

Victoria P.L.C.



Report and Accounts 2000

Victoria

- Group** Victoria is a leading independent manufacturer of high quality domestic and commercial carpets and carpet yarns. Operating in the UK and in Australia, Victoria's products are exported worldwide
- Strategy** Victoria aims to provide consistently improving returns to shareholders through the commitment of its employees to meeting customers' requirements for excellence in products and service.

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Cover - carpet from the Natural Weave range launched by Victoria Carpets in March 2000.

*Opposite - one of the images used in the Carpet Foundation's advertising campaign.
The carpet is from Victoria's successful Tudor Twist range.*

RESULTS

Year to 1 April 2000

Turnover	£35.6m	up 2.3%
Operating profit*	£2.4m	up 27%
Pre-tax profit*	£2.1m	up 40%
Earnings per share*	20.54p	up 39%
Dividend	5.5p	up 22%

*(excluding exceptional income £0.4m)



THE CARPET
FOUNDATION

Chairman's Statement

Introduction

I am pleased to be able to report another year of significant progress, not withstanding the difficult trading conditions, which prevailed in the United Kingdom in the first-half of our reporting year.

Our stated strategy of continuing to improve performance, by understanding the customers' requirements, providing a consistently high level of service, quality and value for money products, has enabled us to produce a particularly pleasing set of results again this year, whilst continuing to deliver shareholder value.

Results

Profit before tax and exceptional items was up by 40.16% to £2.108 million from £1.504 million in 1999 and after exceptional items of £363k up by 64.30% to £2.471 million.

Turnover increased by 2.3% to £35.6 million from £34.8 million in the previous year and Earnings per Share excluding exceptional items increased by 39% to 20.54p per share (1999: 14.73p per share).

Good performances were delivered by all parts of our operation.

In the UK, profits were increased in a challenging year, where not only were market conditions difficult, but at the same time our management skills were fully tested in completing the task of consolidating our carpet manufacturing operation on to one site in Kidderminster.

Australia too delivered its highest profit in recent years, benefiting from a buoyant market in which our products continued to find favour.

Dividend

We have already announced that a special interim dividend of 15p per share will be paid to all shareholders, returning £1.03 million of the proceeds from the disposal of surplus property in Kidderminster to our shareholders.

Additionally, the Board is pleased to continue with its progressive dividend policy by recommending a final dividend of 5.5p per share, subject to shareholder approval at the Annual General Meeting on 13 July 2000.

This dividend, which represents an increase of 22.22% and the special interim dividend will be paid on 20 July 2000 to all shareholders on the register at 23 June 2000.

Property

The first of four surplus properties, namely Castle Works, Kidderminster was successfully disposed of on 31 March 2000 for £0.50 million bringing an exceptional profit of £0.22 million into this year's accounts. Following the year-end we also completed the disposal of our Green Street, Kidderminster site, when vacant possession was

granted to the purchaser on 26 April 2000; this sale for £3.00 million will give rise to a £2.16 million exceptional profit in the first half of next year's accounts.

The sale of the remaining part of the Group's surplus property, previously detailed and identified, is still being pursued, but it will take longer to realise the full value from these holdings as their maximum value will only come from a change of permitted use.

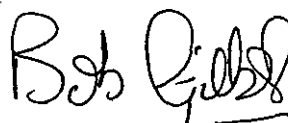
People

The employees within the Group have all played their part in contributing to the success we have enjoyed this year and I would like to acknowledge my grateful thanks to them. Whilst perhaps unfair to single out any particular group of employees in particular, it would be remiss of me not to mention the tremendous efforts and the adaptability that our employees in Kidderminster have put into the consolidation of our carpet manufacturing operation onto one site. The consolidation has gone almost seamlessly, whilst business has been maintained at higher levels enabling the Company to say good-bye to part of its past history and deliver new opportunities for the future.

Prospects

In the UK, whilst the market continues to be testing, we have a very strong portfolio of attractive, value for money products and now that we are operating from one consolidated site are well placed to see a continued growth. We will, therefore, continue with our capital expenditure programme so that we remain at the forefront of the UK carpet industry.

Whilst our Australian business continued at a pace throughout the year, taking full advantage of good market conditions, as a slight cautionary note, it will remain to be seen whether the introduction of a Goods and Services Tax (GST) in July 2000 and rising interest rates will affect consumer demand in the short term. We however, remain optimistic that any fall off in demand will be short lived and we continue to invest heavily at our Castlemaine spinning mill, increasing production flexibility and the quality of our yarns, whilst reducing the amount of yarn needed from outsourcing. The benefits from this latest capital expenditure are expected to feed through to the bottom line from the last quarter of the next financial year.



R M Gilbert
Chairman

Operating Review

United Kingdom

Despite an extremely challenging year in the UK, the Group has performed well, increasing both turnover and profitability.

Whilst UK turnover was marginally increased by 1.5% to £23.8million (1999: £23.5 million), Gross Profit was lifted 4% in the year and the Gross Profit Margin increased to 30% from 29% in the previous year.

In the early part of our financial year the market conditions were difficult, as retail sales of carpeting failed to respond to both lower interest rates and a more active housing market in many parts of the UK. From the summer onwards, however, the Company enjoyed a much stronger trading period as its investments, particularly in new products, enabled it to take full advantage of better market conditions.

