282204

Key events

"Firm Twist" wins UK industry award for best synthetic and wool rich tufted carpet range

Launch of "Natural Look" and "Chateau Royale" products

September 1998

Australian yarn spinning capacity increased by 33% as new equipment is commissioned

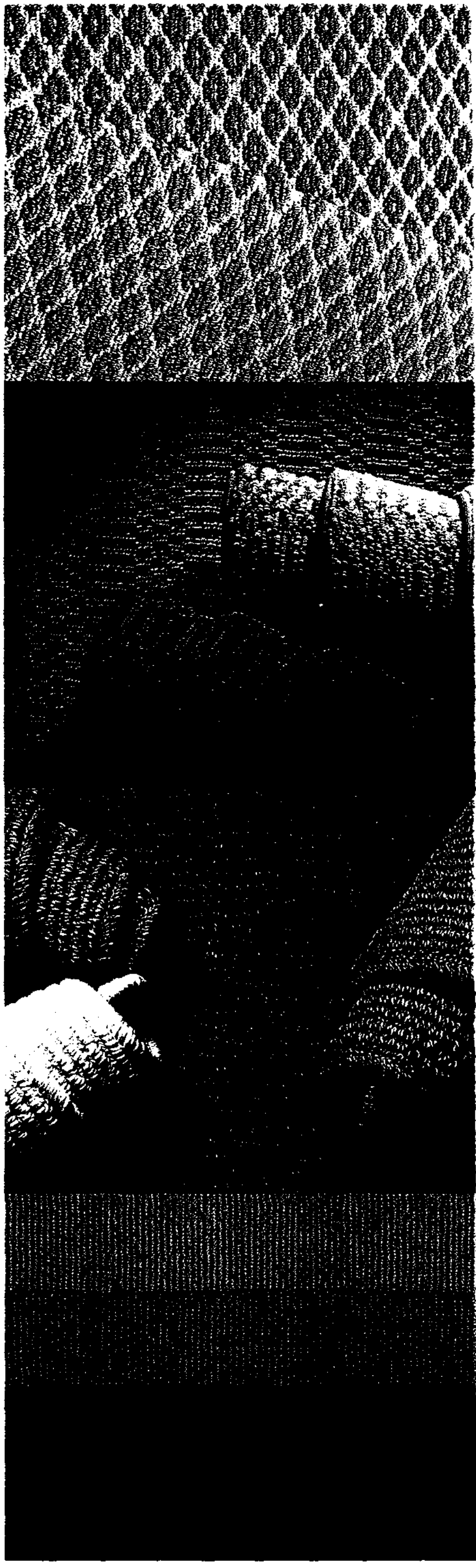
[illegible] 1998

Conditional contract signed for sale of Green Street property for £3 million

December 1998

"Sovereign" and "Tudor Twist" products launched

March 1999



...ccessful ranges of carpet produced ...ia Carpet Company Pty in Australia. From top: Aubusson, Andalucia, ...atural Cord Heather and Wool Cord

Chairman's Statement

Introduction

By building upon the strong foundations laid over the past two years and pursuing our clearly defined strategy the Group has again made further significant progress during the year despite testing conditions faced in many of our markets.

In the United Kingdom we have strengthened our position as one of the country's leading independent, quality carpet manufacturers and in Australia the company has consolidated its position too, producing up to a third of the Group's profits.

Victoria is committed to delivering shareholder value, whilst continuing to invest for the long term benefit of its business and its employees.

We are continuously striving to improve performance, by understanding the customers' requirements, providing a consistently high level of service and value for money products, with the objective of becoming the customers' preferred supplier.

The successful result we are able to deliver in 1999 is in no small part due to this philosophy, coupled with hard work, dedication and ingenuity of all our employees.

Results

The Group's turnover was down by 3% in the year from £35.73 million in 1998 to £34.80 million, as we concentrated on improving our margin by strengthening our customer base and product portfolio. As a result our operating profit rose by 31% in the year to £1.91 million *(1998 £1.45 million)*. Net profit before tax increased by 50% from £1.01 million in 1998 to £1.50 million in the period. Earnings per share increased by 38% to 14.73p per share *(1998 10.71p)*.

Notwithstanding a capital expenditure programme of £1.06 million during the year, Group borrowings reduced to £3.49 million, whilst shareholders' funds increased to £17.1 million. Gearing has therefore reduced from 38% to 20%.

Good performances were recorded in all of our core businesses, despite difficult trading conditions in the UK, where High Street sales for big ticket consumer products such as carpet turned down in December 1998.

Our strategy of concentrating on the Independent Retail sector, which has weathered the down-turn much better than the large groups, has been vindicated and we have continued to develop our market share at a pace in this sector.

Exports from the UK have remained difficult throughout the year, affected both by the strength of Sterling and the poor state of the economies in many of our overseas markets. Nevertheless exports from the UK still form a fundamental part of our future and remain a significant part of our turnover from the UK at £4.40 million in the year *(1998 £5.28 million)*.

Our Australian operations made a strong recovery in the period with profits now flowing through well from the substantial investments made in yarn spinning at Castlemaine. The carpet manufacturing operation at Dandenong has also made good progress with the market for better quality woollen carpets improving.

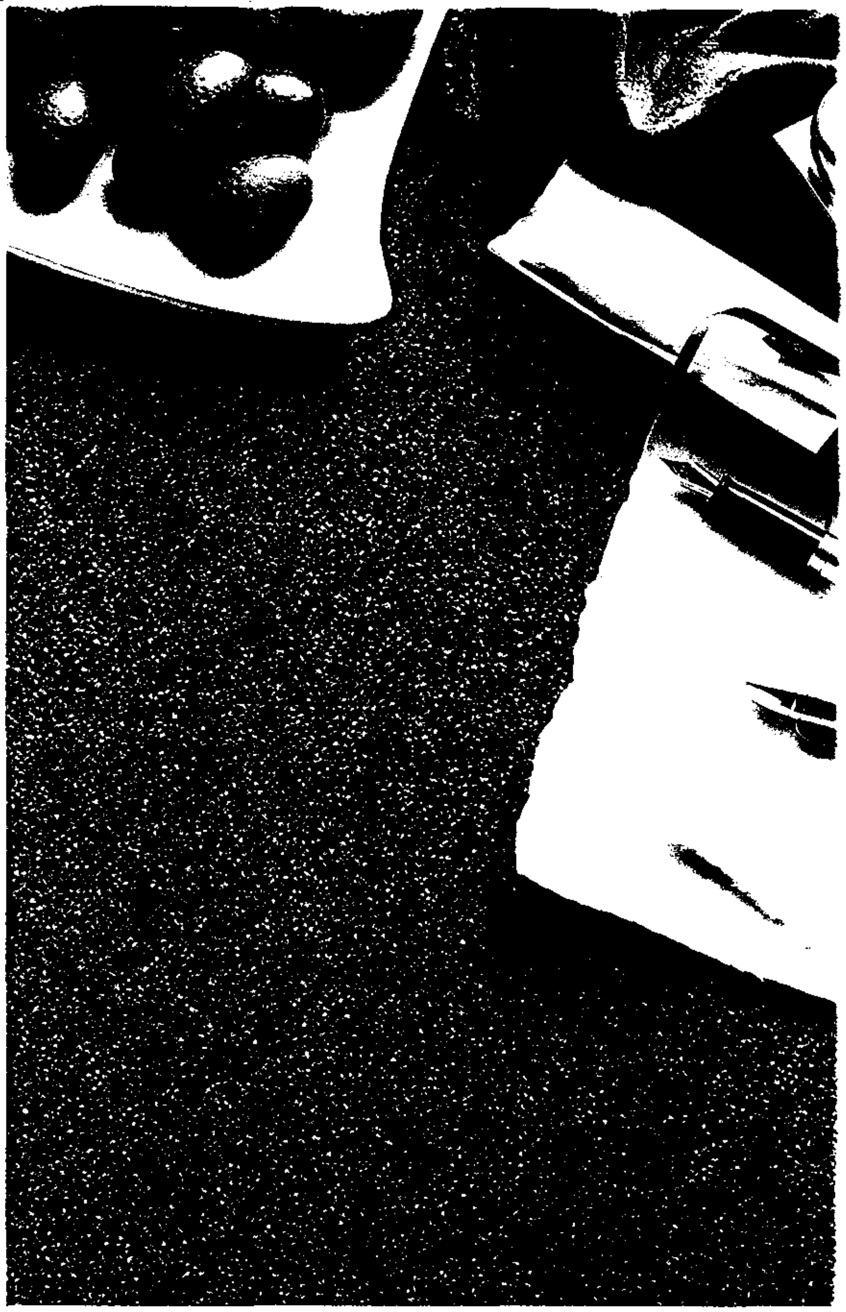
Dividend

In the light of this excellent performance, the Board is pleased to continue with its progressive dividend policy in recommending a final dividend of 4.5p per share, an increase of 29%. Subject to approval at the Annual General Meeting on 19 July 1999, this dividend will be paid on 26 July 1999 to shareholders on the register at 2 July 1999.

