

Interim results

6 months ended  
2<sup>nd</sup> October 2004



*"Naturally beautiful carpets from Victoria"*

# Financial highlights

*“Difficult trading conditions in all of our main markets”*

	2004	2003	
Sales	<b>£ 26.8 m</b>	£ 25.5 m	+ 5 %
Operating profit	<b>£ 1.09 m</b>	£ 2.45 m	- 55%
Pre-tax profit	<b>£ 0.79 m</b>	£ 2.22 m	- 65%
Earnings per share	<b>7.81 p</b>	22.08 p	- 65%

# Geographical analysis

	Turnover		Pre-tax profit	
	2004 £m	Change %	2004 £m	2003 £m
UK home market*	10.64	-7.7%		
UK export (non-Group)	1.65	+5.0%		
<b>UK total</b>	<b>12.29</b>	<b>-6.1%</b>	<b>(0.77)</b>	<b>0.40</b>
<b>Ireland</b>	<b>2.90</b>	<b>+180%</b>	<b>0.05</b>	<b>0.10</b>
<b>Australia*</b>	<b>11.63</b>	<b>+2.4%</b>	<b>1.44</b>	<b>1.69</b>
<b>Associate</b>			<b>0.07</b>	<b>0.03</b>
<b>Group</b>	<b>26.82</b>	<b>+5.3%</b>	<b>0.79</b>	<b>2.22</b>

\*Including carpet and yarn sales

# UK Carpet performance

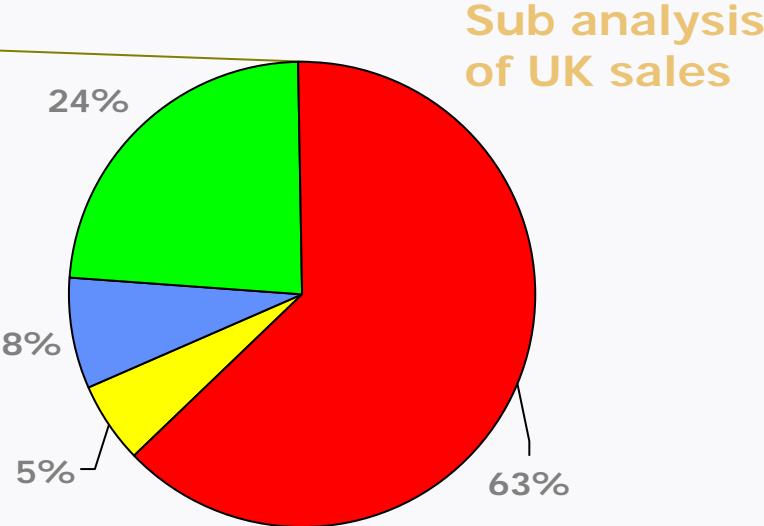
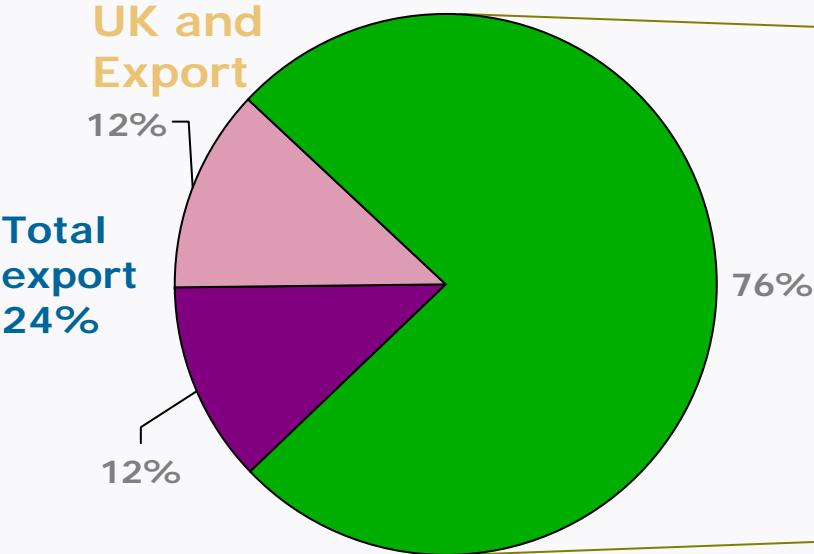
- ❑ **UK carpet consumption estimated to have been down significantly over summer months**
  - Interest rate increases
  - Cooling of housing market
  - Fuel price increases
  - Numerous major sporting events
  
