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Victoria P.L.C.

Report and Accounts 2001

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.

Contents

Year in Brief

Despite the adverse trading conditions experienced during the year the group has performed well. Profits have grown and gearing has reduced, demonstrating the underlying strength of the business. With the energy, ability and commitment of our staff we look to the future with confidence and we will pursue our business with enthusiasm.

Profit before exceptional items and tax up by **4.5%** to **£2.20 million**

Final dividend increased by **18%** to **6.5 pence** per share

Completed disposal of Green Street premises and distributed **£1.04 million** to shareholders

Continued investment in future growth with **£3.57 million** of capital expenditure

Chairman's Statement

Introduction

Against the backdrop of challenging market conditions, both in the UK and in Australia, I am pleased to report continued progress by the Group.

Results

The Group turnover at £35.3 million, has on the face of it showed little movement on last year, but this figure has been affected by a difference in the exchange rate used at our year-end in converting our Australian division's results compared with last year.

Profit before tax and exceptional items was up by 4.5% to £2.203 million and earnings per share are up 5.9% to 21.75 pence per share excluding exceptional items.

The net profit before tax was up by 77% to £4.367 million after exceptional items of £2.164 million, representing the profit generated on the sale of our Green Street premises.

Whilst all parts of the Group performed well, we enjoyed a particularly pleasing result in the UK where profits increased significantly in a difficult market as a result of benefits derived from the rationalisation of our production facilities in Kidderminster and capital expenditure at Westwood's facilities at Holmfirth.

After an excellent start to the year in Australia, the introduction of GST (the equivalent of VAT) and the impact of the Olympic Games took their toll on trading. Since then, challenging market conditions have prevailed.

Dividend

The Board is pleased to be able to continue with its policy of providing a progressive dividend, and is recommending a final dividend of 6.5 pence per share, which represents an 18% increase. This follows the special interim dividend of 15 pence per share paid during the year.

Subject to approval at the Annual General Meeting on 19 July 2001, the final dividend will be paid on 23 July 2001 to shareholders on the register at the close of business on 29 June 2001.

Prospects

Currently, the market conditions in Australia remain difficult but with the strong leadership, innovative products, and the benefit of considerable capital expenditure in our facilities at Castlemaine, we are well placed to cope with these market conditions.

In the UK, too, despite the economic uncertainty, we will continue to pursue the organic growth strategy with which we have been so successful over recent years. Our existing product portfolio is strong and further new introductions are planned in the first half of the year. These developments should reinforce our position as a leading supplier of premium branded floor coverings to both the residential and commercial markets.

I believe that the Group is well-placed to maintain its performance in the current year.

Finally, I would like to express my sincere thanks to our workforce, whose support, quality ethic and ongoing culture for continuous improvement have played a significant part in the Group's success.

R M Gilbert
Chairman

Operating Review

United Kingdom

As has already been reported by others in the Industry, the market for floor coverings in the UK has remained challenging throughout the year.

However, against this back-drop, our UK operation has traded well, delivering another year's improved performance.

On a turnover up by 3.4% from £23.8 million to £24.7 million, gross profit was lifted by 2.17% and the gross profit margin is maintained at 30%.

Net profit before tax and exceptional income was increased by 27.5%.

CARPET MANUFACTURE

The first year of this new Millennium saw our carpet manufacturing operation producing carpet for the full year out of our modern, consolidated plant at Worcester Road, Kidderminster. A combination of operational efficiencies, "hands-on management" and the benefit of recent investments have all now started to flow through to our bottom line.

Today, we are making more carpet of higher quality with fewer people than at any time in the past.

During the year, we have continued to invest in new plant and equipment to maintain our position at the forefront of the market. These investments included a further high-speed tufter and, since the year-end, we have installed the very latest high-speed, computer controlled Graphics tufter, which will enable us to expand our offering of patterned tufted carpet.

CARPET SALES

Despite market conditions in the UK claimed to be flat, Victoria Carpets' strong product portfolio and emphasis on targeted marketing has once more enabled us to further strengthen our position in the market place.

Overall, our carpet turnover was up by 6.24% in the year with operating profits up 44% and net profit before tax up by 48%.

Sales in the UK remain focused on the Independent Retail Sector where we have once more expanded our market share. Sales to this sector now account for 61% of UK sales compared to 53% in the previous year.

We believe that our continued emphasis on new products of differentiation and quality and consistently high levels of service to our customers will allow us to meet whatever challenges the market presents us with.

Victoria Carpets has a particularly active programme of new product launches in the UK in the first half of our next financial year, with five new ranges scheduled for introduction. Only one of these products is a replacement range and the others are therefore all expected to bring incremental turnover and profit. The elapsed time it takes to sample new products, however, means that the benefits of these ranges will not be felt until the second half of the financial year.

Victoria Carpets continues to be active in its support of The Carpet Foundation and has registered all of its products under The Carpet Foundation's new Quality Assurance Scheme.