Property

It has always been one of the strategic aims of the Group to consolidate our carpet manufacturing operations in the UK on to one location in Kidderminster at our Worcester Road site.
On 25 May 1999 we gave a letter of intent to Wrekin Construction for a construction contract which will enable the necessary construction work to commence. The Board has already approved expenditure of around £1.9 million for the necessary production facilities and a new Head Office at Worcester Road to enable this relocation to take place. We are confident that this is a sound capital investment based upon the manufacturing efficiencies which will come from single site operation.

You will recall that we announced in December 1998 that we had signed a conditional contract for the sale of the Green Street property to Morbaine Limited for £3 million. We are still waiting to hear that certain planning conditions have been satisfied and when those conditions are met, we shall convene an Extraordinary General Meeting to obtain the necessary shareholder approval to enable the



Victoria's new "Tudor Twist". An 80:20 wool polypropylene twist pile carpet offering exceptional value for the retailer and his customer.

transaction to be finalised. We will at that stage also inform shareholders of our intentions relating to the utilisation of the proceeds of sale.

The Group's portfolio of freehold properties includes further sites which are surplus to our long-term requirements and opportunities for additional disposals remain under active review.

Prospects

Whilst currently difficult trading conditions in the UK still prevail, I am confident that the considerable investments we have made in both plant, equipment and new product ranges are all bearing fruit and that there is still good scope for organic growth and further improvements in profitability.

In Australia, the market which has shown recent signs of recovery, is anticipated to continue to improve during 1999 as the Millennium approaches. Profits from the investments we made earlier in the year at our yarn spinning division in Castlemaine should also continue to flow through as we bring more yarn supply in-house.

The Group is well placed to make further significant progress in the current year.

Bob Gilbert

R M Gilbert
Chairman

Operating Review

United Kingdom

The improvement in the UK has been significant with the previously made investments in state of the art equipment, point of sale display materials and new product ranges all now bearing fruit. We have made very good progress in the year despite the very testing market conditions which we estimate may have seen the market down by around 10% compared to the previous year.

Against this back-drop, the UK operation showed a 22.7% improvement in profitability for the year, rising from £0.81 million in 1998 to £1.00 million in the year being reported.

In carpet manufacturing the new products introduced over the past 18 months as part of our strategy to target the Independent Retailers have all continued to sell well. Our *"Duchess"* range is now recognised to be the leading 80% wool, 20% nylon velvet in the market and the *"Firm Twist"* collection can claim a similar accolade in the 50% wool, 50% polypropylene twist pile sector.

Further new products launched in the past 6 months, *"Natural Look"* and *"Chateau Royale"* are already proving popular and in the early part of the current year, the new ranges of *"Tudor Twist"* and *"Sovereign"* have been launched to capitalise further on our growing success. We will continue to invest in point of sale presentation materials to enable us to "brand" our products whenever possible.

Our progressive and consistent strategy of understanding our customers' requirements, continuously improving our performance and delivering value for money products of differentiation have all contributed to our growing sales to the Independent Retailers, which now account for over 47% of UK sales.

Our sales to some of the larger groups have, however, declined in the year, which is perhaps reflective of the well published problems this sector has been experiencing in difficult market conditions.

Export sales have also declined in the year from £5.28 million to £4.40 million (down 16.7%). This is due to a combination of the strength of Sterling, poor market conditions and increased competition from other UK manufacturers seeking to make up lost ground from poor sales in the UK in overseas markets. We have, however, grown our business in certain key European markets and have plans for new products targeted at the export sector, which will, hopefully restore our fortunes. The continued strength of Sterling does, however, remain a concern.

On the carpet production side of our business, we continue to strive to drive costs down in our manufacturing operations and we look forward to completing the consolidation of our production facilities and finished goods storage on to one site in Kidderminster later in 1999.

We are also, as part of this consolidation, extending our Worcester Road factory with 42,000 sq ft of additional factory and warehouse space, a new 8,000 sq ft hank dyehouse and 8,500 sq ft office and administration accommodation. It is anticipated that this will bring both greater management control and significant cost savings.

Westwood Yarns, our spinning division based at Holmfirth, has once more performed and contributed well throughout what was a very difficult year for them. Sales of yarn to other carpet manufacturers did fall away during the year as their businesses suffered with the down-turn in the market. Fortunately, Victoria Carpets was able to increase the proportion of yarn it takes from Westwood and, whilst there was some under utilisation of capacity, a strong performance was yet again delivered.

Investments are planned here too enabling us to keep Westwoods as one of the UK's foremost dry woollen spinners.

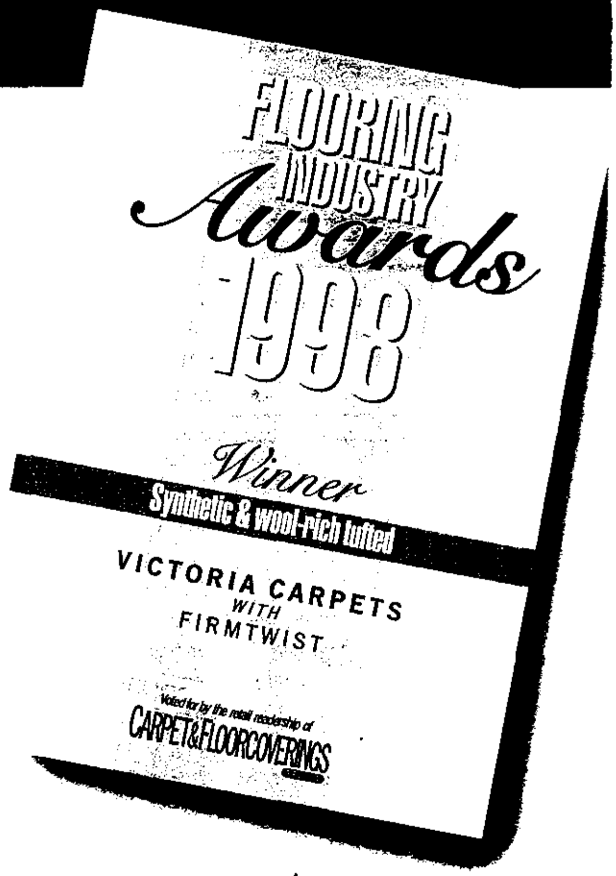
Australia

The Australian operation continued its sales and profit growth, achieving its best result for some years.

The market in Australia and overseas, for quality wool carpets, showed growth during the year, and there is good reason to expect this trend to continue. The investment made during the second half of the year, in our state-of-the-art spinning mill at Castlemaine, Victoria assisted in the improvement in productivity and profitability at our carpet operations.

The management team in Australia has been strengthened by the appointment during the year of a professional Marketing Manager, and a new Manufacturing Manager at our Dandenong carpet plant.

The award winning "Firm Twist" collection from Victoria Carpets.



The outlook for business in Australia is most positive. Market demand is strong, although there remains a tendency for several significant producers to 'buy' market share at prices approximating cost of production. The Australian government is also actively supporting the industry with new proposals for assistance with strategic investment. We are well positioned to continue to improve on the good results now being achieved in Australia.

Canada

Colin Campbell & Sons Ltd, our associated company in Canada had an excellent result with its contribution to our Group profit up from £34,000 to £40,000 (18%) in the year. Campbells continues to be a valuable asset to the Group in the distribution of our products to the high end designer and contract carpet markets in Western Canada.

A R Bullock
Group Managing Director

Financial Review

Operating results

Group sales were £34.80 million. Australian sales increased by 7.8% whilst UK sales were 6.9% lower than the previous year, as a result of the factors outlined in the Operating Review.

In the UK the emphasis has remained on developing better value products and building sales with independent retailers. In Australia, we have concentrated on increasing the proportion of yarn produced in-house and this, together with progress in margin on carpet production, has led to the considerable increase in profitability there.
As a result, despite the depressed level of activity on the UK high street during the year, we have been able to raise operating profits by 31.4% from £1,454,000 to £1,910,000.

