



VICTORIA PLC



2011

Half-year report for the 26 weeks
ended 1 October 2011

Victoria PLC is a successful and well-established manufacturer, supplier and distributor of design-led carpets, carpet tiles and other floorcoverings, targeting the mid to high end markets in which we operate.



Hinton Twist - Spring Forest

Front cover: Tudor Manor, Marshmallow

Financial Highlights

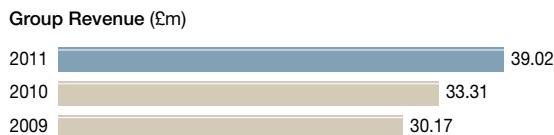
innovation & quality

Group Revenue

Revenue growth was achieved in both of the Group's operating divisions.

On a constant currency basis, Group revenue was up by 9.8%.

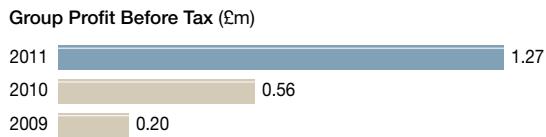
£39.02m up 17.1%



Group Profit Before Tax

The Group significantly increased profit before tax in the half year period, with all operating segments delivering profit growth. Profit before tax was up 94.3% in constant currency terms.

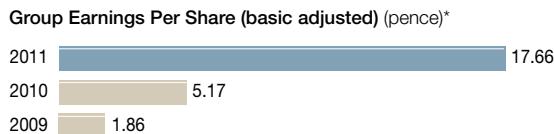
£1.27m up 126.9%



Group Earnings per Share

The Group achieved earnings per share (EPS) (basic adjusted) growth of 241.6%, and on a constant currency basis, EPS (basic adjusted) was up by 206.4%.

17.66 pence up 241.6%

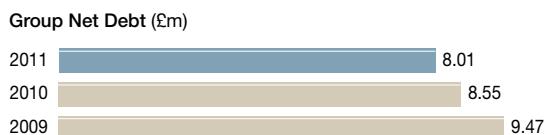


* Refer to Note 5.

Group Net Debt

Net debt of £8.01m is £0.54m less than the same period last year. Net debt is £1.80m above the year-end position as the Group has invested in new product ranges and acquired C&H Distribution Ltd, a distributor of Luxury Vinyl Tiles, for £0.4m.

£8.01m down 6.3%



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Imperial Velvet, Sundance

Chairman's Statement



"The Group delivered a robust profit performance whilst making good progress against our strategic objective of becoming the leading quality flooring supplier in both Australasia and the United Kingdom."

NIKKI BECKETT

Overview

I am pleased to report that in the first half of our financial year, Victoria has delivered a strong operational performance whilst making good progress against our strategic objective of becoming the leading quality flooring supplier in both Australasia and the United Kingdom.

Against a backdrop of on-going and extremely challenging economic and market conditions, the Group has delivered a solid and satisfying increase in both revenue and profitability across all of its operations.

Financial summary

Group revenue increased by 17.1% in the first half from £33.31m to £39.02m and, in constant currency terms, this was ahead of the corresponding period last year by 9.8%.

All parts of the Group delivered a robust profit performance, with operating profit improving significantly by 80.0% from £0.78m to £1.40m. Profit before tax increased by 126.9% from £0.56m to £1.27m after accounting for non-recurring costs of £0.45m in respect of the closure of the Group's Irish trading entity.

Half year dividend

The Board is pleased to declare a 16.7% uplift in the Half-year dividend from 3.0p per share to 3.5p per share. This will be payable on 15 December 2011 to all Shareholders on the register as at 2 December 2011, with the ex-dividend date being 30 November 2011.



Operating review

Australia

Our Australian business has again delivered improved results despite the difficult economic and soft market conditions that have prevailed in its key markets of Australia and New Zealand.

Both territories have been adversely affected by the increases in wool fibre costs, reduced housing and real estate activity. These factors, coupled with an increasing volume of synthetic carpet imports and a higher level of consumer cautiousness in spending, have created an intensely competitive trading environment.

