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Victoria PLC Annual Report and Accounts for the year ended 29 March 2008

Annual Report and Accounts

for the year ended 29 March 2008

1 Operational Highlights

Victoria PLC is a successful and well-established manufacturer and distributor of carpets and floorcoverings to the mid to high end markets in which it chooses to operate

Manufacturing high quality, design-led products, whether produced internally in modern vertically integrated facilities in both the UK and Australia or outsourced using "best of class" products of differentiation to exploit the Victoria "brand", we seek a market leading position in the geographic areas in which we operate.

+11.3%
Group revenue

Another year of solid growth, with revenues up by 11.3% in the year, an increase of over 25% in the past 3 years

+27.0%
Profit before tax

Gross margin maintained whilst capturing market share, with the two core regional divisions benefiting from operational gearing to deliver significant improvements in profit before tax.

+26.3%
Earnings per share

A further year of solid earnings per share growth in line with our stated objectives of delivering Shareholder value

-21.5%
Net borrowings

The continued focus on working capital management has allowed the Group to continue to invest in over £2m of plant and equipment whilst reducing net borrowings by £2.1m

Gearing reduced from 33.4% to 23 4%

Front page pictures:
Suede
John Lewis Peter Jones Store
Shangri-La — Vancouver
Rustic Jewels

Back page pictures:
Crown Twist
Colin Campbell Showroom — Vancouver
Harbour Green — Vancouver
Berber Ridge and Stripe

1 Group Overview

UK

Victoria Carpets
Designs, manufactures and distributes high quality Wilton and Tufted carpets both within the United Kingdom and targeted export markets worldwide

Australia

Victoria Carpets
Designs, manufactures and distributes a wide range of Tufted carpets within Australia, New Zealand and North America

Ireland

Munster Carpets
Is one of the best known "brands" in the commercial floorcovering market in the Republic of Ireland, distributing primarily woven Wilton carpets and modular carpet tiles

Navan Carpets
Is one of Ireland's best known "brands" in the residential carpet market

Navan distributes quality carpets to both the mid to high end residential market and woven Axminster carpets to both the hospitality and leisure markets

Canada

Colin Campbell
For over 55 years, Colin Campbell has been marketing and distributing the world's best carpets in Western Canada Selling through both "trade only" showrooms to the Architect and Design community and distributing wool carpets to the residential and contract carpet markets

Key Achievements during the year

- Carpet sales within the UK were up 6 8%, in a market which was estimated by management to be down by around 5%
- New product introductions during the year all performed well
- Work on improving the runnability of the yarns used in our Tufted carpet operation has enabled the unit cost of carpets produced to be reduced

Turnover

£27.15m

2007 £25 52m

Key Achievements during the year

- The Australian operation has again enjoyed another year of excellent growth in both revenues and profitability
- Innovative product development, including an increased use of solution dyed nylon, has enabled it to increase market share in both Australia and New Zealand
- The business has benefited from recent capital expenditure at both its yarn spinning mills and in its carpet manufacturing operations

Turnover

£28.48m

2007 £23.71m

Key Achievements during the year

- Operating profits were up by 11 2% and the operating margin up from 5 6% to 6 4%
- While the housing market stalled during 2007, Navan Carpets battled hard and enjoyed a 1% growth in revenues, despite the challenging market conditions
- Munster Carpets, the division focused on the contract market, had a tougher year with revenues down by 17 4% on the previous year

Turnover

£6.08m

2007 £6.20m

Key Achievements during the year

- Campbells' business continued to grow during the year under review, benefiting from the relatively strong Western Canadian economy, with revenues up 11 4%
- Campbells continued to prosper with the supply of high quality wool carpeting to the burgeoning high-rise contract residential market in Vancouver and has supplied the prestigious Shangri-La and Harbour Green apartment developments

Turnover

C$10.15m

2007· C$9 12m

1 Financial Highlights

Group Revenue
(£m)

2008	£61.7m	↑ 11.3%
2007	£55.4m	↑ 6.0%
2006	£52.3m	↑ 6.1%

Group Profit Before Tax
(£m)

2008	£3.5m	↑ 27.0%
2007	£2.8m	↑ 37.2%
2006	£2.0m	↓ 33.2%

Group Earnings per Share (adjusted)
(pence)

2008	36.5p	↑ 26.3%
2007	28.9p	↑ 14.7%
2006	25.2p	↓ 18.7%

Group Net Borrowings
(£m)

2008	£7.6m	↓ 21.5%
2007	£9.7m	↓ 20.0%
2006	£12.1m	↑ 1.6%

Contents

1 The Company

Group Overview
01 Highlights of the Year

2 The Chairman

02 Chairman's Statement

3 Business Review

04 Business Review
- Group activities
- Strategy and Objectives
- Key performance indicators
- Results of 2008 financial year
- Review by division
- Future outlook
- Risk management
- Financial review

4 The Team

20 Board of Directors and Advisers
22 Senior Management Team

5 Governance

24 Directors' Report
28 Corporate Social Responsibility Report
30 Corporate Governance Statement
33 Directors' Remuneration Report
37 Statement of Directors' Responsibilities

6 Financial Statements

38 Independent Auditor's Report
40 Consolidated Income Statement
41 Consolidated Statement of Recognised Income & Expense
42 Balance Sheets
43 Cash Flow Statements
44 Accounting Policies
49 Notes to the Accounts
68 Five Year Record
69 Shareholder Information
Principal Subsidiaries and their Directors
Financial Calendar

"Improvements were achieved across all of the sectors, winning market share in our core markets in the UK and Australia."

Picture: Tudor Manor

2 Chairman's Statement

Alexander Anton

Progress of the Group and Board structure

With all the gloom and doom around I am delighted to be able to declare a much improved result for the year ended 29 March 2008 Revenue for the Group was up by 11 3% on 2007 at £61 7m and profit before tax rose 27 0% to £3 51m Improvements were achieved across all of the sectors winning market share in our core markets in the UK and Australia My congratulations and gratitude go to the management team and all employees in achieving this great result

The last year has witnessed the successful transformation of the Group Board The arrival of Ian Davies as Finance Director has greatly benefited the Group and evidence of his skills and influence can be seen in the enclosed accounts Improved cash flow, return on operating assets and the implementation of more rigorous financial budgeting and reporting procedures have prepared the Group for future growth

The Board has been strengthened with the arrival of Nikki Beckett and Aram Shishmanian as Non-Executive Directors Their wide experience and skills, coupled with their dynamism, are making a significant contribution to the Group Board