Throughout the year, the Company has continued with its strategy of investment in the Independent Retail sector, with the introduction of attractive and strong new product lines, several additional new ranges being launched late in this financial year. Expenditure on 'point of sale' display materials and marketing was likewise maintained throughout the year.

We believe that the strength of our new product ranges allowed us to fare far better than most of our competitors during the year and that this enabled us to gain market share in our targeted area, of the Independent Retailers. Sales to the Independent Retailers increased in the year by 6% and now represent 53% of our UK business.

At the same time as combating initially testing market conditions and then burgeoning sales demand from September onwards, we had to complete the consolidation of our UK carpet manufacturing operation onto one site. As part of this process the Group commenced a building programme costing circa £2 million to extend its Worcester Road, Kidderminster site with 42,500 sq. ft. of additional factory / warehousing, an 8,000 sq. ft. hank dye-house and 8,500 sq. ft. of office accommodation. All of this allowed us to complete the sale of our Castle Works - Wilton factory on 31st March 2000 and then subsequently, the Green Street site on 26 April 2000.

Whilst the consolidation onto Worcester Road is now complete, it is still likely to be several months before we have everything on the new site fully operational. The move, however, has gone remarkably well and one cannot praise highly enough the dedication, adaptability and

resourcefulness of our Kidderminster employees for having implemented and accepted the changes so well. The benefits of a 'hands-on' management and the consolidated operation will now flow through fully in the new financial year.

In 1999, Victoria Carpets, along with several other leading UK carpet manufacturers, became a founder member of the Carpet Foundation. This organisation has initiated a three-year, £4 million, generic marketing campaign aimed at increasing consumer awareness of quality carpets.

This campaign will not only highlight the benefits of carpet over that of alternative floor coverings, but also aims to raise carpets' rating in the scale of consumer spending.

Despite the difficulties of exporting from the UK to our main export market, the EU, the Company has managed to retain a significant proportion of its turnover (£4 million) whilst margin was only slightly down. We continue to be well placed should the value of the Pound return to more realistic levels against the Euro.

We have also continued to invest in plant and equipment, when a strong pay-back can be identified and in February 2000 installed a new, fully automated, cutting board and sortation system, enabling us to handle a significantly higher number of cut length carpet orders in a more cost effective way.

Our Westwood Yarns facility has enjoyed another good year, contributing positively, as always, to the Group's success. The stronger levels of activity at Victoria Carpets helped to counter a down turn in outside trade orders for yarn caused by the poor market conditions in the first half year. Outside orders picked up in the second half and, overall Westwoods enjoyed a reasonably busy year.

Once more the Group has invested in new technology at Westwood, where we introduced a new 36 head Gilbos winding frame in September 1999 which enabled us to increase capacity and improve yarn quality.

Australia

The Australian operation has enjoyed a buoyant market throughout the year and has taken full advantage of these conditions to produce an excellent result.

Turnover increased by 8.1% in the year from A\$30.0 million to A\$32.6 million as the Company's products, particularly the high styled Wool ranges, continue to appeal to both the local and export markets.

Photograph used in the launch of the new "Indulgence" range in February 2000.

Home sales were particularly strong throughout the year and export sales were up too by 2.73%, particularly to North America and New Zealand. There was no sign of any recovery in business to the Far East in the year.

During the year we have invested heavily on new 'point of sale' display materials, which should continue to reap benefits in the future for us.

The earlier and substantial investments made at our Castlemaine yarn spinning plant have all paid off well, with the last new equipment installed in October 1999 contributing well to this division's result late in the year.

Canada

Our Canadian associate company, Colin Campbell & Sons, had a difficult trading period to contend with in the earlier part of the year, which they came through well. The company's core market of Western Canada was difficult as the British Columbian economy faltered, however, despite this Campbell's creditably managed to record a result similar to that of the previous year.

Campbell's are currently expanding their successful formula of the 'Studio Line' back east into the Prairie Provinces and then hopefully on into the larger Ontario market.

The Group is particularly grateful for the stewardship of John Campbell, the company's President, whose vision is in no small part responsible for the continued success of this operation.

Outlook

UNITED KINGDOM

Whilst we are aware from some of our competitors that the market in the UK has turned down for them since Christmas and has remained difficult since then, we have enjoyed a strong first quarter to the year 2000 (the last

three months of our financial year) and have also made an encouraging start to the new financial year.

Strong new products introduced in February and March have been well received by the trade and we have further new product introductions planned for later this year, which we hope will continue to enable us to increase both turnover and margin.

Benefits expected from the single site operation in Kidderminster should likewise under-pin our performance this year.

At Westwoods we are investing in a new 72 spindle Gaudino spinning frame and modifications to a Tatham card, which will increase capacity and improve yarn quality in the second half of this financial year.

AUSTRALIA

Down-under, the market in the second quarter of the year is anticipated to be adversely affected by a post GST fall-out and a down turn whilst the Sydney Olympics take place.

However, the Group has authorised a further and significant tranche of investment totalling A\$6.6 million (£2.4 million) at our Castlemaine spinning mill, to ensure maximum quality, efficiency and flexibility with yarn supply to our own carpet operation, and to take advantage of government investment incentives. This investment will not, however, be completed and fully operational until late 2000 and should start to bring benefits to the Group from the last quarter.

