

VICTORIA PLC

HALF-YEAR REPORT FOR THE 6 MONTHS
ENDED 27 SEPTEMBER 2008

1 Operational Highlights

Victoria PLC is a successful and well-established manufacturer and distributor of carpets and floorcoverings to the mid to high end markets.

Manufacturing high quality, design-led products, whether produced internally in modern vertically integrated facilities in both the UK and Australia or outsourced using "best of class" products of differentiation to exploit the Victoria "brand", we seek a market leading position in the geographic areas in which we operate.

Front page pictures:

City Living
Royal Twist
Crown Twist (picture courtesy of Sealine UK)
Regal Twist

Page 1 pictures:

Westwood Yarns
Victoria Loom
Royal Eminence

+13.8%
Group Revenue

The Group's high quality product portfolio has enabled it to continue to capture market share and perform ahead of the market in increasingly challenging trading conditions.

+2.8%
Profit before tax

Material, energy and fuel cost inflation, together with intense competition put pressure on margins, and the businesses introduced price increases towards the end of the half year.

+0.8%
Earnings per share

The first half of the financial year has seen Victoria deliver a solid performance in difficult economic conditions.

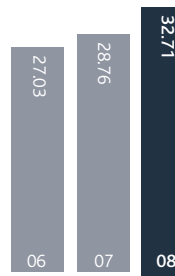
+21.9%
Net borrowings

Group borrowings increased in line with expectations reflecting the tufting expansion investment and an increase in working capital to support revenue growth.

1 Financial Highlights

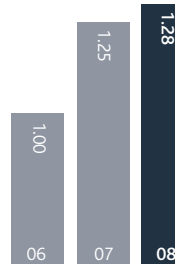
Group Revenue (£m)

2008	£32.71m	↑ 13.8%
2007	£28.76m	↑ 6.4%
2006	£27.03m	↑ 3.9%



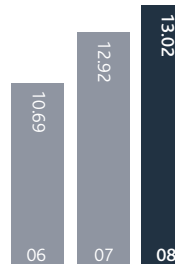
Group Profit Before Tax (£m)

2008	£1.28m	↑ 2.8%
2007	£1.25m	↑ 24.8%
2006	£1.00m	↑ 2.7%



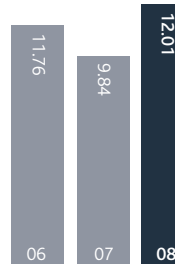
Group Earnings per Share (adjusted) (pence)

2008	13.02p	↑ 0.8%
2007	12.92p	↑ 20.9%
2006	10.69p	↑ 6.2%



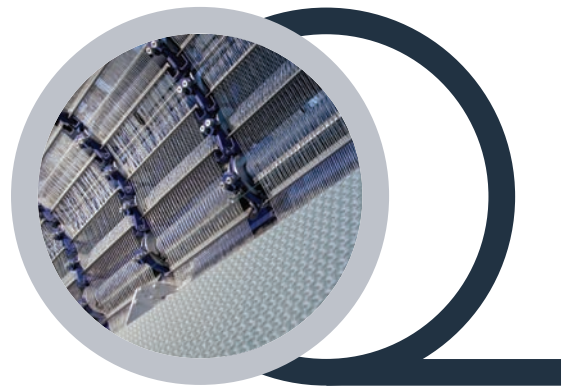
Group Net Borrowings (£m)

2008	£12.01m	↑ 21.9%
2007	£9.84m	↓ 16.2%
2006	£11.76m	↓ 0.9%



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2 Chairman's Statement

Alexander Anton



Overview

The Group's geographical spread and high quality product portfolio, coupled with prudent management, has given it the ability to be able to continue to invest in areas which offer the best future growth potential. This has enabled the business to perform ahead of the market in trading conditions which are now undoubtedly the worst we have seen in several decades.

Against this backdrop, the first half of the current financial year has seen Victoria deliver a solid performance in difficult economic conditions. However, as we are all aware, the global economy has continued to deteriorate over the last two months making future trading difficult to predict.

Financial summary

Revenue from the Group's activities increased in the half-year by 13.8% from £28.76m to £32.71m. This improvement was enhanced in Sterling terms by a strong average exchange rate in both the Australian Dollar and Euro in the first half. Sales revenue in the UK was, however, flat but were up in local currency terms by 9.7% in Australia and 11.5% in Ireland.

Group Operating profit increased by 3.5% from £1.58m to £1.64m, however, underlying Operating profits in the UK were down by 44.7%, flat in Ireland and up in Australia by 5.6%.

