Victoria P.L.C.



INTERIM REPORT 2003

Victoria P.L.C.

Financial Highlights

Six months ended 27 September 2003

Turnover	£25.48 million	up 34%
Operating Profit	£2.45 million	up 73%
Pre-Tax Profit	£2.22 million	up 72%
Earnings per share	22.08 pence	up 71%

Front Cover *(from left)*:
New 5 metre width polyethylene backing line commissioned at Victoria Carpets UK.
New delivery fleet brought into service August 2003.
“Reflections”, Victoria’s first 5 metre wide range of carpet, introduced in September 2003.

Chairman's Statement

Introduction

I am pleased to report that the Group is continuing to build upon the excellent performance of recent years and has made significant progress on all fronts in the first half of this current financial year.

Results

In the six months to 27 September 2003, the Group continued to enjoy strong growth with turnover increasing by 34% from £18.95 million to £25.48 million. Operating profits increased 73% from £1.42 million to £2.45 million and pre-tax profits rose by 72% to £2.22 million. Earnings per share were 22.08 pence, up by 71%.

The acquisitions of Munster Carpets in Ireland and Pacific Textiles in Australia benefited the Group fully in this period, but even after stripping out their effect, strong organic growth was delivered throughout the Group with like for like turnover up by 24%.

The acquisition of Navan Carpets in late July 2003 had a neutral effect on the results in the period, other than on gearing which has increased to 43% as a result of both this acquisition and a spend of £1.63 million on capital projects.

United Kingdom

Although the market remained challenging throughout the six months under review and the long, hot and dry summer was hardly conducive to retail carpet sales, I am delighted to report that Victoria Carpets continued to prosper with turnover up by 22%.

In the UK, sales were up by 19% in value terms, as new range introductions further complemented our established product offerings, which have continued to gain market share.

In addition, sales to our targeted Independent Retail sector grew by 23%, with strong gains also being made in sales to both the major groups and contract sectors.

Similar good progress was made in Export markets where the decline in business experienced since 11 September 2001 was arrested and we saw a 39% increase in sales compared to the same period last year.

Operationally, the six months under review have been extremely busy at Victoria Carpets in Kidderminster. The new and technically advanced polyethylene backing line was successfully commissioned and is now delivering a new style of backing on most of the tufted carpet ranges. The first two new products off the backing line in 5 metre width have also recently been launched and are already delivering sales.

In August, a brand new liveried distribution fleet was brought into operation in the UK, extending the geographical area covered with stated day deliveries to the Independent Retailers. The fleet is capable of carrying five metre width carpet and has increased capacity to meet anticipated future sales demand.

During the period, Victoria Carpets has also continued to invest in new ranges as well as in new "point of sale" display units. The full benefits of all of these initiatives will be seen in future periods.

I am delighted to report that Victoria Carpets has again been recognised within the Floorcovering Industry by receiving the prestigious "Best Carpet Supplier of the Year" award, which was presented by the Carpet Flooring Retail (CFR) magazine. This is particularly pleasing as it is the outcome of a vote by CFR's readers, who are mainly the Independent Retailers, to whom we try to give consistently high levels of service.

At our spinning division, Westwood Yarns, capacity has been increased to meet demand from Victoria Carpets to provide more high quality carpet yarn. Capital expenditure of £1.18 million during the period has lifted capacity by around 20% with effect from August 2003.

Strong demand from Victoria Carpets has kept Westwood Yarns at full capacity throughout the period and Westwoods has once again contributed well to the Group's overall result.

Ireland

Despite a slowing of growth in the Irish economy, the acquisition of Munster Carpets in October 2002 has contributed positively to the Group's performance in the period.

Chairman's Statement *continued*

In July 2003, we took the opportunity to acquire Navan Carpets, the foremost residential and contract hospitality brand in the Republic of Ireland, which now provides us the two premier floorcovering brands in Ireland.

The integration of the Navan business into the Group is proceeding to plan. In the short term, sales have been affected by the publicity surrounding the liquidation of Navan Carpets Limited, the long hot summer and the weaker Irish economy. However, we are confident that the prospects for the Navan brand remain excellent.

Australia

The Australian operation has continued its extremely strong performance, producing good growth in sales and profitability over the last year. The sales increase has been in excess of 20%, and profit growth is in excess of that figure.

In an economy showing a slight downturn on previously very buoyant levels, this is an outstanding achievement, and reflects the success of the Australian company's aggressive policy of ongoing development and placement of new products with our preferred customer base throughout Australia and New Zealand.

