of acquired intangibles	**—**	**4,432**	—	2,315
PPE impairment	**—**	**17**	—	160
Preference payment claim	**—**	**147**	—	—
Acquisition and disposal related cost	**—**	**2,109**	—	1,355
Reorganisation costs	**—**	**331**	—	406
Negative goodwill arising on acquisition	**—**	**—**	—	(43)
Release of prepaid finance costs	**—**	**—**	—	228
BGF loan and option, redemption premium charge	**—**	**202**	—	108
Deferred and contingent consideration fair value adjustments	**—**	**3,805**	—	4,226
Mark to market adjustment on foreign exchange forward contracts	**—**	**(15)**	—	136
Mark to market adjustment on interest rate swap contracts	**—**	**4**	—	36
Retranslation of foreign currency loans	**—**	**(398)**	—	—
Tax effect on adjusted items where applicable	**—**	**(937)**	—	(961)
Deferred tax charge in respect of non-qualifying sampling assets	**—**	**682**	—	—
Earnings for the purpose of basic and adjusted earnings per share from continuing operations	**12,592**	**22,971**	5,949	13,915
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**—**	**—**	(2,132)	—
Earnings for the purpose of basic and adjusted earnings per share	**12,592**	**22,971**	3,817	13,915

Weighted average number of shares

	2017 Number of shares (000's)	2016 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**90,968**	82,445
Effect of dilutive potential ordinary shares:		
BGF share options	**3,080**	2,800
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**94,048**	85,245

The number of shares in issue increased by a factor of five on September 12, 2016 following approval of a five-for-one share split at the AGM on September 9, 2016. The weighted average number of shares in issue over the period has been determined on this new basis and the prior year has been restated accordingly.

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

7. Earnings per share (Continued)

The Group's earnings per share are as follows:

	2017 Pence	2016 Pence
Earnings per share from continuing operations		
Basic adjusted	**25.25**	16.88
Diluted adjusted	**24.43**	16.32
Basic	**13.84**	7.22
Diluted[(1)]	**13.60**	7.11
Loss per share from discontinued operations		
Basic	**—**	(2.59)
Diluted[(1)]	**—**	(2.59)
Earnings per share		
Basic adjusted earnings per share from total operations	**25.25**	16.88
Diluted[(1)] adjusted earnings per share from total operations	**24.43**	16.32
Basic earnings per share from total operations	**13.84**	4.63
Diluted[(1)] earnings per share from total operations	**13.60**	4.60

(1) Earnings for the purpose of diluted (basic) earnings per share have been adjusted to add back the Business Growth Fund ('BGF') redemption premium charge as this cost is only incurred if the BGF share options are not exercised.

8. Rates of exchange

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

	2017		2016	
	Average	Year end	Average	Year end
Australia—A$	**1.7435**	**1.6448**	2.0327	1.8526
Europe—€	**1.1785**	**1.1777**	—	—

9. Goodwill

	Goodwill £000
At March 29, 2015	4,110
Arising on acquisition	32,045
Exchange movements	1,050
At April 2, 2016	37,205
At April 3, 2016	**37,205**
Arising on acquisition	**21,744**
Exchange movements	**881**
At April 1, 2017	**59,830**

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.

9. Goodwill (Continued)

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

	Reported Segment	2017 £000	2016 £000
Westex (Carpets) Limited	UK & Europe	**2,735**	2,735
Whitestone Weavers Group	UK & Europe	**1,375**	1,375
Interfloor Limited	UK & Europe	**25,245**	25,245
Quest Flooring Pty Limited	Australia	**8,842**	7,850
Ezi Floor Limited	UK & Europe	**7,094**	—
Primary Flooring Pty Limited	Australia	**7,043**	—
Grass Inc. B.V. & Avalon B.V.	UK & Europe	**7,496**	—
		59,830	37,205

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 the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The discount rates used of 11.4% for CGUs within the UK, 10.7% for CGUs within Europe and 12.3% for CGUs within Australia are estimated using weighted-average costs of capital that reflect current market assessments of the time value of money and the risks specific to the markets in which the businesses operate. The primary reasons for the difference in the rates between the UK, Europe and Australia are the differences in underlying risk-free rates and cost of debt. The calculation uses cash flow projections extrapolated from the budget for the year ending March 31, 2018. A terminal value was calculated based on a terminal growth rate assumption of 2.0%.

The Group does not consider it reasonably probable that any significant changes to the key assumptions will arise that would result in impairment to any of the Goodwill balances. If the terminal growth rate was assumed to be nil in the Directors' opinion there would still be no provision for impairment required. As at April 1, 2017 no impairment provision was therefore considered necessary.

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

		Customer relationships £000	Brand names £000	Group Total £000
Cost	At March 29, 2015	4,700	4,745	9,445
	Additions	31,453	4,498	35,951
	Exchange difference	913	110	1,023
	At April 2, 2016	37,066	9,353	46,419
	At April 3, 2016	**37,066**	**9,353**	**46,419**
	Additions	**24,195**	**2,393**	**26,588**
	Exchange difference	**714**	**84**	**798**
	At April 1, 2017	**61,975**	**11,830**	**73,805**
Amortisation	At March 29, 2015	327	260	587
	Charge for the period	2,020	295	2,315
	Exchange difference	39	2	41
	At April 2, 2016	2,386	557	2,943
	At April 3, 2016	**2,386**	**557**	**2,943**
	Charge for the period	**3,993**	**439**	**4,432**
	Exchange difference	**104**	**6**	**110**
	At April 1, 2017	**6,483**	**1,002**	**7,485**
Net book value	**At April 1, 2017**	**55,492**	**10,828**	**66,320**
	At April 2, 2016	34,680	8,796	43,476
	At March 29, 2015	4,373	4,485	8,858

