



VICTORIA PLC



2013

Half-year report for the 26 weeks ended 28 September 2013



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



## Financial Summary

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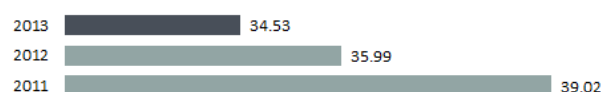
### Group revenue (£m)

# £34.53m

Group revenue decreased by 4.1% (1.5% in constant currency terms).

Market conditions continue to remain challenging in both of our core markets.

Group revenue (£m)



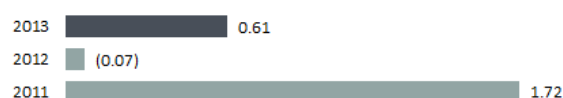
### Group profit before tax (pre exceptional items)

# £0.61m

The Group recorded a profit before tax (pre exceptional items\*) of £0.61m compared to a loss of £0.07m for the same period last year. Cost reduction initiatives started in H2 of the prior year have contributed to the improved result.

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

Group profit before tax (pre exceptional items) (£m)



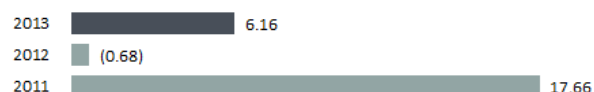
### Group earnings per share (basic adjusted)

# 6.16 pence

The Company delivered a first half earnings per share (basic adjusted\*) of 6.16 pence compared to a 0.68 pence loss in the prior year first half.

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

Group earnings per share (basic adjusted) (pence)

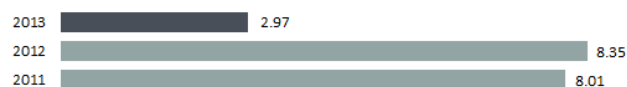


### Group net debt (£m)

# £2.97m

Net debt has reduced by £4.54m from the year end and £5.38m below the same period last year. The Group generated £4.46m of cash from operating activities largely through reduced working capital.

Group net debt (£m)



## Chairman's Statement



“The board believes it has an appropriate strategy to further improve the Group's performance and is focussed on its execution.”

The Group's trading performance in the first half of the current financial year has been satisfactory. A considerable amount of work has been done to remove unnecessary cost from the business and improve the Group's working capital position, although more remains to be done before the Group starts to deliver acceptable results.

Key financial and operational highlights from the first half include:

- Revenues are 4.1% lower than for the same period last year at £34.53m, although 2.6% of this fall is due to currency movements. Nonetheless, the Group is now focussing on selling product at an acceptable margin, rather than seeking sales at any cost. This will impact top line sales but, in time, should deliver improved profits to the Group.
- Profits (pre exceptional costs associated with the closure of the Group's spinning mill at Castlemaine, Australia) have improved from a loss of £0.07m for the same period last year to a profit of £0.61m.
- Net debt has reduced from £7.51m at the 30 March 2013 to £2.97m. Despite needing to absorb significant exceptional costs over the last twelve months, net debt shows a substantial improvement from the £8.87m position as at the date the new board was appointed (3 October 2012), and has been achieved without material asset sales and while maintaining investment where required into key operating assets.

- Colin Campbell & Sons Limited is now wholly-owned; having previously been a 50% associated undertaking. This has been achieved at no cash cost to Victoria (indeed during the period we have received the largest dividend since our involvement) and gives us greater control over the future of this business.
- Stock levels have been reduced, lowering the risk (and resultant expense) of obsolete product and materially improving the Group's working capital. Cash locked up in stock is 'dead money' and this improved stock management position means that growth in the future will consume less capital than previously, allowing funds to either be deployed into productive assets elsewhere in the business or returned to shareholders.
- A new Managing Director has been appointed in Australia and he, together with a talented team, is delivering significant improvements to the Australian subsidiary despite the most challenging market conditions in many years.

### Sports ground


The Company has withdrawn from its negotiations with the local council to sell the Sports Ground in Kidderminster and is now actively pursuing other opportunities to realise value for shareholders in respect of this asset.

**Outlook**

The market outlook remains mixed. Although there appears to be more positive consumer sentiment in both the UK and Australia, we share the views of other listed companies trading in the sector that conditions remain challenging. Wool prices, a key driver of our costs, have appreciated significantly in the last six months and, overall, consumer demand for carpet remains soft. However, residential, construction and property sales activity continue to improve, which shows encouraging signs of growth in consumer confidence. The Board believes it has an appropriate strategy to further improve the Group's performance and is focussed on its execution.

