VICTORIA PLC

2012 Half-year report for the 26 weeks ended 29 September 2012

VICTORIA PLC

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.

Financial Summary

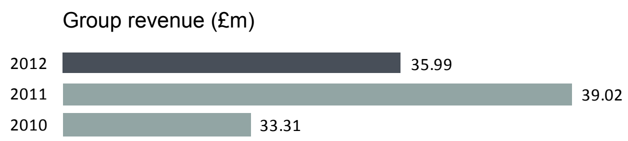
Contents

Group revenue (£m)

£35.99m

Group revenue decreased by 7.8%, and by 6.6% in constant currency terms.

Difficult economic and trading conditions prevailed in all our operating territories, with Australia, in particular, experiencing much softer market conditions than in the comparative prior period.

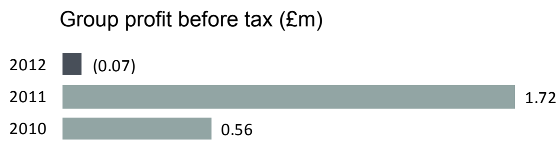


Group profit before tax (£m)

£(0.07)m

The Group recorded a loss before tax (pre exceptional items*) of £0.07m. First half profitability was impacted by the investment cost of significant new product launches in both the UK and Australia, and soft market conditions.

** Refer to note 4 of the half year financial statements*

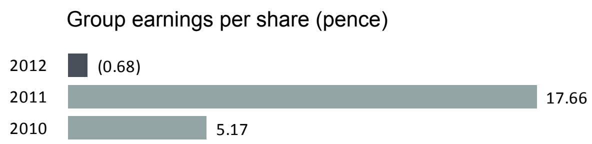


Group earnings per share (pence)

(0.68) pence

The investment in new products and challenging market conditions resulted in a first half earnings per share (basic adjusted*) loss of 0.68 pence.

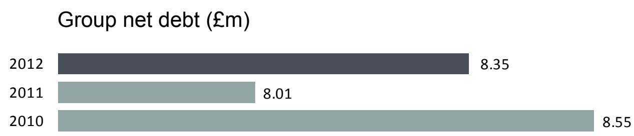
** Refer to note 6 of the half year financial statements*



Group net debt (£m)

£8.35m

Net debt increased by £0.60m from the year end position and £0.34m above the same period last year. The Group was cash generative from operating activities in the first half and has reduced working capital by £0.97m in the period.



Chairman's Statement

"Although the remainder of the current financial year will be challenging, we believe we have adopted an appropriate strategy for Victoria."

Overview

Victoria is facing some real challenges. The Group is experiencing strong economic headwinds in each of its major markets, has a cost structure that is too high for its current level of business, limited competitive advantages, excessive debt levels in the UK, surplus production capacity (in a sector with abundant surplus production capacity), and a considerable oversupply of stock in the UK.
These issues are reflected in the financial results for the first half-year:

- Group revenues declined by 7.8% (6.6% in constant currency terms) in H1 from £39.02m to £35.99m.
- Group operating profit before exceptional items fell 94.3% from £1.85m to £0.11m.
- Group profit before tax and exceptional items decreased from £1.72m to a loss of £0.07m.
- After exceptional items, the Group recorded a loss before tax of £1.53m, compared with a £1.27m profit before tax in the prior year H1.
- Net debt increased at the half year to £8.35m from the year-end position of £7.75m.

Despite these issues, and the consequential poor results, we should remember that Victoria is well known for producing superb quality carpets, has an enviable reputation for service, and employs some talented and committed people. Since our appointment on 3 October 2012, we have begun to build on these foundations to address the key issues facing the business.

Our plans for the Group will take time to impact the financial results and it is our view that, at best, the Group will break even (before exceptional items) for the full year. Furthermore, in restructuring the Group, it is likely that exceptional items and provisions will be incurred in the second half of the current year that will materially impact the Group's present net asset value.

We appreciate the possible impact this could have on the share price of Victoria PLC in the short term; however, it is our view that the interests of all shareholders are best served by unequivocally facing up to the realities confronting Victoria and dealing with them now. Be assured we are totally committed to creating value for all shareholders.

Half-year dividend

We declare an interim dividend of 2.00p per share (2011: 3.50p), payable on 20 December 2012 to shareholders on the register as at 7 December 2012.