11. Property, plant and equipment

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, vehicles and equipment £000	Group Total £000
Cost				
At March 29, 2015	7,514	33,931	12,273	53,718
Exchange differences	—	754	124	878
Acquisition	6,944	7,144	341	14,429
Additions	165	2,144	7,894	10,203
Disposals	(821)	(999)	(6,683)	(8,503)
At April 2, 2016	13,802	42,974	13,949	70,725
At April 3, 2016	**13,802**	**42,974**	**13,949**	**70,725**
Exchange differences	**(1)**	**2,879**	**464**	**3,342**
Acquisition	**93**	**3,120**	**196**	**3,409**
Additions	**69**	**3,649**	**7,507**	**11,225**
Disposals	**—**	**(1,378)**	**(6,781)**	**(8,159)**
At April 1, 2017	**13,963**	**51,244**	**15,335**	**80,542**
Accumulated depreciation				
At March 29, 2015	173	23,669	4,391	28,233
Exchange differences	—	722	65	787
Charge for the period	345	3,109	6,893	10,347
Impairment	—	160	—	160
Disposals	(200)	(960)	(6,453)	(7,613)
At April 2, 2016	318	26,700	4,896	31,914
At April 3, 2016	**318**	**26,700**	**4,896**	**31,914**
Exchange differences	**—**	**2,448**	**262**	**2,710**
Charge for the period	**445**	**4,072**	**7,522**	**12,039**
Impairment	**—**	**—**	**17**	**17**
Disposals	**—**	**(1,353)**	**(6,611)**	**(7,964)**
At April 1, 2017	**763**	**31,867**	**6,086**	**38,716**
Net Book Value				
At April 1, 2017	**13,200**	**19,377**	**9,249**	**41,826**
At April 2, 2016	13,484	16,275	9,052	38,811
At March 29, 2015	7,341	10,262	7,882	25,485

The prior year figures exclude discontinued operations.

The Company holds no property, plant and equipment.

11. Property, plant and equipment (Continued)

Included within fixed assets are the following:

	Plant and machinery Hire purchase £000	Fixtures, vehicles and equipment Hire purchase £000	Plant and machinery Finance lease £000	Fixtures, vehicles and equipment Finance lease £000	Group Total £000
Held under hire purchase/finance leases: Cost at April 1, 2017	**561**	**950**	**4,241**	**514**	**6,266**
Accumulated depreciation at April 1, 2017	**64**	**416**	**3,046**	**232**	**3,758**
Depreciation charged in year	**54**	**199**	**323**	**79**	**655**
Held under hire purchase/finance leases: Cost at April 2, 2016	275	930	—	1,427	2,632
Accumulated depreciation at April 2, 2016	39	366	—	536	941
Depreciation charged in year	15	170	—	273	458

Capital expenditure authorised and committed at the period end:

	2017 £000	2016 £000
Contracts placed	**296**	828

The Company held no assets under finance lease or hire purchase agreements and had no capital commitments at either year end.

12. Fixed asset investments

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
(a) Investment property	**180**	180	**180**	180
(b) Investment in subsidiaries	**—**	—	**49,270**	49,270

(a) Investment property relates to land and is held at cost as the fair value is dependent on future use and the grant of the necessary planning consents.

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies.

12. Fixed asset investments (Continued)

As at April 1, 2017	Country of incorporation and operation	Nature of business	Ownership
Victoria Midco Holdings Limited	England	Holding Company	Direct
Victoria Carpets Limited	England	Carpet manufacture	Indirect
Carpets@Home Limited	England	Carpet distributor	Indirect
Globesign Limited	England	Holding Company	Indirect
Westex (Carpets) Limited	England	Carpet manufacture	Indirect
Abingdon Flooring Limited	England	Carpet manufacture	Indirect
Distinctive Flooring Limited	England	Carpet distributor	Indirect
Alliance Distribution Limited	England	Logistic Services	Indirect
Whitestone Carpets Holdings Limited	England	Holding Company	Indirect
View Logistics Limited	England	Logistic Services	Indirect
Carpet Line Direct Limited	England	Carpet distributor	Indirect
Whitestone Weavers Limited	England	Carpet distributor	Indirect
Thomas Witter Carpets Limited	England	Carpet distributor	Indirect
Gaskell Mackay Carpets Limited	England	Carpet distributor	Indirect
A&A Carpets Limited	England	Carpet distributor	Indirect
Interfloor Limited	England	Carpet underlay manufacturer	Indirect
Ezi Floor Limited	England	Carpet underlay manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacture	Indirect
Quest Flooring Pty Ltd	Australia	Holding Company	Indirect
Quest Carpet Manufacturers Pty Ltd	Australia	Carpet manufacture	Indirect
Quest Carpet Manufacturers Unit Trust	Australia	Unit Trust	Indirect
Primary Flooring Pty Limited	Australia	Carpet underlay manufacturer	Indirect
Victoria Bidco BV	The Netherlands	Holding Company	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
Victoria Belgium Holdco nv	Belgium	Holding Company	Indirect
V-Line Carpets Limited	England	Non-trading	Indirect
Stikatak Limited	England	Non-trading	Indirect
Tacktrim Limited	England	Non-trading	Indirect
Interfloor Operations Limited	England	Non-trading	Indirect
Interfloor Group Limited	England	Non-trading	Indirect
The Victoria Carpet Company Limited	England	Non-trading	Indirect
Flooring at Home Limited	England	Non-trading	Indirect
Munster Carpets Limited	Ireland	Non-trading	Indirect

13. Inventories

	2017 £000	2016 £000
Raw materials	**18,754**	12,773
Work-in-progress	**3,404**	2,963
Finished goods	**50,904**	43,234
	73,062	58,970

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	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	**51,454**	40,133	**—**	—
Amounts owed by subsidiaries	**—**	—	**132,737**	88,521
Other debtors	**238**	490	**—**	—
Prepayments and accrued income	**3,384**	2,323	**192**	125
	55,076	42,946	**132,929**	88,646

Amounts falling due after one year:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Amounts owed by subsidiaries	**—**	—	**14,194**	16,778
	—	—	**14,194**	16,778

Interest is charged on amounts owed by subsidiaries to the Company at market rates. There are no repayment terms attached to those loans classified as being due within one year.

Amounts owed by subsidiaries to the Company are not considered to be impaired.