One of our key measures is return on sales, and this year's Group result shows a further increase in this measure with operating profit margin up from 4.06% to 5.49% and pre-tax profit margin up from 2.81% to 4.32%.

Interest and interest cover

The interest charge for the year was £0.45 million. The reduction from the previous year's charge of £0.48 million was due to a combination of lower borrowings, a lower interest rate environment and improved treasury management. After the increase in profitability, interest cover was 4.28 times, compared to 3.01 times in the previous year.

Taxation

The tax charge for the year of £0.49 million represented an effective rate of 32.8%.
As forecast, the increase in profitability has lifted the rate from the previous year's level of 26.9%. This is due to a reduced benefit from the smaller companies rate and the increasing proportion of profits earned in Australia where the corporate tax rate is 36%.

Earnings per share

Earnings per share increased by 37.5% due to the strong increase in profitability, held back slightly by the higher tax charge.

Dividend

The directors are recommending a final dividend of 4.5p per share. This represents an increase of 28.6% over last year's total of 3.5p and maintains dividend cover at 3.27 times.

Cash flow

Adding back depreciation of £1.04 million to operating profits gave a gross cash flow of £2.95 million *(1998 £2.57 million)*. Reductions in working capital, particularly from close control of stock levels, added £1.71 million to give operating cash flow of £4.56 million *(1998 £0.69 million)*.

Capital expenditure was £1.06 million, of which £0.59 million was on replacement assets, and £0.47 million represented investment in additional plant and equipment which will add to profitability in future periods.

After tax, interest and dividend payments, net cash flow of £2.70 million was applied to the reduction of net borrowings.

Shareholders' funds

The balance sheet remains strong with net assets of £17.07 million, or 249p per share *(1998 £16.50 million and 240p per share)*.

Borrowings and gearing

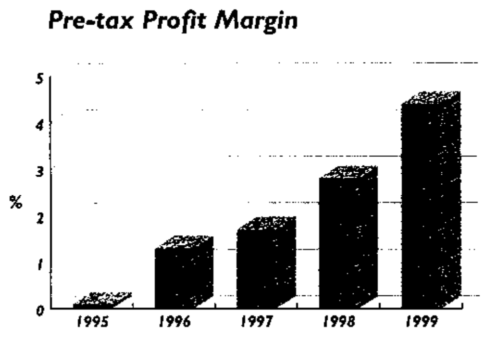
The strong cash flow during the year reduced net borrowings from £6.19 million at the start of the year to £3.49 million at the year end. Net gearing reduced from 38% to 20%.

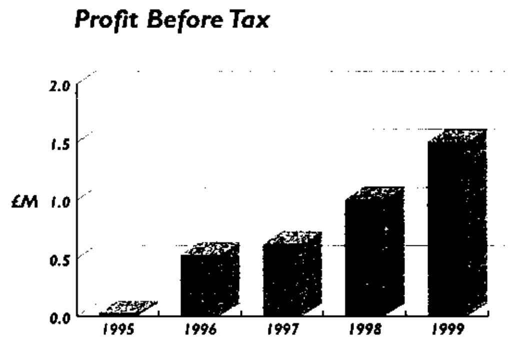
Year 2000 and Euro

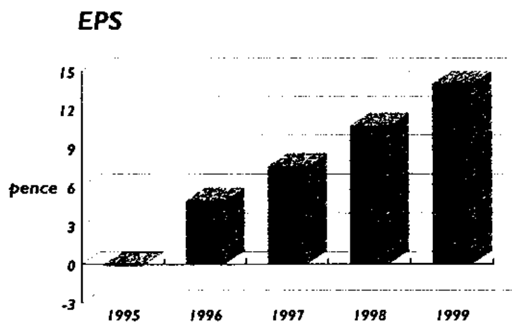
The most significant result of the Group's Year 2000 review was the need to modify or upgrade the computer systems of Victoria Carpets in the UK. The decision was taken to remain with the same supplier, but to completely update the whole system at a capital cost of approximately £180,000. The upgraded system will be Millennium compatible and Euro-ready. This upgrade is well underway and is due to be completed in August 1999. All other modifications identified as being required for Millennium compliance have been carried out.

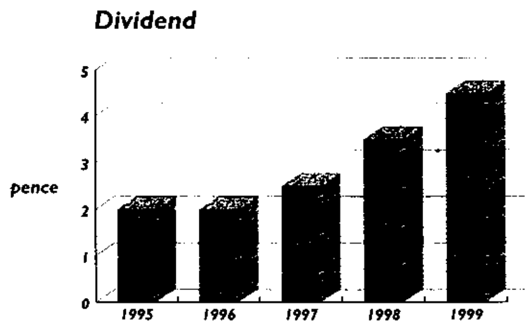
M S W Lee
Group Finance Director

Point of sale display labels introduced by Victoria Carpets to bring home the benefits of carpet.









Directors and Advisers

Bob Gilbert
Chairman – Non-executive
Joined the Board as Chairman in July 1996, having previously been Chairman of Everest Foods PLC and Plumb Holdings PLC. Deputy Senior Partner of Wragge & Co., the Group's solicitors, and associated with the Group for over 20 years.

Alan Bullock
Group Managing Director
Appointed to the Board of Victoria P.L.C. in September 1996 as Managing Director. Also Joint Managing Director of Victoria Carpets Ltd. which he joined in 1972 and where he held the post of Export Director for 17 years.

Mark Lee
Group Finance Director
Joined the Board in May 1998 as Group Finance Director. A Chartered Accountant and graduate engineer, he was previously a director of Arthur Andersen Corporate Finance and before that worked for a London merchant bank.

Alexander Anton
Non-executive
A non-executive director of Victoria Carpets Limited since 1987 and now its Chairman. Joined the Board of Victoria P.L.C. in April 1995. Chief Executive of Fraser Trust, a property management business which he co-founded in 1993.

John Duncan
Appointed to the Board of Victoria P.L.C. as Sales & Marketing Director in September 1996. Also Joint Managing Director of Victoria Carpets Ltd. which he joined in 1970 and where he held the posts of Regional Sales Manager and Sales & Marketing Director.

Michael Oakley – Australian
Appointed to the Board in 1994. Joined the Group in Australia in 1979 and has been Managing Director of The Victoria Carpet Company Pty Limited since 1986.

Keith Ackroyd
Non-executive
Joined the Board in August 1998. Non-executive Chairman of Silentnight Holdings Plc and non-executive director of Novara Plc and the Passport Agency. Previously a main board director of The Boots Company PLC where he was responsible for Boots the Chemists and then the whole retail division.

Brian Priest
Managing Director of Westwood Yarns Limited, a company he founded in 1976 and which was acquired by the Group in 1989. He joined the Board in 1993.

Honorary President - G S F Anton

Secretary and Registered Office
T A Danks
Green Street
Kidderminster, DY10 1HL

Bankers
Barclays Bank PLC

Stockbrokers
Albert E. Sharp Securities

Registered Number
282204

Solicitors
Wragge & Co

Registrars
C.I. Registrars Ltd

Directors' Report

The directors present their report and the audited accounts for the year ended 3 April 1999

Principal activities and business review

The Group is engaged in the manufacture and sale of carpets and carpet yarns. A review of the business during the year and its future development is included in the Chairman's Statement and the Operating and Financial Reviews on pages 4 to 7. Details of subsidiary companies are set out in note 11 to the accounts.

Results and dividends

	£000
The profit attributable to shareholders is	1,011
Final dividend of 4.5p per share	309
Retained profit	702

A final dividend on the Ordinary Shares will be paid on 26 July 1999 to members on the register at the close of business on 2 July 1999.

Fixed assets

Movements in fixed assets are shown in notes 10 and 11 to the accounts.

On 23 December 1998, the Company entered into a conditional contract for the sale of its freehold property in Green Street Kidderminster. Further information on this transaction is included in the Chairman's Report and the Operating Review.

Substantial shareholdings

Other than directors, at 1 June 1999 the following material interests in more than 3% of the issued Ordinary Share capital have been notified to the Company:

G S F Anton	8.0%
C G F Anton	5.4%
P J Anton	4.0%
J H H Anton	3.7%
Curtis (Wool) Holdings Ltd Retirement and Death Benefit Scheme	3.0%

Directors and their interests

The directors of the Company are listed on page 8 together with biographical details. M S W Lee and K Ackroyd were appointed to the Board on 1 May 1998 and 3 August 1998 respectively. P J Anton and M Lloyd retired as directors on 31 March 1998.