In this context, therefore, it is pleasing to report that revenue for the first half increased by 9.2% from A\$35.42m to A\$38.68m and profit before tax rose 12.3% to A\$2.93m from A\$2.61m in the corresponding period last year.

Gross margins were slightly down due to market conditions but this was more than offset by higher volumes, tight cost control and the positive impact of a strong Australian Dollar.

Modest capital expenditure of A\$0.74m was undertaken during the period and mainly related to the commissioning of an in-line latex compounding system. This project was successfully completed in July 2011 and is already providing attractive cost savings as well as quality improvements.

Inventory levels at the end of the period under review were up by A\$1.55m (6.6%) over the first half last year, reflecting a changing mix within the business as imported materials with longer lead-times form a higher proportion of stocks. The range of carpet tiles and broadloom products was also expanded to support our

Chairman's Statement continued

recent and successful entry into the commercial contract sector.

The growth of synthetic carpet sales in both the Australian and New Zealand markets has continued, no doubt assisted by the dramatic increases seen in wool fibre costs which over the last year alone have risen by 75%. Wool's competitive position in relation to synthetic fibre has deteriorated significantly and recently, in a declining market, this has resulted in wool-spinning mill closures by two of our major competitors in the market. The challenges of maintaining satisfactory loadings at our own spinning mills is one we have successfully managed to date, albeit with an increasing degree of difficulty.

United Kingdom

To date, the economy in the UK has shown no signs whatsoever of recovery and, if anything, actually weakened further during August and September. Consumer confidence is extremely fragile as Government cut-backs in the public sector, higher unemployment and a general squeeze in household budgets, dampens discretionary spend.

Despite these extremely challenging conditions, I am pleased to report that our UK operation has undoubtedly outperformed the market and delivered a credible performance.

UK revenue was up by 10.8% from £12.47m to £ 13.82m, with strong growth seen in our business with both The John Lewis Partnership and the insurance replacement market. Sales of synthetic carpet under our EASICARE™ brand have also continued to grow, as these products gain market share from traditional wool products where significant price increases have again led to a deterioration in wool's competitive position.

Tight cost control and our ability to pass on higher raw material prices enabled our UK operation to return to profit from the operating loss last half-year of £0.48 m to an operating profit of £0.21m during the period under review.

Profit before tax was £0.16m, compared to a loss before tax of £0.53m in the first half last year.

As part of our strategic planning process, the Group has looked carefully at how it might better leverage Victoria's excellent 'Brand' reputation and customer associations.

Part of this process identified that the Luxury Vinyl Tile (LVT) market is a growing and profitable sector of the flooring market in both the UK and in Continental Europe. The Board sees this area of the flooring market as offering an exciting opportunity for our business.

Consequently, a new division has been established to develop and market this style of flooring in the UK. The modest but strategically important acquisition of C&H Distribution in September 2011 for £0.4m has given us immediate traction in this sector. In early 2012, the Group plans to roll-out an extensive programme of luxury vinyl flooring under the VICTORIA™ LUXURY FLOORING banner. Experienced personnel from within the LVT market have already been successfully recruited, bringing both technical, sales and marketing expertise to the Group. This move will allow us to develop this new Victoria offering whilst the existing Victoria management remain fully focused on our core carpet business.

With regard to the 'redundant property' that we identified in our portfolio sometime ago, I am pleased to report that, after over five years of endeavour to seek a 'change of use' for the Group's sports field in Kidderminster, planning consent will be granted, subject to certain further conditions being satisfied. The Board is now looking at how it may best dispose of this site whilst seeking to maximise shareholder value.

Ireland

During the first quarter and in accordance with plans previously advised to Shareholders, the Group has completed on-time and within budget the closure of its trading entity in Ireland. Our business and brands in Ireland of **Munster** and **Navan** Carpets are now being actively marketed and traded under a distribution model and are reported upon as part of our UK operation.

Canada

Revenue in the period in our associate Canadian company, Colin Campbell, was up by 14.4% from C\$3.88m to C\$4.44m, with operating profit advancing 191.7% from C\$0.12m to C\$0.35m.