My thanks to Bob Gilbert and Keith Ackroyd for their considerable commitment to the Board over the last twelve years Bob's arrival as Chairman in 1996 provided the Company with much needed stability at that time and the steady progress made since then is a testament to his influence Keith has been a much valued colleague in his capacity of Senior Non-Executive Director, providing sound advice at all times

I became Chairman on 4 December 2007 and am honoured to have been offered the role I am respectful of the Group's heritage and in particular of its entrepreneurial spirit, commitment to the Company's continual focus on creating sustainable Shareholder value and forging leadership positions in its markets

Outlook and alignment of employees' to Shareholders' interests

The Board has developed plans for the next three years which are designed to deliver growing returns to its shareholders These plans will be delivered in partnership with the executives and staff and will require significant commitment from them In recognition of this we intend to adopt a scheme to allow all employees to benefit from the Group's future success

Within the Notice of Annual General Meeting, we are requesting that Shareholders approve the implementation of a Long Term Incentive Plan for the senior Executives Working with Deloitte, the Remuneration Committee has devised a scheme which provides the appropriate alignment with Shareholder interests and will create the energy and incentive that is needed to achieve the growth plans

We think it is important that all employees have the opportunity to align with Shareholders and we are proposing to introduce an employee share save scheme later in the year I trust you will support the Board in these recommendations

Outlook

We are committed to our three year plan, as outlined in the Business Review, which commences this year and is designed to deliver continued growth in existing markets and expansion of our product offering All divisions have performed ahead of last year I would, however, particularly like to draw your attention to the outstanding performance of the Australian division The Australian business grew by 12 5% in 2008 and our three year plan shows continued strong growth in Australasia, with the Group intending to significantly increase expenditure in plant and equipment

The Company has commenced a strategic review and I look forward to updating Shareholders on its progress in the future

I started my comments by referring to the difficulty of the current markets and the consequential doom and gloom The difficulty is real and is the backdrop against which we have developed our growth plans We have strong products, unrivalled knowledge and expertise and a passion for customer service that means we are as well placed as any to deliver growing returns to our Shareholders

Dividend

The Board recommends the payment of a final dividend of 14 pence per share, an increase of 12 0% over 2007 (12 5p), which is payable on Monday 28 July 2008, to all Shareholders on the Register at 27 June 2008 (ex dividend date being Wednesday, 25 June 2008)

In addition, the Board is pleased to propose that in future an interim dividend will be paid in December of each year The increase in dividend and proposal to pay interim dividends is a reflection of our solid financial performance this year and our continued confidence in the Group's businesses

Alexander Anton
Chairman
18 June 2008

This business review has been prepared to provide a fair review of the business of the Company and to describe the principal risks and uncertainties it faces. In doing so, it aims to provide a balanced and comprehensive analysis of the development and performance of the business during the past financial year.

The review contains certain forward looking statements which have been made by the Directors in good faith based on the information available to them up to the time of their approving this report. As such, statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors underlying any such financial information.

In preparing this review, the Directors have sought to comply with the guidance set out in the Accounting Standards Board's Reporting Statement.

This review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Victoria PLC and its subsidiary undertakings when viewed as a whole

3 Business Review

Group Managing Director Alan Bullock
Group Finance Director Ian Davies

"The Group made further progress towards its objectives of increasing market share in its chosen markets and improving operating margins."

3 Business Review

Group activities

Victoria PLC is a successful and well-established manufacturer and distributor of carpets and floorcoverings to the mid to high end product markets in which it chooses to operate

Manufacturing high quality design-led products, whether produced internally in modern vertically integrated facilities in both the UK and Australia or outsourced using "best of class" products of differentiation to exploit the Victoria "brand", we seek a market leading position in the geographic areas in which we operate

Strategy and Objectives

Strategy

Victoria has followed a consistent strategy over many years enabling it to build a robust business The Group's strategic approach is focused on growth, taking advantage of opportunities to exploit and build upon our market leading position

The Group's strategy for achieving this growth is based upon

- Focusing the Group's activities in the industry sector it knows and trying to develop market leading positions in chosen business segments
- Manufacturing and delivering design-led innovative products to the Group's customers
- Providing outstanding levels of customer service including achieving the highest delivery and quality standards
- Achieving best in class manufacturing standards

Objectives

Victoria is committed to providing long-term Shareholder value in the form of steadily growing earnings per share

Key performance indicators

As part of the detailed budgeting process each subsidiary is required to establish targets across a range of financial and non-financial indicators At the monthly Board meetings, the Managing Director is required to present a review on progress against these targets The non-financial KPIs may differ in each subsidiary but are focused on delivering high levels of customer satisfaction, introducing new products and services which meet the needs of our customers ensuring operational effectiveness and attracting, retaining and developing key employees

The financial KPIs reviewed and reported by all subsidiaries focus on profit growth, profitability improvement inventory management levels of debt cash generation future levels of borrowing requirements and return on operating assets

KPIs	2008	2007
Operating margin	**6.8%**	6 1%
Return on operating assets	**10 6%**	9 0%
Earnings per share (basic)	**36.5p**	28 9p

Results for 2008 financial year

The performance of each regional division in 2008, in terms of revenue, operating profit and operating margin growth is given in the table below

Segmental performance	Revenue		Operating profit		Operating margin	
	2008	2007	**2008**	2007	**2008**	2007
	£000	£000	**£000**	£000	**%**	%
UK	**27,149**	25 524	**1,335**	1 216	**4.9**	4 8
Ireland	**6,075**	6 196	**387**	348	**6.4**	5 6
Australia	**28,477**	23 706	**3,051**	2 082	**10.7**	8 8
Central costs	**—**	—	**(579)**	(261)	**—**	—
Group total	**61,701**	55 426	**4,194**	3,385	**6.8**	6 1

Associated Company	Revenue		Operating profit*		Operating margin	
	2008	2007	**2008**	2007	**2008**	2007
	C$000	C$000	**C$000**	C$000	**%**	%
Canada	**10,154**	9,117	**877**	717	**8.6**	7 9

* Associated company operating profit is before interest tax, related party management charges and one-off items

The Group made further progress towards its objectives of increasing market share in its chosen markets and improving operating margins Total Group revenue was up 11 3% on 2007 to £61 70m Revenue growth, combined with continued focus on gross margin and overhead costs, enabled operating profit before interest and tax to increase by £0 81m to £4 19m with operating margin improving by 0 7% to 6 8%