Alan Bullock

Group Managing Director

Financial Review

Operating results

Group sales increased by 2.3% to £35.6 million in the 52 weeks to 1 April 2000 as compared to £34.8 million in the 53 weeks to 3 April 1999. Sales were up 8.1% in Australia, in local currency, and 1.5% in the UK.

Margins were also increased with gross margin reaching 29.4% (1999: 28.1%) and operating profit margin reaching 6.8% (1999: 5.5%). As a result, operating profits, before exceptional income, were £0.5 million higher at £2.42 million, compared to £1.91 million in 1999.

Exceptional income

The year's results also benefited from two items of exceptional income. The sale of the first of the Group's surplus properties and the result of an insurance claim together contributed exceptional profits of £0.36 million.

Interest

The interest charge for the year was £0.36 million, down from £0.45 million in 1999. The interest charge was covered 6.8 times by operating profits compared to 4.3 times in the previous year.

Taxation

The tax charge reduced marginally to 32.1% (1999: 32.8%).

Earnings per share

Earnings per share, excluding exceptional items, increased by 39% to 20.54 pence per share. The exceptional income added a further 3.92 pence per share.

Dividend

The proposed final dividend of 5.5 pence per share represents an increase of 22% on the previous year.

Cash flow and investment

Operating cash flow of £2.35 million was lower this year due to a significant increase in debtors and pre-payments. Trade debtors increased by £1.2 million due to the strength of trading in the final two months of the year, and pre-payments included £0.61 million of deposits paid for capital equipment to be installed at the Castlemaine spinning plant in the new financial year.

Capital expenditure in the year totalled £4.05 million, including £2.08 million at Kidderminster to facilitate the consolidation of operations onto the single site, £0.32 million on the new automated cutting board, £0.46 million on state of the art winders at Westwood Yarns, and £0.54 million in Australia.

After tax and interest payments, there was a net cash outflow of £2.0 million, equivalent to the amount invested in the new buildings at Kidderminster.

Balance sheet

Net assets increased in the year to £18.1 million (1999: £17.1 million). The net cash flow for the year was funded from borrowing facilities, leaving year-end net debt of £5.46 million and gearing of 30%.

Post balance sheet events

The sale of the Green Street property in April 2000 provided a net cash inflow of £2.93 million and a profit on disposal of £2.16 million. A special interim dividend of 15 pence per share, announced in April 2000, will return £1.03 million to shareholders.

The proceeds of the disposal have been applied to reduce gearing and the proforma effect of the sale and the special dividend, if they had taken place by the balance sheet date, would have been to reduce borrowings to £3.56 million and reduce gearing to 18.5%.

Year 2000

The investment in new computer systems during the year enabled the Group to avoid any disruption from the effects of the Millennium date change.



M S W Lee

Group Finance Director

Directors and Advisers

Bob Gilbert, age 51

Chairman – Non-executive

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

Alan Bullock, age 52

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 Limited which he joined in 1972 and where he held the post of Export Director for 17 years.

Mark Lee, age 37

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, age 40

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, age 55

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

Michael Oakley, age 60

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, age 65

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, age 64

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
Worcester Road
Kidderminster, DY10 1HL

Bankers

Barclays Bank PLC

Stockbrokers

Old Mutual 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 1 April 2000.

A final dividend on the Ordinary Shares is proposed for payment on 20 July 2000 to members on the register at the close of business on 23 June 2000.

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 2 to 6. Details of subsidiary companies are set out in note 12 to the accounts.

Fixed assets

Movements in fixed assets are shown in notes 11 and 12 to the accounts.

Post balance sheet events

The sale of the Company's property at Green Street, Kidderminster was completed on 26 April 2000 realising a net cash inflow of £2.93 million and profit on disposal of £2.16 million. A special interim dividend of 15 pence per share has been declared out of the sale proceeds and will be paid on 20 July 2000 to members on the register at the close of business on 23 June 2000. Further details are included in note 24 to the accounts.

Results and dividends

	£000
The profit attributable to shareholders is	1,678
Final dividend of 5.5p per share	<u>377</u>
Retained profit	<u>1,301</u>

Directors and their interests

The directors of the Company are listed on page 8 together with biographical details

The directors retiring by rotation are A R Bullock, J A Duncan and M S W Lee who, being eligible, offer themselves for re-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 £21,480 were paid by the Group to its solicitors, Wragge & Co, of which R M Gilbert is a partner.

The directors of the Company who held office at 1 April 2000 had the following interests in the Ordinary Shares of the Company:

Name	1 June 2000		1 April 2000		3 April 1999	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
K Ackroyd	-	-	-	-	-	-
I A Anton	126,775	615,000	126,775	615,000	126,775	615,000
A R Bullock	28,500	522,500	28,500	522,500	26,000	525,000
J A Duncan	12,500	522,500	12,500	522,500	10,000	525,000
R M Gilbert	-	525,000	-	525,000	-	525,000
M S W Lee	15,000	-	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 130,000 shares they hold as trustees of The Victoria Carpet Holdings Employee Benefit Scheme and the 395,000 they hold as trustees of The Victoria Carpets Profit Sharing Scheme. These shares represent 7.7% of the ordinary share capital of the Company.

Details of directors' options to purchase shares under the Executive Share Option Scheme are shown in note 6 to the accounts.