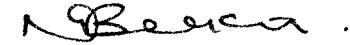
Whilst the Canadian market in general remains soft, we have exploited the contract residential market well and delivered flooring to some very prestigious projects in the Vancouver area during the first half.

Outlook

Looking at our businesses going forward into the second-half year: In Australia, the global financial volatility, together with falling equity and property values, continue to fuel consumer cautiousness and it is likely that consumers' focus will remain on non-discretionary spending for the time being and the demand for carpet will continue to be subdued. Whilst, in the UK, consumer confidence continues to be extremely weak and the short-term outlook lacks any clear visibility as to when overall conditions might improve.

However, the Board's objective remains focused on building Victoria's 'Brand' reputation and improving the quality of its earnings. To do this, we plan to continue to invest in our business for the future and, during the remainder of this current financial year, we will be making significant investment in both new carpet ranges and in the luxury vinyl tile market.

We feel confident that alongside our traditional business, these new product initiatives, allied to anticipated growth in new market areas, will help the Group continue to gain market share and place Victoria in a commanding position to exploit any opportunities presented by the market.



Nikki Beckett

Chairman

21 November 2011

Condensed Consolidated Income Statement

For the 26 weeks ended 1 October 2011 (unaudited)

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 1 October 2011 (unaudited)

	26 Weeks ended 1 Oct 2011 £000	26 Weeks ended 2 Oct 2010 £000	52 Weeks ended 2 April 2011 £000
Exchange differences on translation of foreign operations	(952)	401	1,733
Deferred tax on share option scheme	—	—	18
Other comprehensive (loss) / income for the period	(952)	401	1,751
Profit for the period	802	359	1,209
Total comprehensive (loss) / income for the period	(150)	760	2,960
Attributable to			
Equity holders of the parent	(150)	760	2,960

Condensed Consolidated Balance Sheet

As at 1 October 2011 (unaudited)

	As at 1 Oct 2011 £000	As at 2 Oct 2010 £000	As at 2 April 2011 £000
Non-current assets			
Goodwill	—	65	—
Intangible assets	778	404	389
Property, plant and equipment	25,368	26,598	26,537
Investment property	180	180	180
Investment in associated company	559	512	487
Deferred tax asset	823	1,429	853
Total non-current assets	27,708	29,188	28,446
Current assets			
Inventories	26,066	23,863	22,902
Trade and other receivables	12,562	12,187	11,821
Cash at bank and in hand	769	1,032	1,626
Total current assets	39,397	37,082	36,349
Total assets	67,105	66,270	64,795
Current liabilities			
Trade and other payables	14,865	12,693	12,442
Current tax liabilities	426	966	613
Financial liabilities	7,851	7,177	6,360
Total current liabilities	23,142	20,836	19,415
Non-current liabilities			
Trade and other payables	2,387	2,755	2,611
Other financial liabilities	931	2,439	1,497
Deferred tax liabilities	1,395	2,600	1,510
Total non-current liabilities	4,713	7,794	5,618
Total liabilities	27,855	28,630	25,033
Net assets	39,250	37,640	39,762
Equity			
Issued share capital	1,736	1,736	1,736
Share premium	829	829	829
Retained earnings	36,500	35,075	37,067
Share-based payment reserve	185	—	130
Total equity	39,250	37,640	39,762

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 1 October 2011 (unaudited)

	Share capital £000	Share premium £000	Retained earnings £000	Share-based payment reserve £000	Total equity £000
At 4 April 2010	1,736	829	34,690	—	37,255
Total comprehensive income for the period	—	—	760	—	760
Dividends paid	—	—	(375)	—	(375)
At 2 October 2010	1,736	829	35,075	—	37,640
At 4 April 2010	1,736	829	34,690	—	37,255
Total comprehensive income for the period	—	—	2,960	—	2,960
Dividends paid	—	—	(583)	—	(583)
Transfer from accruals	—	—	—	73	73
Share-based payment charge	—	—	—	57	57
At 2 April 2011	1,736	829	37,067	130	39,762
At 3 April 2011	1,736	829	37,067	130	39,762
Total comprehensive loss for the period	—	—	(150)	—	(150)
Dividends paid	—	—	(417)	—	(417)
Share-based payment charge	—	—	—	55	55
At 1 October 2011	1,736	829	36,500	185	39,250