Return on operating assets

A key measure of the effective use of resources for the Group is Return on Operating Assets (ROA) ROA demonstrates the effectiveness of our managers in utilising the assets of the business to deliver profits to provide a return for our Shareholders ROA is calculated as the operating profit including share of associated company (2008 £4 27m) divided by the operating assets (2008 £40 2m) employed in the business and is expressed as a percentage

For this financial year, the Group targeted a ROA of 10% The Group met this target achieving a ROA of 10 6%, which represented an increase of 1 6% on the 2007 figure of 9 0% This improvement was primarily due to the continued focus on working capital management investment in capacity, expanding plant and equipment and the increase in operating margins in all geographic segments

Divisional review

Victoria is organised through four regional divisions Each region has an operational managing director who is responsible for meeting the targets set for each division

3 Business Review

United Kingdom

In the prevailing market conditions, which could at best be described as very challenging the UK division of the Group performed well

Revenues were up by 6 4% from £25 52m to £27 15m with operating profits up 9 8% from £1 22m to £1 34m

Carpet sales within the UK were up from £23 28m to £24 86m, an increase of 6 8% in a market which was estimated by management to be down by around 5% This continues to illustrate Victoria's ability to gain market share from the competition, based on a strong product offering and consistently high levels of service

New product introductions during the year all performed well, with products such as Celtic Heathers, Natural Companions and Rustic Jewels all proving a particular hit with consumers

Sales to the targeted independent retail sector saw continued growth (+13 4%) and remain part of the core future strategy

Export sales, including inter-Group sales to Ireland were weaker in the year, falling from £4 04m to £3 51m, in part due to the strength of Sterling against the US dollar and in part, through market conditions

Operationally, Victoria has continued to remain focused on exploiting the advantages it has with its modern operational plant in both its carpet manufacturing division and yarn spinning facility

Considerable work has taken place during the year on improving the runnability of the yarns used in our Tufted carpet operation which have enabled the unit cost of carpets produced to be reduced

In the second half of 2007, the company installed two-fold yarn twisting facilities at its UK spinning mill which has allowed greater flexibility and increased yarn capacity for use in the UK group

As part of its new strategic initiative, Victoria has decided to expand its sales into the contract carpet market in the UK Hitherto, Victoria has focused its sales efforts almost entirely on the residential carpet market, with less than 5% of its products being sold to the contract market via its established retail and contractor customers Plans are now well advanced in recruiting a small but dedicated contract sales team to target the architect/designer specified route to the contract market This is a sizeable market segment which often operates on a different economic cycle to the residential market and may, in due course, offer Victoria additional growth potential

As well as utilising existing manufacturing capacity at Victoria's UK plants the Group has also signed an initial three year exclusive distribution agreement with Mannington Mills Inc a specialist American carpet tile and resilient flooring manufacturer, to market their tiles in the UK, the Republic of Ireland and France

United Kingdom

"Victoria continues to illustrate its ability to gain market share from the competition based on a strong product offering and consistently high levels of service."

3

3 Business Review

Ireland

The Irish businesses enjoyed mixed fortunes during the year as the Irish economy slowed

The housing market in Ireland also stalled in 2007 making the market conditions within which we had to operate tougher than we had seen for some years

Against this backdrop whilst the overall revenues were marginally down by 1 9% from £6 20m to £6 08m, operating profits were up from £348k to £387k (+11 2%) Operating margin was up from 5 6% to 6 4%

Navan Carpets, the Group's Irish business operating primarily in the residential carpet market, battled hard to win market share in challenging conditions, with revenues up 1% in the year The widening of Navan s product offering and point-of-sale display units into the retailers undoubtedly helped the company offset the worst of the market conditions

Conversely, Munster Carpets who focus on the contract carpet market, had a tougher year with revenues down by 17 4% on the previous year Whilst there can always be an element of spikiness in the flow of contract sales, the result from Munster was slightly disappointing

The additional opportunity that Mannington products and programmes offer to Munster Carpets coupled with the development of further Victoria Carpets generated contract products, should help to see a restoration of progress in Munster's fortunes in the forthcoming year

Ireland

"Improvement in operating profit and margin despite challenging economic and market conditions."

3 Business Review

Australia

The Australian economy, which is currently commodity driven, has proven to be fairly robust and has, in the main, so far escaped the fall-out from the economic downturn being seen in other economies GDP growth during the year has been around 3 9% and whilst interest rates have risen to 7 25% and a general election has taken place, the economy has held strong

Against this backdrop, our Australian operation has again enjoyed another year of excellent growth in both revenues and profitability

Revenues were up by 20 1% from £23 71m to £28 48m, with operating profit up 46 5% from £2 08m to £3 05m Operating margins were almost 2% higher at 10 7% helped by the benefits of operational gearing on higher volumes

Innovative product development including an increased use of synthetic yarns and, in particular, solution dyed nylon and the strength of the company's relationship with retail buying groups, has enabled it to increase market share in both Australia and New Zealand

The Australian company has also managed to capitalise well on the benefits of recent capital expenditure at both its yarn spinning mills in Castlemaine and Bendigo and its carpet manufacturing operations in Dandenong

In March 2008, the move to consolidate the company's finished goods warehousing was completed using a third party logistics company This move will enable the company to provide improved customer services and will facilitate the expansion of the Tufted manufacturing operation at Dandenong

In January 2008 the Group Board agreed a major capital expenditure programme at the Dandenong carpet manufacturing plant A spend of A$8 5m (£3 9m at year end exchange rates) was approved to both increase the tufting capacity but, above all to introduce several new "state-of-the-art" advanced design Tufters The new equipment will not only allow the business to meet customer demand for our current products but will also allow it to

Picture: City Living
a new contract range from Victoria

Australia

"Victoria is now the second largest player in the Australian carpet market and delivers a significant part of the Group's revenues and profits."

introduce new product styles to grow our share of both the residential and commercial contract markets The investment will be funded by facilities already secured from the company's Australian bankers and whilst it will increase borrowings significantly in the short term the business in Australia is strongly cash flow generative and the forecast sales growth will fairly quickly pay-down the debt to more normal levels

Victoria is now the second largest manufacturer in the Australian carpet market, with well-established customer relationships and a strong management team The Board believes the company can continue to capitalise on the dislocation caused by the industry consolidations we have already seen and new market opportunities that may present themselves

3 Business Review

Canada

The Western Canadian economy in which our Canadian Associate Company, Colin Campbell, operates, has so far been less dificult than that seen in many parts of North America

Campbell's business continued to prosper during the year under review with revenues up from C$9 12m to C$10 15m, an increase of 11 4%