Directors' Report

Continued

Substantial shareholdings

Other than directors, at 1 June 2000 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%
G H Anton	4.1%
F F Anton	4.1%
P J Anton	4.0%
J H H Anton	3.7%
The Micro Quoted Growth Trust	3.5%
Curtis (Wool) Holdings Ltd Retirement and Death Benefit Scheme	3.0%

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 1 April 2000 represented 64 days' purchases from suppliers (1999: 54 days).

Charitable and political contributions

The total charitable contributions made in the United Kingdom amounted to £1,341. 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 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 13 July 2000, is set out on pages 32 and 33. The AGM resolutions include three items of special business which 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.



By Order of the Board
T A Danks
Secretary

Worcester Road
Kidderminster
13 June 2000

Corporate Governance Statement

Corporate Governance

The Company has complied throughout the accounting period with the Code of Best Practice set out in The Combined Code on corporate governance. 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 1 April 2000. 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

The Nominations Committee is 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.

Internal Control

The Combined Code includes the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The directors have adopted procedures to ensure compliance with this requirement. The Board will, at least annually, conduct a review of the effectiveness of the Group's system of internal control and report to shareholders that it has done so. The review will cover all controls, including financial, operational and compliance controls and risk management. It will also keep under review the need for an internal audit function.

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 1 April 2000 and information on share options and pension benefits are set out in note 6 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.

The bonus scheme introduced during the previous year, covering main board and subsidiary directors in the UK, was extended during the year to cover the Australian directors. For the year to 1 April 2000, bonuses have been determined by the degree to which the Group and the various operating units have exceeded their profit targets.

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 6 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, remains under consideration.

Retirement benefits

The Group makes contributions to retirement benefit arrangements for each executive director. Each executive director is 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 MW Oakley (Australia) who does not have a service contract. Notice of termination can be given at any time.

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, which runs until 25 July 2002. I A Anton's services are provided under an agreement with Harrison Sydney Limited which runs until November 2002. The appointment of K Ackroyd runs until August 2001.

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.

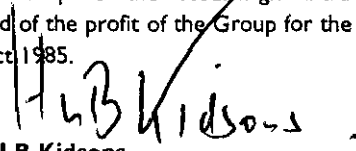
Basis of opinion

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 1 April 2000 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
Registered Auditors
Chartered Accountants

Birmingham
13 June 2000

Group Profit and Loss Account

	Note	52 weeks ended 1 April 2000 £000	53 weeks ended 3 April 1999 £000
Turnover	1	35,610	34,800
Cost of sales		<u>25,145</u>	<u>25,033</u>
Gross profit		10,465	9,767
Distribution costs		5,975	5,850
Administrative expenses		2,397	2,279
Other operating income		<u>329</u>	<u>272</u>
Operating profit		2,422	1,910
Exceptional items	2	363	–
Interest payable and similar charges	3	355	446
Share of profits of associated undertaking		<u>41</u>	<u>40</u>
Profit on ordinary activities before taxation	4	2,471	1,504
Taxation	7	<u>793</u>	<u>493</u>
Profit after taxation		1,678	1,011
Dividends paid and proposed	8	<u>377</u>	<u>309</u>
Retained profit	19	<u>1,301</u>	<u>702</u>
Earnings per share - basic	9	<u>24.46p</u>	<u>14.73p</u>
Earnings per share - diluted	9	<u>24.25p</u>	<u>14.63p</u>
Earnings per share – excluding exceptional items	9	<u>20.54p</u>	<u>14.73p</u>

Statement of Total Recognised Gains and Losses

	2000 £000	1999 £000
Profit after taxation	1,678	1,011
Currency translation differences on foreign currency net investments	<u>(251)</u>	<u>(124)</u>
Total gains relating to the year	<u>1,427</u>	<u>887</u>
Total gains recognised since last annual report	<u>1,427</u>	<u>887</u>

Note of Historical Cost Profits and Losses

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	2,471	1,504
Realisation of property revaluation gains of previous years	<u>269</u>	<u>–</u>
Historical cost profit on ordinary activities before taxation	<u>2,740</u>	<u>1,504</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,570</u>	<u>702</u>

Balance Sheets

	Note	Group		Company	
		1 April 2000 £000	3 April 1999 £000	1 April 2000 £000	3 April 1999 £000
Fixed assets					
Tangible assets	11	14,749	12,379	5,225	3,866
Investments	12	230	215	3,377	3,396
		<u>14,979</u>	<u>12,594</u>	<u>8,602</u>	<u>7,262</u>
Current assets					
Stock	13	9,320	9,135	-	-
Debtors	14	7,291	5,714	2,154	1,599
Cash at bank and in hand		263	169	-	-
		<u>16,874</u>	<u>15,018</u>	<u>2,154</u>	<u>1,599</u>
Less: Current liabilities					
Creditors - amounts falling due within one year	15	10,586	8,457	3,631	1,687
Net current assets		<u>6,288</u>	<u>6,561</u>	<u>(1,477)</u>	<u>(88)</u>
Total assets less current liabilities		<u>21,267</u>	<u>19,155</u>	<u>7,125</u>	<u>7,174</u>
Less: Creditors - amounts falling due after more than one year	15	<u>2,355</u>	<u>1,391</u>	<u>2</u>	<u>11</u>
Provisions for liabilities and charges - deferred taxation	16	789	691	155	135
Net assets		<u>18,123</u>	<u>17,073</u>	<u>6,968</u>	<u>7,028</u>
Capital and reserves (equity)					
Share capital	18	1,715	1,715	1,715	1,715
Share premium	19	749	749	749	749
Revaluation reserve	19	2,705	3,005	1,900	2,169
Profit and loss account	19	12,954	11,604	2,604	2,395
Total shareholders' funds	1	<u>18,123</u>	<u>17,073</u>	<u>6,968</u>	<u>7,028</u>

