



**Financial Information on the  
Transition to  
International Financial Reporting Standards**

**11 November 2005**

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Group IFRS opening balance sheet as at 3 April 2004

Reconciliation of equity	As reported (UK GAAP)	Adjustments required under IFRS									Total effect of transition to IFRS	Restated under IFRS
		IAS 10 Proposed dividend	IFRS 5 Discontinued operations	IAS 12 Income tax	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	IAS 40 Investment Property	IAS 21 exchange rate			
As at 3 April 2004	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>ASSETS</b>												
<b>Non-current assets</b>												
Property, plant and equipment	23,592				1,344			(180)			1,164	24,756
Investment property								180			180	180
Goodwill and intangible assets	563										-	563
Interests in associates	306								(17)	(17)		289
	<u>24,461</u>	-	-	-	1,344	-	-	-	(17)	-	1,327	<u>25,788</u>
<b>Current assets</b>												
Inventories	14,908										-	14,908
Trade and other receivables	9,795										-	9,795
Cash & cash equivalents	308										-	308
	<u>25,011</u>	-	-	-	-	-	-	-	-	-	-	<u>25,011</u>
<b>Total assets</b>	<b>49,472</b>	-	-	-	1,344	-	-	-	(17)	-	1,327	<b>50,799</b>
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Trade and other payables	9,305	(799)									(799)	8,506
Tax liabilities	928										-	928
Hire purchase and finance lease obligations	1,076										-	1,076
Bank overdrafts and loans	4,743										-	4,743
	<u>16,052</u>	(799)	-	-	-	-	-	-	-	-	(799)	<u>15,253</u>
<b>Non-current liabilities</b>												
Bank loans	2,447										-	2,447
Hire purchase and finance lease obligations	3,201										-	3,201
Other payables	1,385										-	1,385
Deferred tax liabilities	1,056				493						493	1,549
	<u>8,089</u>	-	-	-	493	-	-	-	-	-	493	<u>8,582</u>
<b>Total liabilities</b>	<b>24,141</b>	(799)	-	-	493	-	-	-	-	-	(306)	<b>23,835</b>
<b>Net assets</b>	<b>25,331</b>	<b>799</b>	<b>-</b>	<b>-</b>	<b>851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>1,633</b>	<b>26,964</b>
<b>EQUITY</b>												
<b>Capital and reserves attributable to equity holders</b>												
Share capital	1,736										-	1,736
Share premium	829										-	829
Revaluation reserves	2,144				(2,144)						(2,144)	-
Retained earnings	20,622	799			2,995				(17)		3,777	24,399
<b>Total equity</b>	<b>25,331</b>	<b>799</b>	<b>-</b>	<b>-</b>	<b>851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>1,633</b>	<b>26,964</b>

Group IFRS profit and loss account for the year ended 2 April 2005

Reconciliation of profit	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	Total effect of transition to IFRS				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the year ended 2 April 2005</b>											
<b>Revenue</b>											
Continuing operations	49,880	( 436)								( 436)	49,444
Discontinued operations	3,302		( 3,302)							( 3,302)	-
	<u>53,182</u>	<u>( 436)</u>	<u>( 3,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 3,738)</u>	<u>49,444</u>
<b>Operating profit</b>											
<b>Continuing operations</b>											
before amortisation	3,758	( 38)		37						( 1)	3,757
amortisation	( 30)	-			3					3	( 27)
	<u>3,728</u>	<u>( 38)</u>	<u>-</u>	<u>37</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>3,730</u>
<b>Discontinued operations</b>											
before exceptional items	( 817)		817							817	-
exceptional items	( 998)	-	998							998	-
	<u>( 1,815)</u>	<u>-</u>	<u>1,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,815</u>	<u>-</u>
<b>Operating profit</b>	1,913	( 38)	1,815	37	3	-	-	-	-	1,817	3,730
Share of results of associates	61	( 1)	-							( 1)	60
Finance charges	( 745)	5	27			( 51)				( 19)	( 764)
<b>Profit before tax</b>	<u>1,229</u>	<u>( 34)</u>	<u>1,842</u>	<u>37</u>	<u>3</u>	<u>( 51)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,797</u>	<u>3,026</u>
Taxation	( 390)	13	( 531)	10	-	13	-	-	-	( 495)	( 885)
<b>Profit for the year</b>	<u>839</u>	<u>( 21)</u>	<u>1,311</u>	<u>47</u>	<u>3</u>	<u>( 38)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,302</u>	<u>2,141</u>
<b>Discontinued operations</b>											
Operating profit from discontinued operation	-		( 817)							( 817)	( 817)
Finance charges for discontinued operations	-		( 27)							( 27)	( 27)
Exceptional costs of discontinuation	-		( 998)							( 998)	( 998)
Taxation on discontinued activities	-		531							531	531
	<u>-</u>	<u>-</u>	<u>( 1,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,311)</u>	<u>( 1,311)</u>
<b>Profit for the year attributable to equity holders</b>	<u>839</u>	<u>( 21)</u>	<u>-</u>	<u>47</u>	<u>3</u>	<u>( 38)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 9)</u>	<u>830</u>