Underlying operating profits (see table) were increased from C$717k to C$877k up 22 3% with an operating margin of 8 6%, up from 7 9% last year

	Underlying operating profit	
	2008	2007
Associated Company	**C$'000**	C$'000
Profit from operations per financial statements	**514**	412
Interest	**13**	5
Related party management charges	**350**	300
Underlying operating profit	**877**	717

Campbells continued to prosper with the supply of high quality wool carpeting to the burgeoning high-rise contract residential market in Vancouver and has supplied the Shangri-La and Harbour Green developments two of the city s most prestigious apartment buildings completed in recent years

Looking to the forthcoming year, whilst there are perhaps the first signs of a slowdown in the contract residential market there is still scope to grow our business through Nature's Carpet® and the decorative showroom channels to market

Product design and development

Eco-friendly products

Early in 2008 (Q4 of the financial year 2008), Campbells started in earnest its move into the American market with Nature's Carpet®, an ultra-low toxicity and biodegradable floor covering This product meets the high standards demanded by both the environmental movement and by individuals with high sensitivity to chemical toxins

The package of products were extended from purely Tufted carpet to include traditionally woven Wiltons, carpet tiles and a wool underlay Stocks are now positioned in the States to service the market and a sales team is out prospecting for sales Initial reaction to the new point-of-sales display and programme has been very positive The Group remains committed to designing eco-friendly sustainable home products that don't sacrifice style

Design capabilities

Victoria recognises the need to be a leader in the industry in offering products which are "leading edge" in their style design and colour In Australia, Victoria utilises the very latest pattern trialling equipment and in the UK it has recently expanded its capabilities with both software and personnel to develop products for its planned move into the contract market

Canada

"Business continues to prosper with revenues up by 11.4% in the year."

3

3 Business Review

Future outlook

The Group is committed to its three year plan to deliver sustainable growth in its existing markets which it commenced in April 2008

The Group plans to leverage its brand and operational capabilities more effectively by entering the UK and overseas contract floor-covering markets for the first time

In Australia the significant investment in additional plant and equipment will enable the company to continue in exploiting the growth potential offered in both the residential and commercial contract sectors in its local markets

United Kingdom and Ireland

In both the United Kingdom and Ireland the very difficult general economic climate in which the Group operates is well documented in the media

With the slowdown in both countries' economic growth and the fall-out in the housing markets we anticipate an extension of the extremely challenging economic and market conditions already seen in 2007 and 2008 to date It is unlikely that consumer sentiment and spend will return to more normal levels in the forthcoming financial year

External commercial pressures from both UK and continental European competitors will remain intense as the size of the market most likely shrinks

The Board believes that the Group has an advantage within the sectors in which it is positioned The businesses have a strong and experienced management team who are focused on winning market share The businesses have a current and fashionable product offering which is sold through higher margin distribution channels and have a highly efficient manufacturing operation These factors should enable the UK and Irish operations to deliver a superior business performance than our competitors and to continue to gain market share

Australia

In Australia, the overall economic picture looks to be more optimistic and, whilst inflation is increasing and interest rates may increase further, the outlook is relatively good

The Australian operation again has a well proven and strong management team and they are operating within an attractive and growing sector in which they already have a track record of winning market share The major investment in new "state-of-the-art" Tufting machines, which will be installed from June through to October 2008, will further add to our ability to service our customers in Australia and New Zealand in the second half of our financial year and to underpin the Group s performance

Canada

Whilst the Canadian Associate Company remains a relatively small part of the overall Group it expects to continue to grow in the year ahead

Corporate responsibility

Corporate responsibility is a key part of the Group's strategy and is integral to the business The Board believes that conducting business in an ethical and responsible way enables it to build and maintain successful relationships with its customers and suppliers, as well as allowing us to attract and retain the right people within our organisation

The Group's policies and activities on environmental matters employees and social and community issues are set out in the 'Corporate Social Responsibility report'

Risk management

The Group is exposed to a number of risks and uncertainties

The Directors continue to develop processes for identifying understanding and evaluating the risks faced by the organisation The Directors recognise that the management of significant risks is necessary in order that the Group achieves its objective of creating sustainable growing returns for our Shareholders

At both Group and subsidiary level, risk is categorised across four key areas financial, operational, organisational and external For each key risk, each business reviews the likelihood of its occurrence its potential effect on our performance and identifies management responsibility for the risk control measures in place and any mitigating actions that are required

Listed in the table below are examples of key risks being managed by the business and mitigating actions or controls

Business risk

Risk Area	Description	Potential impact	Mitigation
Finance	Interest rates — exposure to market rate	Increased borrowing costs	Hedging policy *See 'financial review' below*
	Funding — lack of available funds	Inability to pursue capital expenditure or acquisitions	Debt capacity *See 'financial review' below*
	Foreign exchange — exposure to market rates	Unexpected impact on material or investment cost	Use of forward contracts *See 'financial review' below*
Operational	Customer satisfaction — insufficient quality or on time delivery	Failure to retain and grow key customers accounts	Proactive service and quality management, regular customer meetings, own fleet (UK) third party service provider (Australia)
	Equipment — breakdown of key plant	Inability to produce carpet in accordance with production plan	Maintenance programme and reciprocal breakdown agreements
Organisational	People — loss of key staff	Failure to retain and develop key management	Service agreements, regular line management reviews
	Health & Safety — personal injury to employees	Loss of availability of employees	Designated health & safety officers, health & safety procedures, first aiders on duty,
External	Regulations — breach of applicable rules	Unexpected impact on sales and profit	Internal controls ongoing training, insurance
	Customer concentration and relationships	Loss of major customer would impact sales and profitability	No single entity has more than 25% of any individual region's revenue
	Increase in material or energy costs	Significant impact on costs and profit	Monitoring of raw material price, forward pricing agreements, proactive energy efficiency
	Market — major downturn	Inability to maintain sales growth	Geographic spread and mix of business, innovative value-for-money products

The credit crunch and financial market liquidity

The credit crunch impacted financial markets and contributed to uncertainties over economic conditions in all the regions in which we operate It has not introduced new risks to the Group, but has intensified certain of the financial and external risks noted above In response to this, the Group has strengthened its monitoring and controls in those areas

3

3 Business Review

Financial review

Revenue, gross margin and operating profit

The combined revenues of the subsidiaries, as reported for the year was £61 70m compared with £55 43m in 2007, with growth achieved, in local currency, in the UK (6 4%) and Australia (12 5%) but a decline in Ireland of 5 6% Excluding the impact of currency, the increase in Group revenue was £4 24m (7 6%)