The accounts on pages 15 to 30 were approved by the Board of Directors on 13 June 2000

R M Gilbert

M S W Lee

Directors

Group Cash Flow Statement

	Note	52 weeks ended 1 April 2000		53 weeks ended 3 April 1999	
		£000	£000	£000	£000
Net cash inflow from operating activities	21		2,346		4,558
Returns on investment and servicing of finance					
Interest paid		(235)		(336)	
Interest element of finance lease and hire purchase payments		(120)		(110)	
			(355)		(446)
Taxation					
UK Corporation Tax paid		(384)		(219)	
Overseas tax paid		(9)		-	
			(393)		(219)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(4,054)		(1,055)	
Receipts from sales of tangible fixed assets		116		79	
Redemption of shares in associated undertaking		19		12	
Receipts from exceptional items		631		-	
			(3,288)		(964)
Equity dividends paid					
			(1,690)		2,929
			(309)		(240)
			(1,999)		2,689
Financing					
Repayment of secured loan		-		(168)	
Increase/(decrease) in long term loans		489		(93)	
Capital element of finance lease and hire purchase payments		(470)		(547)	
Receipts from financing of assets		1,045		80	
			1,064		(728)
(Decrease)/increase in cash	23		(935)		1,961

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:

	52 weeks ended 1 April 2000			53 weeks ended 3 April 1999		
	Turnover	Profit on ordinary activities	Net assets	Turnover	Profit on ordinary activities	Net assets
United Kingdom	23,839	1,584	11,038	23,482	996	10,196
Australia	11,771	846	6,855	11,318	468	6,662
Canada	-	41	230	-	40	215
	<u>35,610</u>	<u>2,471</u>	<u>18,123</u>	<u>34,800</u>	<u>1,504</u>	<u>17,073</u>

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 Exceptional items

Exceptional income arising during the year to 1 April 2000 was as follows:

	Profit before tax £000	Taxation £000	Profit after tax £000
Excess of insurance receipts over book value of assets	142	43	99
Profit on disposal of Castle Works property	221	51	170
	<u>363</u>	<u>94</u>	<u>269</u>

3 Interest payable and similar charges

	2000 £000	1999 £000
Loans and overdrafts wholly repayable within five years	235	336
Hire purchase and finance lease interest	120	110
	<u>355</u>	<u>446</u>

Notes to the Accounts

Continued

4 Profit on ordinary activities before taxation

	2000	1999
	£000	£000
After charging:		
Depreciation	1,155	1,035
Charges under operating leases	80	95
Auditors' remuneration - audit	38	38
- other	29	27
	<u> </u>	<u> </u>

5 Staff costs

	2000	1999
	£000	£000
Wages and salaries	8,625	8,572
Social security costs	700	669
Other pension costs	476	495
	<u> </u>	<u> </u>
	9,801	9,736

Average number employed

	United Kingdom	Australia	Total
2000	408	183	591
1999	420	177	597
	<u> </u>	<u> </u>	<u> </u>

Pension costs

The Group operates a number of pension schemes. The pension scheme in Australia is a defined contribution scheme. In the UK there is a money purchase scheme which was set up to replace the Group's old defined benefit scheme, and a second money purchase scheme which continues for other UK employees. The companies and the employees contribute towards the schemes.

The total pension cost for the Group was £476,000 (1999: £495,000) of which £258,000 (1999: £272,000) relates to the UK schemes.

Progress continues on winding up the UK defined benefit scheme, which was closed on 30 September 1998. The actual value of scheme assets was assessed by the scheme actuary to be 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.

Notes to the Accounts

Continued

6 Directors' remuneration

Aggregate remuneration

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

	2000 £000	1999 £000
Emoluments	549	466
Contributions to money purchase pension schemes	59	41
	<u>608</u>	<u>507</u>

The emoluments of all directors for the year ended 1 April 2000 were as follows:

	Salary / Fees £000	Benefits in kind £000	Annual bonus £000	Total 2000 £000	Total 1999 £000
Executive					
A R Bullock	71	11	23	105	94
J A Duncan	66	9	21	96	83
M S W Lee	61	10	23	94	80
M W Oakley	69	3	26	98	69
B W Priest	68	14	21	103	92
Non-executive					
R M Gilbert (Chairman)	25	-	-	25	25
K Ackroyd	13	-	-	13	8
I A Anton	15	-	-	15	15
	<u>388</u>	<u>47</u>	<u>114</u>	<u>549</u>	<u>466</u>

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.

Directors' share options

	Number of options			Exercise price	Date from which exercisable	Expiry date
	At 3 April 1999	Exercised	At 1 April 2000			
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.

Notes to the Accounts

Continued

6 Directors' remuneration - continued

Directors' pension entitlements

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

	2000 £000	1999 £000
A R Bullock	12	6
J A Duncan	11	6
M S W Lee	8	8
M W Oakley	13	14
B W Priest	15	7
	<u>59</u>	<u>41</u>

The 1999 contributions shown for Messrs Bullock, Duncan and Priest were in respect of the period from 1 October 1998 to 31 March 1999. These directors accrued benefits under the Group's final salary scheme in the first half of that year.