## Group IFRS statement of recognised income and expense for the year ended 2 April 2005

	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	Total effect of transition to IFRS					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the year ended 2 April 2005</b>												
Exchange differences on translation of foreign operations	( 113)	33		( 9)							24	( 89)
Net income recognised directly in equity	( 113)	33	-	( 9)	-	-	-	-	-	-	24	( 89)
<b>Profit for the period</b>	839	( 21)	-	47	3	( 38)					( 9)	830
<b>Total recognised income and expense for the period</b>	<b>726</b>	<b>12</b>	<b>-</b>	<b>38</b>	<b>3</b>	<b>( 38)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>741</b>

## Group IFRS calculation of earnings per share for the year ended 2 April 2005

	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	Total effect of transition to IFRS					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the year ended 2 April 2005</b>												
<b>Earnings per share</b>												
Basic earnings	839	( 21)	-	47	3	( 38)	-	-	-	-	( 9)	830
Discontinued operations	1,311										-	1,311
Adjusted earnings	2,150	( 21)	-	47	3	( 38)	-	-	-	-	( 9)	2,141
Shares in issue	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556
EPS												
Basic	12.08	( 0.30)	-	0.68	0.04	( 0.55)	-	-	-	-	( 0.13)	11.95
Adjusted	30.96	( 0.30)	-	0.68	0.04	( 0.55)	-	-	-	-	( 0.13)	30.83

Group IFRS balance sheet as at 2 April 2005

Reconciliation of equity	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS
		IAS 10 Proposed dividend	IFRS 5 Discontinued operations	IAS 12 Income tax	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	IAS 40 Investment Property	IAS 21 exchange rate	Total effect of transition to IFRS	
As at 2 April 2005	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>ASSETS</b>											
<b>Non-current assets</b>											
Property, plant and equipment	22,925		(304)		1,372			(180)		888	23,813
Investment property	-						180			180	180
Goodwill and intangible assets	545					3				3	548
Interests in associates	354							(6)	-	6	348
	<b>23,824</b>	<b>-</b>	<b>(304)</b>	<b>-</b>	<b>1,372</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>24,889</b>
<b>Current assets</b>											
Inventories	14,686									-	14,686
Trade and other receivables	9,648									-	9,648
Cash & cash equivalents	369									-	369
	<b>24,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,703</b>
Non-current assets classified as held for sale	-		304							304	304
<b>Total assets</b>	<b>48,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,372</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>49,896</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Trade and other payables	8,297	(799)					51			(748)	7,549
Tax liabilities	644									-	644
Hire purchase and finance lease obligations	1,131									-	1,131
Bank overdrafts and loans	6,196									-	6,196
	<b>16,268</b>	<b>(799)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>(748)</b>	<b>15,520</b>
<b>Non-current liabilities</b>											
Bank loans	2,801									-	2,801
Hire purchase and finance lease obligations	2,158									-	2,158
Other payables	1,145									-	1,145
Deferred tax liabilities	897				483		(13)			470	1,367
	<b>7,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>470</b>	<b>7,471</b>
<b>Total liabilities</b>	<b>23,269</b>	<b>(799)</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>(278)</b>	<b>22,991</b>
<b>Net assets</b>	<b>25,258</b>	<b>799</b>	<b>-</b>	<b>-</b>	<b>889</b>	<b>3</b>	<b>(38)</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>26,905</b>
<b>EQUITY</b>											
<b>Capital and reserves attributable to equity holders</b>											
Share capital	1,736									-	1,736
Share premium	829									-	829
Revaluation reserves	2,132				(2,132)					(2,132)	-
Retained earnings	20,561	799			3,021	3	(38)		(6)	3,779	24,340
<b>Total equity</b>	<b>25,258</b>	<b>799</b>	<b>-</b>	<b>-</b>	<b>889</b>	<b>3</b>	<b>(38)</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>26,905</b>