The directors retiring by rotation are R M Gilbert and M W Oakley who, being eligible, offer themselves for re-election. K Ackroyd retires at the first AGM following his appointment and, being eligible will offer himself for election. Details of all directors' service contracts are set out in the Board Report on Remuneration on page 13. No director either during or at the end of the financial year was materially interested in any significant contract with the Company or any subsidiary undertaking. During the year, fees of £25,515 were paid to the Group's solicitors, Wragge & Co. of which R M Gilbert is a partner.

The directors of the Company who held office at 3 April 1999 had the following interests in the Ordinary Shares of the Company:

	1 June 1999		*3 April 1999*		*28 March 1998*	
Name	***Beneficial***	***Non-Beneficial***	*Beneficial*	*Non-Beneficial*	*Beneficial*	*Non-Beneficial*
K Ackroyd	**–**	**–**	–	–	–	–
I A Anton	***126,775***	***615,000***	*126,775*	*615,000*	*126,775*	*70,000*
A R Bullock	***26,000***	***525,000***	*26,000*	*525,000*	*19,000*	*525,000*
J A Duncan	***10,000***	***525,000***	*10,000*	*525,000*	*10,000*	*525,000*
R M Gilbert	**–**	***525,000***	–	*525,000*	–	*525,000*
M S W Lee	***15,000***	**–**	*15,000*	–	–	–
M W Oakley	**–**	**–**	–	–	–	–
B W Priest	***501,267***	**–**	*501,267*	–	*501,267*	–

The non-beneficial shareholdings of Messrs. Anton, Bullock, Duncan and Gilbert relate in part or in whole to the 525,000 shares they hold as trustees of The Victoria P.L.C. Employee Benefit Scheme. These shares represent 7.7% of the ordinary share capital of the Company.

Directors' Report

Continued

Details of directors' options to purchase shares under the Executive Share Option Scheme are shown in note 5 to the accounts.

Employees

Employees are encouraged to attend training courses and there is regular consultation with employee representatives to ensure that employees are informed of all matters affecting them.

Applications for employment by disabled persons are given full and fair consideration having regard to their particular aptitudes and abilities. Appropriate training within their capabilities is provided for disabled employees seeking career development. Employees who become disabled during their employment have continued in employment wherever possible.

Payment policy

The Group does not have a written code or standard on payment practice. It negotiates settlement terms with each of its suppliers. Payments are then made to suppliers in accordance with those terms provided the supplier has carried out his agreed obligations in a satisfactory manner. The amount due to trade creditors on 3 April 1999 represented 54 days' purchases from suppliers *(1998: 53 days)*.

Charitable and political contributions

The total charitable contributions made in the United Kingdom amounted to £1,096. There were no political contributions.

Taxation Status

The directors are informed that the Company is not a 'close company' within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

HLB Kidsons (formerly Kidsons Impey) have agreed to offer themselves for re-election as auditors of the Company. A resolution proposing their re-appointment for the ensuing year will be placed before the Annual General Meeting.

Annual General Meeting

The notice of AGM, to be held on 19 July 1999, is set out on pages 32 and 33. The AGM resolutions include three items of special business which, briefly, relate to the renewal of the directors' authority to allot Ordinary Shares, the disapplication of pre-emption rights to permit limited allotment of Ordinary Shares for cash, and the repurchase by the Company of up to 10% of its own shares.

TA Danks

Green Street
Kidderminster
8 June 1999

By Order of the Board
T A Danks
Secretary

Corporate Governance Statement

Corporate Governance

The Company has complied throughout the accounting period with the Code of Best Practice set out in Section 1 of the Combined Code on corporate governance, except for the following matter: that the number of non-executive directors fell to two for the period between 31 March 1998 and the appointment of Mr K Ackroyd on 3 August 1998.

The Company has applied the Principles of Good Governance set out in the Combined Code by complying with the Code of Best Practice. Further explanation of how the principles have been applied is set out in this report and in the Board Report on Remuneration on page 13.

Responsibilities of the Board

The directors are required by UK company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and profit or loss of the Group for the year then ended.

The directors confirm that suitable accounting policies have been selected and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 3 April 1999. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, safeguarding the assets of the Company and the Group, and taking reasonable steps to prevent and detect fraud and other irregularities.

Composition of the Board and Committees

Details of the Board and its standing committees are as follows:

The Board

The Board is committed to maintaining an appropriate balance between executive and non-executive directors. It currently consists of five executive and three non-executive directors as shown on page 8 who meet monthly throughout the year. A formal schedule of matters reserved for the decision of the Board covers key areas of the Group's affairs. Board papers are distributed the week before board meetings and Board decisions are only taken when adequate information is available to the Board or are deferred when further information is required.

Audit Committee

The Audit Committee comprises R M Gilbert (Chairman), I A Anton and K Ackroyd. The Committee meets at least twice a year.

The Committee's responsibilities include the following:

- To review the adequacy of the Group's accounting, financial and operating controls and make recommendations as appropriate.
- To review the proposed accounts of the Group prior to publication, and make recommendations regarding the rate of dividend and any other special appropriations.
- To recommend the appointment of auditors and review the scope and results of their audit.
- To review the planning of internal and external audits, receive reports thereon and deal with any control weaknesses identified.

Nominations Committee

A Nominations Committee was formed on 3 August 1998 with membership comprised of K Ackroyd (Chairman), I A Anton and B W Priest. The Committee meets when required to make recommendations to the Board on all new Board appointments.

Remuneration Committee

The Board Report on Remuneration on page 13 includes details of the composition and policy of the Remuneration Committee and how it has contributed to the Board's compliance with the Code of Best Practice.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate Governance Statement

Continued

Internal Financial Control

The directors acknowledge that they are responsible for the Group's system of internal financial control which is designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The directors have reviewed the effectiveness of the system of internal financial control, the major elements of which are:–

- Group companies have clearly defined organisational structures with key personnel having specific authority and accountability.
- Each business operates with budgets approved by the Board. Actual results are reported every month to the Board and are compared with the budget and previous years, with all material variances being explained. Capital expenditure proposals are approved as part of the budgeting procedures and all material items must be approved by the Board before the expenditure is undertaken.
- The identification of business risks is carried out in conjunction with operating management and steps are taken to ensure that all risks which can reasonably be covered are covered.
- The system of internal financial control is under continuous review and corrective action is taken where weaknesses are identified.

Board Report on Remuneration

Remuneration Committee

The Remuneration Committee is comprised of R M Gilbert (Chairman), I A Anton and K Ackroyd, all independent non-executive directors. Its policy is to contribute to the success of the company by ensuring that high quality senior executives are attracted, retained and motivated by competitive remuneration packages. The Remuneration Committee meets at least twice a year to review and determine the remuneration of the executive directors.

Directors' remuneration

Full details of the Directors' remuneration for the year ending 3 April 1999 and information on share options and pension benefits are set out in note 5 to the accounts.

Directors' remuneration is composed of the following elements.

Basic salary/fees

The basic salary and benefits of executive directors are determined by the Remuneration Committee. Benefits include fully expensed company cars, fuel, private health care and life assurance. Salaries are reviewed annually in the context of market comparisons and individual performance.

The remuneration of the non-executive directors is determined by the Board as a whole.

Performance related rewards

The remuneration policy of the committee supports the principle of the Combined Code that the performance related elements of remuneration should form a significant proportion of the total remuneration package of executive directors and should be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.

A bonus structure was introduced during the year covering main board and subsidiary directors in the UK. For the year to 3 April 1999, bonuses have been determined by the degree to which the group and the various operating units have exceeded their profit targets. A profit related bonus scheme is also in place to reward the directors and senior management of the Australian subsidiary.

Share options

The Company operated a share option scheme under which share options could be awarded to directors and senior employees between 1985 and 1995. Details of directors' remaining options outstanding under this scheme are provided in note 5 to the accounts. The establishment of a new share option scheme which would continue to align the interests of the directors with longer term growth in share value is under consideration.

Retirement benefits

The Group makes contributions to retirement benefit arrangements for each executive director. Following the closure of the Group's final salary scheme on 30 September 1998, each executive director is now a member of one of the Group's money purchase schemes.

Service contracts

Executive directors are all on 12 month rolling service contracts with the exception of M W Oakley (Australia) who does not have a service contract. Notice or termination can be given at any time except in the case of B W Priest who can not be given notice before 1 December 1999.