The above amounts are stated net of an allowance (net of VAT) of £777,000 (2016: £958,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	£000	£000
Opening balance at April 3, 2016	**958**	811
Acquisition opening balances	**166**	30
Increase in provisions	**489**	316
Recovered against provisions	**(864)**	(210)
Exchange differences	**28**	11
Closing balance at April 1, 2017	**777**	958

An analysis of the age of trade receivables that are past due at the reporting date but not impaired can be seen in the table below:

	2017 £000	2016 £000
1–30 days overdue	**8,860**	6,422
31–60 days overdue	**947**	547
> 60 days overdue	**965**	519
Total	**10,772**	7,488

An analysis of the age of impaired trade receivables is as follows:

	2017 £000	2016 £000
1–30 days overdue	**—**	198
31–60 days overdue	**50**	72
> 60 days overdue	**832**	1,025
Total	**882**	1,295

14. Trade and other receivables (Continued)

The main factors in assessing the impairment of trade receivables are the age of the balance and the circumstances of the individual customer. The Directors consider that the carrying amount of all receivables, including those impaired, approximates to their fair value.

15. Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade creditors	**46,400**	43,550	**—**	—
Amounts due to subsidiaries	**—**	—	**—**	1
Deferred and contingent earn-out liabilities	**14,728**	9,265	**5,780**	5,002
Other creditors	**11,967**	7,476	**—**	—
Accruals	**9,569**	6,407	**690**	352
Deferred income	**209**	215	**—**	—
	82,873	66,913	**6,470**	5,355

Amounts falling due after one year:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Deferred and contingent earn-out liabilities	**19,316**	11,130	**39**	3,903
Deferred income	**168**	339	**—**	—
Other creditors	**371**	55	**—**	—
	19,855	11,524	**39**	3,903

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of Globesign Limited, Abingdon Flooring Group, Whitestone Weavers Group, Quest Carpet Manufacturers Pty Limited, Ezi Floor Limited, Avalon B.V. and Grass Inc B.V. Under IFRS 13 Fair Value Measurement this is classified under the fair value hierarchy as Level 3. The deferred and contingent earn-out liabilities falling due after one year of £19.32m is split as follows: between one to two years £8.43m and between two to five years £10.89m.

Deferred income relates to government grants as shown in Note 24.

16. Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank overdraft	**—**	—	**10,432**	5,682
Finance leases & hire purchase agreements	**617**	596	**—**	—
	617	596	**10,432**	5,682

16. Other financial liabilities (Continued)

Amounts falling due after one year:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans:				
—due between one and two years	**105,189**	—	**105,189**	—
—due between two and five years	**—**	68,485	**—**	68,485
BGF loan:				
—due between one and two years	**2,897**	391	**2,897**	391
—due between two and five years	**5,445**	4,560	**5,445**	4,560
—due over five years	**1,598**	4,573	**1,598**	4,573
Finance leases and hire purchase agreements:				
—due between one and two years	**558**	280	**—**	—
—due between two and five years	**399**	233	**—**	—
	116,086	78,522	**115,129**	78,009

Bank loans as at April 1, 2017 relate to a Group multi-currency revolving credit facility provided by Barclays, HSBC, RBS and AIB. This facility was refinanced following the year-end with a maturity on October 15, 2020 and subject to the option of a one year extension, and is secured by way of debenture over the assets of the Group.

The BGF loan relates to the debt component of the BGF loan and option instruments.

The Group's net debt position as at April 1, 2017 was £89.63m (2016: £61.11m), before netting off prepaid finance costs. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 25.

17. Financial assets and liabilities

The financial assets of the Group, all of which fall due within one year, comprised:

	At April 1, 2017				At April 2, 2016			
	Loans and receivables £000	Financial assets held at fair value through profit and loss £000	Assets not within the scope of IAS 39 £000	Total £000	Loans and receivables £000	Financial assets held at fair value through profit and loss £000	Assets not within the scope of IAS 39 £000	Total £000
Cash								
Sterling	**10,870**	**—**	**—**	**10,870**	12,599	—	—	12,599
US Dollars	**1,495**	**—**	**—**	**1,495**	912	—	—	912
Euros	**1,367**	**—**	**—**	**1,367**	751	—	—	751
Australian Dollars	**14,058**	**—**	**—**	**14,058**	4,623	—	—	4,623
New Zealand Dollars	**189**	**—**	**—**	**189**	193	—	—	193
	27,979	**—**	**—**	**27,979**	19,078	—	—	19,078
Current assets								
Trade and other receivables	**51,692**	**—**	**3,384**	**55,076**	40,239	—	2,323	42,562
Current Inventories	**—**	**—**	**73,062**	**73,062**	—	—	58,970	58,970
Forward foreign exchange contracts	**—**	**—**	**—**	**—**	—	380	—	380
Interest rate swap contracts	**—**	**—**	**—**	**—**	—	4	—	4
Current assets	**79,671**	**—**	**76,446**	**156,117**	59,317	384	61,293	120,994

17. Financial assets and liabilities (Continued)

The financial liabilities of the Group comprised:

	At April 1, 2017				At April 2, 2016			
	Other financial liabilities at amortised cost £000	Financial liabilities held at fair value through profit and loss £000	Liabilities not within the scope of IAS 39 £000	Total £000	Other financial liabilities at amortised cost £000	Financial liabilities held at fair value through profit and loss £000	Liabilities not within the scope of IAS 39 £000	Total £000
Current liabilities								
Trade and other payables	**70,104**	**7,673**	**4,955**	**82,732**	54,955	5,634	5,825	66,414
Current tax liabilities	**—**	**—**	**4,260**	**4,260**	—	—	2,891	2,891
Forward foreign exchange contracts	**—**	**141**	**—**	**141**	—	499	—	499
Finance leases and hire purchase	**617**	**—**	**—**	**617**	596	—	—	596
Current liabilities	**70,721**	**7,814**	**9,215**	**87,750**	55,551	6,133	8,716	70,400
Non-current liabilities								
Trade and other payables	**10,200**	**9,487**	**168**	**19,855**	5,886	5,299	339	11,524
Deferred tax liabilities	**—**	**—**	**15,190**	**15,190**	—	—	9,129	9,129
Retirement benefit obligations	**—**	**—**	**11,086**	**11,086**	—	—	3,345	3,345
Finance leases & hire purchase	**957**	**—**	**—**	**957**	513	—	—	513
Bank loans	**105,189**	**—**	**—**	**105,189**	68,485	—	—	68,485
BGF loan	**9,940**	**—**	**—**	**9,940**	9,524	—	—	9,524
Non-current liabilities	**126,286**	**9,487**	**26,444**	**162,217**	84,408	5,299	12,813	102,520
Total liabilities	**197,007**	**17,301**	**35,659**	**249,967**	139,959	11,432	21,529	172,920