Group IFRS cash flow statement for the year ended 2 April 2005

Reconciliation of cash flow statement

	As reported (UK GAAP)	Adjustments required under IFRS								Total effect of transition to IFRS	Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the year ended 2 April 2005</b>												
<b>Cash flows from operating activities</b>												
Profit before taxation	1,229	(34)		37	3	(51)					(45)	1,184
Adjustments for:											-	-
Depreciation	2,424			(37)							(37)	2,387
Amortisation of goodwill	3				(3)						(3)	-
Profit on sale of fixed assets	(57)										-	(57)
Foreign exchange loss	34	34									34	68
Investment income	(61)										-	(61)
Interest expense	745										-	745
	4,317	-	-	-	-	(51)	-	-	-	-	(51)	4,266
Increase in trade & other receivables	222										-	222
Decrease in inventories	292										-	292
Decrease in trade payables	(1,209)						51				51	(1,158)
Cash generated from operations	3,622	-	-	-	-	-	-	-	-	-	-	3,622
Interest paid	(745)										-	(745)
Income taxes paid	(1,005)										-	(1,005)
<i>Net cash from operating activities</i>	1,872	-	-	-	-	-	-	-	-	-	-	1,872
<b>Cash flows from investing activities</b>												
Purchase of property, plant & equipment	(1,962)										-	(1,962)
Proceeds from sale of equipment	158										-	158
Dividends received	-										-	-
<i>Net cash used in investing activities</i>	(1,804)	-	-	-	-	-	-	-	-	-	-	(1,804)
<b>Cash flows from financing activities</b>												
Increase / (decrease) in long term loans	340										-	340
Receipts from financing of assets	124										-	124
Payment of Finance Lease and HP liabilities	(1,093)										-	(1,093)
Dividends paid	(799)										-	(799)
<i>Net cash used in financing activities</i>	(1,428)	-	-	-	-	-	-	-	-	-	-	(1,428)
<b>Net increase in cash and cash equivalents</b>	(1,360)	-	-	-	-	-	-	-	-	-	-	(1,360)
<b>Cash and cash equivalents at beginning of period</b>	(4,435)											(4,435)
<b>Exchange movements in cash and cash equivalents</b>	(32)											(32)
<b>Cash and cash equivalents at end of period</b>	(5,827)	-	-	-	-	-	-	-	-	-	-	(5,827)

Group IFRS segmental analysis for the year ended 2 April 2005

Reconciliation of segmental analysis

	As reported (UK GAAP)	Adjustments required under IFRS									Total effect of transition to IFRS	Restated under IFRS
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 14 Segment reporting	IAS 10 Proposed dividend	IAS 39 Financial Instruments				
For the year ended 2 April 2005	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>United Kingdom &amp; Ireland - continuing activities</b>												
Turnover	30,993		(3,302)								(3,302)	27,691
Operating profit	(775)		1,815	20	3	277					2,115	1,340
Interest	(491)		27			139					166	(325)
Profit before taxation	(1,266)		1,842	20	3	416					2,281	1,015
<b>Australia - continuing activities</b>												
Turnover	22,189	(436)									(436)	21,753
Operating profit	2,688	(38)		17							(21)	2,667
Interest	(254)	5									5	(249)
Profit before taxation	2,434	(33)		17							(16)	2,418
<b>Associated company</b>												
Turnover											-	-
Operating profit											-	-
Interest											-	-
Profit before taxation	61	(1)									(1)	60
<b>Central costs</b>												
Operating profit						(277)					(277)	(277)
Interest						(139)		(51)			(190)	(190)
Profit before taxation						(416)		(51)			(467)	(467)
<b>Discontinued activities (All UK &amp; Ireland)</b>												
Turnover			3,302								3,302	3,302
Operating profit			(1,815)								(1,815)	(1,815)
Interest			(27)								(27)	(27)
Profit before taxation			(1,842)								(1,842)	(1,842)
<b>Group total</b>												
Turnover	53,182	(436)	-	-	-	-	-	-	-	-	(436)	52,746
Operating profit	1,913	(38)	-	37	3	-	-	-	-	-	2	1,915
Interest	(745)	5	-	-	-	-	-	(51)	-	-	(46)	(791)
Profit before taxation	1,229	(34)	-	37	3	-	-	(51)	-	-	(45)	1,184