**Half-year dividend**

The Board declares an interim dividend of 2.00p per share, payable on 20 December 2013 (2012: 2.00p) to all Shareholders on the register as at 29 November 2013, with the ex-dividend date being 27 November 2013.



**Geoff Wilding**  
Chairman

5 November 2013

## Condensed Consolidated Income Statement

For the 26 weeks ended 28 September 2013 (unaudited)

	Notes	26 weeks ended 28 Sep 2013 £000	26 weeks ended 29 Sep 2012 £000	52 weeks ended 30 Mar 2013 (Audited) £000
<b>Continuing operations</b>				
Revenue	3	34,527	35,985	70,909
Cost of sales		(25,295)	(26,596)	(53,679)
<b>Gross profit</b>		<b>9,232</b>	<b>9,389</b>	<b>17,230</b>
Distribution costs		(6,918)	(7,197)	(14,041)
Administrative expenses		(2,361)	(3,694)	(6,230)
Other operating income		202	147	168
Results of investment held for sale		119	74	(182)
<b>Operating profit/ (loss)</b>		<b>274</b>	<b>(1,281)</b>	<b>(3,055)</b>
Analysed between:				
Operating profit/ (loss) before exceptional items	3	802	180	(421)
Exceptional items	4	(528)	(1,461)	(2,634)
Finance costs		(188)	(245)	(465)
<b>Profit/ (loss) before tax</b>	3	<b>86</b>	<b>(1,526)</b>	<b>(3,520)</b>
Taxation	5	(23)	413	738
<b>Profit/ (loss) for the period</b>		<b>63</b>	<b>(1,113)</b>	<b>(2,782)</b>
Earnings/ (loss) per share - pence				
basic	6	0.90	(15.83)	(39.56)
diluted	6	0.89	(15.83)	(39.56)

## Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 28 September 2013 (unaudited)

	<b>26 weeks ended 28 Sep 2013</b>	26 weeks ended 29 Sep 2012	52 weeks ended 30 Mar 2013 (Audited)
	<b>£000</b>	£000	£000
Exchange differences on translation of foreign operations	<b>(4,514)</b>	(212)	1,597
<b>Other comprehensive (loss)/income for the period</b>	<b>(4,514)</b>	(212)	1,597
<b>Profit/ (loss) for the period</b>	<b>63</b>	(1,113)	(2,782)
<b>Total comprehensive loss for the period</b>	<b>(4,451)</b>	(1,325)	(1,185)



## Condensed Consolidated Balance Sheet

As at 28 September 2013 (unaudited)

	As at 28 Sep 2013 £000	As at 29 Sep 2012 £000	As at 30 Mar 2013 (Audited) £000
<b>Non-current assets</b>			
Intangible assets	236	742	248
Property, plant and equipment	20,518	24,132	23,778
Investment property	180	180	180
Deferred tax asset	1,199	805	1,323
<b>Total non-current assets</b>	<b>22,133</b>	25,859	25,529
<b>Current assets</b>			
Inventories	17,174	25,435	20,866
Trade and other receivables	11,432	12,215	11,163
Current tax asset	70	216	361
Cash at bank and in hand	3,098	1,576	1,091
Assets held for sale	329	636	389
<b>Total current assets</b>	<b>32,103</b>	40,078	33,870
<b>Total assets</b>	<b>54,236</b>	65,937	59,399
<b>Current liabilities</b>			
Trade and other payables	12,001	14,661	9,624
Other financial liabilities	5,818	9,567	7,709
<b>Total current liabilities</b>	<b>17,819</b>	24,228	17,333
<b>Non-current liabilities</b>			
Trade and other payables	1,500	2,040	1,954
Other financial liabilities	251	355	890
Deferred tax liabilities	651	773	749
<b>Total non-current liabilities</b>	<b>2,402</b>	3,168	3,593
<b>Total liabilities</b>	<b>20,221</b>	27,396	20,926
<b>Net assets</b>	<b>34,015</b>	38,541	38,473
<b>Equity</b>			
Issued share capital	1,758	1,758	1,758
Share premium	829	829	829
Retained earnings	31,273	35,764	35,724
Share-based payment reserve	155	190	162
<b>Total equity</b>	<b>34,015</b>	38,541	38,473



## Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 28 September 2013 (unaudited)

	Share capital	Share premium	Retained earnings	Share based payment reserve	Total equity
	£000	£000	£000	£000	£000
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	----	----	----	10	10
Issue of share capital in connection with exercise of share options under LTIP plan	22	----	----	----	22
<b>At 29 September 2012</b>	<b>1,758</b>	<b>829</b>	<b>35,764</b>	<b>190</b>	<b>38,541</b>
At 1 April 2012	1,736	829	37,575	180	40,320
Loss for the period	----	----	(2,782)	----	(2,782)
Other comprehensive income for the period	----	----	1,597	----	1,597
Dividends paid	----	----	(627)	----	(627)
Movement in share-based payment reserve	----	----	----	(18)	(18)
Deferred tax on share option scheme	----	----	(39)	----	(39)
Issue of share capital in connection with exercise of share options under LTIP plan	22	----	----	----	22
<b>At 30 March 2013</b>	<b>1,758</b>	<b>829</b>	<b>35,724</b>	<b>162</b>	<b>38,473</b>
At 31 March 2013	<b>1,758</b>	<b>829</b>	<b>35,724</b>	<b>162</b>	<b>38,473</b>
Profit for the period	----	----	63	----	63
Other comprehensive loss for the period	----	----	(4,514)	----	(4,514)
Movement in share-based payment reserve	----	----	----	(7)	(7)
<b>At 28 September 2013</b>	<b>1,758</b>	<b>829</b>	<b>31,273</b>	<b>155</b>	<b>34,015</b>

## Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 28 September 2013 (unaudited)

	Notes	26 weeks ended 28 Sep 2013 £000	26 weeks ended 29 Sep 2012 £000	52 weeks ended 30 Mar 2013 (Audited) £000
<b>Net cash inflow from operating activities</b>	8a	<b>4,457</b>	517	1,611
<b>Investing activities</b>				
Purchases of property, plant and equipment		(40)	(652)	(850)
Proceeds on disposal of property, plant and equipment		17	15	96
Dividends received from investment held for sale		179	----	----
<b>Net cash generated/ (used) in investing activities</b>		<b>156</b>	(637)	(754)
<b>Financing activities</b>				
(Decrease)/ increase in long term loans		(500)	----	500
Receipts from financing of assets		----	67	----
Repayment of obligations under finance leases/HP		(77)	(246)	(327)
Dividends paid		----	(486)	(627)
<b>Net cash used in financing activities</b>		<b>(577)</b>	(665)	(454)
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>4,036</b>	(785)	403
Cash and cash equivalents at beginning of period		(6,475)	(6,920)	(6,920)
Effect of foreign exchange rate changes		(161)	2	42
<b>Cash and cash equivalents at end of period</b>	8b	<b>(2,600)</b>	(7,703)	(6,475)

## Notes to the Condensed Half-year Financial Statements

For the 26 weeks ended 28 September 2013 (unaudited)

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### 1. General information

These condensed consolidated financial statements for the 26 weeks ended 28 September 2013 have not been audited or reviewed by the Auditor. They were approved by the Board of Directors on 5 November 2013.

The information for the 52 weeks ended 30 March 2013 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 30 March 2013, 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 20 to 25 of the Group's audited financial statements for the 52 weeks ended 30 March 2013.

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

For the 26 weeks ended 28 September 2013 (unaudited)

### 3. Segmental information

The Group is organised into two operating divisions: The UK & Ireland and Australia.

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

	For the 26 weeks ended 28 September 2013					For the 26 weeks ended 29 September 2012				
	Revenue	Segmental operating profit	Exceptional operating items	Finance costs	(Loss)/ profit before tax*	Revenue	Segmental operating profit	Exceptional operating items	Finance costs	Loss before tax*
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
UK & Ireland	14,050	1	---	(6)	(5)	13,763	(235)	---	(54)	(289)
Australia	20,477	918	(528)	(49)	341	22,222	752	(860)	(98)	(206)
	<b>34,527</b>	<b>919</b>	<b>(528)</b>	<b>(55)</b>	<b>336</b>	<b>35,985</b>	<b>517</b>	<b>(860)</b>	<b>(152)</b>	<b>(495)</b>
Central costs	---	(236)	---	(133)	(369)	---	(411)	(601)	(93)	(1,105)
Results of investment held for sale	---	119	---	---	119	---	74	---	---	74
Total continuing operations	<b>34,527</b>	<b>802</b>	<b>(528)</b>	<b>(188)</b>	<b>86</b>	<b>35,985</b>	<b>180</b>	<b>(1,461)</b>	<b>(245)</b>	<b>(1,526)</b>
Tax					(23)					413
Profit/ (loss) after tax from continuing activities					<b>63</b>					(1,113)

\* Results of the investment held for sale is shown net of tax.