Pre-tax profit increased 2.8% from £1.25m to £1.28m and earnings per share improved from 12.92p to 13.02p per share.

Group borrowings increased from £7.60m at 29 March 2008 to £12.01m at 27 September 2008. This is in line with plan, and reflects the tufted expansion investment programme in Australia and an increase in working capital to support its revenue growth. The Group trades well within its current banking facilities, which provides sufficient capacity to cover both future capital expenditure and planned working capital requirements.

As announced in June and confirmed in the 2008 Report & Accounts, the Group will introduce an Interim dividend commencing in the current financial year. An Interim dividend of 4 pence per share will be paid on 18 December 2008 to all Shareholders on the register as at 21 November 2008.

Operational review

United Kingdom

After a promising start to the financial year, Victoria's UK sales declined markedly in August and September 2008. As a result, revenue for the six months was flat at £12.44m, compared to £12.43m in the corresponding period last year. This, however, compares favourably with many of the Group's UK competitors.

Operating profits reduced from £262k to £145k (-44.7%) which reflects the adverse impact of both material and overhead cost inflation, resulting in the decline in Pre-tax profits down from £135k to £57k (-57.7%), in the period.

Despite challenging market conditions, particularly in the residential sector, Victoria has continued with its move into the contract floorcovering market in the UK and is currently establishing a specialist contract flooring division. A promising start has already been made in this venture, with the cost of this investment, in part, being reflected in the first half-year's results. The full benefits of this investment have not yet been seen, but will be in the future as we utilise our skills to develop our market position in this complementary market.

Ireland

The Group's Irish businesses have made a strong start to the first half of the financial year. Sales revenue grew by 11.5% from €3.84m to €4.28m. Operating profits increased by 1.2% from €174k to €176k, with Operating margin down from 4.5% to 4.1%. Pre-tax profits were up from €147k to €163k, an increase of 11.2% over the same period last year.

The Republic of Ireland is now officially in recession and we are watching the market carefully. The business has, however, continued to invest in both new product ranges and point of sale display materials and we are also hopeful that we will benefit from the move into the wider contract flooring market.

Australia

The business saw strong sales growth in the first half-year with sales up by 9.7% from A\$32.70m to A\$35.88m. Operating profit advanced by 5.6% from A\$3.37m to A\$3.56m, with Operating margin down slightly from 10.3% to 9.9%. Pre-tax profits were up from A\$3.04m to A\$3.18m, an increase of 4.6%. In Sterling terms these increases were aided by a relatively strong average Australian Dollar exchange rate which meant that revenues were up by 23.1%, whilst Operating profits increased by 18.4% and Pre-tax profits by 17.3% upon consolidation into Sterling.

“Improvements were achieved accross all of the sectors, winning market share in our core markets in the UK and Australia.”

The Group's investment of A\$8.5m in additional tufting capacity in Australia announced earlier this year is progressing well. Two of the planned four new machines are already installed and operational, with the remaining two tufting machines now in the process of being commissioned. The planned benefits of this investment through increased sales and profitability may, in the short term, be impacted by the now weakening economy.

Canada

Sales in Colin Campbell, our Associate Canadian business, were up by 3.4% to C\$5.04 million in the half-year. Pre-tax profit reduced from C\$252k to C\$41k. Profitability was affected in the period by the charge in the financial accounts relating to sampling and warehousing costs involved in the roll-out of our “Nature's Carpet®” product offering into the United States. We are excited at the growth prospects afforded by this new environmental and eco-friendly range of floorcoverings, but the short-term expectations have to be tempered by the current state of the housing market in the United States.

Personnel

As previously notified to the market Aram Shishmanian stands down from the Board as a Non-executive director with effect from today to take up his role as CEO of the World Gold Council. We thank Aram for his contribution to the Board over the last year and wish him well in his new challenge. Nikki Beckett has now been appointed to the role of senior Non-executive director, as well as Chairman of the Audit and Remuneration Committees. The Board is currently engaged in a recruitment process and envisages having a new Non-executive director in place by the end of the current financial year.

As well as recognising Aram's contribution to the Board, it is also important to acknowledge the role played by the management and employees in the success of the Company. It is their continued commitment and loyalty that will make the difference as we all work together in developing the further potential of our business for both these challenging times and in future years.

Outlook

Since the end of the first half-year, we have witnessed unprecedented turmoil around the globe and the impact of this has severely affected consumer and business confidence in all of the markets in which we trade. The trading environment continues to be extremely difficult.