Export sales performance in the year has been strong, despite the continuing strength of Sterling. Sales overseas were up by 10.44% at £4.45m compared to the previous year with sales to the EU accounting for 78% of our exports.

Victoria Carpets has over the years successfully created a strong reputation for the production and supply of "bespoke" contract carpeting, particularly for the hotel industry and its export list of customers reads like a "Who's Who" of 5 Star/Deluxe category hotels.

Three of the five new product introductions planned for the first-half of the new financial year are export/contract orientated giving us confidence that exports should continue to prosper.

YARN MANUFACTURE

Westwood Yarns, as always, has contributed well to the Group performance.

We have, however, during the year seen an increased demand for heat-set yarns, which we feel will be an on-going trend. Our current imbalance of set to un-set yarn has prevented us from maximising our capacity utilisation this year and we have therefore embarked on a programme to expand our existing heat-setting capacity.

Additional heat-setting capacity and the building work necessary to accommodate this equipment will be completed by late June 2001 allowing us the complete flexibility of Superba heat-setting our full spinning capacity when required.

Australia

Our Australian division has experienced a more difficult trading period than we have seen in recent years.

A combination of "one-off" events coupled with a general economic down-turn in Australia have conspired to check the strong advances we have been seeing "down-under" over recent years.

In July 2000, the Government introduced a 10% Goods & Services Tax (GST) and in September 2000, the Sydney Olympics further damaged sales. Since July 2000 the Australian economy has also gone into recession, which has brought about a significant decline in the value of the Australian Dollar.

The sum result of these circumstances saw our sales flat in Australia, at just 0.3% higher in A$ terms, but down by 9.42% in Sterling terms when consolidated into our accounts at the exchange rate of A$2.91 compared to A$2.63 in the previous year. Turnover in the year was £10.66 million, against £11.77 million the previous year.

Sales in the first quarter (Pre-GST) were up 24% on the corresponding period in the previous year as the economy remained strong and customers purchased in advance of the introduction of GST.

In the second quarter (Post-GST) sales dipped, as we had forecast, and were down by 5% compared to the previous year.

In the third quarter, the economy started to slow further and the Sydney Olympics also depressed consumer sales as the country became engrossed in the Games for almost the whole month of September. This third quarter was down by 10% compared to the previous year.

The fourth quarter saw a further deepening of the down-turn during what is generally a weaker period of trading covering the Christmas/New Year, summer "down-under", holiday season. Sales were down by 7% compared to the same quarter the year before.

Against this back-drop we believe that we have produced a creditable result.

At our Castlemaine yarn spinning plant we completed a significant investment to increase our yarn spinning capacity by around 50% at a cost of A$6.6 million (£2.4 million). Some initial start-up problems and disruptions to the existing plant resulted in a lower than planned output and profitability.

The plant is, however, now fully operational and delivering increased volumes of high quality yarn and producing expected levels of profitability.

The Board would like to acknowledge the excellent contribution that our new Spinning Mill Manager, Tony Breslin, has made since joining the company in October 2000.

Our Castlemaine spinning mill is now one of the most modern dry woollen spinning mills in the Southern Hemisphere and the A$13.7million investment we have put into the mill since we purchased it in 1993 will continue to deliver an excellent return to the Group.

Canada

Our Associate Company, Colin Campbell & Sons, saw a slowing of its market during the second half of 2000 as the Canadian economy reacted to the slowdown in the USA. However, despite this, Campbell's turnover and net profit in the year was almost identical to the previous year.

Campbell's contribution to our Group profit was up from £41,328 to £43,253, a 4.66% improvement in the year.

Alan Bullock
Group Managing Director

Financial Review

Results for the year

The slight reduction in Group consolidated turnover is due mainly to the weakening of the Australian dollar and belies the continuing progress of the operating businesses.

Sales from the UK carpet business were 6.24% higher than 2000. UK sales as a whole, were 3.44% higher than 2000 as outside sales of carpet yarn from Westwood Yarns were replaced by an increase in sales within the Group.

Sales from our Australian business were 0.34% higher in local currency than in 2000, but, with the sharp decline in the Australian dollar exchange rate, from 2.63 last year to 2.91 this year, the Australian element of Group turnover was reduced by 9.4% when shown in Sterling.

Operating profits, at £2.37 million, were slightly lower than last year's level of £2.42 million due to the effect of the Australian currency and the factors reported in the Operating Review.

Exceptional income

The sale of the Green Street property in Kidderminster was completed in April 2000 when the remainder of the £3.0 million sale proceeds were received. The profit on disposal of £2.16 million is brought into the year's accounts as an exceptional item.

Interest

The interest charge for the year was £0.21 million, a significant reduction from £0.35 million in 2000. The interest charge was covered over 11 times by operating profits.

Profits

Profit before tax and exceptional items of £2.203 million was 4.5% higher than in 2000 reflecting the reduced interest charge and the increased profitability achieved by the UK operations.