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 1 October 2011 (unaudited)

	Notes	26 Weeks ended 1 Oct 2011 £000	26 Weeks ended 2 Oct 2010 £000	52 Weeks ended 2 April 2011 £000
Net cash (outflow)/inflow from operating activities	7a	(185)	(714)	2,505
Investing activities				
Purchases of property, plant and equipment		(898)	(294)	(948)
Acquisition of intangible assets		(400)	—	—
Proceeds of disposals of property, plant and equipment		103	1	62
Net cash used in investing activities		(1,195)	(293)	(886)
Financing activities				
Decrease in long term loans		(312)	(307)	(971)
Receipts from financing of assets		195	—	202
Payment of finance leases/HP liabilities		(440)	(325)	(725)
Dividends paid		(417)	(375)	(583)
Net cash used in financing activities		(974)	(1,007)	(2,077)
Net decrease in cash and cash equivalents		(2,354)	(2,014)	(458)
Cash and cash equivalents at beginning of period		(3,866)	(3,474)	(3,474)
Effect of foreign exchange rate changes		(47)	20	66
Cash and cash equivalents at end of period	7b	(6,267)	(5,468)	(3,866)

Notes to the Condensed Half-Year Financial Statements

For the 26 weeks ended 1 October 2011 (unaudited)

1 General information

These condensed consolidated financial statements for the 26 weeks ended 1 October 2011 have not been audited or reviewed by the Auditor. They were approved by the Board of Directors on 21 November 2011.

The information for the 52 weeks ended 2 April 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified and did not include a reference to any matter to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

2 Basis of preparation and accounting policies

These condensed consolidated financial statements should be read in conjunction with the Group's financial statements for the 52 weeks ended 2 April 2011, which were prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies and basis of consolidation of these condensed financial statements are consistent with those applied and set out on pages 47 to 53 of the Group's audited financial statements for the 52 weeks ended 2 April 2011, except for the following accounting standards and interpretations which became effective for the Group in the current reporting period:

IFRS 7 (amended) *"Financial Instrument: Disclosures"*

IAS 24 (amended) *"Related Party Disclosures"*

IAS 32 (amended) *Classification of Rights Issues*

IFRIC 14 (amended) *"Prepayments of a Minimum Funding Requirement"*

IFRIC 19 *"Extinguishing Financial Liabilities with Equity Instruments"*

None of these revised and amended standards and interpretations have had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

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

The Directors are of the view that the Group is well placed to manage its business risks despite the current challenging economic and market conditions. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements of the Group.

Notes to the Condensed Half-Year Financial Statements continued

3 Segmental information

In line with previous announcements, the Irish business was restructured in the first quarter of this financial year, and the trade and assets transferred into the UK operation from July 2011. Following this change, the UK and Ireland results are now reported as one segment.

The Group is organised into two operating divisions, the UK & Ireland and Australia. Our share of the Canadian associate result is also presented separately.

Geographical segment information for revenue, operating profit and a reconciliation to entity net profit is presented below.

	For the 26 weeks ended 1 October 2011				For the 26 weeks ended 2 October 2010			
	Revenue £000	Operating profit £000	Finance costs £000	Profit before tax* £000	Revenue £000	Operating profit/ (loss) £000	Finance costs £000	Profit/ (loss) before tax* £000
								£000
UK and Ireland	13,817	210	(54)	156	12,466	(484)	(50)	(534)
Australia	25,199	2,026	(116)	1,910	20,846	1,669	(135)	1,534
	39,016	2,236	(170)	2,066	33,312	1,185	(185)	1,000
Restructuring costs	—	(451)	—	(451)	—	—	—	—
Central costs	—	(388)	(49)	(437)	—	(409)	(54)	(463)
Share of results of associate	—	—	—	95	—	—	—	24
Total continuing operations	39,016	1,397	(219)	1,273	33,312	776	(239)	561
Tax				(471)				(202)
Profit after tax from continuing activities				802				359

* The share of results of the associated company is shown net of tax as required by IAS1.