The financial assets of the Company comprised:

	At April 1, 2017				At April 2, 2016			
	Loans and receivables £000	Financial assets held at fair value through profit and loss £000	Assets not within the scope of IAS 39 £000	Total £000	Loans and receivables £000	Financial assets held at fair value through profit and loss £000	Assets not within the scope of IAS 39 £000	Total £000
Cash								
Euros	**30**	**—**	**—**	**30**	—	—	—	—
Australian Dollars	**247**	**—**	**—**	**247**	—	—	—	—
	277	**—**	**—**	**277**	—	—	—	—
Current assets								
Trade and other receivables	**132,737**	**—**	**192**	**132,929**	88,646	—	—	88,646
Current assets	**133,014**	**—**	**192**	**133,206**	88,646	—	—	88,646
Non-current assets								
Amounts owed by subsidiaries	**14,194**	**—**	**—**	**14,194**	16,778	—	—	16,778
Deferred tax assets	**—**	**—**	**264**	**264**	—	—	—	—
Non-current assets	**14,194**	**—**	**264**	**14,458**	16,778	—	—	16,778
Total financial assets	**147,108**	**—**	**456**	**147,664**	105,424	—	—	105,424

17. Financial assets and liabilities (Continued)

The financial liabilities of the Company comprised:

	At April 1, 2017				At April 2, 2016			
	Other financial liabilities at amortised cost £000	Financial liabilities held at fair value through profit and loss £000	Liabilities not within the scope of IAS 39 £000	Total £000	Other financial liabilities at amortised cost £000	Financial liabilities held at fair value through profit and loss £000	Liabilities not within the scope of IAS 39 £000	Total £000
Overdraft								
Sterling	**10,432**	**—**	**—**	**10,432**	5,682	—	—	5,682
	10,432	**—**	**—**	**10,432**	5,682	—	—	5,682
Current liabilities								
Trade and other payables	**690**	**5,780**	**—**	**6,470**	353	5,002	—	5,355
Current tax liabilities	**—**	**—**	**—**	**—**	—	—	—	—
Current liabilities	**11,122**	**5,780**	**—**	**16,902**	6,035	5,002	—	11,037
Non-current liabilities								
Trade and other payables	**—**	**39**	**—**	**39**	—	3,903	—	3,903
Bank loans	**105,189**	**—**	**—**	**105,189**	68,485	—	—	68,485
BGF loan	**9,940**	**—**	**—**	**9,940**	9,524	—	—	9,524
Non-current liabilities	**115,129**	**39**	**—**	**115,168**	78,009	3,903	—	81,912
Total liabilities	**126,245**	**5,819**	**—**	**132,070**	84,044	8,905	—	92,949

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 indrectly
- Level three: unobservable inputs for the assets or liabilities

All financial assets and liabilities have been identified as Level one with the exception of:

- Forward foreign exchange contracts, which are Level two financial assets/liabilities and all expire within 12 months from April 1, 2017.
- The Group's interest rate swap contract, which is a Level two financial asset and expires in May 2018.

  The Group has relied upon valuations performed by third party valuations specialists for compex valuations of the forward exchange contracts and interest rate swap contract. Valuation techniques have utilised observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for forward exchange contracts and the interest rate swap contract.
- Contingent earn-out liabilities, which are Level three liabilities.

  The fair value of the contingent consideration arising from acquisitions is determined considering the estimated payment discounted to present value. Estimated payments are calculated using financial projections for the next 12 months and then applying growth assumptions for future years where relevant.

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 sensititve to both assumptions. The Board considers

17. Financial assets and liabilities (Continued)

that changing the above unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

There were no transfers between level one, level two and level three in 2017 or 2016.

The deferred and contingent earn-out liabilities of the Group are as follows:

Amounts falling due within one year:

	2017 £000	2016 £000
Deferred consideration liabilities	**7,055**	3,631
Contingent earn-out liabilities	**7,673**	5,634
	14,728	9,265

Amounts falling due after one year:

	2017 £000	2016 £000
Deferred consideration liabilities:		
—due between one and two years	**4,459**	4,138
—due between two and five years	**5,370**	1,693
Contingent earn-out liabilities:		
—due between one and two years	**4,389**	4,239
—due between two and five years	**5,098**	1,059
	19,316	11,130

Reconciliation of movement in contingent earn-out liabilities	£000
Total contingent earn-out liabilities as at April 2, 2016	**10,933**
Additional liabilities from acquisitions in the period	**9,368**
Payments made during the period	**(6,559)**
Unwinding of present value	**1,776**
Other fair value adjustments	**1,616**
Exchange rate difference	**26**
Total contingent earn-out liabilities as at April 1, 2017	**17,160**

18. Operating lease arrangements

The Group and Company as lessee

Details of operating lease arrangements for the Group and Company are as follows:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Payments under operating leases recognised in income statement for the year	**5,046**	5,385	**—**	503

18. Operating lease arrangements (Continued)

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	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
Within one year	**6,495**	5,849	**536**	503
In the second to fifth years inclusive	**15,046**	13,744	**2,102**	2,003
After five years	**12,921**	10,700	**6,265**	6,500
	34,462	30,293	**8,903**	9,006

Operating lease payments represent rentals payable by the Group and Company principally for vehicles and certain of its properties. Leases of vehicles are usually negotiated for a term of 3–5 years and rentals are fixed for the term of the lease. Leases of land and buildings are usually negotiated for 5–20 years.