Taxation

The tax charge on profits, excluding the exceptional income, was £0.70 million, representing an effective rate of 31.6%. An additional provision of £0.16 million was made for deferred tax on the exceptional income.

Earnings per share

Earnings were 50.66 pence per share including the exceptional income. Underlying earnings of 21.75 pence per share showed a 5.9% increase on the previous year.

Dividend

During the year £1.04 million was returned to shareholders by way of a special interim dividend of 15 pence per share.

The proposed final dividend of 6.5 pence per share is an increase of 18% on the final dividend paid in respect of the previous year. At this level, the dividend remains covered 3.3 times by underlying earnings.

Cash flow

Operating cash flow remained strong at £3.9 million.

Cash flow also benefited from the remaining £2.9 million net proceeds received from the Green Street property, out of which was paid the special dividend of £1.04 million mentioned above.

Capital expenditure totalled £3.57 million, including approximately £2.4 million at the Castlemaine Yarn mill where the additional production plant was installed and commissioned during the year.

After payment of dividends, interest and tax, net cash flow of £1.13 million was used to reduce borrowings.

Balance sheet

Net assets increased in the year to £19.6 million (2000: *£18.1 million*). Net debt at the year end was £4.33 million *(2000: £5.46 million)*. Gearing fell from 30% at the start of the year to 22% at the year-end.

Financial Review

Continued

Treasury Policy

Operating internationally, and financed by a combination of equity and debt, both UK and overseas, the Group is exposed to risks relating to interest rates, liquidity and foreign currency.

The "financial instruments" which are affected by these risks comprise of borrowings, cash and liquid resources used to provide finance for the Group's operations, together with various items such as trade debtors and trade creditors that arise directly from its operations, and any derivatives transactions (such as interest rate swaps and forward foreign currency contracts) used to manage interest rate and currency rates.

The following policies, established by the Board, have been applied throughout the year under review:

a) Interest Rate Risk

The Group finances its operations through a mixture of retained profits and bank facilities, including hire purchase and lease finance. The Group borrows in the desired currency at floating or fixed rates of interest and may then use interest rate swaps to secure the desired interest profile and manage exposure to interest rate fluctuations.

At the year-end, 54% of the Group's borrowings were at fixed rates.

b) Liquidity Risk

As regards liquidity, the Group's policy has, throughout the year, been that to ensure continuity of funding, at least 50% of its borrowings should mature after more than one year. At the year-end, 64% of the Group's net borrowings were due to mature after one year and, within this 48% were due to mature after more than two years.

c) Currency Risk

The main currency exposure of the Group arises from the ownership of the Australian subsidiary, which accounts for around one third of the Group's turnover, profits and net assets.

It is the Board's policy not to hedge against movements in the Sterling/Australian exchange rate beyond the natural hedge of maintaining a relatively high proportion of the Group's borrowings in Australian dollars. At 31 March 2001, 62% (£2.7 million) of Group borrowings were denominated in Australian dollars.

Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported. These exposures may be managed by forward currency contracts, particularly when the amounts or periods to maturities are significant and at times when currencies are particularly volatile.

d) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Mark Lee
Group Finance Director

Directors and Advisers

Bob Gilbert, age 52
Chairman – Non-executive
Joined the Board as Chairman in July 1996, having previously been Chairman of Everest Foods PLC and Plumb Holdings PLC. A Partner of Wragge & Co., the Group's solicitors, and associated with the Group for over 20 years.

Alexander Anton, age 41
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 FraserCRE, a property management business which he co-founded in 1993.

Keith Ackroyd, age 66
Non-executive
Joined the Board in August 1998. Non-executive Chairman of Silentnight Holdings Plc. Previously a main board director of The Boots Company PLC where he was responsible for Boots the Chemists and then the whole retail division.

Alan Bullock, age 53
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.

John Duncan, age 56
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.

Mark Lee, age 38
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.

Michael Oakley, age 61
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.

Brian Priest, age 65
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

Registered Number
282204

Bankers
Barclays Bank PLC

Solicitors
Wragge & Co

Stockbrokers
Old Mutual Securities

Registrars
C.I. Registrars Ltd

Directors' Report

The directors present their report and the audited accounts for the year ended 31 March 2001.

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

Results and dividends

	£000
The profit attributable to shareholders is	3,509
Special interim dividend	1,042
Final dividend	456
Retained profit	2,011

The special interim dividend of 15 pence per share was paid to shareholders on 20 July 2000.

A final dividend of 6.5 pence per Ordinary Share is proposed for payment on 23 July 2001 to members on the register at the close of business on 29 June 2001.

Fixed assets

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

Directors and their interests

The directors of the Company are listed on page 9 together with biographical details.