Proposed move to AIM

In the Annual Report and Accounts for the year end 31 March 2012, the Company advised Shareholders of the proposal to seek shareholder approval to move to AIM. The process of making this move was suspended earlier in the year by the previous board. Following our recent appointment, the process has recommenced and a circular is being sent to shareholders shortly concerning this proposal.

Sports ground

As referred to in the Company's trading update of 1 October 2012, the Company has agreed to sell its sports ground in Kidderminster to Wyre Forest District Council for £850,000. The land has an existing use value in the balance sheet of £80,000.

The sale is subject to completion of due diligence and the grant of outline planning consent for the Council's own proposed leisure facility. It is expected that a conditional exchange will be completed before the end of 2012 and proceeds from the sale are expected to be received early in the next financial year.

Outlook

Trading continues to be difficult in both the UK and Australia and confidence in the general economic and commercial environment remains fragile.

Although the remainder of the current financial year will be challenging, we believe we have adopted an appropriate strategy for Victoria and look forward to reporting improved results to shareholders.

Geoff Wilding
Chairman

28 November 2012

Condensed Consolidated Income Statement

For the 26 weeks ended 29 September 2012 (unaudited)

	Notes	**26 weeks ended 29 Sep 2012 £000**	26 weeks ended 1 Oct 2011 £000	52 weeks ended 31 Mar 2012 £000
Continuing operations				
Revenue	3	**35,985**	39,016	77,126
Cost of sales		**(26,596)**	(28,221)	(56,787)
Gross profit		**9,389**	10,795	20,339
Distribution costs		**(7,197)**	(6,926)	(14,070)
Administrative expenses		**(3,694)**	(2,690)	(4,730)
Other operating income		**147**	218	384
Operating (loss)/ profit		**(1,355)**	1,397	1,923
Analysed between:				
Operating profit before exceptional items	3	**106**	1,848	2,583
Exceptional items	4	**(1,461)**	(451)	(660)
Share of results of associated company		**74**	95	85
Finance costs		**(245)**	(219)	(461)
(Loss)/profit before tax	3	**(1,526)**	1,273	1,547
Taxation	5	**413**	(471)	(461)
(Loss)/profit for the period		**(1,113)**	802	1,086
Attributable to:				
Equity holders of the parent		**(1,113)**	802	1,086
Earnings per share - pence basic	6	**(15.83)**	11.55	15.64
diluted	6	**(14.77)**	10.45	14.12

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 29 September 2012 (unaudited)

	26 weeks ended 29 Sep 2012 £000	26 weeks ended 1 Oct 2011 £000	52 weeks ended 31 Mar 2012 £000
Exchange differences on translation of foreign operations	**(212)**	(952)	72
Other comprehensive (loss)/income for the period	**(212)**	(952)	72
(Loss)/profit for the period	**(1,113)**	802	1,086
Total comprehensive (loss)/income for the period	**(1,325)**	(150)	1,158
Attributable to:			
Equity holders of the parent	**(1,325)**	(150)	1,158

Condensed Consolidated Balance Sheet
As at 29 September 2012 (unaudited)

	As at 29 Sep 2012 £000	As at 1 Oct 2011 £000	As at 31 Mar 2012 £000
Non-current assets			
Intangible assets	**742**	778	742
Property, plant and equipment	**24,132**	25,368	24,978
Investment property	**180**	180	180
Investment in associated company	**636**	559	558
Deferred tax asset	**805**	823	812
Total non-current assets	**26,495**	27,708	27,270
Current assets			
Inventories	**25,435**	26,066	25,966
Trade and other receivables	**12,215**	12,562	11,676
Current tax asset	**216**	----	----
Cash at bank and in hand	**1,576**	769	806
Total current assets	**39,442**	39,397	38,448
Total assets	**65,937**	67,105	65,718
Current liabilities			
Trade and other payables	**14,661**	14,865	13,467
Current tax liabilities	**----**	426	31
Financial liabilities	**9,567**	7,851	8,165
Total current liabilities	**24,228**	23,142	21,663
Non-current liabilities			
Trade and other payables	**2,040**	2,387	2,253
Other financial liabilities	**355**	931	388
Deferred tax liabilities	**773**	1,395	1,094
Total non-current liabilities	**3,168**	4,713	3,735
Total liabilities	**27,396**	27,855	25,398
Net assets	**38,541**	39,250	40,320
Equity			
Issued share capital	**1,758**	1,736	1,736
Share premium	**829**	829	829
Retained earnings	**35,764**	36,500	37,575
Share-based payment reserve	**190**	185	180
Total equity	**38,541**	39,250	40,320