Intersegment sales between the Group's subsidiaries were immaterial in the current and comparative periods.

4 Tax

	26 Weeks ended 1 Oct 2011 £000	26 Weeks ended 2 Oct 2010 £000
Current tax		
— Current year overseas	586	403
	586	403
Deferred Tax		
— Current year movement	(115)	(160)
— Effect of rate change in the UK	—	(41)
	(115)	(201)
Total	471	202

The overall corporation tax rate is 37.0% (2010: 36.0%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year. The underlying full year effective corporation tax rate after adjusting for non-recurring restructuring costs in connection with the Irish business is estimated at 31.2%.

5 Earnings per share

The calculation of earnings per ordinary equity share in the parent entity is based on the following earnings and number of shares:

	26 Weeks ended 1 Oct 2011 Basic 2011 £'000	26 Weeks ended 1 Oct 2011 Adjusted 2011 £'000	26 Weeks ended 2 Oct 2010 Basic 2010 £'000	26 Weeks ended 2 Oct 2010 Adjusted 2010 £'000
Profit attributable to ordinary equity holders of the parent entity	802	802	359	359
Adjustment for restructuring costs (net of tax)	—	424	—	—
Earnings for the purpose of basic, adjusted and diluted earnings per share	802	1,226	359	359
Weighted average number of ordinary shares ('000) for the purposes of basic and adjusted earnings per share		6,944		6,944
Effect of dilutive potential ordinary shares:				
Long-Term Incentive Plan ('000)		728		1,034
Weighted average number of ordinary shares ('000) for the purposes of diluted earnings per share		7,672		7,978
The Group's earnings per share are as follows:				
Basic adjusted (pence)		17.66		5.17
Diluted adjusted (pence)		15.98		4.50
Basic (pence)	11.55		5.17	
Diluted (pence)	10.45		4.50	

6 Dividends

	26 Weeks ended 1 Oct 2011 £'000	26 Weeks ended 2 Oct 2010 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 2 April 2011 paid during the year 6.0p per share (2010: 5.4p)	417	375
Interim dividend declared for the year to 31 March 2012 3.5p per share (2010: 3.0p)	243	208

Notes to the Condensed Half-Year Financial Statements continued

7 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	26 Weeks ended 1 Oct 2011 £000	26 Weeks ended 2 Oct 2010 £000	52 Weeks ended 2 April 2011 £000
Operating profit from continuing operations	1,397	776	2,418
Adjustments for:			
– Depreciation charges	1,457	1,407	2,865
– Amortisation of intangible assets	6	12	32
– Goodwill impairment	–	–	65
– Share-based payment charge	55	–	57
– (Profit)/loss on disposal of property, plant and equipment	(20)	(1)	13
– Exchange rate difference on consolidation	10	52	126
Operating cash flows before movements in working capital	2,905	2,246	5,576
Increase in working capital	(2,080)	(2,257)	(1,673)
Cash generated from/(used in) operations	825	(11)	3,903
Interest paid	(237)	(253)	(505)
Income taxes paid	(773)	(450)	(893)
Net cash (outflow)/inflow from operating activities	(185)	(714)	2,505

b) Analysis of net debt

	At 2 April 2011 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 1 October 2011 £000
Cash	1,626	(801)	–	(56)	769
Bank overdrafts	(5,492)	(1,553)	–	9	(7,036)
Cash and cash equivalents	(3,866)	(2,354)	–	(47)	(6,267)
Secured commercial bills					
– Payable more than one year	(970)	312	–	34	(624)
Finance leases and hire purchase agreements					
– Payable less than one year	(850)	440	(409)	5	(814)
– Payable more than one year	(527)	(195)	409	5	(308)
Net debt	(6,213)	(1,797)	–	(3)	(8,013)