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

### 4. Exceptional items

	26 weeks ended 28 Sep 2013	26 weeks ended 29 Sep 2012
	£000	£000
(a) Restructuring of Australia's spinning mills	528	860
(b) Move to AIM	---	177
(c) Incentive Plan	---	144
(d) General Meeting costs	---	280
	<b>528</b>	<b>1,461</b>

All exceptional items are classified within administrative expenses.

## Notes to the Condensed Half-year Financial Statements *continued*

For the 26 weeks ended 28 September 2013 (unaudited)

### 4 Exceptional items *continued*

- (a) Relates to 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. The smaller of the two spinning mills was closed during the first half period and production ceased at the end of June 2013. Key items of equipment were relocated to the mill at Bendigo, which has improved efficiencies at this mill.
- (b) Relate to costs incurred in the move from the Official List to the AIM market of the London Stock Exchange. Further costs were incurred after the prior year first half period and the total cost was £233,000.
- (c) Relate to costs in connection with a proposed incentive remuneration plan. The remuneration plan was subsequently withdrawn.
- (d) Relate to costs in connection with various General Meetings of the Company, resulting in changes to the Board composition.

### 5. Tax

	26 weeks ended 28 Sep 2013	26 weeks ended 29 Sep 2012
	£000	£000
Current tax		
- Current year overseas	121	(92)
	121	(92)
Deferred tax		
- Current year movement	(98)	(321)
	(98)	(321)
<b>Total</b>	<b>23</b>	<b>(413)</b>

The overall corporation tax rate is 26.7% (2012: 27.1%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

## Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 28 September 2013 (unaudited)

### 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 28 Sep 2013 Basic £'000	26 weeks ended 28 Sep 2013 Adjusted £'000	26 weeks ended 29 Sep 2012 Basic £'000	26 weeks ended 29 Sep 2012 Adjusted £'000
Profit/ (loss) attributable to ordinary equity holders of the parent entity	63	63	(1,113)	(1,113)
Exceptional items (net of tax effect):				
Restructuring of Australian Spinning Mills	----	370	----	602
Move to AIM	----	----	----	136
Incentive Plan	----	----	----	111
General Meeting costs	----	----	----	216
Earnings for the purpose of basic, adjusted and diluted earnings per share	63	433	(1,113)	(48)
Weighted average number of ordinary shares ('000) for the purposes of basic and basic adjusted earnings per share		7,033		7,033
Effect of dilutive potential ordinary shares:				
Long Term Incentive Plan and Performance Share Plan ('000)		70		----
Weighted average number of ordinary shares ('000) for the purposes of diluted and diluted adjusted earnings per share		7,103		7,033
The Group's earnings per share are as follows:				
Basic adjusted (pence)		6.16		(0.68)
Diluted adjusted (pence) *		6.10		(0.68)
Basic (pence)		0.90		(15.83)
Diluted (pence) *		0.89		(15.83)

\* There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share in the prior year first half period as the effect of all potentially dilutive shares outstanding was anti-dilutive.

## Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 28 September 2013 (unaudited)

### 7. Dividends

	26 weeks ended 28 Sep 2013 £'000	26 weeks ended 29 Sep 2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2012 paid during the prior year 7.0p per share	----	486
	----	486
Final dividend declared for the year ended 30 March 2013 6.0p per share (paid 3 October 2013).	422	----
Interim dividend declared for the year to 29 March 2014 2.0p per share (2012: 2.0p)	141	141