The directors retiring by rotation are B W Priest, I A Anton and K Ackroyd 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 14. 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 £13,916 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 31 March 2001 had the following interests in the Ordinary Shares of the Company:

	1 June 2001		*31 March 2001*		*1 April 2000*	
Name	***Beneficial***	***Non-Beneficial***	*Beneficial*	*Non-Beneficial*	*Beneficial*	*Non-Beneficial*
K Ackroyd	–	–	–	–	–	–
I A Anton	***116,775***	***614,750***	*116,775*	*614,750*	*126,775*	*615,000*
A R Bullock	***28,500***	***522,250***	*28,500*	*522,250*	*28,500*	*522,500*
J A Duncan	***12,740***	***522,250***	*12,740*	*522,250*	*12,500*	*522,500*
R M Gilbert	–	***524,750***	–	*524,750*	–	*525,000*
M S W Lee	***15,000***	–	*15,000*	–	*15,000*	–
M W Oakley	***10,000***	–	*10,000*	–	–	–
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 394,750 they hold as trustees of The Victoria Carpets Profit Sharing Scheme. These shares represent 7.6% 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. M S W Lee and B W Priest held 48 and 44 non-voting redeemable £1 preference shares in Victoria Incentives at 31 March 2001 and at 1 June 2001.

Substantial shareholdings

Other than directors, at 1 June 2001 the following material interests in more than 3% of the issued Ordinary Share capital have been notified to the Company:

G S F Anton	7.2%
C G F Anton	5.3%
P J Anton	3.8%
J H H Anton	3.7%
G H Anton	3.6%
F F Anton	3.6%
N E Anton	3.5%
The Micro Quoted Growth Trust	3.4%

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 31 March 2001 represented 55 days' purchases from suppliers *(2000: 64 days)*.

Charitable and political contributions

The total charitable contributions made in the United Kingdom amounted to £680. 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 19 July 2001, is set out on pages 33 and 34. 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

20 June 2001

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. 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 14.

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 31 March 2001. 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 9. The Chairman is considered to be the senior independent director. The Board meets 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 14 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 Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Board has put in place a system under which there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This system has been in place for the year under review and up to the date of approval of these accounts. The system is regularly reviewed and accords with the guidance in the Turnbull Report.

During the year, the Board has reviewed the effectiveness of the system of internal control. The Board has kept under review any need for an internal audit function and has reconfirmed its view that such a function is not required.

Compliance with the Provisions of the Combined Code

The Company has complied throughout the year with the provisions set out in Section 1 of the Combined Code.

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 31 March 2001 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 offered 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 current bonus scheme covers all main board and subsidiary directors and allows for bonuses of up to 40% of basic salary for executive directors. Bonuses under the scheme are non-pensionable. Bonuses are determined by the degree to which the Group and the various operating units have exceeded their profit targets. No bonuses are payable in respect of the year ended 31 March 2001 as the increase in profitability was lower than the target set.

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. The last of the options outstanding under this scheme were exercised during the year as detailed 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

The executive directors have service contracts terminable at one year's notice except following a change of control when the period of notice required from the employer is extended to two years.

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 16 to 31, which have been prepared under the accounting policies set out on page 19.

Respective responsibilities of directors and auditors
The Company's directors are responsible for the preparation of the annual report, including as described on page 12 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, 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 12 and 13 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, 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 31 March 2001 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
20 June 2001

Group Profit and Loss Account

	Note	52 weeks ended 31 March 2001 £000	52 weeks ended 1 April 2000 £000
Turnover	1	35,320	35,610
Cost of sales		25,166	25,145
Gross profit		10,154	10,465
Distribution costs		5,727	5,975
Administrative expenses		2,258	2,397
Other operating income		204	329
Operating profit		2,373	2,422
Exceptional income	2	2,164	363
Interest payable and similar charges	3	213	355
Share of profits of associated undertaking		43	41
Profit on ordinary activities before taxation	4	4,367	2,471
Taxation	7	858	793
Profit after taxation		3,509	1,678
Dividends paid and proposed	8	1,498	377
Retained profit	19	2,011	1,301
Earnings per share – basic	9	50.66p	24.46p
Earnings per share – diluted	9	50.55p	24.25p
Earnings per share – excluding exceptional items	9	21.75p	20.54p

Statement of Total Recognised Gains and Losses

	2001 £000	2000 £000
Profit after taxation	3,509	1,678
Currency translation differences on foreign currency net investments	(667)	(251)
Total gains relating to the year	2,842	1,427
Total gains recognised since last annual report	2,842	1,427

Note of Historical Cost Profits and Losses

	2001 £000	2000 £000
Reported profit on ordinary activities before taxation	4,367	2,471
Realisation of property revaluation gains of previous years	633	269
Historical cost profit on ordinary activities before taxation	5,000	2,740
Historical cost profit for the year retained after taxation and dividends	2,644	1,570