The overall gross margin for the Group was 29 7%, marginally up on last year's gross margin of 29 6% Group operating profit for the year was £4 19m 23 9% ahead of last year (2007 £3 39m) Underlying operating profit rose in the UK by 9 8%, in Ireland by 7 2% and in Australia by 37 2% Underlying operating profit before related party management charges in our associated company, Colin Campbell increased by 22 3%

Central operating costs were up by £0 31m on 2007 operating costs of £0 26m (2007 operating costs were down £0 15m on 2006 costs principally due to remuneration savings) Central costs included non-recurring costs in respect of recruitment, relocation expenses, website development and property costs Central costs also included the full year's remuneration for the Group Finance Director who joined in March 2007, and the remuneration of the retiring and new Non-Executive Directors (see 'Remuneration report')

Revenue and underlying operating profit are discussed in more detail on a divisional basis in 'Results for 2008 financial year' above

Interest

Interest costs rose slightly to £0 76m (2007 £0 73m) The increase in base rates in the period was mitigated by lower borrowing Interest was covered 5 5 times by operating profit (2007 4 6 times)

Profit before taxation

Group profit before taxation for the year increased by 27 0% to £3 51m (2007 £2 76m)

Taxation

Taxation was £0 97m for the year £0 21m above last year reflecting the higher profit achieved The effective rate of tax on profit for the year was 27 7%, an increase of 0 4% on 2007 (27 3%)

Earnings per share

Basic earnings per share grew by 26 3% to 36 54p (2007 28 92p)

The rise in the effective rate of tax impacted the growth in earnings per share

The number of shares in issue remained constant during the year and there remain no options or other dilutive arrangement during the financial year

Dividends

The Board is recommending a final dividend of 14 0p per share this year compared to 12 5p in 2007 This represents a 12 0% increase (2007 8 7%) and the current aim is to deliver continued dividend growth

Capital expenditure

Property plant and equipment net book value increased by £1 02m to £24 87m (2007 £23 85m)

The Group has continued to invest in its facilities and equipment during the year and spend on property, plant and equipment was up on the previous year at £2 10m at average rates (2007 £1 96m) Plant and machinery represented the majority of the expenditure with additions of £1 77m (2007 £1 00m) at average exchange rates This is in line with expectations, as plant has been acquired to expand capacity and capability in both carpet manufacturing and yarn spinning

Disposals for the year totalled £0 25m (2007 £0 79m) Currency movements accounted for a net increase to property, plant and equipment of £1 30m (2007 £0 02m)

Net assets

The Group s net asset value at the financial year end increased by 12 4% (2007 4 2%) to £32 56m (2007 £28 98m) Non-current assets increased by £1 26m to £27 23m (2007 £25 97m) with the principal movement being in plant and machinery (see Capital expenditure' above)

In current assets the main movement was in inventory which increased by £2 42m to £18 16m (2007 £15 74m) Currency movements accounted for £1 07m of this increase Underlying inventory (inventory at constant exchange rates) rose in the UK by 6 8% in Ireland by 10 2% and in Australia by 10 3%

The reduction in net debt is discussed in more detail below (see 'Cash flow and net debt' below)

Cash flow and net debt

The net cash inflow was £1 06m (2007 £2 66m), reducing our cash and cash equivalent borrowings to £2 63m (2006 £3 69m)

Net cash used in investing activity was £1 99m (2007 £1 85m) which was primarily in additions to property, plant and machinery and this is discussed in more detail above (see 'Capital expenditure')

Financing activity saw a net outflow of cash of £2 38m (2007 £0 54m) The principal movement was a £1 39m outflow of cash reflecting a reduction in our long-term financing (2007 £0 34m inflow from increased long-term financing) Dividends paid were up £0 07m at £0 87m (2007 £0 80m)

In the year net debt reduced by £2 09m to £7 60m (2007 £9 69m)

Hedging

The Group uses derivative financial instruments to manage our interest rate exposure in the UK The Group currently has one swap covering £2m, with a maturity date in July 2009 The Group's policy is to continue to consider utilising such instruments subject to an appraisal of cost and interest rate risk

The Group reviews its currency exposure relating to trading operations involving the export sale of goods or import of raw materials or capital equipment

The Group may utilise forward currency contracts to manage any currency exposures where it is considered that currency movements may be volatile and the amounts involved significant

The principal exposure of the Group relates to the investment in its Australian subsidiary The Group maintains a relatively high proportion of its borrowings in Australian dollars which acts as a natural hedge against the investment exposure

Future funding

The gearing of the Group is significantly lower at 23 4%, at the balance sheet date, in comparison to 2007 at 33 4%

The facilities in Australia were increased in January 2008, by the granting of a new A$6 39m multi-option facility which can be drawn by commercial bills or lease This, together with existing facilities, will provide sufficient debt capacity to cover anticipated increased capital expenditure in Australia this year In addition our current facilities in the UK and Ireland provide capacity in Sterling and Euros sufficient to cover both capital expenditure and expected working capital requirements

Changes in accounting policies

There have been no changes in the accounting policies of the Group and its subsidiaries this year

4 Directors and Advisers

1 Alexander Anton
Chairman
Age 48
Joined the Board of Victoria PLC in April 1995 having acted as Non-Executive Director and subsequently Chairman of Victoria Carpets Limited between 1987 and 2004

His other appointments include Chairman of Legacy Portfolio, an investor in lease liability portfolios and FraserCRE, a property management business He was, until recently, Chairman of The Queen's Club

Alexander is the Chairman of the Nominations Committee and is a member of the Audit and Remuneration Committees

2 Alan Bullock
Group Managing Director
Age 60
Appointed to the Board of Victoria PLC in September 1996 as Group Managing Director Alan joined Victoria Carpets in the UK in 1972 and held the post of Export Director for 17 years He was appointed Managing Director of Victoria Carpets UK in 1995

3 Ian Davies
Group Finance Director
Age 43
Appointed to the Board of Victoria PLC in March 2007 Prior to this, Ian spent 10 years in the aerospace sector, where he had become Financial and Commercial Director of Umeco plc's International Components Division He had previously worked in the automotive and electronics sectors He is a chartered accountant and an engineering graduate

4 Barry Poynter
Executive Director
Age 59
Appointed to the Board in August 2006 Joined the Victoria Carpet Company in Australia in 1996 as Financial Director and was subsequently appointed Managing Director of the Australian subsidiary in 2004