- ❑ **Victoria's home market sales down by 7.3% compared to same period last year**

■ 63% : Independent retailers	- 5.4%
■ 24% : Major groups	+ 3.7%
■ 8% : Wholesale	- 26%
■ 5% : Contract	- 31%

# UK Carpet performance - continued

- ❑ **Export sales significantly increased**
  - 68% overall growth driven by intra-group exports to Ireland
  - 5% core growth with sales to North America up sevenfold
  - Profit contribution badly affected by Axminster production problems
  
- ❑ **Profitability**
  - Profitability affected by reduced volumes sold to UK retail market
  - Losses sustained in Axminster weaving

# UK Carpets – Routes to market



- Export (non-Group)
- Munster / Navan
- Contract
- Wholesale
- Major groups
- Independents

# UK Spinning

*“Westwood Yarns shows steady growth”*

- ❑ Higher output as last year’s capacity increase was available for the full 6 months
- ❑ 94% of capacity sold intra-group
- ❑ Management increasingly integrated with UK carpet manufacturing
- ❑ Increased profitability

# Ireland - Munster & Navan Carpets

## *“Integration of acquisitions further progressed”*

### ❑ **Market in general**

- Commercial contract market was stronger than previous year
- Residential market for carpets remained quiet

### ❑ **Munster Carpets**

- Contract sales more than double the level of a year ago
- Substantial increase in profitability
- Continuing development of product range

### ❑ **Navan Carpets**

- Sales affected by poor residential market conditions
- Lower level of sales led to small loss
- Encouraging results from new products launched since acquisition
- Good progress now being made on Point of Sale and marketing initiatives

# Australia

## *“Volumes maintained – competitive pressure evident”*

- ❑ **Australian economy slowed from recent peaks, with housing market declining and consumer confidence lower**
- ❑ **Sales increase 4.8% from A\$27.9m to A\$28.9m:**
  - Sales to contract residential sector held up well
  - Retail market sales maintained
  - Exports increased
  - External yarn sales reduced
- ❑ **Profit Before Tax £1.44m**
  - 15% lower PBT than 2003H1
  - Margin pressure in retail market with intense competition
  - Spinning mills ran below maximum capacity
  - Export margins under pressure due to strength of A\$ against US\$
  - Lower level of grants under Strategic Investment Programme
  - Exchange rate reduced results by 0.8% on consolidation but well within budget range

# Canada – Colin Campbell & Sons

## *“New strategy starting to deliver results”*

- ❑ Area rug programme starting to generate good sales
- ❑ New distribution ranges under the “Urban Line” are well received by retailers and their customers
- ❑ Turnover up by 32% in local currency
- ❑ Significant jump in profit contribution but remains small part of the Group

# Outlook

- **UK**
  - UK residential market expected to remain difficult for rest of year
  - Autumn trading below last year's levels
  - Liveredied stated day delivery fleet being expanded to cover 98% of mainland UK
  - New products en-route for launch over next 6 months
  - Working to eliminate Axminster losses in the second half
- **Ireland**
  - Good pipeline of contract specifications written at Munster
  - 2 new stock ranges being introduced at Munster
  - Continuing to work on building up sales at Navan but profits unlikely this year
- **Australia**
  - Market conditions are difficult and not showing signs yet of improving
  - Investment continuing on plant to expand offering
  - Signs of recovery in external yarn sales
  - Remain optimistic of continuing to meet the budget set for the year
- **Group**
  - On track to meet market forecasts (profit & dividend)
  - Successful strategy remains valid and next year should show recovery