Balance Sheets

	Note	Group 31 March 2001 £000	Group 1 April 2000 £000	Company 31 March 2001 £000	Company 1 April 2000 £000
Fixed assets					
Tangible assets	11	**15,805**	14,749	**4,514**	5,225
Investments	12	**252**	230	**3,377**	3,377
		16,057	14,979	**7,891**	8,602
Current assets					
Stock	13	**8,791**	9,320	**–**	–
Debtors	14	**6,293**	7,291	**2,209**	2,154
Cash at bank and in hand		**51**	263	**–**	–
		15,135	16,874	**2,209**	2,154
Less: Current liabilities					
Creditors – amounts falling due within one year	15	**7,792**	10,586	**1,553**	3,631
Net current assets		**7,343**	6,288	**656**	(1,477)
Total assets less current liabilities		**23,400**	21,267	**8,547**	7,125
Less: Creditors – amounts falling due after more than one year	15	**2,821**	2,355	**–**	2
Provisions for liabilities and charges – deferred taxation	16	**1,011**	789	**338**	155
Net assets		**19,568**	18,123	**8,209**	6,968
Capital and reserves (equity)					
Share capital	18	**1,736**	1,715	**1,736**	1,715
Share premium	19	**829**	749	**829**	749
Revaluation reserve	19	**1,996**	2,705	**1,267**	1,900
Profit and loss account	19	**15,007**	12,954	**4,377**	2,604
Total shareholders' funds	1	**19,568**	18,123	**8,209**	6,968

The accounts on pages 16 to 31 were approved by the Board of Directors on 20 June 2001

R M Gilbert
M S W Lee } *Directors*

Group Cash Flow Statement

	Note	52 weeks ended 31 March 2001 £000	£000	52 weeks ended 1 April 2000 £000	£000
Net cash inflow from operating activities	21		3,916		2,346
Dividends received from associated undertaking			13		–
Returns on investment and servicing of finance					
Interest paid		(81)		(235)	
Interest element of finance lease and hire purchase payments		(132)		(120)	
			(213)		(355)
Taxation					
UK Corporation Tax paid		(451)		(384)	
Overseas tax paid		(367)		(9)	
			(818)		(393)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(3,568)		(4,054)	
Receipts from sales of tangible fixed assets		37		116	
Redemption of shares in associated undertaking		–		19	
Receipts from exceptional items		2,914		631	
			(617)		(3,288)
			2,281		(1,690)
Equity dividends paid			(1,423)		(309)
			858		(1,999)
Financing					
Issue of share capital			101		–
Increase in secured loans		206		–	
(Decrease)/increase in long term loans		(134)		489	
Capital element of finance lease and hire purchase payments		(425)		(470)	
Receipts from financing of assets		1,344		1,045	
			991		1,064
Increase/(decrease) in cash	23		1,950		(935)

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 prior to March 2000 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. The Group has adopted the transitional provisions of FRS 15. No further revaluations of land and buildings are planned. 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 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
Contributions to the Group's money purchase pension schemes are charged to the profit and loss account as they become payable.

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 31 March 2001			52 weeks ended 1 April 2000		
	Turnover £000	Profit on ordinary activities £000	Net assets £000	Turnover £000	Profit on ordinary activities £000	Net assets £000
United Kingdom	24,659	3,721	12,856	23,839	1,584	11,038
Australia	10,661	603	6,460	11,771	846	6,855
Canada	–	43	252	–	41	230
	35,320	4,367	19,568	35,610	2,471	18,123

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 income

Exceptional income arising during the year to 31 March 2001 was as follows:

	Profit before tax £000	Taxation £000	Profit after tax £000
Profit on disposal of Green Street property	2,164	162	2,002

The tax charge on the exceptional income represents a provision for deferred taxation, which may become payable if the proceeds of the property disposals are not fully re-invested within 10 years.

3 Interest payable and similar charges

	2001 £000	2000 £000
Loans and overdrafts wholly repayable within five years	81	235
Hire purchase and finance lease interest	132	120
	213	355

Notes to the Accounts

Continued

4 Profit on ordinary activities before taxation

	2001 £000	2000 £000
After charging:		
Depreciation	**1,287**	1,155
Charges under operating leases	**79**	80
Auditors' remuneration – audit	**46**	38
– other	**15**	29

5 Staff costs

	2001 £000	2000 £000
Wages and salaries	**8,393**	8,625
Social security costs	**678**	700
Other pension costs	**453**	476
	9,524	9,801

Average number employed	United Kingdom	Australia	**Total**
2001	385	204	**589**
2000	408	183	591

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 £453,000 *(2000: £476,000)* of which £228,000 *(2000: £258,000)* 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

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

	2001 £000	2000 £000
Emoluments	459	549
Contributions to money purchase pension schemes	70	59
	529	608

The emoluments of all directors for the year ended 31 March 2001 were as follows:

	Salary / Fees £000	Benefits in kind £000	Annual bonus £000	Total 2001 £000	Total 2000 £000
Executive					
A R Bullock	95	12	–	107	105
J A Duncan	74	7	–	81	96
M S W Lee	66	12	–	78	94
M W Oakley	51	4	–	55	98
B W Priest	69	16	–	85	103
Non-executive					
R M Gilbert (Chairman)	25	–	–	25	25
K Ackroyd	13	–	–	13	13
I A Anton	15	–	–	15	15
	408	51	–	459	549

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.