Group IFRS segmental analysis for the year ended 2 April 2005

Additional disclosure by primary segment	As reported (UK GAAP)	Adjustments required under IFRS									Total effect of transition to IFRS	Restated under IFRS
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 14 Segment reporting	IAS 39 Financial instruments	IAS 10 Proposed dividend				
For the year ended 2 April 2005	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>United Kingdom &amp; Ireland - continuing activities</b>												
Net assets	13,008		(304)	454	3	(5,353)					(5,200)	7,808
Net debt	9,126		(304)			(2,232)					(2,536)	6,590
Capital expenditure	882					(13)					(13)	869
Depreciation, & amortisation of intangibles	1,195			(3)		(80)					(83)	1,112
<b>Australia - continuing activities</b>												
Net assets	11,896			435							435	12,331
Net debt	2,790										-	2,790
Capital expenditure	1,080										-	1,080
Depreciation, & amortisation of intangibles	1,105			(17)							(17)	1,088
<b>Associated company</b>												
Net assets	354	(6)									(6)	348
<b>Central costs</b>												
Net assets						5,353	(38)	799			6,114	6,114
Net debt						2,232					2,232	2,232
Capital expenditure						13					13	13
Depreciation, & amortisation of intangibles				(17)		80					63	63
<b>Discontinued activities (All UK &amp; Ireland)</b>												
Net assets			304								304	304
Net debt			304								304	304
Capital expenditure											-	-
Depreciation, & amortisation of intangibles											-	-
<b>Group total</b>												
Net assets	25,258	(6)	-	889	3	-	(38)	799	-	-	1,647	26,905
Net debt	11,916	-	-	-	-	-	-	-	-	-	-	11,916
Capital expenditure	1,962	-	-	-	-	-	-	-	-	-	-	1,962
Depreciation, & amortisation of intangibles	2,300	-	-	(37)	-	-	-	-	-	-	(37)	2,263

## **Explanatory notes to the adjustments from UK GAAP to IFRS**

**For the year ended 2 April 2005**

### **Effects of foreign currencies**

Under UK GAAP Victoria P.L.C. took the option to translate the profits and losses of overseas operations into Sterling at the rate prevailing at the end of the period. Under IFRS, this option is not available, and the results of overseas operations are now brought into account at the average rate of exchange prevailing during the period.

The effect of this is to reduce the profit after tax in the year to 2 April 2005 by £21,000.

### **Discontinued operations**

Under UK GAAP, turnover, operating profit and the gain / loss on disposal or discontinuance of businesses was shown separately for discontinued operations.

Under IFRS the disclosure of operating profit, the gain / loss on disposal or discontinuance of businesses and the taxation relating to discontinued operations are shown in aggregate on the primary statement.

Non-current assets previously used in the discontinued operations, and which are due to be sold, are classified separately on the Balance Sheet as "Non-current assets held for sale".

### **Dividends**

Under UK GAAP, dividends were accrued on the balance sheet when they were proposed by the Board. Under IFRS, dividends are not accrued until they have been declared. Therefore only dividends approved in the year ended 2 April 2005, i.e. the dividend approved at the AGM in July 2004 and paid in July 2004, are charged in that year. The proposed dividends in respect of the years ended 3 April 2004 and 2 April 2005, each amounting to £799,000, are therefore added back to Equity Shareholders' Funds at 3 April 2004 and 2 April 2005 respectively.

### **Valuation of properties and deferred tax**

Under UK GAAP, freehold land and buildings belonging to the Group were last revalued at 28 March 1998. When FRS15 was introduced in 2000, the Group adopted the policy of accounting for property at cost, and the previous revaluation, as varied by subsequent additions and disposals, was treated as the deemed cost. No deferred tax was provided on the revaluation surplus.

Under IFRS, the Group will adopt the cost model for land and buildings, taking advantage of the option available under IFRS1 to treat a professionally obtained valuation as at 3 April 2004 as deemed cost. A valuation uplift of £1,344,000 is applied to Property, plant and equipment in the opening balance sheet at 3 April 2004.

Under IAS12, deferred tax is provided on the potential taxable gain on the sale of land at its revalued level, and on temporary differences between the tax base and carrying cost of buildings. The additional deferred tax provision arising from the property revaluation and adoption of IAS 12 amounted to £493,000 in the opening balance sheet at 3 April 2004.

### **Goodwill amortisation**

Under UK GAAP, the Group amortised goodwill over 20 years resulting in a charge in the year to 2 April 2005 of £3,000 before deferred tax, which all related to continuing operations. Under IFRS, goodwill is not amortised but is tested for impairment both annually and when there are indications that the carrying value may not be recoverable.

### **Financial instruments**

Under UK GAAP, no adjustment was made for movements in the fair value of derivatives used by the Group to manage its exposure to interest rates and currencies.

Under IFRS, the interest rate derivatives used by the Group do not qualify for "hedge accounting" and are therefore marked to fair value at the end of each accounting period, with the change taken to profit or loss.

The adjustment in respect of the year ended 2 April 2005 is a charge of £38,000 (net of deferred tax).

### **Investment property**

Properties which are not used by the Group for its current operations and are not reasonably certain to be sold within 12 months are treated under IAS 40 as Investment Properties. The Group has elected to adopt the professional valuations at 3 April 2004 as the deemed cost and will now account for these properties under the cost model.

Two properties in the UK are treated as investment properties and these have a book value of £180,000.

### **Cashflow**

The transition from a UK GAAP to IFRS reporting basis does not have an impact on the cash position of the Group. The adjustments to the income statement that are explained above are either non-cash items, or have an equal and opposite adjustment in working capital, so that the net cash from operating activities remains the same under IFRS as under UK GAAP, as shown on the reconciliations in attachment 1.5.