Non-executive directors are appointed for a fixed term of 3 years. R M Gilbert's services are provided under an agreement with Winchdown Limited of which he is a director. This agreement has recently been renewed for a second term of three years ending 25 July 2002.
The appointments of I A Anton and K Ackroyd run until 30 November 1999 and 3 August 2001 respectively.

Auditors' Report

To the Members of Victoria P.L.C.

We have audited the accounts on pages 15 to 30 which have been prepared under the accounting policies set out on page 18.

Respective responsibilities of directors and auditors
The Company's directors are responsible for the preparation of the annual report, including as described on page 11 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 11 and 12 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 3 April 1999 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons.

HLB Kidsons
Registered Auditors
Chartered Accountants

Birmingham
8 June 1999

Group Profit and Loss Account

	Note	53 weeks ended 3 April 1999 £000	52 weeks ended 28 March 1998 £000
Turnover	1	**34,800**	35,728
Cost of sales		**25,033**	26,452
Gross profit		**9,767**	9,276
Distribution costs		**5,850**	6,372
Administrative expenses		**2,279**	1,694
Other operating income		**272**	244
Operating profit		**1,910**	1,454
Interest payable and similar charges	2	**446**	483
Share of profits of associated undertaking		**40**	34
Profit on ordinary activities before taxation	3	**1,504**	1,005
Taxation	6	**493**	270
Profit after taxation		**1,011**	735
Dividends paid and proposed	7	**309**	240
Retained profit	18	**702**	495
Earnings per share - basic	8	**14.73p**	10.71p
Earnings per share - diluted	8	**14.63p**	10.67p

Statement of Total Recognised Gains and Losses

	1999 £000	1998 £000
Profit after taxation	**1,011**	735
Currency translation differences on foreign currency net investments	**(124)**	(1,134)
Revaluation reserve increase	**–**	1,713
Total gains relating to the year	**887**	1,314
Total gains recognised since last annual report	**887**	1,314

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Balance Sheets

	Note	Group 3 April 1999 £000	Group 28 March 1998 £000	Company 3 April 1999 £000	Company 28 March 1998 £000
Fixed assets					
Tangible assets	10	**12,379**	12,472	**3,866**	3,875
Investments	11	**215**	196	**3,396**	3,409
		12,594	12,668	**7,262**	7,284
Current assets					
Stock	12	**9,135**	10,357	**–**	–
Debtors	13	**5,714**	6,032	**1,599**	1,546
Cash at bank and in hand		**169**	29	**–**	–
		15,018	16,418	**1,599**	1,546
Less: Current liabilities					
Creditors – amounts falling due within one year	14	**8,457**	10,092	**1,687**	1,460
Net current assets		**6,561**	6,326	**(88)**	86
Total assets less current liabilities		**19,155**	18,994	**7,174**	7,370
Less: Creditors - amounts falling due after more than one year	14	**1,391**	1,901	**11**	94
Provisions for liabilities and charges – deferred taxation	15	**691**	598	**135**	108
Net assets		**17,073**	16,495	**7,028**	7,168
Capital and reserves (equity)					
Share capital	17	**1,715**	1,715	**1,715**	1,715
Share premium	18	**749**	749	**749**	749
Revaluation reserve	18	**3,005**	3,014	**2,169**	2,169
Profit and loss account	18	**11,604**	11,017	**2,395**	2,535
Total shareholders' funds		**17,073**	16,495	**7,028**	7,168

The accounts on pages 15 to 30 were approved by the Board of Directors on 8 June 1999

R M Gilbert
M S W Lee } *Directors*

Group Cash Flow Statement

	Note	53 weeks ended 3 April 1999 £000	£000	52 weeks ended 28 March 1998 £000	£000
Net cash inflow from operating activities	20		**4,558**		686
Returns on investment and servicing of finance					
Interest paid		**(336)**		(363)	
Interest element of finance lease and hire purchase payments		**(110)**		(120)	
			(446)		(483)
Taxation					
UK Corporation Tax paid			**(219)**		(110)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**(1,055)**		(1,356)	
Receipts from sales of tangible fixed assets		**79**		49	
Redemption of shares in associated undertaking		**12**		13	
			(964)		(1,294)
			2,929		(1,201)
Equity dividends paid			**(240)**		(169)
			2,689		(1,370)
Financing					
Debt due within one year					
Repayment of secured loan		**(168)**		(407)	
(Decrease)/increase in long term loans		**(93)**		150	
Capital element of finance lease and hire purchase payments		**(547)**		(525)	
Receipts from financing of assets		**80**		707	
			(728)		(75)
Increase/(decrease) in cash	21		**1,961**		(1,445)

Accounting Policies

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and the historical cost accounting rules as modified by the revaluation of freehold property. Accounts are made up to the Saturday closest to the Accounting Reference Date of 31 March in each year.

Turnover

Turnover is the invoice value of sales by the Company and Subsidiaries, excluding sales within the Group.

Basis of consolidation

The Group accounts reflect the results and net assets of the Company and its Subsidiaries, the accounts of which are made up to the same date as that of the Company. Any intra-group profits are eliminated on consolidation. As provided by Section 230 of the Companies Act 1985, no separate profit and loss account dealing with the results of the Company only has been presented.

Goodwill

Goodwill arising on the acquisition of subsidiaries has been written off against reserves in the year the cost was incurred.

Associated undertakings

Associated undertakings are undertakings in which the Group has a substantial interest which is held for the long term and over which the Group exercises significant influence. The Group's share of profits less losses of associated undertakings is included in the Group profit and loss account, and the Group's share of post acquisition retained profits and reserves is added to the cost of the investments in the Group balance sheet. These amounts are taken from the latest audited accounts of the undertakings concerned, which are made up to dates not more than six months prior to the end of the financial year of the Group.

Overseas subsidiaries and associated undertakings

The results of overseas subsidiaries and the Group's share of the results of overseas associated undertakings are translated at closing rates of exchange. Differences arising on translation are added to or deducted from reserves.

Foreign currencies

Transactions expressed in foreign currencies are translated into Sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Other exchange differences are included in operating profit.

Fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation. Depreciation is being charged at varying rates so as to write off the asset cost or valuation less any recoverable value over its anticipated useful life. The following rates of depreciation have been used:

Freehold land	Nil
Plant & equipment	6.67% to 33.33%
Freehold buildings	2% to 2.5%
Motor vehicles	20% to 25%

The revaluation surplus is being released to profit and loss account at the same rate as the revalued assets are depreciated or on disposal.

Assets purchased under hire purchase and finance lease agreements are capitalised and the net obligation is included within creditors. Interest is allocated over the period of the agreement on a straight line basis. Costs incurred under operating leases are written off against revenue. Future obligations under operating leases are disclosed in the accounts.

Stock

Stock and work-in-progress are consistently valued at the lower of cost and estimated realisable value. Cost comprises average purchase price of raw materials including all directly attributable costs, less trade discounts, and cost of manufacture including works overheads, where appropriate, based on a normal level of activity. Estimated realisable value consists of the actual or estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution. Due allowance is made for obsolete and slow-moving items.

Deferred taxation

Deferred taxation is provided in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pension costs

The cost of providing retirement pensions is charged to the profit and loss account over the period benefiting from the employees' services. Any difference between the charge to the profit and loss account and the contributions paid to the schemes in operation is shown as an asset or as a provision for a liability in the balance sheet.

Notes to the Accounts

1 Analysis of Group turnover and profit

The turnover, contribution to profit and net assets are geographically spread as follows:

	1999			1998		
	Turnover	**Profit on ordinary activities**	**Net assets**	Turnover	Profit on ordinary activities	Net assets
	£000	**£000**	**£000**	£000	£000	£000
United Kingdom	**23,482**	**996**	**10,196**	25,225	812	9,766
Australia	**11,318**	**468**	**6,662**	10,503	159	6,533
Canada	**–**	**40**	**215**	–	34	196
	34,800	**1,504**	**17,073**	35,728	1,005	16,495

The Group's turnover and profits were derived from continuing operations during the current and previous years. *No operations have been acquired during these two years.*

2 Interest payable and similar charges

	1999	1998
	£000	£000
Loans and overdrafts wholly repayable within five years	**336**	363
Hire purchase and finance lease interest	***110***	*120*
	446	483

3 Profit on ordinary activities before taxation

	1999	1998
	£000	£000
After charging:		
Depreciation	**1,035**	1,111
Charges under operating leases	**95**	83
Auditors' remuneration – audit	**38**	41
– other	**27**	24

Notes to the Accounts

Continued

4 Staff costs

	1999 £000	1998 £000
Wages and salaries	**8,572**	7,886
Social security costs	**669**	629
Other pension costs	**495**	405
	9,736	8,920

Average number employed	United Kingdom	Australia	Total
1999	420	177	**597**
1998	447	164	**611**

Pension costs

The Group operates a number of pension schemes. The pension scheme in Australia is a defined contribution scheme. During the year, the defined benefit scheme in the UK was closed and all active members joined a new money purchase scheme which was set up to replace it. A second money purchase scheme continues for other UK employees. The companies and the employees contribute towards the schemes.