19. Deferred taxation

	Group £000	**Company £000**
At March 29, 2015	467	(708)
Credit to income statement (see Note 6)	(1,572)	—
Prior year adjustment for Group relief (see Note 6)	444	444
Deferred tax in relation to pension scheme	(53)	—
Deferred tax on intangible assets acquired	7,559	—
Adjustment for acquisitions in the year	(1,091)	—
Adjustment for disposals in the year	(169)	—
Exchange adjustment	257	—
At April 2, 2016	5,842	(264)
At April 3, 2016	**5,842**	**(264)**
Credit to income statement (see Note 6)	**(1,414)**	**—**
Charge in respect of non-qualifying sampling assets (see Note 6)	**682**	**—**
Deferred tax in relation to pension scheme	**(1,448)**	**—**
Deferred tax on intangible assets acquired	**6,801**	**—**
Adjustment for acquisitions in the year	**(339)**	**—**
Exchange adjustment	**80**	**—**
At April 1, 2017	**10,204**	**(264)**

The provision for deferred taxation is as follows:

	Group		Company	
	2017 £000	**2016 £000**	**2017 £000**	**2016 £000**
Capital allowances	**(754)**	(963)	**—**	—
Liability on recovering value through sale	**(74)**	(71)	**(74)**	(71)
Deferred grant income	**(113)**	(163)	**—**	—
Tax losses	**(525)**	(679)	**(190)**	(193)
Deferred tax on intangible assets acquired	**14,888**	8,810	**—**	—
Deferred tax on defined benefit pension	**(2,106)**	(636)	**—**	—
Other timing differences	**(1,112)**	(456)	**—**	—
	10,204	5,842	**(264)**	(264)

19. Deferred taxation (Continued)

The provision is based on taxation rates of 30% in respect of balances relating to the Australia businesses (2015: 30%) and 25% in respect of balances relating to the Dutch businesses. The rates applied to UK balances vary dependent on the timing of when the balances are expected to unwind as noted below.

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

The UK corporation tax rate reduction from 20% to 19% on April 1, 2017, to 18% on April 1, 2020 and to 17% on April 1, 2020 has been substantively enacted. Accordingly, deferred tax balances at April 1, 2017 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2017 £000	**2016 £000**	**2017 £000**	**2016 £000**
Deferred tax liabilities	**15,190**	9,129	**—**	—
Deferred tax assets	**(4,986)**	(3,287)	**(264)**	(264)
	10,204	5,842	**(264)**	(264)

20. Retirement benefit obligations

Defined contribution schemes

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

Contributions are charged to the Income Statement as incurred and amounted to £3,265,000 (2016: £2,542,000), of which £2,111,000 (2016: £1,742,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2016: £nil).

Defined benefit schemes

The Group has two defined benefit schemes, both of which relate to Interfloor Limited.

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

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at July 31, 2015.

The contributions made by the employer over the financial period were £95,000 (2016: £nil) in respect of the Main Scheme and £126,000 (2016: £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 £95,000 in respect of the Main Scheme and £126,000 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 August 1, 2018.

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.

20. Retirement benefit obligations (Continued)

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.

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:

	2017	2016
Discount rate	**2.5%**	3.6%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.4%**	2.0%
Pension in payment increases of RPI or 5% p.a. if less	**3.2%**	2.9%
Pension in payment increases of CPI or 3% p.a. if less	**2.1%**	1.8%
Inflation (RPI)	**3.4%**	3.0%
Inflation (CPI)	**2.4%**	2.0%

The assumptions relating to longevity underlying the pension liabilities at the Consolidated Statement of Financial Position date are based on 115% 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: 20.9 years (male), 22.9 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 22.2 years (male), 24.4 years (female).

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

	2017 £000	2016 £000
Administrative expenses	**—**	166
Net interest expense	**116**	64
Components of defined benefit costs recognised in profit or loss	**116**	230

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.

20. Retirement benefit obligations (Continued)

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

	2017 £000	2016 £000
The return on plan assets (excluding amounts included in net interest expense)	**2,999**	(40)
Actuarial gains and (losses) arising from changes in demographic assumptions	**—**	314
Actuarial losses arising from changes in financial assumptions	**(11,114)**	(877)
Actuarial (losses) and gains arising from experience adjustments	**269**	451
Remeasurement of the net defined benefit liability	**(7,846)**	(152)

The largest contributor to net actuarial losses in the year was the change in discount rate applied to the scheme liabilities, which reduced from 3.6% in 2016 to 2.5% in 2017. The discount rate is assessed by reference to expected returns on high quality corporate bonds, which reduced significantly during the period.

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:

	2017 £000	2016 £000
Present value of defined benefit obligations	**(36,470)**	(25,945)
Fair value of plan assets	**25,384**	22,600
Net liability arising from defined benefit obligation	**(11,086)**	(3,345)
Deferred tax applied to net obligation	**2,106**	636

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

	2017 £000	2016 £000
Opening defined benefit obligation	**25,945**	—
Defined benefit obligation acquired	**—**	25,861
Expense	**—**	166
Interest cost	**912**	539
Remeasurement (gains)/losses:		
Actuarial gains and (losses) arising from changes in demographic assumption	**—**	(314)
Actuarial losses arising from changes in financial assumptions	**11,114**	877
Actuarial (losses) and gains arising from experience adjustments	**(269)**	(451)
Benefits paid and expenses	**(1,232)**	(733)
Closing defined benefit obligation	**36,470**	25,945

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

	2017 £000	2016 £000
Opening fair value of plan assets	**22,600**	—
Fair value of plan assets acquired	**—**	22,898
Interest income	**796**	475
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	**2,999**	(40)
Contributions from the employer	**221**	—
Benefits paid and expenses	**(1,232)**	(733)
Closing fair value of plan assets	**25,384**	22,600

20. Retirement benefit obligations (Continued)

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

	2017 £000	2016 £000
Cash and cash equivalents	**669**	518
Government bonds	**2,538**	1,826
Corporate bonds	**3,034**	3,386
UK equities	**9,897**	9,236
Property	**1,432**	1,551
Overseas equities	**7,814**	6,083
Closing fair value of plan assets	**25,384**	22,600

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 £3,795,000 (2016: £435,000).

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 0.25% per annum, the defined benefit obligation would increase by 4.5%.

If the rate of inflation increases by 0.25% per annum, the defined benefit obligation would increase by 3.3%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.1%.

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 £221,000 (2016: £221,000) to the defined benefit schemes during the next financial period.

21. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid 90,969,396 Ordinary shares of 5p each (2016: 90,965,845)	**4,548**	4,548

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

The prior year number of ordinary shares have been restated to reflect the five for one share split which came into effect on September 12, 2016.

The Company issued 3,551 shares in the year in connection with the retailer incentive scheme (shares issued before September 12, 2016 have been restated for the five for one share split noted above).

21. Share capital (Continued)

Capital risk management

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

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The Group is subjected to a number of financial covenants in connection with its group bank facilities. These covenants are tested quarterly and were not breached during the year.

22. Reserves

(a) Retained earnings

Retained earnings for the Group as at April 1, 2017 were £16,451,000 (2016: £10,257,000).

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £2,733,000 (2016: profit of £2,679,000). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

(b) Foreign exchange reserve

The foreign exchange reserve for the Group as at April 1, 2017 was £5,027,000 (2016: £3,083,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at April 1, 2017 was £52,472,000 (2016: £52,462,000), in respect of premium received on the issuance of equity above the nominal value of the shares issued.

(d) Other reserves

The Company entered into a fully subordinated £10m 2022 unsecured loan note facility prodivded by the Business Growth Fund ("BGF") at the time of the acquisition of Abingdon Flooring group and granted BGF an option for 3,730,000* new Victoria PLC ordinary 5p shares at an exercise price of £0.572* (together, the "BGF loan and option"). The BGF loan and option is accounted for as separete debt and equity components. The equity component was determined to have a fair value of £682,000.

The increase of £112,000 in the current year relates to a share-based payment charge on growth shares issued in the period (see further details in the Directors' Report).

23. Acquisition of subsidiaries

(a) Ezi Floor

On October 3, 2016 the Group acquired the business and assets of Ezi Floor Limited.

Ezi Floor benefits from a modern, well equipped, manufacturing facility near Bradford, Yorkshire, and is an efficient manufacturer and distributor of a range of underlay and underlay accessories for both the residential and contract markets. It sells to wholesalers, retail groups, and independent stores throughout the UK.

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* Figures restated for the effect of the five for one share split effective from September 12, 2016.

23. Acquisition of subsidiaries (Continued)

The acquisition of Ezi Floor is highly complementary to the Group's existing businesses, with the addition of underlay and hard flooring ranges to the Group's product portfolio which previously consisted of only broadloom carpet and carpet tiles. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended April 1, 2017 includes contribution from Ezi Floor of £4.4m of revenue and £1.2m of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by £5.0m and £1.1m respectively.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of £6.5m;

(ii) Deferred cash consideration of £6.5m, payable in annual instalments over four years; and

(iii) Contingent cash consideration of a maximum of £6.5m, wholly dependent on improved EBITDA over the next four years.

Net Assets Acquired

	Amounts recognised at acquisition date £000
Property, plant and equipment	1,759
Trade and other receivables	1,638
Inventories	1,170
Book value of net assets acquired	4,567
Provisional fair value adjustments:	
Intangible assets arising on acquisition—Customer Relationships (see Note 10)	5,900
Intangible assets arising on acquisition—Brand Names (see Note 10)	150
Deferred tax liability on intangible assets acquired	(1,099)
Fair value of total identifiable net assets	9,518
Goodwill (see Note 9)	7,094
Total consideration	16,612
Satisfied by:	
Cash	6,500
Deferred consideration	6,041
Contingent consideration	4,071
	16,612

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.

Depending on the future performance of Ezi Floor, the contingent element of consideration could vary from the present value assessed above. However, based on the overall quantum and sensitivity to changes in assumed future growth rates, the range in potential outcomes of contingent consideration is considered to be immaterial.

After fair value adjustments, goodwill of £7.1m is created on the consolidation of Ezi Floor which relates to expected future profits of the business.

23. Acquisition of subsidiaries (Continued)

Transaction costs amounting to £155,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

(b) Dunlop Flooring

The Group acquired the net assets of Dunlop Flooring through a newly incorporated company in Australia namely Primary Flooring Pty Ltd. The new entity continues to trade under the Dunlop Flooring name.

Dunlop Flooring is the largest manufacturer and distributor of carpet underlay in Australia catering to both the domestic and commercial markets. The two manufacturing plants are located at Sunshine, near Melbourne and Wetherill Park, a suburb of Sydney.

Dunlop Flooring also sources, imports and distributes a range of hard flooring comprising laminates, engineered wood and luxury vinyl plank under the "Heartridge" brand name. Exclusive product ranges are also provided to key customers under the "Castleton" and "Invincible" brand names.

The acquisition of Dunlop Flooring is highly complementary to the Group's existing businesses in Australia with the addition of underlay and hard flooring ranges to the Group's product portfolio which previously consisted of only broadloom carpet and carpet tiles. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended April 1, 2017 include contribution from Dunlop Flooring A$8.7m (£5.0m[1]) of revenue and A$0.8m (£0.5m[1]) of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by A$45.4m (£26.1m[1]) and A$4.7m (£2.7m[1]) respectively.

Consideration

Cash consideration of A$36.4m (£22.4m[2]) was paid on completion of the acquisition. There is no deferred or contingent consideration.

Net Assets Acquired

	Amounts recognised at acquisition date £000
Property, plant and equipment	1,540
Trade and other receivables	2,681
Inventories	5,378
Trade and other payables	(2,725)
Deferred tax assets	339
Book value of net assets acquired	7,213
Provisional fair value adjustments:	
Intangible assets arising on acquisition—Customer Relationships (see Note 10)	10,030
Intangible assets arising on acquisition—Brand Names (see Note 10)	1,477
Deferred tax liability on intangible assets acquired	(3,453)
Fair value of total identifiable net assets	15,267
Goodwill (see Note 9)	7,128
Total consideration	22,395
Satisfied by:	
Cash	22,395
	22,395

1 Applying the average exchange rate over the financial year of 1.7435.

2 Applying the GBP to A$ exchange rate at the date of acquisition of 1.6252.

23. Acquisition of subsidiaries (Continued)

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

After fair value adjustments, goodwill of £7.1m is created on the consolidation of Dunlop Flooring, which relates to expected future profits of the business.

Transaction costs amounting to £418,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

(c) Avalon and GrassInc.