IFRS are subject to continuing review and amendment by the International Accounting Standards Board ("IASB") and subsequent endorsement by the European Commission and therefore are subject to change. Therefore in determining the group's IFRS accounting policies, the Board of Directors has used its best endeavours in making assumptions about those IFRS expected to be effective or available for adoption when the first IFRS annual financial statements are prepared for the year ending 1 April 2006. As the accounting policies used to prepare the Interim Financial Statements may need to be updated for any subsequent amendments to IFRS required for first time adoption, or any new IFRS the group may elect to adopt, it is possible that the preliminary opening balance sheet and IFRS comparatives may require adjustment before being finalised.

## **The accounting policies of Victoria P.L.C. under IFRS**

The financial statements, which have been prepared in accordance with International Financial Reporting Standards, have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### ***Business combinations***

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

### ***Investments in associates***

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as

held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### ***Goodwill***

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

### ***Non-current assets held for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of goods are recognised when goods are despatched.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### **Foreign currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of

which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### ***Government grants***

Government grants relating to property, plant and equipment are treated as deferred income, and released to profit or loss over the expected useful lives of the assets concerned. Other government grants, including those towards staff training costs, are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

### ***Retirement benefit costs***

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

### ***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are

generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Property, plant and equipment***

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their deemed cost, being the fair value at the date of adoption of IFRS, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation on buildings is charged to profit or loss.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, less any anticipated residual value, over their estimated useful lives.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of assets are:

Buildings	50 years
Plant and equipment	3 to 20 years
Motor vehicles	4 to 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### ***Internally-generated intangible assets – research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's e-business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

### ***Patents and trademarks***

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

### ***Impairment of tangible and intangible assets excluding goodwill***

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### **Trade receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### **Bank borrowings**

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

### **Trade payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Derivative financial instruments and hedge accounting**

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank loans, finance leases and hire purchase contracts. The Group's policy is to convert a proportion of its floating rate debt to fixed rates.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Group IFRS balance sheet as at 2 October 2004

Reconciliation of equity	As reported (UK GAAP)	Adjustments required under IFRS									Total effect of transition to IFRS	Restated under IFRS
		IAS 10 Proposed dividend	IFRS 5 Discontinued operations	IAS 12 Income tax	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	IAS 40 Investment Property	IAS 21 exchange rate			
<b>As at 2 October 2004</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>ASSETS</b>												
<b>Non-current assets</b>												
Property, plant and equipment	23,479				1,343			(180)			1,163	24,642
Investment property	-							180			180	180
Goodwill and intangible assets	566					2					2	568
Interests in associates	354								(3)		(3)	351
	<b>24,399</b>	-	-	-	<b>1,343</b>	<b>2</b>	-	-	<b>(3)</b>	-	<b>1,342</b>	<b>25,741</b>
<b>Current assets</b>												
Inventories	15,287										-	15,287
Trade and other receivables	10,466										-	10,466
Cash & cash equivalents	838										-	838
	<b>26,591</b>	-	-	-	-	-	-	-	-	-	-	<b>26,591</b>
<b>Total assets</b>	<b>50,990</b>	-	-	-	<b>1,343</b>	<b>2</b>	-	-	<b>(3)</b>	-	<b>1,342</b>	<b>52,332</b>
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Trade and other payables	8,760						76				76	8,836
Tax liabilities	739										-	739
Hire purchase and finance lease obligations	994										-	994
Bank overdrafts and loans	6,460										-	6,460
	<b>16,953</b>	-	-	-	-	-	<b>76</b>	-	-	-	<b>76</b>	<b>17,029</b>
<b>Non-current liabilities</b>												
Bank loans	3,516										-	3,516
Hire purchase and finance lease obligations	2,598										-	2,598
Other payables	1,358										-	1,358
Deferred tax liabilities	997				492		(23)				469	1,466
	<b>8,469</b>	-	-	-	<b>492</b>	-	<b>(23)</b>	-	-	-	<b>469</b>	<b>8,938</b>
<b>Total liabilities</b>	<b>25,422</b>	-	-	-	<b>492</b>	-	<b>53</b>	-	-	-	<b>545</b>	<b>25,967</b>
<b>Net assets</b>	<b>25,568</b>	-	-	-	<b>851</b>	<b>2</b>	<b>(53)</b>	-	<b>(3)</b>	-	<b>797</b>	<b>26,365</b>
<b>EQUITY</b>												
<b>Capital and reserves attributable to equity holders</b>												
Share capital	1,736										-	1,736
Share premium	829										-	829
Revaluation reserves	2,120				(2,120)						(2,120)	-
Retained earnings	20,883				2,971	2	(53)		(3)		2,917	23,800
	<b>25,568</b>	-	-	-	<b>851</b>	<b>2</b>	<b>(53)</b>	-	<b>(3)</b>	-	<b>797</b>	<b>26,365</b>