5 Terry Danks
Company Secretary, Victoria PLC,
Finance Director, Victoria Carpets UK
Age 60
Terry joined Victoria Carpets in 1985 as Chief Accountant and has been responsible for both the accounting and IT function within the company since that date Terry was subsequently appointed as Finance Director of Victoria Carpets in 1989 and was appointed as Company Secretary to Victoria PLC in 1993 Terry has a breadth of experience and knowledge of the industry and his high standards of financial control are invaluable to the Group

6 Aram Shishmanian
Non-Executive
Age 56
Appointed to the Board on 1 October 2007 His other current appointments include Independent member of the International Executive of Lovells LLP, Chairman of Chase Cooper Ltd Non-Executive Director of Carthesio and a Trustee of Marie Curie Cancer Care He is a member of the International Advisory Board of City University Formerly he was a senior partner at Accenture where he led the financial markets industry practice, and a Non-Executive Director of Resolution PLC

Aram is the Company's Senior Independent Non-Executive Director, Chairman of both the Company's Audit and Remuneration Committees and a member of the Nominations Committee

7 Nikki Beckett
Non-Executive
Age 47
Appointed to the Board on 1 October 2007 Nikki founded NSB Retail Systems in 1994 and took NSB public in 1997 Nikki was Group Chief Executive Officer until she left that Board in March 2007

Nikki is a member of the Nominations, Audit and Remuneration Committees

Solicitors
Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

Public Relations
Citigate Dewe Rogerson
9 The Apex
6 Embassy Drive
Edgbaston
Birmingham
B15 1TP

Stockbroker
Arden Patners Ltd
Arden House
Highfield Road
Edgbaston
Birmingham
B15 3DU

Auditors
Deloitte & Touche LLP
Four Brindleyplace
Birmingham
B1 2HZ

Registrars
Capita Registrars Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
Yorkshire
HD8 0LA

Bankers
Barclays Bank PLC
Midland Corporate Banking
PO Box 3333
15 Colmore Row
Birmingham
B3 2WN

Honary President
G S F Anton

Regisered Office
Worcester Road
Kidderminster
DY10 1HL

Company Registered Number
282204

4 Senior Management Team

United Kingdom

1 **Terry Danks** FCCA age 60

Company Secretary — Victoria PLC,
Finance Director — Victoria Carpets UK

Terry joined Victoria Carpets in 1985 as Chief Accountant and has been responsible for both the accounting and IT function within the company since that date Terry was subsequently appointed as Finance Director of Victoria Carpets in 1989 and was appointed as Company Secretary to Victoria PLC in 1993 Terry has a breadth of experience and knowledge of the industry and his high standards of financial control are invaluable to the Group

2 **Shaun Lewis** age 54

Sales & Marketing Director — Victoria Carpets UK

Shaun joined the company in July 2001 as National Sales Manager having held a similar position in Tomkinson Carpets for some years He has been instrumental in establishing a strong sales infrastructure at Victoria Carpets and has been focused on developing key client relationships and a service culture throughout the company Shaun was appointed Sales & Marketing Director in January 2004 and is now also involved in the development of the company s innovative and exciting product ranges

3 **Neil Glover** BSC (HONS) age 41

Operations Director — Victoria Carpets UK

Neil is a graduate in textile engineering from Leeds University and has had extensive experience in the carpet industry having previously worked for over 14 years with Brintons Ltd who he joined as a graduate trainee His experience covers logistics and supply chain management and he has developed a sound understanding in the management of relationships between costs customer service inventory and manufacturing and purchasing efficiencies

4 **Trevor Chippendale** BSC (HONS) MBA age 37

Managing Director — Westwood Yarns

Trevor joined Westwood Yarns in December 2005 He was previously Operations Director with Riverstone Spinning and has been involved in the textile industry all his career to date Trevor is focused on quality of yarn production and his hands on approach and enthusiasm are a valuable asset to the business He is also responsible for materials buying at Westwoods

5 **Neil Gledhill** age 64

Operations Director — Westwood Yarns

Neil has been involved in the dyeing and textile spinning industry for most of his career and has gained a wealth of experience including the buying of wools Neil has been a Director with Westwoods for 16 years

Ireland

1 **Sean Kelly** age 53

Managing Director — Munster & Navan Carpets

Sean joined the Group when it acquired Munster Carpets in 2002 and at that time he was appointed as Managing Director Sean has been involved in the carpet industry most of his career with extensive experience in both the retail and contract sectors Prior to working for Munster Sean was employed by Ulster Carpet Mill where he worked as both Residential and Contract Sales Manager for Ireland

Australia

1 **Michael Oakley** age 68

Non-Executive Chairman — Victoria Carpets, Australia

Michael Oakley has been non-executive Chairman since he retired from the Board in an executive capacity in August 2006 Michael served for 12 years on the Group PLC Board and 27 years in total with our Australian business as both Managing Director and then Executive Chairman He is still involved with the Carpet Institute of Australia as its President and brings a wide breadth of experience to our Australian Board His continued stewardship is of great value to the business

2 **Michael Davies** age 60

Non-Executive Director — Victoria Carpets, Australia

Joined the Board in February 2005 Michael is Group Vice-President of ITW Construction Products with responsibility for the Construction Products Group operations in Australia, New Zealand and Asia Prior to joining ITW, he was Managing Director of Selleys Chemical Company, having previously held general management and senior marketing positions with Dulux and James Hardie Industries

3 **Anne Seymour** age 43

Sales & Marketing Director — Victoria Carpets, Australia

Anne has been in charge of sales and marketing for Victoria Carpets Pty, our Australian operation since she joined us nine years ago Anne has over twenty years of sales and marketing experience in total in Australasia She has played a major role in formulating the company's sales and marketing strategy that has propelled Victoria Carpets to the number two player in the Australian market over the past few years and is actively involved in the small but highly effective management team running our Australian business

Canada

1 **Richard Munden** age 43

President — Colin Campbell & Sons

Richard joined Campbells in October 2003 having spent the whole of his working life in the floor covering industry in both the retail and distribution sides of the business Richard was recruited from G E Shnier one of Canada's leading distributors where he was Sales Manager for Ontario Richard is responsible for driving the strategy for the business set by Victoria and our joint venture partners Elte and has overseen the excellent growth we have seen in the business since he joined in 2003

2 **June Sookaim** age 59

Corporate Secretary & General Manager — Colin Campbell & Sons

June was born in British Guyana and gained her education in the UK where she lived for six years before emigrating to Canada in 1970 June joined Campbells in 1986 having gained experience working at Sainsbury's head office in the UK and the Bank of Montreal in Canada June is responsible for the accounts administration and IT function within Campbells