The total pension cost for the Group was £495,000 *(1998 £405,000)* of which £272,000 *(1998 £204,000)* relates to the UK schemes.

The funding of the UK defined benefit scheme was assessed as at 30 September 1998 when the relevant companies terminated their participation. The actual value of scheme assets was sufficient to cover the Minimum Funding Requirement valuation of the scheme's liabilities at that date. The previous actuarial valuation of the scheme was performed as at 1 April 1997 by an independent, professionally qualified actuary, using the projected unit method. The main actuarial assumption used was an average yield to the fund of 2% in excess of the rate of salary increase. At that date the actuarial valuation of the scheme's assets was £5.9 million, which was sufficient to cover 100% of the benefits based on projected salaries which had accrued to members.

5 Directors' remuneration

Aggregate remuneration

The total amounts of directors' remuneration and other benefits were as follows:

	1999 £000	1998 £000
Emoluments	**466**	409
Contributions to money purchase pension schemes	**43**	19
	509	428

Notes to the Accounts

Continued

5 Directors' remuneration - continued

The emoluments of all directors for the year ended 3 April 1999 were as follows:

	Salary/ fees £000	Benefits in kind £000	Annual bonus £000	**Total 1999 £000**	Total 1998 £000
Executive					
A R Bullock	68	10	16	**94**	75
J A Duncan	64	7	12	**83**	70
M S W Lee *	55	8	17	**80**	–
M Lloyd *	–	–	–	**–**	69
M W Oakley	58	3	8	**69**	62
B W Priest	67	12	13	**92**	73
Non-executive					
R M Gilbert (chairman)	25	–	–	**25**	25
K Ackroyd *	8	–	–	**8**	–
I A Anton	15	–	–	**15**	16
P J Anton *	–	–	–	**–**	19
	360	40	66	**466**	409

*served for part of year only

Annual bonuses are determined by the Remuneration Committee in accordance with agreed bonus schemes based on performance and are capped at 40% of basic salary.

In addition to his emoluments shown above, Mr Lloyd was paid £28,288 by the Company following his resignation on 31 March 1998.

Directors' share options

	Number of options					
	At 28 March 1998	Exercised	**At 3 April 1999**	Exercise price	Date from which exercisable	Expiry date
M W Oakley	23,000	–	**23,000**	122p	19 Sept. 94	18 Sept. 01
A R Bullock	15,000	–	**15,000**	122p	19 Sept. 94	18 Sept. 01
J A Duncan	15,000	–	**15,000**	122p	19 Sept. 94	18 Sept. 01

No other directors have options to purchase shares.

Directors' pension entitlements

Three directors had accrued entitlements under the defined benefit scheme as follows:

	Increase in accrued pension excluding inflation £	Transfer value of increase £	Accrued pension at 30 September 1998 £	Accrued pension at 28 March 1998 £
A R Bullock	1,128	7,655	27,266	26,138
J A Duncan	1,092	9,053	29,375	28,283
B W Priest	1,134	15,880	26,886	25,752

Notes to the Accounts

Continued

5 Directors' remuneration - continued

The pension entitlement shown is that which would be paid annually on retirement based on service to 30 September 1998, the date on which the scheme was closed. At that date members elected either to have their benefits secured or to take a transfer sum to the replacement money purchase scheme.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and is net of director's contributions.

Six directors were members of money purchase schemes during the year. Contributions paid by the Group in respect of such directors were as follows:

	1999	1998
	£000	£000
A R Bullock	**6**	–
J A Duncan	**6**	–
M S W Lee	**8**	–
M Lloyd	**2**	6
M W Oakley	**14**	13
B W Priest	**7**	–
	43	19

6 Taxation

	1999	1998
	£000	£000
UK Corporation tax	**325**	234
Overseas taxation	**95**	48
Deferred taxation	**65**	(19)
Share of associated undertaking's tax charge	**8**	7
	493	270

7 Dividends

	1999	1998
	£000	£000
Ordinary Shares		
4.5p per share *(1998 3.5p)*	**309**	240

Notes to the Accounts

Continued

8 Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares:

	1999	1998
Earnings (£'000)		
– basic	**1,011**	735
– net interest on option proceeds	**5**	6
– diluted	**1,016**	741
Number of shares (thousands)		
– in issue throughout the year	**6,861**	6,861
– issuable under options	**83**	83
– diluted	**6,944**	6,944

9 Rate of exchange

The accounts of the Australian subsidiary have been converted to Sterling at A$2.53 to £1 *(1998 A$2.50)*, being the rate prevailing at 3 April 1999.

10 Tangible fixed assets

	Group					Company		
	Freehold land and buildings	Plant and machinery	Fixtures vehicles and equipment	Assets held under finance leases	Total	Freehold land and buildings	Fixtures vehicles and equipment	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 28 March 1998								
Cost	545	12,667	1,071	438	14,721	–	–	–
At valuation 1998	5,775	–	–	–	5,775	3,875	–	3,875
Currency adjustments	(34)	(37)	(5)	(3)	(79)	–	–	–
Additions	–	866	136	53	1,055	–	31	31
Transfers	–	–	89	(89)	–	–	–	–
Disposals	–	(35)	(254)	–	289	–	–	–
At 3 April 1999	**6,286**	**13,461**	**1,037**	**399**	**21,183**	**3,875**	**31**	**3,906**
Cost	525	13,461	1,037	399	15,422	–	31	31
At valuation 1998	5,761	–	–	–	5,761	3,875	–	3,875
Aggregate depreciation								
At 28 March 1998	14	6,938	797	275	8,024	–	–	–
Currency adjustments	(14)	(14)	(4)	(1)	(33)	–	–	–
Charge for the year	66	834	100	35	1,035	32	8	40
Transfers	–	–	52	(52)	–	–	–	–
Disposals	–	(22)	(200)	–	(222)	–	–	–
At 3 April 1999	**66**	**7,736**	**745**	**257**	**8,804**	**32**	**8**	**40**
Net book value								
At 3 April 1999	**6,220**	**5,725**	**292**	**142**	**12,379**	**3,843**	**23**	**3,866**

Notes to the Accounts

Continued

10 Tangible fixed assets - continued

The Group's freehold properties were revalued at 28 March 1998 with the exception of the spinning mill at Castlemaine, Australia. The basis of valuation was existing use value with the exception of property held for future development which was valued at open market value.

Included within fixed assets are the following:

	Group		Company
	Plant and machinery	Fixtures, vehicles and equipment	Fixtures, vehicles and equipment
	£000	£000	£000
Held under finance leases:			
Cost at 3 April 1999		399	–
Accumulated depreciation at 3 April 1999		257	–
Depreciation charged in year		35	–
Being acquired under hire purchase agreements:			
Cost at 3 April 1999	2,242	66	31
Accumulated depreciation at 3 April 1999	629	28	8
Depreciation charged in year	202	13	8

Capital expenditure authorised and committed	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Contracts placed	**886**	350	**-**	–

11 Fixed asset investments

		Group		Company	
		3 April 1999	28 March 1998	**3 April 1999**	28 March 1998
	Note	**£000**	£000	**£000**	£000
Fixed assets					
Investments in subsidiaries	(a)	**–**	–	**3,321**	3,321
Investment in associated company	(b)	**215**	196	**75**	88
		215	196	**3,396**	3,409

Notes to the Accounts

Continued

11 Fixed asset investments - continued

(a) Investment in subsidiaries

Victoria P.L.C. owns either directly or indirectly the whole of the allotted ordinary share capital of the following companies:

	Country of incorporation and operation	*Nature of business*
Victoria Carpets Limited	England	Carpet manufacture
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacture
Korenka Pty Limited	Australia	Property
'V' Line Carpets Limited	England	Property
Westwood Yarns Limited	England	Yarn manufacture

The investment represents shares in subsidiaries at cost.