Group IFRS profit and loss account for the 6 months ended 2 October 2004

Reconciliation of profit	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	Total effect of transition to IFRS				
For the 6 months ended 2 October 2004	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>											
Continuing operations	25,019	410								410	25,429
Discontinued operations	1,796		( 1,796)							( 1,796)	-
	<u>26,815</u>	<u>410</u>	<u>( 1,796)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,386)</u>	<u>25,429</u>
<b>Operating profit</b>											
<b>Continuing operations</b>											
before amortisation	1,102	63	612	17						692	1,794
amortisation	( 12)	1			2					3	( 9)
	<u>1,090</u>	<u>64</u>	<u>612</u>	<u>17</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695</u>	<u>1,785</u>
<b>Discontinued operations</b>											
before exceptional items										-	-
exceptional items										-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating profit</b>	1,090	64	612	17	2	-	-	-	-	695	1,785
Share of results of associates	70	2								2	72
Finance charges	( 374)	( 5)	11			( 76)				( 70)	( 444)
<b>Profit before tax</b>	<u>786</u>	<u>61</u>	<u>623</u>	<u>17</u>	<u>2</u>	<u>( 76)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>627</u>	<u>1,413</u>
Taxation	( 244)	( 19)	( 187)	( 5)	-	23	-	-	-	( 188)	( 432)
<b>Profit for the period</b>	<u>542</u>	<u>42</u>	<u>436</u>	<u>12</u>	<u>2</u>	<u>( 53)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>439</u>	<u>981</u>
<b>Discontinued operations</b>											
Operating profit from discontinued operation	-		( 612)							( 612)	( 612)
Finance charges for discontinued operations	-		( 11)							( 11)	( 11)
Exceptional costs of discontinuation	-		-							-	-
Taxation on discontinued activities	-		187							187	187
	<u>-</u>	<u>-</u>	<u>( 436)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 436)</u>	<u>( 436)</u>
<b>Profit for the year</b>											
attributable to equity holders	<u>542</u>	<u>42</u>	<u>-</u>	<u>12</u>	<u>2</u>	<u>( 53)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>545</u>

**Group IFRS statement of recognised income and expense for the six months ended 2 October 2004**

	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	Total effect of transition to IFRS					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the 6 months ended 2 October 2004</b>												
Exchange differences on translation of foreign operations	(306)	(28)		(12)							(40)	(346)
Net income recognised directly in equity	(306)	(28)	-	(12)	-	-	-	-	-	-	(40)	(346)
<b>Profit for the period</b>	542	42	-	12	2	(53)	-	-	-	-	3	545
<b>Total recognised income and expense for the period</b>	236	14	-	-	2	(53)	-	-	-	-	(37)	199

**Group IFRS calculation of earnings per share for the six months ended 2 October 2004**

	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments	Total effect of transition to IFRS					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the 6 months ended 2 October 2004</b>												
<b>Earnings per share</b>												
Basic earnings	542	42	-	12	2	(53)	-	-	-	-	3	545
Discontinued operations	436										-	436
Adjusted earnings	978	42	-	12	2	(53)	-	-	-	-	3	981
Shares in issue	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556	6,943,556
<b>EPS</b>												
Basic	7.81	0.60	-	0.17	0.03	(0.76)	-	-	-	-	0.04	7.85
Adjusted	14.09	0.60	-	0.17	0.03	(0.76)	-	-	-	-	0.04	14.13