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 30 September 2012 (unaudited)

	Share capital £000	Share premium £000	Retained earnings £000	Share based payment reserve £000	Total equity £000
At 3 April 2011	1,736	829	37,067	130	39,762
Profit for the period	----	----	802	----	802
Other comprehensive loss for the period	----	----	(952)	----	(952)
Dividends paid	----	----	(417)	----	(417)
Movement in share-based payment reserve	----	----	----	55	55
At 1 October 2011	1,736	829	36,500	185	39,250
At 3 April 2011	1,736	829	37,067	130	39,762
Profit for the period	----	----	1,086	----	1,086
Other comprehensive income for the period	----	----	72	----	72
Dividends paid	----	----	(660)	----	(660)
Movement in share-based payment reserve	----	----	----	50	50
Deferred tax on share option scheme	----	----	10	----	10
At 31 March 2012	1,736	829	37,575	180	40,320
At 1 April 2012	**1,736**	**829**	**37,575**	**180**	**40,320**
Loss for the period	**----**	**----**	**(1,113)**	**----**	**(1,113)**
Other comprehensive loss for the period	**----**	**----**	**(212)**	**----**	**(212)**
Dividends paid	**----**	**----**	**(486)**	**----**	**(486)**
Movement in share-based payment reserve	**----**	**----**	**----**	**32**	**32**
Issue of share capital in connection with exercise of share options under LTIP plan	**22**	**----**	**----**	**(22)**	**----**
At 29 September 2012	**1,758**	**829**	**35,764**	**190**	**38,541**

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 29 September 2012 (unaudited)

	Notes	**26 weeks ended 29 Sep 2012 £000**	26 weeks ended 1 Oct 2011 £000	52 weeks ended 31 Mar 2012 £000
Net cash inflow/(outflow) from operating activities	8a	**517**	(185)	885
Investing activities				
Purchases of property, plant and equipment		**(652)**	(898)	(1,464)
Acquisition of intangible assets		**----**	(400)	(400)
Proceeds on disposal of property, plant and equipment		**15**	103	85
Net cash used in investing activities		**(637)**	(1,195)	(1,779)
Financing activities				
Repayment of loans		**----**	(312)	(973)
Receipts from financing of assets		**67**	195	321
Repayment of obligations under finance leases/HP		**(246)**	(440)	(872)
Dividends paid		**(486)**	(417)	(660)
Net cash used in financing activities		**(665)**	(974)	(2,184)
Net decrease in cash and cash equivalents		**(785)**	(2,354)	(3,078)
Cash and cash equivalents at beginning of period		**(6,920)**	(3,866)	(3,866)
Effect of foreign exchange rate changes		**2**	(47)	24
Cash and cash equivalents at end of period	8b	**(7,703)**	(6,267)	(6,920)

Notes to the Condensed Half-year Financial Statements

For the 26 weeks ended 29 September 2012 (unaudited)

1. General information

These condensed consolidated financial statements for the 26 weeks ended 29 September 2012 have not been audited or reviewed by the Auditor. They were approved by the Board of Directors on 28 November 2012.

The information for the 52 weeks ended 31 March 2012 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 31 March 2012, 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 64 to 71 of the Group's audited financial statements for the 52 weeks ended 31 March 2012.

Accounting standard IAS 12 (amended) "Deferred Tax: Recovering of Underlying Assets" became effective for the Group in the current reporting period. The amended standard has not 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 reasonably possible changes in trading performance, the Directors believe they have reasonable grounds for stating that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

The Group is organised into two operating divisions: The UK & Ireland and Australia. The Group's share of the Canadian Associate result is also presented separately.