The acquisition of Pacific Textiles, in Bendigo, in October 2002, formed the basis upon which our Australian management were successful in obtaining significant financial assistance from the Federal Government, under the Strategic Investment Programme (SIP) Regional Rationalisation provisions. These funds will be utilised in continuing the upgrade of plant and equipment at Bendigo, and further improve quality and productivity at that mill.

The Bendigo acquisition has been most beneficial to the company. The mill has a tonnage output similar to our Castlemaine facility, and has been a significant contributor to the company's excellent results from the time of acquisition.

The company continues to improve its market share in contract residential developments in Australia and New Zealand. Amongst its contract achievements this year was securing the order for carpet for the Eureka Tower on Melbourne's fashionable Southbank. Reputed to be the tallest residential building in the world, at 88 storeys, the Tower is using over 80,000 m^2 of our product.

The strength of the Australian Dollar had a beneficial effect on the contribution of the Australian operation to the Group results, being translated into Sterling at A$2.46 compared to A$2.61 = £1 at 29 March 2003 and A$2.87 at 28 September 2002.

Prospects

In the UK, the traditionally busy autumn selling season is well under way, on which our UK operations and the Floorcovering Industry as a whole are so dependent, and we have seen a strong demand for our products.

The continued good performance of existing ranges and the new product range introductions bodes well for the second half year in the UK.

Sales in Ireland through our commercial contract focused Munster Carpets brand are expected to improve and sales to the residential market through Navan Carpets are also expected to make a positive contribution to results in the second half year.

The Australian economy is past the peak growth rates of 2002/3, but is still robust and signs are promising that we can continue to build on the excellent results that we have seen from the Australian operation over recent years.

Ultimately, we remain confident that we will see a continued growth in both turnover and profitability throughout the Group.

Bob Gilbert

R M GILBERT
Chairman
18 November 2003

Group Profit and Loss Account

	Note	**Six months to 27 September 2003 Unaudited £'000**	Six months to 28 September 2002 Unaudited £'000	Year to 29 March 2003 Audited £'000
Turnover		**25,481**	18,948	44,367
Cost of sales		**17,814**	13,211	31,479
Gross profit		**7,667**	5,737	12,888
Distribution costs		**4,249**	3,374	7,193
Administration expenses		**1,440**	1,218	3,014
Other operating income		**468**	277	663
Operating profit		**2,446**	1,422	3,344
Interest payable and similar charges		**258**	123	352
Share of profits/(losses) of associated undertaking		**27**	(5)	15
Profit on ordinary activities before taxation		**2,215**	1,294	3,007
Taxation		**682**	397	917
Profit for the period		**1,533**	897	2,090
Dividends		**—**	—	625
Retained profit		**1,533**	897	1,465
Earnings per share				
— basic	2	**22.08p**	12.92p	30.10p
— diluted		**22.08p**	12.92p	30.10p
Dividends per share	3	**—**	—	9.00p

Statement of Total Recognised Gains and Losses

	Six months to 27 September 2003 Unaudited £'000	Six months to 28 September 2002 Unaudited £'000	Year to 29 March 2003 Audited £'000
Profit after taxation	**1,533**	897	2,090
Currency translation differences on foreign currency net investments	**482**	(535)	193
Total gains relating to the period	**2,015**	362	2,283
Total gains recognised since last annual report	**2,015**	362	2,283

Note of Historical Cost Profits and Losses

	Six months to 27 September 2003 Unaudited £'000	Six months to 28 September 2002 Unaudited £'000	Year to 29 March 2003 Audited £'000
Reported profit on ordinary activities before taxation	**2,215**	1,294	3,007
Historical cost profit on ordinary activities before taxation	**2,215**	1,294	3,007
Historical cost profit for the period retained after taxation and dividends	**1,533**	897	1,465

Consolidated Balance Sheet

	27 September 2003 Unaudited £'000	28 September 2002 Unaudited £'000	29 March 2003 Audited £'000
Fixed assets			
Intangible assets – Goodwill	**594**	—	377
Tangible assets	**22,670**	17,134	21,551
Investment in associated undertaking	**306**	274	289
	23,570	17,408	22,217
Current assets			
Stock	**13,464**	8,696	10,723
Debtors	**10,285**	7,205	9,352
Cash	**42**	237	257
	23,791	16,138	20,332
Less: Current liabilities			
Creditors due within one year	**14,963**	8,703	12,732
Net current assets	**8,828**	7,435	7,600
Total assets less current liabilities	**32,398**	24,843	29,817
Less: Creditors due after one year	**7,139**	2,707	6,331
Provisions for liabilities and charges	**793**	981	1,034
Net assets	**24,466**	21,155	22,452
Capital and reserves (equity)			
Share capital	**1,736**	1,736	1,736
Share premium account	**829**	829	829
Revaluation reserve	**2,126**	2,006	2,077
Profit and loss account	**19,775**	16,584	17,810
Total shareholders' funds	**24,466**	21,155	22,452