Group IFRS cash flow statement for the six months ended 2 October 2004

Reconciliation of cash flow statement

	As reported (UK GAAP)	Adjustments required under IFRS								Total effect of transition to IFRS	Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 39 Financial Instruments						
For the 6 months ended 2 October 2004	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>												
Profit before taxation	786	61		17	2	(76)					4	790
Adjustments for:											-	-
Depreciation	1,111			(17)							(17)	1,094
Amortisation of goodwill	2				(2)						(2)	-
Profit on sale of fixed assets	(4)										-	(4)
Foreign exchange loss	(115)	(61)									(61)	(176)
Investment income	(70)										-	(70)
Interest expense	374										-	374
	2,084	-	-	-	-	(76)	-	-	-	-	(76)	2,008
Increase in trade & other receivables	(671)										-	(671)
Decrease in inventories	(379)										-	(379)
Decrease in trade payables	257						76				76	333
Cash generated from operations	1,291	-	-	-	-	-	-	-	-	-	-	1,291
Interest paid	(374)										-	(374)
Income taxes paid	(504)										-	(504)
<i>Net cash from operating activities</i>	413	-	-	-	-	-	-	-	-	-	-	413
<b>Cash flows from investing activities</b>												
Purchase of property, plant & equipment	(1,303)										-	(1,303)
Proceeds from sale of equipment	45										-	45
Dividends received	-										-	-
<i>Net cash used in investing activities</i>	(1,258)	-	-	-	-	-	-	-	-	-	-	(1,258)
<b>Cash flows from financing activities</b>												
Increase / (decrease) in long term loans	1,111										-	1,111
Receipts from financing of assets	80										-	80
Payment of Finance Lease and HP liabilities	(725)										-	(725)
Dividends paid	(799)										-	(799)
<i>Net cash used in financing activities</i>	(333)	-	-	-	-	-	-	-	-	-	-	(333)
<b>Net increase in cash and cash equivalents</b>	(1,178)	-	-	-	-	-	-	-	-	-	-	(1,178)
<b>Cash and cash equivalents at beginning of period</b>	(4,435)											(4,435)
<b>Exchange movements in cash and cash equivalents</b>	(9)											(9)
<b>Cash and cash equivalents at end of period</b>	(5,622)	-	-	-	-	-	-	-	-	-	-	(5,622)

Group IFRS segmental analysis for the half year ended 2 October 2004

Reconciliation of segmental analysis

	As reported (UK GAAP)	Adjustments required under IFRS									Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 14 Segment reporting	IAS 39 Financial instruments	Total effect of transition to IFRS				
For the half year ended 2 October 2004	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>United Kingdom &amp; Ireland - continuing activities</b>												
Turnover	15,183		(1,796)								(1,796)	13,387
Operating profit	(479)		611	9	2	235					857	378
Interest	(242)		11			101					112	(130)
Profit before taxation	(721)		622	9	2	336					969	248
<b>Australia - continuing activities</b>												
Turnover	11,632	410									410	12,042
Operating profit	1,569	64		8							72	1,641
Interest	(132)	(5)									(5)	(137)
Profit before taxation	1,437	59		8							67	1,504
<b>Associated company</b>												
Turnover											-	-
Operating profit											-	-
Interest											-	-
Profit before taxation	70	2									2	72
<b>Central costs</b>												
Operating profit						(235)					(235)	(235)
Interest						(101)	(76)				(177)	(177)
Profit before taxation						(336)	(76)				(412)	(412)
<b>Discontinued activities (All UK &amp; Ireland)</b>												
Turnover			1,796								1,796	1,796
Operating profit			(611)								(611)	(611)
Interest			(11)								(11)	(11)
Profit before taxation			(622)								(622)	(622)
<b>Group total</b>												
Turnover	26,815	410	-	-	-	-	-	-	-	-	410	27,225
Operating profit	1,090	64	-	17	2	-	-	-	-	-	83	1,173
Interest	(374)	(5)	-	-	-	-	(76)	-	-	-	(81)	(455)
Profit before taxation	786	61	-	17	2	-	(76)	-	-	-	4	790

Group IFRS segmental analysis for the half year ended 2 October 2004

Additional disclosure by primary segment	As reported (UK GAAP)	Adjustments required under IFRS							Total effect of transition to IFRS	Restated under IFRS	
		IAS 21 Foreign exchange rate	IFRS 5 Discontinued operations	IAS 16 Property valuation	IFRS 3 Business combinations	IAS 14 Segment reporting	IAS 39 Financial instruments				
For the half year ended 2 October 2004	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>United Kingdom &amp; Ireland - continuing activities</b>											
Net assets	13,611			429	2	(5,142)				(4,711)	8,900
Net debt	9,942					(2,091)				(2,091)	7,851
Capital expenditure	577					(13)				(13)	564
Depreciation, & amortisation of intangibles	578			(1)	(2)	(41)				(44)	534
<b>Australia - continuing activities</b>											
Net assets	11,603			424						424	12,027
Net debt	2,788									-	2,788
Capital expenditure	726									-	726
Depreciation, & amortisation of intangibles	536			(8)						(8)	528
<b>Associated company</b>											
Net assets	354	(3)								(3)	351
<b>Central costs (net of rental income)</b>											
Net assets	-			(2)		5,142	(53)			5,087	5,087
Net debt	-					2,091				2,091	2,091
Capital expenditure	-					13				13	13
Depreciation, & amortisation of intangibles	-			(8)		41				33	33
<b>Discontinued activities (All UK &amp; Ireland)</b>											
Net assets	-									-	-
Net debt	-									-	-
Capital expenditure	-									-	-
Depreciation, & amortisation of intangibles	-									-	-
<b>Group total</b>											
Net assets	25,568	(3)	-	851	2	-	(53)	-	-	797	26,365
Net debt	12,730	-	-	-	-	-	-	-	-	-	12,730
Capital expenditure	1,303	-	-	-	-	-	-	-	-	-	1,303
Depreciation, & amortisation of intangibles	1,114	-	-	(17)	(2)	-	-	-	-	(19)	1,095

## **Explanatory notes to the adjustments from UK GAAP to IFRS**

**For the six month period ended 2 October 2004**

### **Effects of foreign currencies**

Under UK GAAP Victoria P.L.C. took the option to translate the profits and losses of overseas operations into Sterling at the rate prevailing at the end of the period. Under IFRS, this option is not available, and the results of overseas operations are now brought into account at the average rate of exchange prevailing during the period.