### 8. Notes to the cash flow statement

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

	26 weeks ended 28 Sep 2013 £000	26 weeks ended 29 Sep 2012 £000	52 weeks ended 30 Mar 2013 £000
Operating profit/ (loss) from continuing operations	274	(1,281)	(3,055)
Adjustments for:			
- Depreciation charges	1,204	1,341	2,700
- Amortisation of intangible assets	12	26	52
- Impairment of intangible assets	----	----	442
- Share-based payment charge	3	32	----
- (Profit)/ loss of investment held for sale	(119)	(74)	182
- (Profit)/ loss on disposal of property, plant and equipment	(1)	----	13
- Exchange rate difference on consolidation	(91)	(100)	124
Operating cash flows before movements in working capital	1,282	(56)	458
Decrease in working capital	3,193	973	2,124
Cash generated from operations	4,475	917	2,582
Interest paid	(188)	(245)	(465)
Income taxes received/ (paid)	170	(155)	(506)
Net cash inflow from operating activities	4,457	517	1,611



## Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 28 September 2013 (unaudited)

### 8. Notes to the cash flow statement (continued)

#### b) Analysis of net debt

	At 30 Mar 2013 £000	Cash flow £000	Other non- cash changes £000	Exchange movement £000	At 28 Sep 2013 £000
Cash	1,091	2,170	----	(163)	<b>3,098</b>
Bank overdrafts	(7,566)	1,866	----	2	<b>(5,698)</b>
Cash and cash equivalents	(6,475)	4,036	----	(161)	<b>(2,600)</b>
Finance leases and hire purchase agreements					
- Payable less than one year	(143)	77	(77)	23	<b>(120)</b>
- Payable more than one year	(390)	----	77	62	<b>(251)</b>
Bank loans payable more than one year	(500)	500	----	----	<b>----</b>
Net debt	(7,508)	4,613	----	(76)	<b>(2,971)</b>

### 9. Rates of exchange

The results of overseas subsidiaries and investments 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:

	<b>26 weeks ended 28 Sep 2013</b>	26 weeks ended 29 Sep 2012	52 weeks ended 30 Mar 2013
Australia (A\$) - average rate	<b>1.6162</b>	1.5465	1.5317
Australia (A\$) - period end	<b>1.7319</b>	1.5555	1.4565
Ireland (€) - average rate	<b>1.1774</b>	1.2417	1.2215
Ireland (€) - period end	<b>1.1963</b>	1.2515	1.1825
Canada (C\$) - average rate	<b>1.5965</b>	1.5898	1.5841
Canada (C\$) - period end	<b>1.6646</b>	1.5833	1.5427

### 10. Related party transactions

During the period, the Group had transactions with its investment held for sale (Colin Campbell & Sons Limited), comprising sales of goods to the value of £163k (2012: £459k). At 28 September 2013, the Group was owed £145k (2012: £355k). All goods and services were provided at market rates. The Company also received a dividend of £179k during the period (2012: £nil).

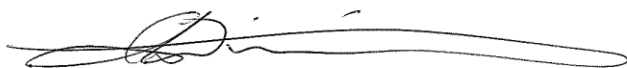
**Notes to the Condensed Half-year Financial Statements** continuedFor the 26 weeks ended 28 September 2013 (unaudited)

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**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 8 of the Group's 2013 Annual Report, a copy of which is available on the Group's website – [www.victoriapl.com](http://www.victoriapl.com). The Chairman's Statement includes consideration of uncertainties affecting the Group in the remaining six months of the year.

On behalf of the Board



**Geoff Wilding**  
Chairman

5 November 2013

## 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)

Phil Smith (Managing)

Anne Seymour

Michael Davies (Non-executive)

Warwick Whyte (Non-executive)

#### Westwood Yarns Limited

*Manufacturer and supplier of carpet yarns*

Location: Holmfirth, Yorkshire, UK

Trevor Chippendale (Managing)

Terry Danks

#### Investment held for sale

##### Colin Campbell & Sons Limited

*Distributor of carpets and rugs*

Location, Vancouver, Canada

Chris Dragan (President)

Geoff Wilding

### Registered Office

#### Victoria PLC

Worcester Road

Kidderminster

Worcestershire

DY10 1JR

Registered Number: 282204

#### Company Secretary

Terry Danks

### Advisors

Auditor: Nexia Smith & Williamson

Bankers: Barclays Bank PLC

Registrar: Capita Registrars Ltd

Solicitors: Brown Rudnick LLP

Stockbroker: Cantor Fitzgerald Europe

#### Honorary President

Stewart Anton



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