With the UK and Ireland both having entered into recession, the housing market likely to weaken still further and unemployment to rise, it may be at least 18 months before we see a return to more normal trading conditions.

Towards the end of the first half-year our Australian operation also began to witness a hardening in its markets and within the last month it has seen a significant slowdown in the Australian economy.

At this time, the market lacks any clear visibility as to whether this is a short-term downturn or a longer term trend. Furthermore, there is also a degree of uncertainty about the direction of the Australian Dollar/Sterling exchange rate and its possible impact on the consolidation of profits into the Group's result at the year-end.

Given the high degree of uncertainty that now exists in all our markets, and coupled with the likelihood that they may yet deteriorate still further, the Board anticipates that the results for the full year are likely to be significantly down on those achieved last year.

This being said, we remain confident that we have a sound and solid business model to see out the downturn and to build upon once confidence returns to the markets and the global economies.



Alexander Anton

Chairman

12 November 2008

3 Consolidated Income Statement

For the 26 weeks ended 27 September 2008 (unaudited)

	Notes	26 weeks ended 27 Sept 2008 £000	26 weeks ended 29 Sept 2007 £000	52 weeks ended 29 March 2008 £000
Revenue	3	32,713	28,757	61,701
Cost of sales		(22,978)	(20,208)	(43,392)
Gross profit		9,735	8,549	18,309
Distribution costs		(6,423)	(5,662)	(11,186)
Administrative expenses		(2,078)	(1,644)	(3,757)
Other operating income		405	340	828
Operating profit	3	1,639	1,583	4,194
Share of results of associated company		8	45	78
Finance costs		(363)	(379)	(763)
Profit before tax		1,284	1,249	3,509
Taxation	4	(380)	(352)	(972)
Profit for the period		904	897	2,537
Attributable to:				
Equity holders of the parent		904	897	2,537
Earnings per share — pence				
basic	5	13.02	12.92	36.54
diluted	5	13.02	12.92	36.54

3 Consolidated Statement of Recognised Income & Expense

For the 26 weeks ended 27 September 2008 (unaudited)

	26 weeks ended 27 Sept 2008 £000	26 weeks ended 29 Sept 2007 £000	52 weeks ended 29 March 2008 £000
Exchange differences on translation of foreign operations	(401)	819	1,911
Net (loss)/income recognised directly in equity	(401)	819	1,911
Profit for the period	904	897	2,537
Total recognised income for the period	503	1,716	4,448
Attributable to:			
Equity holders of the parent	503	1,716	4,448

3 Consolidated Balance Sheet

As at 27 September 2008 (unaudited)

	27 Sept 2008 £000	29 Sept 2007 £000	29 March 2008 £000
Non-current assets			
Intangible assets	498	486	512
Property, plant and equipment	24,756	24,354	24,866
Investment property	180	180	180
Investment in associated company	579	565	541
Deferred tax asset	1,107	1,016	1,129
Total non-current assets	27,120	26,601	27,228
Current assets			
Inventories	20,051	17,160	18,162
Trade and other receivables	13,533	10,132	9,521
Other financial asset	2	11	—
Cash at bank and in hand	282	823	1,260
Total current assets	33,868	28,126	28,943
Total assets	60,988	54,727	56,171
Current liabilities			
Trade and other payables	11,889	9,437	9,651
Current tax liabilities	1,053	1,051	1,365
Other financial liabilities	5,498	6,426	4,635
Total current liabilities	18,440	16,914	15,651
Non-current liabilities			
Trade and other payables	1,430	1,502	1,474
Other financial liabilities	6,792	4,246	4,235
Deferred tax liabilities	2,233	2,234	2,248
Total non-current liabilities	10,455	7,982	7,957
Total liabilities	28,895	24,896	23,608
Net assets	32,093	29,831	32,563
Equity			
Issued share capital	1,736	1,736	1,736
Share premium	829	829	829
Retained earnings	29,528	27,266	29,998
Total equity	32,093	29,831	32,563

3 Consolidated Cash Flow Statement

For the 26 weeks ended 27 September 2008 (unaudited)