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

	For the 26 weeks ended 29 September 2012					For the 26 weeks ended 1 October 2011				
	Revenue	**Segmental operating profit**	**Exceptional operating items**	**Finance costs**	**Loss before tax***	Revenue	Segmental operating profit	Exceptional operating items	Finance costs	Profit Before tax*
	£000	**£000**	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000
UK & Ireland	**13,763**	**(235)**	**----**	**(54)**	**(289)**	13,817	210	(451)	(54)	(295)
Australia	**22,222**	**752**	**(860)**	**(98)**	**(206)**	25,199	2,026	----	(116)	1,910
	35,985	**517**	**(860)**	**(152)**	**(495)**	39,016	2,236	(451)	(170)	1,615
Central costs	**----**	**(411)**	**(601)**	**(93)**	**(1,105)**	----	(388)	----	(49)	(437)
Share of results of Associate	**----**	**----**	**----**	**----**	**74**	----	----	----	----	95
Total continuing operations	**35,985**	**106**	**(1,461)**	**(245)**	**(1,526)**	39,016	1,848	(451)	(219)	1,273
Tax					**413**					(471)
(Loss)/profit after tax from continuing activities					**(1,113)**					802

* The share of results of the Associate 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. Exceptional items

	26 weeks ended 29 Sep 2012	26 weeks ended 1 Oct 2011
	£000	£000
(a) Restructuring of Australia's spinning mills	**860**	----
(b) Proposed move to AIM	**177**	----
(c) Incentive Plan	**144**	----
(d) Requisition costs	**280**	----
(e) Ireland restructuring costs	**----**	451
	1,461	451

All exceptional items are classified within administrative expenses.

Notes to the Condensed Half-year Financial Statements continued

4 Exceptional items *continued*

(a) Relate primarily to redundancy costs associated with “right-sizing” and reorganising the two Australian spinning mills to meet reduced volume requirements as a result of declining demand for woollen yarns.

(b) Relate to costs incurred to date in the proposed move from the Official List to the AIM market of the London Stock Exchange.

(c) Relate to professional fees in connection with a proposed incentive remuneration plan. The remuneration plan was subsequently withdrawn.

(d) Relate to professional fees in connection with the Requisition of the Company on 15 August 2012.

(e) Relate to closure costs associated with the restructuring, with the largest cost relating to redundancies. The Irish business and brands are now being marketed and traded under a distribution model and reported within the UK operation.

5. Tax

	26 weeks ended 29 Sep 2012	26 weeks ended 1 Oct 2011
	£000	£000
Current tax		
- Current year overseas	**(92)**	586
	(92)	586
Deferred tax		
- Current year movement	**(321)**	(115)
	(321)	(115)
Total	**(413)**	471

The overall corporation tax rate is 27.1% (2011: 37.0%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year. The relatively high corporation tax rate in the prior year was due to Irish restructuring costs which could not be utilised for tax purposes.

Notes to the Condensed Half-year Financial Statements continued

6. 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 29 Sep 2012 Basic £'000	**26 weeks ended 29 Sept 2012 Adjusted £'000**	26 weeks ended 1 Oct 2011 Basic £'000	26 weeks ended 1 Oct 2011 Adjusted £'000
(Loss)/profit attributable to ordinary equity holders of the parent entity	**(1,113)**	**(1,113)**	802	802
Exceptional items (net of tax effect):				
Restructuring of Australian Spinning Mills	**----**	**602**	----	----
Proposed move to AIM	**----**	**136**	----	----
Incentive Plan	**----**	**111**	----	----
Requisition costs	**----**	**216**	----	----
Ireland restructuring costs	**----**	**----**	----	424
Earnings for the purpose of basic, adjusted and diluted earnings per share	**(1,113)**	**(48)**	802	1,226

		29 Sep 2012		**1 Oct 2011**
Weighted average number of ordinary shares ('000) for the purposes of basic and basic adjusted earnings per share		**7,033**		6,944
Effect of dilutive potential ordinary shares:				
Long Term Incentive Plan and Performance Share Plan ('000)		**503**		728
Weighted average number of ordinary shares ('000) for the purposes of diluted earnings per share		**7,536**		7,672
The Group's earnings per share are as follows:				
Basic adjusted (pence)		**(0.68)**		17.66
Diluted adjusted (pence)		**(0.64)**		15.98
Basic (pence)		**(15.83)**		11.55
Diluted (pence)		**(14.77)**		10.45

7. Dividends

	26 weeks ended 29 Sep 2012 £'000	26 weeks ended 1 Oct 2011 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2012 paid during the year 7.0p per share (2011: 6.0p)	**486**	417
Interim dividend declared for the year to 30 March 2013 2.0p per share (2011: 3.5p)	**141**	243