	Number of options					
	At 1 April 2000	Exercised	At 1 April 2001	Exercise price	Date from which exercisable	Expiry date
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
M W Oakley	23,000	23,000	–	122p	19 Sept. 94	18 Sept. 01

No other director has options to purchase shares.

Based on the market price of 165 pence per share on the date the options were exercised, the gains accruing to the respective directors were: A R Bullock £6,450; J A Duncan £6,450; and M W Oakley £9,890.

Notes to the Accounts

Continued

6 Directors' remuneration - continued

Directors' pension entitlements

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

	2001	2000
	£000	£000
A R Bullock	**15**	12
J A Duncan	**12**	11
M S W Lee	**9**	8
M W Oakley	**24**	13
B W Priest	**10**	15
	70	59

7 Taxation

	2001	2000
	£000	£000
UK Corporation tax	**433**	368
Overseas taxation	**188**	316
Deferred taxation	**229**	102
Share of associated undertaking's tax charge	**8**	7
	858	793

The charge for deferred taxation includes £162,000 provided in respect of the disposal of the Green Street property.

8 Dividends

	2001	2000
	£000	£000
Ordinary Shares		
Special interim dividend (15p per share)	**1,042**	–
Under provision of final dividend 2000	**5**	–
Final dividend 6.5p per share *(2000: 5.5p)*	**451**	377
	1,498	377

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:

	2001	2000
Earnings (£'000)		
– basic	**3,509**	1,678
– net interest on option proceeds	1	5
– diluted	**3,510**	1,683
– excluding exceptional items	**1,507**	1,414
Number of shares (thousands)		
– in issue (weighted)	**6,927**	6,861
– issuable under options (weighted)	17	83
– diluted	**6,944**	6,944

10 Rate of exchange

The accounts of the Australian subsidiary have been converted to Sterling at A$2.9117 to £1 *(2000:A$2.6282)*, being the rate prevailing at 31 March 2001.

11 Tangible fixed assets

	Group					Company		
Cost or valuation	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
At 1 April 2000								
At 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
Currency adjustments	(162)	(384)	(35)	(48)	(629)	–	–	–
Additions	271	1,967	210	1,120	3,568	107	–	107
Transfers	–	14	37	(51)	–	–	–	–
Disposals	(750)	(11)	(426)	(207)	(1,394)	(750)	–	(750)
At 31 March 2001	7,132	15,195	1,145	1,517	24,989	4,631	31	4,662
Cost	2,552	15,195	1,145	1,517	20,409	1,781	31	1,812
At valuation 1998	4,580	–	–	–	4,580	2,850	–	2,850

Notes to the Accounts

Continued

11 Tangible fixed assets - continued

	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
	£000	£000	£000	£000	£000	£000	£000	£000
Aggregate depreciation								
At 1 April 2000	144	7,434	813	304	8,695	66	14	80
Currency adjustments	(6)	(157)	(24)	(10)	(197)	–	–	–
Charge for the year	108	913	190	76	1,287	64	4	68
Transfers	–	11	19	(30)	–	–	–	–
Disposals	–	(11)	(383)	(207)	(601)	–	–	–
At 31 March 2001	246	8,190	615	133	9,184	130	18	148
Net book value								
At 31 March 2001	**6,886**	**7,005**	**530**	**1,384**	**15,805**	**4,501**	**13**	**4,514**
At 1 April 2000	7,629	6,175	546	399	14,749	5,208	17	5,225

The UK freehold properties were revalued at 28 March 1998 by Lambert Smith Hampton, consultant surveyors and valuers. The Australian freehold properties, with the exception of the spinning mill at Castlemaine, Australia, which is included at cost having been rebuilt shortly before the valuation date, were valued by Brendan Rice, independent property valuers. The basis of valuation was existing use value with the exception of property held for sale or 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 31 March 2001		222	–
Accumulated depreciation at 31 March 2001		77	–
Depreciation charged in year		38	–
Being acquired under hire purchase agreements:			
Cost at 31 March 2001	2,317	267	31
Accumulated depreciation at 31 March 2001	629	116	18
Depreciation charged in year	201	76	4

Capital expenditure authorised and committed	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Contracts placed	**1,028**	2,023	**85**	–

Notes to the Accounts

Continued

12 Fixed asset investments

	Note	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Fixed assets					
Investments in subsidiaries	(a)	–	–	3,321	3,321
Investment in associated company	(b)	252	230	56	56
		252	230	3,377	3,377

(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	Investment
Victoria Incentives	England	Investment
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 2001.