7 Taxation

	2000 £000	1999 £000
UK Corporation tax	368	325
Overseas taxation	316	95
Deferred taxation	102	65
Share of associated undertaking's tax charge	7	8
	<u>793</u>	<u>493</u>

8 Dividends

	2000 £000	1999 £000
Ordinary Shares 5.5p per share (1999: 4.5p)	<u>377</u>	<u>309</u>

Notes to the Accounts

Continued

9 Earnings per share

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

	2000	1999
Earnings (£'000)		
– basic	1,678	1,011
– net interest on option proceeds	5	5
	<hr/>	<hr/>
– diluted	1,683	1,016
	<hr/>	<hr/>
– excluding exceptional items	1,414	1,016
	<hr/>	<hr/>
Number of shares (thousands)		
– in issue throughout the year	6,861	6,861
– issuable under options	83	83
	<hr/>	<hr/>
– diluted	6,944	6,944
	<hr/>	<hr/>

10 Rate of exchange

The accounts of the Australian subsidiary have been converted to Sterling at A\$2.63 to £1 (1999 A\$2.53), being the rate prevailing at 1 April 2000.

11 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 3 April 1999								
At cost	525	13,461	1,037	399	15,422	–	31	31
At valuation 1998	5,761	–	–	–	5,761	3,875	–	3,875
Currency adjustments	(65)	(153)	(14)	(7)	(239)	–	–	–
Additions	1,827	1,584	431	212	4,054	1,674	–	1,674
Transfers	–	(122)	14	108	–	–	–	–
Disposals	(275)	(1,161)	(109)	(9)	(1,554)	(275)	–	(275)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2000	7,773	13,609	1,359	703	23,444	5,274	31	5,305
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cost	2,332	13,609	1,359	703	18,003	1,674	31	1,705
At valuation 1998	5,441	–	–	–	5,441	3,600	–	3,600
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Accounts

Continued

11 Tangible fixed assets - continued

	Group				Company			
	Freehold land and buildings £000	Plant and machinery £000	Fixtures vehicles and equipment £000	Assets held under finance leases £000	Total £000	Freehold land and buildings £000	Fixtures vehicles and equipment £000	Total £000
Aggregate depreciation								
At 3 April 1999	66	7,736	745	257	8,804	32	8	40
Currency adjustments	(1)	(55)	(10)	(2)	(68)	-	-	-
Charge for the year	86	867	141	61	1,155	41	6	47
Transfers	-	-	8	(8)	-	-	-	-
Disposals	(7)	(1,114)	(71)	(4)	(1,196)	(7)	-	(7)
At 1 April 2000	144	7,434	813	304	8,695	66	14	80
Net book value								
At 1 April 2000	7,629	6,175	546	399	14,749	5,208	17	5,225
At 3 April 1999	6,220	5,725	292	142	12,379	3,843	23	3,866

The Group's freehold properties were revalued at 28 March 1998, with the exception of the spinning mill at Castlemaine, Australia, which is included at cost having been rebuilt shortly before the valuation date. 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 £000	Fixtures, vehicles and equipment £000	Fixtures, vehicles and equipment £000
Held under finance leases:			
Cost at 1 April 2000		703	-
Accumulated depreciation at 1 April 2000		304	-
Depreciation charged in year		61	-
Being acquired under hire purchase agreements:			
Cost at 1 April 2000	2,577	236	31
Accumulated depreciation at 1 April 2000	761	40	14
Depreciation charged in year	206	32	6
Capital expenditure authorised and committed			
	Group	Company	
	2000	1999	2000
	£000	£000	£000
Contracts placed	2,023	886	-

Notes to the Accounts

Continued

12 Fixed asset investments

	Note	Group		Company	
		2000 £000	1999 £000	2000 £000	1999 £000
Fixed assets					
Investments in subsidiaries	(a)	-	-	3,321	3,321
Investment in associated company	(b)	230	215	56	75
		<u>230</u>	<u>215</u>	<u>3,377</u>	<u>3,396</u>

(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 2000.

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Cost of investment	101	101	101	101
Return of capital	(45)	(26)	(45)	(26)
Share of post acquisition profits (retained by associated undertaking)	174	140	-	-
	<u>230</u>	<u>215</u>	<u>56</u>	<u>75</u>

13 Stock

	Group	
	2000 £000	1999 £000
Raw materials	3,068	3,055
Work-in-progress	575	284
Finished goods	5,677	5,796
	<u>9,320</u>	<u>9,135</u>

Notes to the Accounts

Continued

14 Debtors

Amounts falling due within one year	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	6,382	5,141	-	-
Amounts owed by subsidiaries	-	-	2,123	1,564
Amounts owed by associated undertaking	74	180	15	20
Other debtors	71	177	-	-
Prepayments and accrued income	764	216	16	15
	<u>7,291</u>	<u>5,714</u>	<u>2,154</u>	<u>1,599</u>