On February 13, 2017 the Group acquired 100% of the equity of Avalon B.V and GrassInc. B.V

Avalon and GrassInc. primarily supply artificial grass for domestic and landscaping purposes across Europe. This is a very high growth—and high margin—segment of the flooring market.

The acquisitions continue Victoria's strategy of growing its business with earnings-enhancing acquisitions, and then using available synergies to drive further increases in profits. The Board believes that the Acquisitions present an excellent strategic fit with Victoria's existing business and will have strong long-term growth prospects as part of the Group.

The Group results for the year ended April 1, 2017 include contribution from Avalon and GrassInc of €3.0m (£2.6m[1]) of revenue and €0.7m (£0.6m[1]) of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by €16.7m (£14.2m[1]) and €3.3m (£2.8m[1]) respectively.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of €11.2 million (£9.5m[2]);

(ii) Deferred cash consideration of €5.1 million (£4.3m[2]) payable in instalments over four years; and

(iii) Contingent cash consideration of up to approximately €8.8 million (£7.5m[2]) dependent on improved EBITDA and other criteria over the next four years.

[1] Applying the average exchange rate over the financial year of 1.1785.

[2] Applying the GBP to € exchange rate at the date of acquisition of 1.1736

23. Acquisition of subsidiaries (Continued)

Net Assets Acquired

	Amounts recognised at acquisition date £000
Property, plant and equipment	110
Trade and other receivables	941
Inventories	5,180
Trade and other payables	(1,438)
Current tax liabilities	(66)
Net cash/(overdraft)	626
Loans	(620)
Book value of net assets acquired	4,692
Provisional fair value adjustments:	
Intangible assets arising on acquisition—Customer Relationships (see Note 10)	8,265
Intangible assets arising on acquisition—Brand Names (see Note 10)	767
Deferred tax liability on intangible assets acquired	(2,258)
Fair value of total identifiable net assets	11,466
Goodwill (see Note 9)	7,522
Total consideration	18,988
Satisfied by:	
Cash	9,524
Deferred consideration	4,168
Contingent consideration	5,297
	18,988

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

Depending on the future performance of Avalon and GrassInc., the contingent element of consideration could vary from the present value assessed above. However, based on the overall quantum and sensitivity to changes in assumed future growth rates, the range in potential outcomes of contingent consideration is considered to be immaterial.

After fair value adjustments, goodwill of £7.5m is created on the consolidation of Avalon and GrassInc. which relates to expected future profits of the businesses.

Transaction costs amounting to £1,033,000 relating to the acquisitions have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

24. Government grants

	2017 £000	2016 £000
Deferred income at April 3, 2016	**554**	782
Amortisation to deferred income by release through cost of production	**(233)**	(269)
Adjustment for acquisitions in the year	**—**	37
Exchange adjustment	**56**	4
Deferred income at April 1, 2017	**377**	554
Presented in:		
Current liabilities	**209**	215
Non-current liabilities	**168**	339
	377	554

There are no unfulfilled conditions or other contingencies attaching to government assistance.

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, trade and other receivables and investments.

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. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction on the recoverability of the cash flows.

25. Financial instruments (Continued)

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 Board monitors annual cash budgets and updated forecasts against actual cash position on a monthly basis. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The maturity of financial liabilities is detailed in Note 16.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

(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 an increase in post-tax profit for the year of £423,000 (2016: increase in post-tax profit of £284,000). A 50 basis point increase in the interest rate would, on the same basis, have reduced the profit for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

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

25. Financial instruments (Continued)

Total undiscounted obligations including interest payments	As at April 1, 2017 Effective Interest Rate %	Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000	As at April 2, 2016 Effective Interest Rate %	Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000
Group												
Cash	**0.00%**	**27,979**	**27,979**	**—**	**—**	**—**	0.00%	19,078	19,078	—	—	—
Bank loans & overdraft	**2.83%**	**(110,376)**	**(3,001)**	**(107,375)**	**—**	**—**	3.28%	(76,097)	(2,272)	(2,272)	(71,552)	—
BGF loan	**13.30%**	**(16,135)**	**(1,000)**	**(3,134)**	**(10,291)**	**(1,710)**	13.30%	(17,134)	(1,000)	(1,000)	(9,758)	(5,376)
Finance lease and HP	**4.10%**	**(1,574)**	**(617)**	**(558)**	**(399)**	**—**	4.79%	(1,109)	(183)	(223)	(703)	—
		(100,106)	**23,361**	**(111,067)**	**(10,690)**	**(1,710)**		(75,262)	15,623	(3,495)	(82,013)	(5,376)
Company												
Bank loans & overdraft	**2.83%**	**(120,808)**	**(13,433)**	**(107,375)**	**—**	**—**	3.03%	(75,578)	(2,099)	(2,099)	(71,379)	—
BGF loan	**13.30%**	**(16,135)**	**(1,000)**	**(3,134)**	**(10,291)**	**(1,710)**	13.30%	(17,134)	(1,000)	(1,000)	(9,758)	(5,376)
Finance lease and HP	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—	—
		(136,943)	**(14,433)**	**(110,509)**	**(10,291)**	**(1,710)**		(97,712)	(3,099)	(3,099)	(81,137)	(5,376)

In addition, the following tables 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.

Total undiscounted obligations	As at April 1, 2017 Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000	As at April 2, 2016 Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000
Group										
Deferred consideration liabilities	**(17,622)**	**(7,170)**	**(4,685)**	**(5,767)**	**—**	(9,951)	(3,637)	(4,425)	(1,889)	—
Contingent earn-out liabilities	**(22,289)**	**(9,026)**	**(4,857)**	**(8,406)**	**—**	(13,002)	(6,202)	(5,293)	(1,507)	—
	(39,911)	**(16,196)**	**(9,542)**	**(14,173)**	**—**	(22,953)	(9,839)	(9,718)	(3,396)	—
Company										
Deferred consideration liabilities	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Contingent earn-out liabilities	**(6,111)**	**(6,057)**	**—**	**(54)**	**—**	(10,388)	(5,500)	(4,709)	(179)	—
	(6,111)	**(6,057)**	**—**	**(54)**	**—**	(10,388)	(5,500)	(4,709)	(179)	—

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 ownership of the Australian subsidiaries which cumulatively account for approximately 23.9% of the Group's net assets.