5 Directors' Report

The Directors present their report and the audited accounts for the year ended 29 March 2008

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 Business Review on pages 02 to 19 Details of subsidiary companies are set out in note 13 to the accounts

Results and dividends

	£000
Profit attributable to Shareholders	2,537
Final dividend paid for 2007	868
Retained profit	1 669

A final dividend of 14 0 pence per Ordinary Share is proposed for payment on 28 July 2008 to members on the Register at the close of business on Friday, 27 June 2008 with the ex dividend date being Wednesday, 25 June 2008

Fixed assets

Movements in fixed assets are shown in notes 11 to 13 to the accounts

Financial instruments

The financial risk management objectives and policies of the Group and its exposure to price credit liquidity and cash flow risk in relation to financial instruments are set out in note 25 to the accounts

Directors and their interests

The Directors of the Company are listed on pages 20 and 21 together with biographical details, and their interests in the shares of the Company are shown in the Directors' Remuneration Report on page 34

The Director retiring by rotation is Mr A R Bullock who being eligible offers himself for re-election It is proposed that Mr A Shishmanian and Ms N S Beckett be elected at the AGM having been appointed Non-Executive Directors in October 2007 Details of all Directors' service contracts are set out in the Directors' Remuneration Report on pages 34 and 35 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

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year following approval at the 2005 AGM and which remain in force at the date of this report

Substantial shareholdings

Other than Directors at 1 June 2008 the following material interests in more than 3% of the issued Ordinary Share capital had been notified to the Company

Fortress Finance Investment Inc	10 5%
G S F Anton	7 5%
C G F Anton	4 6%
Small Companies Dividend Trust	4 3%
J R D Anton	4 0%
J H H Anton	3 7%
P J Anton	3 6%
N E Anton	3 3%
F F Anton	3 1%
G H Anton	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

Capital structure

To the extent the Directors consider applicable or material the disclosures required by the Takeovers Directive have been included in note 19

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 29 March 2008 represented 56 days' purchases from suppliers (2007 55 days)

Charitable and political contributions

The total charitable contributions made by the Group during the year amounted to £4 406 (2007 £3,241), principally to local charities serving the communities in which the Group operates 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

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

Auditors

In the case of each person who was a Director at the time when the Directors Report was approved

a) So far as the Director was aware, there was no relevant audit information of which the Auditor is unaware, and

b) He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

The above is in accordance with the provisions of Section 234 ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as Auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Annual General Meeting

The notice of AGM, to be held on 24 July 2008, is set out in the accompanying Circular The main part of the proposed resolutions 1 to 7 and 9 to 11 relate to standard matters that are dealt with at every AGM Resolution 8 relates to the adoption of a proposed long-term incentive plan, to be known as the Victoria PLC Long Term Incentive Plan Resolution 12 relates to proposed changes to the Company's Articles of Association

By Order of the Board

T A Danks
Secretary
18 June 2008

TDanks

5 Corporate Social Responsibility Report

Environment

Victoria is committed to continual improvement of both its environmental management systems and the prevention of pollution We are also committed to satisfactorily meeting the standards set by environmental legislation in the countries within which we operate We continue to work with national and local enforcement bodies and we pride ourselves in continuing to maintain a positive realistic approach to all environmental matters

- We aim for the best environmental practices across all of our operations
- We are continually developing, implementing and reviewing our environmental objectives
- We endeavour to minimise waste and maximise recycling programmes

The Group regularly reviews its disposal policy, trying to reduce the quantity of solid waste by reviewing methods of recycling reduction in consumption materials and reuse All waste removed is handled by registered authorised carriers only and taken to approved sites Paper, card and other waste streams will be sent for recycling by a licensed disposal contractor

The Group endeavours to use reusable packaging materials, in particular, inter-company shipments between its carpet manufacturing plants and spinning mills, pallets and reusable cartons are returned on a regular basis The Group also adopts similar arrangements with other spinning mills whereby packaging waste and cones are returned to the spinner for reuse

- We are continually maintaining and improving all of our plants and equipment for optimal efficiencies
- Where practicable we introduce and implement energy-efficient processes
- We have an ongoing programme of educating and communicating environmental awareness and responsibility to our employees
- The Company recognises the importance of the ISO 14001 environmental management system
- We endeavour to use reusable packaging materials within the Group and we annually monitor our usages
- None of the processes used to manufacture our products requires any government authorisation

In Australia we are about to embark on projects to implement a waste water recycling process at our two dyehouses

5 Corporate Social Responsibility Report

Last year we implemented an education programme in the UK within our workplaces to encourage all personnel to consider energy usage with selected personnel nominated to monitor, for example unnecessary lighting use The next stage of this programme is the replacement of selected light fittings with modern high-frequency fittings and, at the same time, automating the switching off of lights through a combination of light-sensitive and movement-sensitive switching The introduction of these new illumination lighting systems, recommended by the Carbon Trust will make further energy savings

Without limiting the intent of our environmental policies, environmental management includes

- Energy conservation
- Waste minimisation and management
- Water management
- Recycling
- Prevention of pollution
- Product stewardship

Marketplace

Customer Relationships

Naturally our customers are of paramount importance to us We aim to retain customers and to establish long and lasting relationships with them built on mutual respect and trust To this end, we focus heavily on customer service, with customers being actively encouraged to visit our manufacturing facilities and to take part in various training courses we hold The Directors meet customers on a regular basis which provides both parties with an excellent opportunity to build on relationships and to have a frank exchange of views

At the beginning of 2008, we conducted a comprehensive customer survey across the UK and have learnt much from the feedback which we received and are currently in the process of implementing key actions to further enhance our products and service

Supplier Relationships

Our procurement professionals manage our supply chain relationships and encourage our suppliers to adopt sound business practices and to maintain ethical behaviour standards

Workplace

It is Group policy to promote employee involvement, as we recognise the importance and success of gaining the opinions of our most important assets We believe strongly in providing equal opportunities during recruitment and employment without regard to race colour, religion sexual orientation, national origin, age or disability Our aim is to be a business where people choose to work as opposed to being a convenience relationship

- We welcome job applications from all sections of the community
- We aim to treat people fairly, as one would expect to be treated
- We recognise that our employees are vital to the success of the business
- We encourage our employees to improve themselves
- The Group believes in equal opportunities and non-discrimination
- The Group complies with its obligations under the Disability Discrimination Act in the UK
- When suitable vacancies arise, disabled people are employed
- The Group complies with the Employment Equality (Age) Regulations 2006 in the UK by considering applicants of all ages We are pleased to report that we have granted all requests to work past the default age of retirement
- We have a low labour turnover and the majority of employees have over five years' service
- The Group consults with its employees to share information and to seek mutual opportunities
- We have developed a structured format of disseminating information whereby we meet with the works council regularly