(b) *Investment in associated undertaking*

Victoria P.L.C. owns 50% of the common shares of Colin Campbell & Sons Limited, a carpet distributor incorporated in Canada, whose accounting period ended on 31 January 1999.

	Group		**Company**	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Share of net assets acquired	**8**	8	**8**	8
Preference share capital	**44**	44	**44**	44
	52	52	**52**	52
Premium on acquisition	**49**	49	**49**	49
Cost of investment	**101**	101	**101**	101
Return of capital	**(26)**	(13)	**(26)**	(13)
Share of post acquisition profits (retained by associated undertaking)	**140**	108	**-**	-
	215	196	**75**	88

12 Stock

	Group	
	1999	1998
	£000	£000
Raw materials	**3,055**	3,695
Work-in-progress	**284**	649
Finished goods	**5,796**	6,013
	9,135	10,357

Notes to the Accounts

Continued

13 Debtors

Amounts falling due within one year	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Trade debtors	**5,141**	5,787	**–**	–
Amounts owed by subsidiaries	**–**	–	**1,564**	1,546
Amounts owed by associated undertaking	**180**	41	**20**	–
Other debtors	**177**	157	**–**	–
Prepayments and accrued income	**216**	47	**15**	–
	5,714	6,032	**1,599**	1,546

14 Creditors

Amounts falling due within one year	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Bank loans and overdrafts	**1,890**	3,880	**1,212**	1,095
Trade creditors	**3,725**	3,813	**–**	–
Amounts due to subsidiaries	**–**	–	**55**	57
Hire purchase and finance lease creditors	**452**	530	**9**	–
Corporation Tax	**306**	218	**48**	40
Other taxation and social security	**334**	340	**–**	–
Proposed dividend	**309**	240	**309**	240
Other creditors	**617**	463	**–**	–
Accruals and deferred income	**824**	608	**54**	28
	8,457	10,092	**1,687**	1,460

Amounts falling due after more than one year	Group		Company	
	1999	**1998**	**1999**	**1998**
	£000	£000	**£000**	£000
Secured commercial bills	**474**	360	**–**	–
Bank loans	**259**	475	**–**	94
Total loans	**733**	835	**–**	94
Hire purchase and finance lease obligations payable				
Between one and two years	**295**	448	**9**	–
Between two and five years	**293**	529	**2**	–
Other creditors	**70**	89	**–**	–
	1,391	1,901	**11**	94

Notes to the Accounts

Continued

14 Creditors - continued

The loan capital falling due after more than one year is repayable as follows

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Between one and two years	**228**	574	**-**	94
Between two and five years	**505**	261	**-**	–
Over five years	**–**	–	**-**	–
	733	835	**-**	94

Bank borrowings in the United Kingdom amounting to £1,771,000 *(1998 £3,864,000)* are secured by charges over certain freehold properties. Bank borrowings of £691,000 *(1998 £852,000)* by the Australian subsidiary are secured by a mortgage on certain freehold properties and a floating charge over its assets.

The Company has guaranteed the bank borrowings of its UK subsidiaries, and there is a Composite Accounting Agreement between the Company, Victoria Carpets Ltd. and Barclays Bank PLC.

Obligations under operating leases which have not been capitalised will result in the following payments falling due in the year to 2 April 2000.

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Leases expiring within one year	**15**	29	**-**	–
Leases expiring between one and five years	**48**	32	**-**	–
Leases expiring after five years	**-**	-	**-**	–

15 Provisions for liabilities and charges

	Group	**Company**
	£000	**£000**
Deferred taxation		
At 28 March 1998	**598**	**108**
Profit and loss account (see note 6)	**65**	**(1)**
Movement in Advance Corporation Tax recoverable	**28**	**28**
At 3 April 1999	**691**	**135**

Notes to the Accounts

Continued

16 Deferred taxation

The potential liability and provision for deferred taxation in the United Kingdom are as follows

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Capital allowances	**842**	659	**135**	136
Other timing differences	**(151)**	(33)	**-**	–
Less				
Advance Corporation Tax recoverable	**-**	28	**-**	28
	691	598	**135**	108

No potential liability arises as a result of the revaluation of freehold property. The potential liability and provision are based on a Corporation Tax rate of 30% *(1998 31%)*.

17 Share capital

	1999	1998
	£000	£000
Authorised		
8,500,000 Ordinary Shares of 25p each - equity	**2,125**	2,125
Allotted, Called up and Fully Paid		
6,860,556 Ordinary Shares of 25p each (1998 6,860,556) – equity	**1,715**	1,715

Share options over Ordinary Shares outstanding were as follows

Date exercisable	*Option price (pence per share)*	*Number of shares 3 April 1999*	*Number of shares 28 March 1998*
From 19 September 1994 to 18 September 2001	122p	83,000	83,000

Notes to the Accounts

Continued

18 Reserves

Group	At 28 March 1998 £000	Profit and loss account £000	Other movements £000	**At 3 April 1999 £000**
Share premium	749	–	–	**749**
Revaluation reserve	3,033	–	–	**3,033**
Exchange rate adjustment	(19)	–	(9)	**(28)**
	3,014	–	(9)	**3,005**
Profit and loss account	13,587	702	–	**14,289**
Adjustments arising on consolidation:				
Goodwill	(1,533)	–	–	**(1,533)**
Exchange rates	(1,037)	–	(115)	**(1,152)**
	11,017	702	(115)	**11,604**
Company				
Share premium	749	–	–	**749**
Revaluation reserve	2,169	–	–	**2,169**
Profit and loss account	2,535	(140)	–	**2,395**

19 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit on ordinary activities after taxation	**1,011**	735
Dividends	**(309)**	(240)
	702	495
Other recognised net gains and (losses) relating to the year	**(124)**	579
Net addition to shareholders' funds	**578**	1,074
Opening shareholders' funds	**16,495**	15,421
Closing shareholders' funds	**17,073**	16,495

Notes to the Accounts

Continued

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

	1999 £000	1998 £000
Operating profit	**1,910**	1,454
Depreciation charges	**1,035**	1,111
Profit on sale of fixed assets	**(12)**	(11)
Decrease/(increase) in stocks	**1,222**	(339)
Decrease in debtors	**233**	685
Increase/(decrease) in creditors	**259**	(1,664)
Exchange rate difference on consolidation	**(89)**	(550)
Net cash inflow from operating activities	**4,558**	686

21 Reconciliation of net cash flow to movement in net debt

	1999 £000	1998 £000
Increase/(decrease) in cash in the year	**1,961**	(1,445)
Cash outflow from decrease in debt and lease financing	**728**	75
Change in net debt resulting from cash flow	**2,689**	(1,370)
Translation difference	**10**	92
Movement in net debt in the year	**2,699**	(1,278)
Net debt at beginning of year	**(6,193)**	(4,915)
Net debt at end of year	**(3,494)**	(6,193)

22 Analysis of net debt

	At 28 March 1998 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	**At 3 April 1999 £000**
Cash	29	140	–	–	**169**
Overdrafts	(3,712)	1,821	–	1	**(1,890)**
Increase in cash in the year		1,961			
Secured commercial bills					
Payable more than one year	(360)	(119)	–	5	**(474)**
Finance leases					
Payable less than one year	(530)	547	(469)	–	**(452)**
Payable more than one year	(977)	(80)	469	–	**(588)**
Bank loans					
Payable less than one year	(168)	168	–	–	**–**
Payable more than one year	(475)	212	–	4	**(259)**
Decrease in net debt in the year		728			
Total	(6,193)	2,689	–	10	**(3,494)**

Five Year Record

		1999	1998	1997	1996	1995
		£000	£000	£000	£000	£000
Profit and loss account						
Turnover		**34,800**	35,728	36,756	39,307	37,106
Trading surplus after interest payable		**2,539**	2,116	1,610	1,580	1,030
Depreciation		**1,035**	1,111	987	1,050	1,001
Trading profit		**1,504**	1,005	623	530	29
Exceptional item		**–**	–	1,668	(327)	–
Profit before taxation		**1,504**	1,005	2,291	203	29
Taxation		**493**	270	163	85	39
Profit/(loss) attributable to shareholders		**1,011**	735	2,128	118	(10)
Cost of dividends		**309**	240	169	135	137
Balance Sheet						
Fixed assets (tangible)		**12,379**	12,472	11,224	9,196	9,512
Investments		**215**	196	186	157	144
Stocks and debtors less creditors		**8,664**	10,618	9,519	10,596	9,979
Net borrowings		**(3,494)**	(6,193)	(4,915)	(5,593)	(5,953)
		17,764	17,093	16,014	14,356	13,682
Funded by						
Share capital		**1,715**	1,715	1,715	1,715	1,700
Reserves including deferred taxation		**16,049**	15,378	14,299	12,641	11,982
		17,764	17,093	16,014	14,356	13,682
Analysis						
Dividend cover	times	**3.27**	3.06	12.59	0.87	–
Profit before taxation/Capital employed	%	**8.47**	5.88	14.31	1.41	0.21
Earnings per share (basic)	p	**14.73**	10.71	31.02	1.73	(0.15)
Earnings per share excluding exceptional items	p	**14.73**	10.71	7.59	4.95	(0.15)

All of the above results are derived from continuing operations.