Notes to the Condensed Half-year Financial Statements continued

8. Notes to the cash flow statement

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

	26 weeks ended 29 Sep 2012 £000	26 weeks ended 1 Oct 2011 £000	52 weeks ended 31 Mar 2012 £000
Operating (loss)/profit from continuing operations	**(1,355)**	1,397	1,923
Adjustments for:			
- Depreciation charges	**1,341**	1,457	2,932
- Amortisation of intangible assets	**26**	6	42
- Share-based payment charge	**32**	55	47
- (Profit)/loss on disposal of property, plant and equipment	**----**	(20)	59
- Exchange rate difference on consolidation	**(100)**	10	4
Operating cash flows before movements in working capital	**(56)**	2,905	5,007
Decrease /(increase) in working capital	**973**	(2,080)	(2,239)
Cash generated from operations	**917**	825	2,768
Interest paid	**(245)**	(237)	(478)
Income taxes paid	**(155)**	(773)	(1,405)
Net cash inflow/(outflow) from operating activities	**517**	(185)	885

b) Analysis of net debt

	At 31 Mar 2012 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	**At 29 Sep 2012 £000**
Cash	806	777	----	(7)	**1,576**
Bank overdrafts	(7,726)	(1,562)	----	9	**(9,279)**
Cash and cash equivalents	(6,920)	(785)	----	2	**(7,703)**
Finance leases and hire purchase agreements					
- Payable less than one year	(439)	246	(96)	2	**(287)**
- Payable more than one year	(388)	(67)	96	3	**(356)**
Net debt	(7,747)	(606)	----	7	**(8,346)**

Notes to the Condensed Half-year Financial Statements continued

9. 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 29 Sep 2012	26 weeks ended 1 Oct 2011	52 weeks ended 31 Mar 2012
Australia (A$) - average rate	**1.5465**	1.5349	1.5270
Australia (A$) - period end	**1.5555**	1.6029	1.5423
Ireland (€) - average rate	**1.2417**	1.1362	1.1559
Ireland (€) - period end	**1.2515**	1.1611	1.1998
Canada (C$) - average rate	**1.5898**	1.5822	1.5870
Canada (C$) - period end	**1.5833**	1.6233	1.5969

10. Related party transactions

During the period, the Group had transactions with its associate, comprising sales of goods to the value of £459k (2011: £261k). At 29 September 2012, the Group was owed £355k (2011: £286k). All goods and services were provided at market rates.

11. 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 25 of the Group's 2012 Annual Report, a copy of which is available on the Group's website – www.victoriaplc.com. The Chairman's Statement includes consideration of uncertainties affecting the Group in the remaining six months of the year.

12. 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 form 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.

Notes to the Condensed Half-year Financial Statements continued

13. 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 IAS34, "Interim financial reporting" as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and loss of the Group and includes a fair review of the information required by the 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

Geoff Wilding
Chairman

28 November 2012

Group Board of Directors

Geoff Wilding
Executive Chairman
■

Andrew Harrison
Senior Independent Non-executive Director
▲●■

Alexander Anton
Non-executive Director
▲●■

▲ Audit Committee
● Remuneration Committee
■ Nomination Committee

Principal Subsidiaries/Company Information

Principal Subsidiaries and their Directors

Victoria Carpets Limited

Manufacturer and distributor of carpets and floorcoverings
Location: Kidderminster, Worcestershire, UK
Terry Danks
Shaun Lewis
Neil Glover

The Victoria Carpet Company Pty Limited

Manufacturer and distributor of carpets and floorcoverings
Location: Dandenong, Victoria, Australia
Michael Oakley (Non-executive Chairman)
Barry Poynter (Managing)
Anne Seymour
Michael Davies (Non-executive)

Westwood Yarns Limited

Manufacturer and sale of carpet yarns
Location: Holmfirth, Yorkshire, UK
Trevor Chippendale (Managing)
Terry Danks

Associated Undertaking
Colin Campbell & Sons Limited

Distributor of carpets and rugs
Location, Vancouver, Canada
Chris Dragan (President)
Ken Metrick
Anne Seymour
Jamie Metrick
Geoff Wilding

Registered Office

Victoria PLC
Worcester Road
Kidderminster
Worcestershire
DY10 1JR

Registered Number: 282204

Company Secretary
Terry Danks

Advisors

Auditor:	Deloitte LLP
Bankers:	Barclays Bank PLC
Registrar:	Capita Registrars Ltd
Solicitors:	Brown Rudnick LLP
Stockbroker:	Seymour Pierce Ltd

Honorary President
Stewart Anton

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