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

Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported. These exposures 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.

25. Financial instruments (Continued)

Currency risk sensitivity

The effect of a 10% strengthening of the Australian Dollar against Sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £176,000 (2016: increased Group post-tax profit by £273,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £144,000 (2016: decreased Group post-tax profit by £223,000).

The effect of a 10% strengthening of the Australia Dollar against Sterling at year-end rates would have resulted in an increase to equity of £2,103,000 (2016: an increase of £1,491,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,721,000 (2016: decrease of £1,220,000).

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant, have resulted in a decrease in Group post-tax profit for the year of £68,000. A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £48,000.

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in an decrease to equity of £69,000. A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £56,000.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017 £000	**2016 £000**	**2017 £000**	**2016 £000**
Australia Dollar	**33,673**	24,098	**52,304**	38,299
Euro	**5,841**	—	**5,221**	—

(c) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

26. Key sources of estimation uncertainty

In applying the Group's accounting policies, appropriate estimates have been made in a number of areas and the actual outcome may vary from the position described in the Group's and Company's balance sheets at April 1, 2017. The key sources of uncertainty at the balance sheet date that may give rise to a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

Realisation of deferred tax assets

Deferred tax assets are recognised at the balance sheet date based on the assumption that there is a high expectation that the asset will be realised in due course. This assumption is dependent on the UK & Europe and Australia divisions' ability to generate sufficient future taxable profits. Further details are set out in Note 19.

Valuation of deferred and contingent earn-out consideration

Liabilities are recognised in respect of acquisitions with outstanding deferred or contingent earn-outs at the end of the period. These are assessed based upon management forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. Further details are set out in Note 17.

26. Key sources of estimation uncertainty (Continued)

Valuation of acquired intangible assets

Intangible assets are recognised on acquisitions in relation to customer relationships and brands. These are assessed based upon management forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates, expected changes to selling prices and direct costs, brand royalty rates and customer attrition. Further details are set out in Note 10.

Impairment of goodwill

On an annual basis the Group is required to perform an impairment review to assess whether the carrying value of goodwill is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in this review are detailed in Note 9.

Defined benefit obligation

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

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

Further details are set out in Note 20.

Inventories

A proportion of inventory is made up of stocks which are not expected to sell for the full normal selling price, either because they are remnants, come from discontinued ranges, or are below the required quality standard. This inventory is carried at the lower of cost and net realisable value. During the year to April 1, 2017, the total movement in stock provisions resulted in a credit to the income statement of £189,000 (2016: charge of £220,000). Further details are set out in Note 13.

Trade receivables

Details of the provision made for non-recoverability of debts due to the Group from the sale of goods are set out in Note 14.

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 and its subsidiaries.

As at April 1, 2017, the key management personnel, and their immediate relatives controlled 33.0% of the voting shares of the Company.

27. Related parties (Continued)

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	52 weeks ended April 1, 2017 £000	53 weeks ended April 2, 2016 £000
Short-term employee benefits	**3,801**	2,895
Post-employment benefits	**469**	419
	4,270	3,314

Transactions with subsidiary undertakings:

	Company	
	52 weeks ended April 1, 2017 £000	53 weeks ended April 2, 2016 £000
Management fee—Victoria Carpets Limited	**30**	—
Management fee—Globesign Limited	**30**	—
Management fee—Abingdon Flooring Limited	**30**	—
Management fee—Whitestone Carpets Holdings Limited	**30**	—
Management fee—Interfloor Group Limited	**30**	—
Management fee—Ezi Floor Limited	**15**	—
Management fee—The Victoria Carpet Company Pty Limited	**30**	—
Management fee—Quest Flooring Pty Ltd	**30**	—
Management fee—Primary Flooring Pty Limited	**5**	—
Management fee—Victoria Bidco BV	**4**	—
Interest on intercompany loans—Victoria Carpets Limited	**290**	—
Interest on intercompany loans—Globesign Limited	**335**	—
Interest on intercompany loans—Abingdon Flooring Limited	**448**	—
Interest on intercompany loans—Whitestone Carpets Holdings Limited	**578**	—
Interest on intercompany loans—Interfloor Group Limited	**1,651**	—
Interest on intercompany loans—Ezi Floor Limited	**147**	—
Interest on intercompany loans—The Victoria Carpet Company Pty Limited	**76**	—
Interest on intercompany loans—Primary Flooring Pty Limited	**202**	—
Interest on intercompany loans—Victoria Bidco BV	**36**	—
Interest on loan notes—Interfloor Operations Limited	**1,544**	—
Dividend income—Victoria Midco Holdings Limited	**5,112**	—
Dividend income—The Victoria Carpet Company Pty Limited	**—**	984
Dividend income—Globesign Limited	**—**	3,500
Dividend income—Abingdon Flooring Limited	**—**	3,000
Dividend income—Interfloor Group Limited	**—**	3,500
Dividend income—Whitestone Carpets Holdings Limited	**—**	2,000
Preference dividend income—Quest Flooring Pty Limited	**767**	474

	52 weeks ended April 1, 2017 £000	53 weeks ended April 2, 2016 £000
Amounts due from subsidiary undertakings	**146,930**	105,299
Amounts due to subsidiary undertakings	**1**	1

27. Related parties (Continued)

Transactions with the Business Growth Fund

Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund's ("BGF") Regional Director for the Midlands. On the September 30, 2014 the Company entered into a £10m 2022 unsecured loan facility with BGF. In addition, BGF has been granted an option over 3,730,000* new Ordinary 5p shares in the Company at 57.2p* per share, representing 5% of the Company's deemed enlarged issued share capital at the time of grant.

The BGF loan and option is accounted for as separate debt and equity components.

Interest charged to the income statement during the period in relation to the BGF loan was £1,372,000 (2016: £1,307,000).

28. Post balance sheet events

On July 5, 2017, the Group entered into a new, extended multi-currency revolving credit facility. Further details are provided in the Financial Review on page 16.

* Figures restated for the effect of the five for one share split effective from September 12, 2016.

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€330,000,000 % Senior Secured Notes due 2024

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