8 Rates of exchange

The results of overseas subsidiaries and associated undertakings 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:

	26 Weeks ended 1 Oct 2011	26 Weeks ended 2 Oct 2010	52 Weeks ended 2 April 2011
Australia (A\$) — average rate	1.5349	1.6992	1.6460
Australia (A\$) — period end	1.6029	1.6298	1.5465
Ireland (€) — average rate	1.1362	1.1753	1.1688
Ireland (€) — period end	1.1611	1.1502	1.1333
Canada (C\$) — average rate	1.5822	1.5860	1.5831
Canada (C\$) — period end	1.6233	1.6184	1.5461

9 Related party transactions

During the period, the Group had transactions with its associate, comprising sales of goods to the value of £261k (2010: £127k). At 1 October 2011, the Group was owed £286k (2010: £240k). All goods and services were provided at market rates.

10 Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors which mitigate these risks have not changed from those set out on page 21 of the Group's 2011 Annual Report, a copy of which is available on the Group's website — www.victoriapl.com. The Chairman's Statement includes consideration of uncertainties affecting the Group in the remaining six months of the year.

11 Information rights

Under Section 146 of the Companies Act 2006, registered Shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights from 1 October 2007. Companies are required to fulfil these requests from 1 January 2008.

Please note that beneficial owners of shares nominated by the registered holders of those shares are required to direct all communications to the registered holder of their shares rather than to the Company's Registrar, Capita Registrars, or the Company directly.

12 Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge the condensed set of financial statements has been prepared in accordance with IAS 34, "Interim financial reporting" as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit of the Group and includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R, 4.2.8R and 4.2.9R of the United Kingdom's Financial Services Authority.

On behalf of the Board



N Beckett

Chairman



I G Davies

Group Finance Director

21 November 2011

Group Board of Directors

NIKKI BECKETT

Chairman — Non-executive
Chairman of the Audit and Nominations Committees



BARRY POYNTER

Executive Director

ALAN BULLOCK

Group Managing Director



PETER JENSEN

Senior Independent Non-executive Director
Chairman of the Remuneration Committee



IAN DAVIES

Group Finance Director



▲ Audit Committee

● Remuneration Committee

■ Nominations Committee

Principal Subsidiaries/Company Information

Principal Subsidiaries and their Directors

Victoria Carpets Limited

Manufacturer and distributor of carpets and floorcoverings

Location: Kidderminster, UK

Alan Bullock (Chairman and Managing)

Terry Danks

Shaun Lewis

Neil Glover

Westwood Yarns Limited

Manufacture and sale of carpet yarns

Location: Holmfirth, UK

Alan Bullock (Chairman)

Trevor Chippendale (Managing)

Terry Danks

The Victoria Carpet Company Pty Limited

Manufacturer and distributor of carpets and floorcoverings

Location: Dandenong, Australia

Michael Oakley (Non-executive Chairman)

Barry Poynter (Managing)

Anne Seymour

Michael Davies (Non-executive)

Alan Bullock

Associated Undertaking

Colin Campbell & Sons Limited

Distributor of carpets and rugs

Location: Vancouver, Canada

Ian Davies (Chairman)

Chris Dragan (President)

Ken Metrick

Anne Seymour

Alan Goldberg

Registered Office

Victoria PLC

Worcester Road

Kidderminster

Worcestershire

DY10 1JR

Registered Number: 282204

Advisors

Auditor: **Deloitte LLP**

Bankers: **Barclays Bank PLC**

Public Relations: **Citigate Dewe Rogerson**

Registrars: **Capita Registrars Ltd**

Solicitors: **Wragge & Co LLP**

Stockbroker: **Arden Partners plc**

Company Secretary

Terry Danks

Honorary President

Stewart Anton

Shareholder Notes



VICTORIA PLC

Victoria PLC
Worcester Road
Kidderminster
Worcestershire
DY10 1JR
Tel: +44 (0)1562 749300
Fax: +44 (0)1562 749649
www.victoriapl.com