Notice of Annual General Meeting

Notice is hereby given that the sixty-sixth Annual General Meeting of the Company will be held at the registered office of the Company, Green Street, Kidderminster on 19 July 1999 at 2.30 p.m. for the following purposes:

Ordinary Business.

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 3 April 1999.

2. To declare the dividend of 4.5 pence per share proposed in respect of the year ended 3 April 1999.

3. To re-elect M W Oakley as a director.

4. To re-elect R M Gilbert* as a director.

5. To elect K Ackroyd* as a director.

6. To re-appoint HLB Kidsons (formerly Kidsons Impey) as auditors of the Company, and to authorise the directors to determine their remuneration for the ensuing year.

* denotes member of Remuneration Committee

Special Business.

To consider and if thought fit to pass the following resolutions of which Resolution 7 is proposed as an Ordinary Resolution and Resolutions 8 and 9 are proposed as Special Resolutions:

7. That the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities as defined in that section up to an aggregate amount of £409,861, provided that this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and 15 months after the date this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

8. That the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by Resolution 7 if passed as if Sub-section (1) of Section 89 of that Act did not apply to any such allotment provided that this power shall be limited:

   a) to the allotment of equity securities in connection with an offer open for acceptance for a period fixed by the directors to holders of ordinary shares where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory); and

   b) to the allotment otherwise than pursuant to paragraph (a) above of equity securities up to an aggregate nominal value of £85,756

   and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 15 months after the date this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

Continued

9. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary shares of 25p each in the capital of the Company (Ordinary shares) provided that:

a) the maximum number of Ordinary shares authorised to be purchased is 686,055 (representing approximately 10% of the present issued share capital of the Company);

b) the minimum price (excluding stamp duty, dealing or other costs) which may be paid for an Ordinary share so purchased is 25p;

c) the maximum price which may be paid for an Ordinary share so purchased is an amount equal to 5% above the average of the middle market quotations shown for an Ordinary share in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is purchased;

d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed, varied or revoked prior to such time; and

e) the Company may prior to the expiry of such authority make a contract to purchase Ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary shares in pursuance of any such contract.

TADanks

By Order of the Board
T A Danks
Secretary

Green Street
Kidderminster
8 June 1999

Notes

Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him.

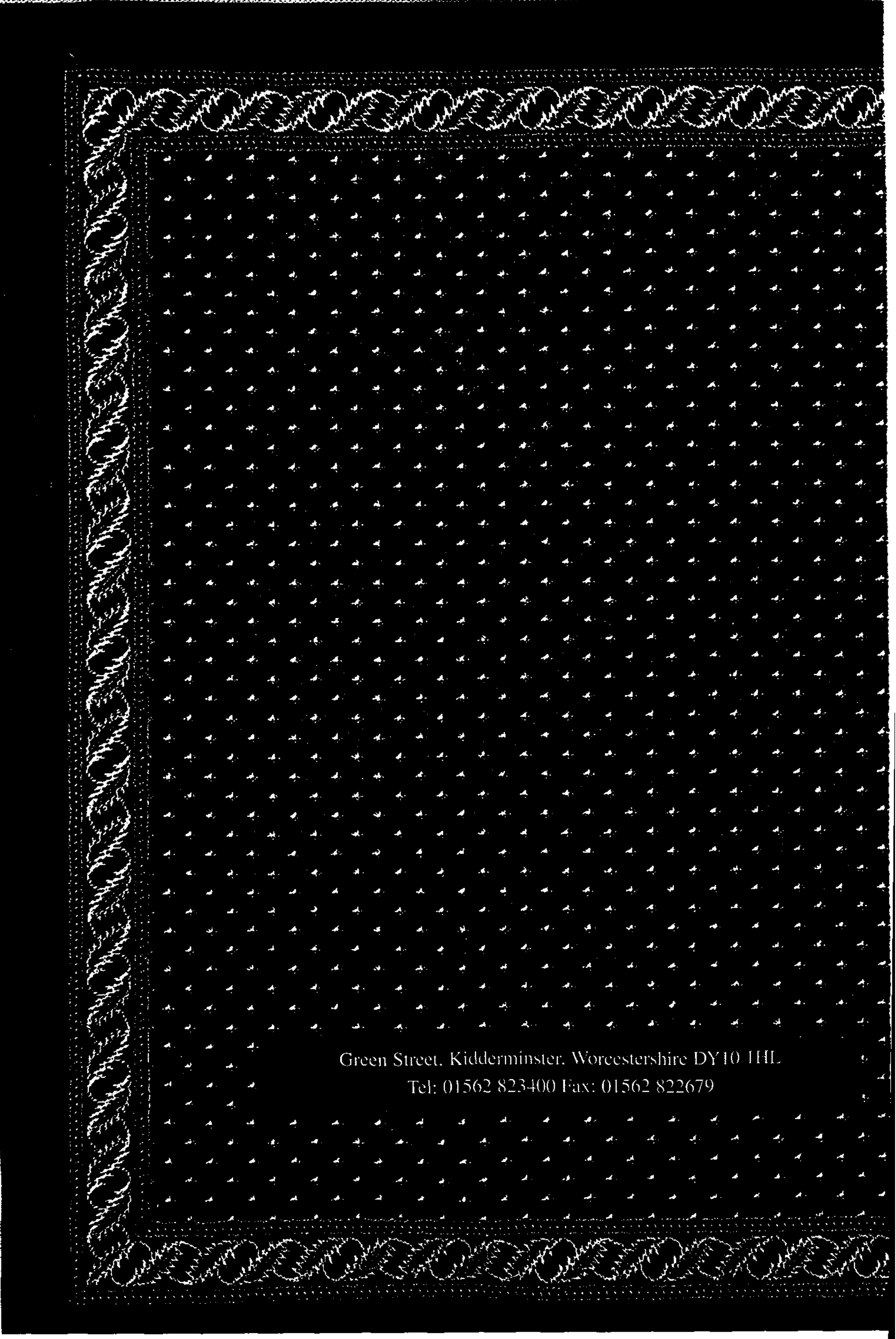
A proxy need not be a member of the Company.

There will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the conclusion of the Annual General Meeting:

1. Copies of particulars of transactions of the directors and of their family interests in shares of the Company.

2. Copies of directors' service contracts with the Company or any of its Subsidiaries.

Shareholders' Notes



Green Street, Kidderminster, Worcestershire DY10 1HL
Tel: 01562 823400 Fax: 01562 822679

Principal Subsidiaries and their Directors

VICTORIA CARPETS LIMITED	Manufacture and Sale of Carpets Kidderminster, UK	I A Anton *(Chairman)* A R Bullock *(Joint Managing)* J A Duncan *(Joint Managing)* R E Milnes T A Danks J R D Anton
THE VICTORIA CARPET COMPANY PTY LIMITED	Manufacture and Sale of Carpets Dandenong, Australia	A P Rendell *(Chairman)* M W Oakley *(Managing)* B I Poynter J P Shergold A R Bullock
'V' LINE CARPETS LIMITED	Investment and Property Kidderminster, UK	A R Bullock *(Chairman)* T A Danks
WESTWOOD YARNS LIMITED	Manufacture and Sale of Carpet Yarns Holmfirth, UK	A R Bullock *(Chairman)* B W Priest *(Managing)* N Gledhill A Priest

Associated Undertaking

COLIN CAMPBELL & SONS LIMITED	Distributors of Carpets Vancouver, Canada	J C Campbell (President) A R Bullock M W Oakley M L Campbell J Campbell R Campbell