15 Creditors

Amounts falling due within one year	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loans and overdrafts	2,915	1,890	3,031	1,212
Trade creditors	4,423	3,725	-	-
Amounts due to subsidiaries	-	-	54	55
Hire purchase and finance lease creditors	509	452	9	9
Corporation Tax	596	306	66	48
Other taxation and social security	287	334	-	-
Proposed dividend	377	309	377	309
Other creditors	523	617	-	-
Accruals and deferred income	956	824	94	54
	<u>10,586</u>	<u>8,457</u>	<u>3,631</u>	<u>1,687</u>

Amounts falling due after more than one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Secured commercial bills	1,069	474	-	-
Bank loans	125	259	-	-
Total loans	<u>1,194</u>	<u>733</u>	<u>-</u>	<u>-</u>
Hire purchase and finance lease obligations payable				
Between one and two years	477	295	2	9
Between two and five years	623	293	-	2
Other creditors	61	70	-	-
	<u>2,355</u>	<u>1,391</u>	<u>2</u>	<u>11</u>

Notes to the Accounts

Continued

15 Creditors - continued

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

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Between one and two years	125	228	-	-
Between two and five years	1,069	505	-	-
	<u>1,194</u>	<u>733</u>	<u>-</u>	<u>-</u>

Bank borrowings in the United Kingdom amounting to £2,790,000 (1999 £1,771,000) are secured by charges over a freehold property. Bank borrowings of £1,070,000 (1999 £691,000) 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., Westwood Yarns 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 31 March 2001.

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Leases expiring within one year	28	15	-	-
Leases expiring between one and five years	30	48	-	-

16 Provisions for liabilities and charges

	Group	Company
	£000	£000
Deferred taxation		
At 3 April 1999	691	135
Exchange adjustment	(4)	-
Profit and loss account (see note 7)	102	20
At 1 April 2000	789	155

17 Deferred taxation

The potential liability and provision for deferred taxation are as follows:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Capital allowances	921	842	155	135
Other timing differences	(132)	(151)	-	-
	<u>789</u>	<u>691</u>	<u>155</u>	<u>135</u>

No potential liability arises as a result of the 1998 revaluation of freehold property. The potential liability and provision are based on taxation rates of 30% in the UK and 34% in Australia (1999 30% and 36% respectively).

Notes to the Accounts

Continued

18 Share capital

	2000 £000	1999 £000
Authorised		
8,500,000 Ordinary Shares of 25p each - equity	<u>2,125</u>	<u>2,125</u>
Allotted, Called up and Fully Paid		
6,860,556 Ordinary Shares of 25p each (1999: 6,860,556) - equity	<u>1,715</u>	<u>1,715</u>

Share options over Ordinary Shares outstanding were as follows

Date exercisable	Option price (pence per share)	Number of shares	
		1 April 2000	3 April 1999
From 19 September 1994 to 18 September 2001	122p	83,000	83,000

19 Reserves

	At 3 April 1999 £000	Profit and loss account £000	Other movements £000	At 1 April 2000 £000
<i>Group</i>				
Share premium	<u>749</u>	-	-	<u>749</u>
Revaluation reserve	3,033	-	(269)	2,764
Exchange rate adjustment	(28)	-	(31)	(59)
	<u>3,005</u>	-	(300)	<u>2,705</u>
Profit and loss account	14,289	1,301	269	15,859
Adjustments arising on consolidation:				
Goodwill	(1,533)	-	-	(1,533)
Exchange rates	(1,152)	-	(220)	(1,372)
	<u>11,604</u>	1,301	49	<u>12,954</u>
<i>Company</i>				
Share premium	<u>749</u>	-	-	<u>749</u>
Revaluation reserve	2,169	-	(269)	1,900
Profit and loss account	<u>2,395</u>	(60)	269	<u>2,604</u>

Notes to the Accounts

Continued

20 Reconciliation of movements in shareholders' funds

	2000	1999
	£000	£000
Profit on ordinary activities after taxation	1,678	1,011
Dividends	(377)	(309)
	<u>1,301</u>	<u>702</u>
Other recognised net gains and (losses) relating to the year	(251)	(124)
	<u>1,050</u>	<u>578</u>
Opening shareholders' funds	17,073	16,495
	<u>18,123</u>	<u>17,073</u>

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

	2000	1999
	£000	£000
Operating profit	2,422	1,910
Depreciation charges	1,155	1,035
Profit on sale of fixed assets	(26)	(12)
(Increase)/decrease in stocks	(185)	1,222
(Increase)/decrease in debtors	(1,577)	233
Increase in creditors	679	259
Exchange rate difference on consolidation	(122)	(89)
	<u>2,346</u>	<u>4,558</u>

22 Reconciliation of net cash flow to movement in net debt

	2000	1999
	£000	£000
(Decrease)/increase in cash in the year	(935)	1,961
Cash (inflow)/outflow from movement in debt and lease financing	(1,064)	728
	<u>(1,999)</u>	<u>2,689</u>
Change in net debt resulting from cash flow	(1,999)	2,689
Exchange rate difference on consolidation	38	10
	<u>(1,961)</u>	<u>2,699</u>
Movement in net debt in the year	(1,961)	2,699
Net debt at beginning of year	(3,494)	(6,193)
	<u>(5,455)</u>	<u>(3,494)</u>
Net debt at end of year	(5,455)	(3,494)