	Notes	26 weeks ended 27 Sept 2008 £000	26 weeks ended 29 Sept 2007 £000	52 weeks ended 29 March 2008 £000
Net cash (outflow)/inflow from operating activities	7a	(2,094)	1,993	5,427
Investing activities				
Dividends received from associate		—	—	54
Purchases of property, plant and equipment		(1,429)	(1,106)	(2,102)
Proceeds of disposals of property, plant and equipment		46	10	62
Net cash used in investing activities		(1,383)	(1,096)	(1,986)
Financing activities				
Increase/(decrease) in long-term loans		2,926	(682)	(1,392)
Receipts from financing of assets		31	40	832
Payment of finance leases/HP liabilities		(387)	(397)	(953)
Dividends paid		(972)	(868)	(868)
Net cash from/(used in) financing activities		1,598	(1,907)	(2,381)
Net (decrease)/increase in cash and cash equivalents		(1,879)	(1,010)	1,060
Cash and cash equivalents at beginning of period		(2,629)	(3,693)	(3,693)
Effect of foreign exchange rate changes		(30)	21	4
Cash and cash equivalents at end of period	7b	(4,538)	(4,682)	(2,629)

4 Notes to the Half-Year Financial Statements

For the 26 weeks ended 27 September 2008 (unaudited)

1 General information

These condensed consolidated financial statements for the 26 weeks ended 27 September 2008 have not been audited or reviewed by the Auditors. They were approved by the Board of Directors on 11 November 2008.

The information for the 52 weeks ended 29 March 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified.

2 Accounting policies

These condensed consolidated financial statements should be read in conjunction with the Group's financial statements for the 52 weeks ended 29 March 2008, 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 44 to 48 of the Group's audited financial statements for the 52 weeks ended 29 March 2008.

3 Segmental information

For management purposes, the Group is organised into four operating divisions according to the geographical areas where they are managed. These divisions form the basis on which the Group reports its primary segment information, plus the Canadian associate. The three segments are UK, Ireland and Australia, to which is added the Canadian associate.

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

	For the 26 weeks ended 27 September 2008				For the 26 weeks ended 29 September 2007			
	Revenue £000	Operating profit £000	Finance costs £000	Profit before tax* £000	Revenue £000	Operating profit £000	Finance costs £000	Profit before tax* £000
UK	12,443	145	(88)	57	12,432	262	(127)	135
Ireland	3,386	139	(10)	129	2,611	118	(18)	100
Australia	16,884	1,674	(177)	1,497	13,714	1,414	(138)	1,276
	32,713	1,958	(275)	1,683	28,757	1,794	(283)	1,511
Share of results of associate	—	—	—	8	—	—	—	45
Central costs	—	(319)	(88)	(407)	—	(211)	(96)	(307)
Total continuing operations	32,713	1,639	(363)	1,284	28,757	1,583	(379)	1,249
Tax				(380)				(352)
Profit after tax from continuing activities				904				897

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

Intersegment sales between the UK and Ireland and Australia were immaterial in the current and comparative periods.

4 Notes to the Half-Year Financial Statements

For the 26 weeks ended 27 September 2008 (unaudited)

4 Tax

	26 weeks ended 27 Sept 2008 £000	26 weeks ended 29 Sept 2007 £000
Current tax		
— Current year UK	(95)	(52)
— Current year overseas	475	404
— Prior years	—	—
	380	352
Deferred tax	—	—
Total	380	352

Corporation tax for the half year is charged at 29.6% (2007: 28.2%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

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 27 Sept 2008	26 weeks ended 29 Sept 2007
Earnings (£000) basic and diluted		
Profit attributable to ordinary equity holders of the parent entity	904	897
Number of shares (thousands)		
— In issue throughout the period	6,944	6,944
Earnings per share (basic and undiluted) in pence	13.02	12.92

No arrangements existed during the period or the comparative period that might require the issue of shares and hence the diluted earnings per share are the same as the basic earnings per share.

6 Dividends

	26 weeks ended 27 Sept 2008 £000	26 weeks ended 29 Sept 2007 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 29 March 2008 paid during the year was 14 pence per share (2007: 12.5 pence)	972	868
Interim dividend declared for the 52 weeks to 28 March 2009 of 4.0 pence per share (2007: nil)	278	—

4 Notes to the Half-Year Financial Statements

For the 26 weeks ended 27 September 2008 (unaudited)