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Cost of investment	101	101	101	101
Return of capital	(45)	(45)	(45)	(45)
Share of post acquisition profits (retained by associated undertaking)	196	174	–	–
	252	230	56	56

13 Stock

	Group 2001 £000	Group 2000 £000
Raw materials	2,742	3,068
Work-in-progress	504	575
Finished goods	5,545	5,677
	8,791	9,320

Notes to the Accounts

Continued

14 Debtors

Amounts falling due within one year	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Trade debtors	**5,868**	6,382	**–**	–
Amounts owed by subsidiaries	**–**	–	**2,191**	2,123
Amounts owed by associated undertaking	**72**	74	**18**	15
Other debtors	**33**	71	**–**	–
Prepayments and accrued income	**320**	764	**–**	16
	6,293	7,291	**2,209**	2,154

15 Creditors

Amounts falling due within one year	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Secured commercial bills	**206**	–	**–**	–
Bank loans and overdrafts	**741**	2,915	**992**	3,031
Trade creditors	**3,821**	4,423	**–**	–
Amounts due to subsidiaries	**–**	–	**–**	54
Hire purchase and finance lease creditors	**680**	509	**2**	9
Corporation Tax	**398**	596	**46**	66
Other taxation and social security	**524**	287	**–**	–
Proposed dividend	**451**	377	**451**	377
Other creditors	**296**	523	**–**	–
Accruals and deferred income	**675**	956	**62**	94
	7,792	10,586	**1,553**	3,631

Amounts falling due after more than one year	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Secured commercial bills	**944**	1,069	**–**	–
Bank loans	**–**	125	**–**	–
Total loans	**944**	1,194	**–**	–
Hire purchase and finance lease obligations payable				
Between one and two years	**472**	477	**–**	2
Between two and five years	**1,337**	623	**–**	–
Other creditors	**68**	61	**–**	–
	2,821	2,355	**–**	2

Notes to the Accounts

Continued

15 Creditors - continued

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

	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Between one and two years	**206**	125	**–**	–
Between two and five years	**738**	1,069	**–**	–
	944	1,194	**–**	–

Bank borrowings in the United Kingdom amounting to £629,000 *(2000: £2,790,000)* are secured by charges over a freehold property. Bank borrowings of £1,231,000 *(2000: £1,070,000)* by the principal 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 Limited, Westwood Yarns Limited 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 30 March 2002.

	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Leases expiring within one year	**5**	28	**–**	–
Leases expiring between one and five years	**46**	30	**–**	–

16 Provisions for liabilities and charges

	Group	Company
	£000	£000
Deferred taxation		
At 1 April 2000	789	155
Exchange adjustment	(7)	–
Profit and loss account (see note 7)	229	183
At 31 March 2001	**1,011**	**338**

17 Deferred taxation

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

	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Capital allowances	**960**	921	**176**	155
Other timing differences	**51**	(132)	**162**	–
	1,011	789	**338**	155

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 30% in Australia *(2000: 30% and 34% respectively)*.

Notes to the Accounts

Continued

18 Share capital

	2001 £000	2000 £000
Authorised		
8,500,000 Ordinary Shares of 25p each - equity	**2,125**	2,125
Allotted, Called up and Fully Paid		
6,943,556 Ordinary Shares of 25p each (*2000: 6,860,556*) - equity	**1,736**	1,715

Share options over Ordinary Shares outstanding were as follows:

Date exercisable	*Option price (pence per share)*	*Number of shares 31 March 2001*	*Number of shares 1 April 2000*
From 19 September 1994 to 18 September 2001	122p	nil	83,000

On 14 June 2000, £101,260 was received from the exercise of options over 83,000 shares with an aggregate nominal value of £20,750.

19 Reserves

Group	At 1 April 2000 £000	Profit and loss account £000	Other movements £000	**At 31 Mar 2001 £000**
Share premium	749	–	80	**829**
Revaluation reserve	2,764	–	(633)	**2,131**
Exchange rate adjustment	(59)	–	(76)	**(135)**
	2,705	–	(709)	**1,996**
Profit and loss account	15,859	2,011	633	**18,503**
Adjustments arising on consolidation:				
Goodwill	(1,533)	–	–	**(1,533)**
Exchange rates	(1,372)	–	(591)	**(1,963)**
	12,954	2,011	42	**15,007**
Company				
Share premium	749	–	80	**829**
Revaluation reserve	1,900	–	(633)	**1,267**
Profit and loss account	2,604	1,140	633	**4,377**

Notes to the Accounts

Continued

20 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Profit on ordinary activities after taxation	3,509	1,678
Dividends	(1,498)	(377)
	2,011	1,301
Other recognised net gains and (losses) relating to the year	(667)	(251)
New share capital issued	101	–
Net addition to shareholders' funds	1,445	1,050
Opening shareholders' funds	18,123	17,073
Closing shareholders' funds	19,568	18,123