The effect of this is to increase the profit after tax in the six month period ended 2 October 2004 by £42,000.

### **Discontinued operations**

Under UK GAAP, turnover, operating profit and the gain / loss on disposal or discontinuance of businesses was shown separately for discontinued operations.

Under IFRS the disclosure of operating profit, the gain / loss on disposal or discontinuance of businesses and the taxation relating to discontinued operations are shown in aggregate on the primary statement.

The IFRS accounts show the income and expenditure from Axminster weaving activity that was discontinued in March 2005 as discontinued operations in order to provide an appropriate comparison for the 6 month period to October 2005.

### **Dividends**

Under UK GAAP, dividends were accrued on the balance sheet when they were proposed by the Board. Under IFRS, dividends are not accrued until they have been declared.

There is no adjustment to the balance sheet at 2 October 2004, as no dividends had been proposed that had not already been approved in general meeting and paid.

### **Valuation of properties and deferred tax**

Under UK GAAP, freehold land and buildings belonging to the Group were last revalued at 28 March 1998. When FRS15 was introduced in 2000, the Group adopted the policy of accounting for property at cost, and the previous revaluation, as varied by subsequent additions and disposals, was treated as the deemed cost. No deferred tax was provided on the revaluation surplus.

Under IFRS, the Group will adopt the cost model for land and buildings, taking advantage of the option available under IFRS1 to treat a professionally obtained valuation as at 3 April 2004 as deemed cost. A valuation uplift of £1,344,000 is applied to Property, plant and equipment in the opening balance sheet at 3 April 2004. Following movements in exchange rates and an

adjustment to the depreciation charge, the equivalent valuation uplift at 2 October 2004 was £1,343,000.

Under IAS12, deferred tax is provided on the potential taxable gain on the sale of land at its revalued level, and on temporary differences between the tax base and carrying cost of buildings. The additional deferred tax provision arising from the property revaluation and adoption of IAS 12 amounted to £492,000 in the balance sheet at 2 October 2004.

### **Goodwill amortisation**

Under UK GAAP, the Group amortised goodwill over 20 years resulting in a charge in the six months ended 2 October 2004 of £2,000 before deferred tax, which all related to continuing operations. Under IFRS, goodwill is not amortised but is tested for impairment both annually and when there are indications that the carrying value may not be recoverable.

### **Financial instruments**

Under UK GAAP, no adjustment was made for movements in the fair value of derivatives used by the Group to manage its exposure to interest rates and currencies.

Under IFRS, the interest rate derivatives used by the Group do not qualify for "hedge accounting" and are therefore marked to fair value at the end of each accounting period, with the change taken to profit or loss.

The adjustment in respect of the six months ended 2 October 2004 is a charge of £53,000 (net of deferred tax).

### **Investment property**

Properties which are not used by the Group for its current operations and are not reasonably certain to be sold within 12 months are treated under IAS 40 as Investment Properties. The Group has elected to adopt the professional valuations at 3 April 2004 as the deemed cost and will now account for these properties under the cost model.

Two properties in the UK are treated as investment properties and these have a book value of £180,000.

### **Cashflow**

The transition from a UK GAAP to IFRS reporting basis does not have an impact on the cash position of the Group. The adjustments to the income statement that are explained above are either non-cash items, or have an equal and opposite adjustment in working capital, so that the net cash from operating activities remains the same under IFRS as under UK GAAP, as shown on the reconciliations in attachment 2.4.

IFRS are subject to continuing review and amendment by the International Accounting Standards Board ("IASB") and subsequent endorsement by the European Commission and therefore are subject to change. Therefore in determining the group's IFRS accounting policies, the Board of Directors has used its best endeavours in making assumptions about those IFRS expected to be effective or available for adoption when the first IFRS annual financial statements are prepared for the year ending 1 April

2006. As the accounting policies used to prepare the Interim Financial Statements may need to be updated for any subsequent amendments to IFRS required for first time adoption, or any new IFRS the group may elect to adopt, it is possible that the preliminary opening balance sheet and IFRS comparatives may require adjustment before being finalised.