7 Notes to the cash flow statement

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

	26 weeks ended 27 Sept 2008 £000	26 weeks ended 29 Sept 2007 £000	52 weeks ended 29 March 2008 £000
Operating profit from continuing operations	1,639	1,583	4,194
Adjustments for:			
— Depreciation charge	1,179	1,169	2,299
— Amortisation of intangible assets	15	13	28
— (Profit)/loss on disposal of property, plant and equipment	(9)	(2)	15
— Exchange rate difference on consolidation	(144)	362	976
Operating cash flows before movements in working capital	2,680	3,125	7,512
(Increase) in working capital	(3,800)	(370)	(500)
Cash (used in)/generated from operations	(1,120)	2,755	7,012
Interest paid	(374)	(379)	(743)
Income taxes paid	(600)	(383)	(842)
Net cash (outflow)/inflow from operating activities	(2,094)	(1,993)	(5,427)

b) Analysis of net debt

	At 29 March 2008 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 27 Sept 2008 £000
Cash	1,260	(948)	—	(30)	282
Bank loans payable less than one year and overdrafts	(3,889)	(931)	—	—	(4,820)
Cash and cash equivalents	(2,629)	(1,879)	—	(30)	(4,538)
Secured commercial bills					
— Payable more than one year	(2,078)	(2,926)	—	51	(4,953)
Finance leases and hire purchase agreements					
— Payable less than one year	(737)	387	(332)	5	(677)
— Payable more than one year	(2,157)	(31)	332	16	(1,840)
Net debt	(7,601)	(4,449)	—	42	(12,008)

4 Notes to the Half-Year Financial Statements

For the 26 weeks ended 27 September 2008 (unaudited)

8 Rates of exchange

The results of overseas subsidiary 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 27 Sept 2008	26 weeks ended 29 Sept 2007	52 weeks ended 29 March 2008
Australia (AUD) — average rate	2.1252	2.3845	2.3115
Australia (AUD) — period end	2.2216	2.3023	2.1657
Ireland (EUR) — average rate	1.2643	1.4710	1.4170
Ireland (EUR) — period end	1.2619	1.4326	1.2623
Canada (CAD) — average rate	1.9836	2.1296	2.0734
Canada (CAD) — period end	1.9080	2.0246	2.0251

4 Notes to the Half-Year Financial Statements

For the 26 weeks ended 27 September 2008 (unaudited)

9 Related party transactions

During the period, the Group had transactions with its associate comprising sales of goods to the value of £384k (2007: £197k) and provision of services worth £44k (2007: £41k). At 27 September 2008 the Group was owed £332k (2007: £243k). 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 17 of the Group's 2008 Annual Report, a copy of which is available on the Group's website — www.victoria.plc.uk. 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 IAS34, "Interim financial reporting" as adopted by the European Union, and includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.9 of the United Kingdom's Financial Services Authority.

On behalf of the Board

A Anton

Chairman

I G Davies

Group Finance Director

11 November 2008

5 Board of Directors

ALEXANDER ANTON
Chairman — Non-executive



ALAN BULLOCK
Group Managing Director



IAN DAVIES
Group Finance Director

- ▲ Audit Committee
- Remuneration Committee
- Nominations Committee

BARRY POYNTER
Executive Director

ARAM SHISHMANIAN
Senior Independent Non-executive
Chairman of Audit and Remuneration Committees
▲●■ (resigned 12/11/08)

NIKKI BECKETT
Senior Independent Non-executive
Chairman of Audit and Remuneration Committees
(wef 12/11/08) ▲●■

Principal Subsidiaries and their Directors

Victoria Carpets Limited
Manufacture and sale of carpets
Kidderminster, UK
A R Bullock (Chairman and Managing)
T A Danks
S W Lewis
N S Glover

The Victoria Carpet Company Pty Limited
Manufacture and sale of carpets
Dandenong, Australia
M W Oakley (Non-executive Chairman)
B I Poynter (Managing)
A K Seymour
M J Davies (Non-executive)
A Anton (Non-executive)

Westwood Yarns Limited
Manufacture and sale of carpet yarns
Holmfirth, UK
A R Bullock (Chairman)
T J Chippendale (Managing)
N Gledhill
T A Danks

Munster Carpets Limited
Sale of carpets
Dublin, Ireland
S Kelly (Managing)
A R Bullock
T A Danks

Associated Undertaking
Colin Campbell & Sons Limited
Distributors of carpets, rugs and furniture
Vancouver, Canada
I G Davies (Non-executive Chairman)
R A Munden (President)
C Bolt
K Metrick
A K Seymour

Registered Office

Victoria PLC
Worcester Road
Kidderminster
Worcestershire
DY10 1JR
Registered Number: 282204

Company Secretary Honorary President
T A Danks G S F Anton

Advisors

Solicitors: Wragge & Co LLP
Public Relations: Citigate Dewe Rogerson
Stockbroker: Arden Partners Ltd
Auditors: Deloitte & Touche LLP
Registrars: Capita Registrars Ltd
Bankers: Barclays Bank PLC

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