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

	2001 £000	2000 £000
Operating profit	2,373	2,422
Depreciation charges	1,287	1,155
Loss/(profit) on sale of fixed assets	6	(26)
Decrease/(increase) in stocks	529	(185)
Decrease/(increase) in debtors	998	(1,577)
(Decrease)/increase in creditors	(868)	679
Exchange rate difference on consolidation	(409)	(122)
Net cash inflow from operating activities	3,916	2,346

22 Reconciliation of net cash flow to movement in net debt

	2001 £000	2000 £000
Increase/(decrease) in cash in the year	1,950	(935)
Cash inflow from movement in debt and lease financing	(991)	(1,064)
Change in net debt resulting from cash flow	959	(1,999)
Exchange rate difference on consolidation	167	38
Movement in net debt in the year	1,126	(1,961)
Net debt at beginning of year	(5,455)	(3,494)
Net debt at end of year	(4,329)	(5,455)

Notes to the Accounts

Continued

23 Analysis of net debt

	At 1 April 2000 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	**At 31 March 2001 £000**
Cash	263	(212)	–	–	**51**
Overdrafts	(2,915)	2,162	–	12	**(741)**
Increase in cash in the year		1,950			
Secured commercial bills					
Payable less than one year	–	(206)	–	–	**(206)**
Payable more than one year	(1,069)	21	–	104	**(944)**
Finance leases					
Payable less than one year	(509)	425	(605)	9	**(680)**
Payable more than one year	(1,100)	(1,344)	605	30	**(1,809)**
Bank loans					
Payable less than one year	–	–	–	–	**–**
Payable more than one year	(125)	113	–	12	**–**
Increase in debt in the year		(991)			
Total	(5,455)	959	–	167	**(4,329)**

The Group's policy on Derivatives and Other Financial Instruments is set out in the Financial Review on page 7.

The maturity of the Group's financial liabilities (excluding trade creditors) is as follows:

	Under 1 Year £000	Over 1 Year & Under 2 years £000	Over 2 years & Under 5 years £000	Total £000
Cash and deposits	(51)	–	–	(51)
Bank loans and overdrafts	741	–	–	741
Secured commercial bills	206	206	738	1,150
Hire Purchase and Finance Leases	680	472	1,337	2,489
Total	1,576	678	2,075	4,329
% of Total	36%	16%	48%	100%

The interest profile of the Group's financial instruments (excluding short term trade debtors and trade creditors) is as follows:

Currency	Non-Interest Bearing £000	Floating Interest Rate £000	Fixed Interest Rate £000	Total £000	%
Sterling	(21)	1,400	256	1,635	38%
Australian Dollar	(1)	605	2,090	2,694	62%
Total	(22)	2,005	2,346	4,329	100%

At 31 March 2001, the Group had cash and undrawn committed overdraft and leasing facilities, due for review within one year, of £5.1 million.

Five Year Record

		2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
Profit and loss account						
Turnover		**35,320**	35,610	34,800	35,728	36,756
Trading surplus after interest payable		**3,490**	3,263	2,539	2,116	1,610
Depreciation		**1,287**	1,155	1,035	1,111	987
Trading profit		**2,203**	2,108	1,504	1,005	623
Exceptional items		**2,164**	363	–	–	1,668
Profit before taxation		**4,367**	2,471	1,504	1,005	2,291
Taxation		**858**	793	493	270	163
Profit attributable to shareholders		**3,509**	1,678	1,011	735	2,128
Cost of dividends		**1,498**	377	309	240	169
Balance Sheet						
Fixed assets (tangible)		**15,805**	14,749	12,379	12,472	11,224
Investments		**252**	230	215	196	186
Stocks and debtors less creditors		**8,851**	9,388	8,664	10,618	9,519
Net borrowings		**(4,329)**	(5,455)	(3,494)	(6,193)	(4,915)
		20,579	18,912	17,764	17,093	16,014
Funded by						
Share capital		**1,736**	1,715	1,715	1,715	1,715
Reserves including deferred taxation		**18,843**	17,197	16,049	15,378	14,299
		20,579	18,912	17,764	17,093	16,014
Analysis						
Dividend cover	times	**2.34**	4.45	3.27	3.06	12.59
Profit before taxation/Capital employed	%	**21.22**	13.07	8.47	5.88	14.31
Earnings per share (basic)	p	**50.66**	24.46	14.73	10.71	31.02
Earnings per share excluding exceptional items	p	**21.75**	20.54	14.73	10.71	7.59

All of the above results are derived from continuing operations.

Notice of Annual General Meeting

Notice is hereby given that the sixty-eighth Annual General Meeting of the Company will be held at the registered office of the Company, Worcester Road, Kidderminster on 19 July 2001 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 31 March 2001.

2. To declare the dividend of 6.5 pence per share proposed in respect of the year ended 31 March 2001.

3. To re-elect B W Priest as a director.

4. To re-elect I A Anton* as a director.

5. To re-elect K Ackroyd* 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.

* 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 £389,111, 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 £86,794