Notes to the Accounts

Continued

23 Analysis of net debt	At 3 April 1999 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 1 April 2000 £000
Cash	169	94	-	-	263
Overdrafts	(1,890)	(1,029)	-	4	(2,915)
Decrease in cash in the year		(935)			
Secured commercial bills					
Payable more than one year	(474)	(613)	-	18	(1,069)
Finance leases					
Payable less than one year	(452)	470	(529)	2	(509)
Payable more than one year	(588)	(1,045)	529	4	(1,100)
Bank loans					
Payable less than one year	-	-	-	-	-
Payable more than one year	(259)	124	-	10	(125)
Increase in net debt in the year		(1,064)			
Total	(3,494)	(1,999)	-	38	(5,455)

24 Post balance sheet events

(a) Disposal of Green Street property

The disposal of the Company's property at Green Street, Kidderminster, which was approved by shareholders at the Extraordinary General Meeting on 9 December 1999, became unconditional on 7 April 2000 and was completed on 26 April 2000 with the receipt of the remaining net sale proceeds of £2,930,000.

The profit on disposal of £2,164,000, before any tax which may be payable, will be included in the Group's interim accounts for the six months to September 2000.

(b) Special Interim Dividend

Following the completion of the sale of the Green Street property, the directors declared a special interim dividend of 15 pence per share (total £1,029,000) to be paid on 20 July 2000 to shareholders on the register at 23 June 2000.

Five Year Record

	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000	
Profit and loss account						
Turnover	35,610	34,800	35,728	36,756	39,307	
Trading surplus after interest payable	3,263	2,539	2,116	1,610	1,580	
Depreciation	1,155	1,035	1,111	987	1,050	
Trading profit	2,108	1,504	1,005	623	530	
Exceptional items	363	-	-	1,668	(327)	
Profit before taxation	2,471	1,504	1,005	2,291	203	
Taxation	793	493	270	163	85	
Profit attributable to shareholders	1,678	1,011	735	2,128	118	
Cost of dividends	377	309	240	169	135	
Balance Sheet						
Fixed assets (tangible)	14,749	12,379	12,472	11,224	9,196	
Investments	230	215	196	186	157	
Stocks and debtors less creditors	9,388	8,664	10,618	9,519	10,596	
Net borrowings	(5,455)	(3,494)	(6,193)	(4,915)	(5,593)	
	18,912	17,764	17,093	16,014	14,356	
<i>Funded by</i>						
Share capital	1,715	1,715	1,715	1,715	1,715	
Reserves including deferred taxation	17,197	16,049	15,378	14,299	12,641	
	18,912	17,764	17,093	16,014	14,356	
Analysis						
Dividend cover	times	4.45	3.27	3.06	12.59	0.87
Profit before taxation/Capital employed	%	13.07	8.47	5.88	14.31	1.41
Earnings per share (basic)	p	24.46	14.73	10.71	31.02	1.73
Earnings per share excluding exceptional items	p	20.54	14.73	10.71	7.59	4.95

All of the above results are derived from continuing operations.

Notice of Annual General Meeting

Notice is hereby given that the sixty-seventh Annual General Meeting of the Company will be held at the registered office of the Company, Worcester Road, Kidderminster on 13 July 2000 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 1 April 2000.
2. To declare the dividend of 5.5 pence per share proposed in respect of the year ended 1 April 2000.
3. To re-elect A R Bullock as a director.
4. To re-elect J A Duncan as a director.
5. To re-elect M S W Lee as a director.
6. To re-appoint HLB Kidsons as auditors of the Company, and to authorise the directors to determine their remuneration for the ensuing year.

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:

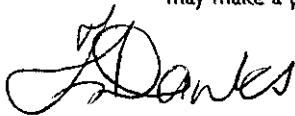
7. That the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities as defined in that section up to an aggregate amount of £409,861, provided that this authority 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.



By Order of the Board
T A Danks
Secretary

Worcester Road
Kidderminster
13 June 2000

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

Form of Proxy

VICTORIA P.L.C.

FORM OF PROXY

FOR USE AT THE 67th ANNUAL GENERAL MEETING

I/We being (a) member(s) of the above-named Company, hereby appoint *the chairman of the meeting or..... of..... as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 13 July 2000 and at any adjournment thereof on the Resolutions set out in the Notice of such Meetings as indicated with an "X", in the appropriate spaces.

*Delete if it is desired to appoint any other person and insert their name and address

	For "X"	Against "X"
Resolution 1 Adoption of Accounts		
Resolution 2 Declaration of dividend		
Resolution 3 Re-election of A R Bullock		
Resolution 4 Re-election of J A Duncan		
Resolution 5 Election of M S W Lee		
Resolution 6 Re-appointment of auditors		
Resolution 7 Allotment of relevant securities		
Resolution 8 Disapplication of pre-emption rights		
Resolution 9 Purchase of own shares		

Unless otherwise instructed above the proxy will vote or abstain as he thinks fit.

FULL NAME(S)
(in Block Letters)

ADDRESS
.....

SIGNATURE

Date2000

NOTES:

1. This instrument of Proxy to be valid must be lodged at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting.
2. An instrument of Proxy given by a Corporation must be either under its Common Seal or under the hand of an Officer or attorney duly authorised in writing.
3. In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted.



SECOND FOLD

AFFIX
STAMP
HERE

**The Secretary
Victoria P.L.C.
Worcester Road
Kidderminster
Worcs
DY10 1HL**

FIRST FOLD

THIRD FOLD AND TUCK IN

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
M J Reah

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

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