Consolidated Cash Flow Statement

	Note	**Six months to 27 September 2003 Unaudited £'000**	Six months to 28 September 2002 Unaudited £'000	Year to 29 March 2003 Audited £'000
Net cash inflow from operating activities	4	**2,417**	1,708	3,246
Returns on investment and servicing of finance				
Dividend received from Associate		**—**	8	8
Interest paid		**(163)**	(50)	(202)
Hire purchase interest		**(95)**	(73)	(150)
		(258)	(115)	(344)
Taxation				
UK corporation tax (paid)		**(118)**	(90)	(280)
Overseas tax paid		**(514)**	(129)	(334)
		(632)	(219)	(614)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		**(1,470)**	(1,914)	(4,433)
Receipts from sales of tangible fixed assets		**37**	14	49
		(1,433)	(1,900)	(4,384)
Acquisitions				
Payments to acquire the assets of a trade or business		**(1,507)**	—	(2,752)
Equity dividends paid		**(625)**	(486)	(486)
Financing				
Increase in/(repayment of) long-term loans		**(406)**	87	1,912
Capital element of finance lease and hire purchase payments		**(552)**	(420)	(597)
Receipts from financing of assets		**905**	533	2,323
		(53)	200	3,638
Increase/(decrease) in cash		**(2,091)**	(812)	(1,696)

Notes to the Interim Statements

1 Basis of preparation

The results for the year ended 29 March 2003 are extracts from the Group report and accounts as filed with the Registrar of Companies. These were audited and reported upon without qualification under section 235 of the Companies Act 1985.

2 Earnings per share

The earnings per share for the six month period to 27 September 2003 are based on 6,943,556 shares in issue throughout the period. The same number of shares were in issue throughout the six months ended 28 September 2002 and the year ended 29 March 2003.

3 Dividends

No interim dividend is proposed (September 2002: nil; March 2003: 9.0 pence).

4 Reconciliation of operating profit to net cash inflow from operating activities

	Six months to 27 September 2003 Unaudited £'000	Six months to 28 September 2002 Unaudited £'000	Year to 29 March 2003 Audited £'000
Operating profit	**2,446**	1,422	3,344
Depreciation and amortisation charges	**1,028**	754	1,799
Loss/(profit) on sale of fixed assets	**(2)**	(1)	11
Decrease/(increase) in working capital	**(1,226)**	(238)	(1,994)
Exchange rate difference on consolidation	**171**	(229)	86
Net cash inflow from operating activities	**2,417**	1,708	3,246

5 Exchange rates

The results of overseas subsidiary and associated undertakings have been translated at the exchange rates prevailing at the period end:

	27 September 2003	28 September 2002	29 March 2003
Australia	**A$ 2.4614 = £1**	A$ 2.8703	A$ 2.6145
Euro	**€ 1.4458 = £1**	n/a	€ 1.4581
Canada	**C$ 2.2469 = £1**	C$ 2.4691	C$ 2.3002

Directors and Advisers

Bob Gilbert
Chairman — Non-executive

Alexander Anton
Non-executive

Keith Ackroyd, CBE
Non-executive

Alan Bullock
Group Managing Director

John Duncan

Mark Lee, FCA
Group Finance Director

Michael Oakley

Honorary President — G S F Anton

Secretary and Registered Office
T A Danks
Worcester Road
Kidderminster, DY10 1HL

Registered Number
282204

Bankers
Barclays Bank PLC

Solicitors
Wragge & Co.

Stockbrokers
Arbuthnot Securities

Auditors
Baker Tilly

Registrars
Capita Registrars

Victoria P.L.C.

Group Companies

United Kingdom

Victoria Carpets LIMITED
Manufacturers since 1895

Westwood Yarns Limited
Specialist Spinners of Carpet Yarns on the Woollen System

Ireland

Munster Carpets

Navan Carpets
The Fine Art of Flooring

Australia

Victoria Carpet
Company PTY Ltd

Pacific Textiles
Bendigo

Castlemaine Yarns
Castlemaine

Associated Undertaking

Canada

COLIN CAMPBELL & SONS

Victoria P.L.C.
Worcester Road, Kidderminster, Worcestershire, DY10 1HL
Tel: 01562 749300 Fax: 01562 749649
www.victoria.plc.uk