Training

The Group recognises how vital role training plays in developing knowledge and skills of employees

- The Group has developed its own training programmes, which we administer via internally appointed training facilitators at each company within the Group
- We have strong links with local colleges schools and relevant training institutions
- Induction training is provided to all new employees
- We maintain a comprehensive, auditable Training Matrix which we constantly review
- We also use external recognised bodies and institutes to advise and consult on our training programmes
- We continue to invest in specific education, training and development of our customers and suppliers

Health & Safety

It is the policy of Victona to give high priority to safeguarding the Health & Safety of the public and our employees by compliance with the terms of the Health & Safety at Work Act 1974 and subsequent statutory provisions We aim to provide and maintain a healthy and safe working environment The Group's Health & Safety objective is to minimize the number of instances of occupational accidents and illnesses and ultimately to achieve an accident-free workplace

- We are continually updating the Company's Health & Safety Policy Manual and risk assessments in accordance with the Health & Safety At Work Act 1974 and Management of Health & Safety at Work Regulations 1999
- The Group constantly monitors its performance using specific Key Performance Indicators (KPIs)
- We supply all new employees with a specific Health & Safety Induction to include relevant policies and documentation
- In the UK Victona Carpets alongside The Carpet Foundation and other manufacturers and retailers throughout the UK, have pioneered a Health & Safety Forum that meets regularly to share management initiatives and best practices The company's Health & Safety Manager has been made available to assist specifically with any health or safety matters that may arise with customers, suppliers and competitors This we believe gives us an edge in the marketplace as we do not just deliver product and service, but we are able to coordinate efficiently our moral and legal obligations without any unnecessary obstructions or interference

Community

At Victona we believe that we have a responsibility to make a positive contribution to the communities in which we operate We believe that a strong commitment to corporate responsibility delivers a competitive advantage and contributes to the delivery of the Group's business strategy

Although the formal report on corporate responsibility is relatively new to the Group, we have had management systems and structures in place for many years We recognise that our performance must be evaluated by measuring ourselves against realistic objectives

We believe that effective management of our policies

- is vital to the well-being of employees, customers, Shareholders, the community and, of course, the environmental changes that are occurring around the globe,
- has a role to play in enhancing the reputation of businesses and helping us to achieve high performances and
- is financially beneficial to our business

Our policies set out the framework for the development and implementation of the corporate social responsibilities across the Group

Social Responsibilities

- The Group's companies and their workforces regularly donate to local charities and take part in various sponsored activities on behalf of these charities
- The Group donates unwanted electrical items and computers etc to charity
- In the UK each year the Group is influential in the organisation of the carpet trade's charity golf tournament, which has been in existence for the past 50 years Last year's proceeds of £22k were shared between FTBA (Furnishing Trades Benevolent Association) who support needy retired employees within the trade, and Macmillan Cancer Relief
- We provide work experience opportunities for pupils attending local schools
- We sponsor our local cricket team Kidderminster Victona Cricket Club who for their third season are playing in the Premier Division of the Birmingham League with many of the young players going on to play County Cricket

5 Corporate Governance Statement

The Board is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council ("the Combined Code") for which the Board is accountable to Shareholders The Board reports here on how it applies the principles of good governance and complies with the Combined Code and explains where it does not

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 three Executive and three Non-Executive Directors This is considered by the Board to be a proper balance for a company of Victoria's size Mr Shishmanian has been nominated as 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

The Board's primary role is to set the strategic direction of the Group as a whole leaving day-to-day operational matters delegated to the two Executive Boards which meet monthly one for the UK and Ireland and one for Australia The Executive Boards are attended by the Group Managing Director and the Group Finance Director Board papers are distributed the week before Board meetings and Board decisions are only taken when adequate information is available to the Board and are deferred when further information is required

During the year, the Board met 11 times Board meetings are usually held at the operating sites in order that the Board members have the opportunity to gain a direct appreciation of the Group's operations

The Non-Executive Directors meet as required to discuss matters that do not concern the Executive Directors

During the course of the year reviews of the remuneration of the Chairman the Non-Executive Directors and the Executive Directors were carried out

The Board has established a procedure for Directors if deemed necessary, to take independent professional advice at the Company's expense, in the furtherance of their duties and has secured appropriate insurance cover for the Directors

Mr Shishmanian and Ms Beckett are considered by the Board to be "independent" and Mr Anton would be, save for his length of service as a Non-Executive Director on the Board

Attendance at Board and Committee Meetings

The numbers of principal Board and Committee meetings attended by each Director during the financial year were as follows

	Board (11 Meetings)	Audit Committee (1 Meeting)	Nominations Committee (4 Meetings)	Remuneration Committee (2 Meetings)
Bob Gilbert (Chairman) (Retired 04/12/07)	6/7*	1	4	0/2*
Alexander Anton (Chairman from 04/12/07)	11	1	4	2
Alan Bullock (Group Managing Director)	10		3	
Keith Ackroyd (Senior Independent Director) (Retired 04/12/07)	7/7*	1	4	2
Barry Poynter	10			
Ian Davies	11			
John Duncan (Retired 31/04/07)	1/1*			
Aram Shishmanian (Senior Independent Director) (Appointed 01/10/07)	5/6*			1/1*
Nikkaila Beckett (Non-Executive Director) (Appointed 01/10/07)	5/6*			1/1*

* Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member

Information and Professional Development

The Chairman seeks to ensure that the Board is supplied in a timely manner with information that is relevant accurate and complete in order that the Board is able to carry out its duties All Directors follow an induction programme on joining the Board and the Chairman seeks to ensure that all Directors regularly update and refresh relevant skills and knowledge

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 misstatement 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 The system is regularly reviewed and accords with the guidance in the Turnbull Report

During the year the Board reviews the effectiveness of the system of internal control by a process of continuous monitoring The Executive Directors of each business unit are responsible for ensuring that controls are operating effectively Exceptions are reported to the two Executive Boards and if sufficiently serious, to the PLC Board with any required improvements fed back for action The Board keeps under review any need for an internal audit function and presently believes that such a function is not required and is inappropriate in a group of Victoria PLC's current size and complexity

Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Group and comprises A Shishmanian (Chairman), A Anton and N Beckett The Audit Committee met once during the 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 Auditor and review the scope and results of its audit
- To review the planning of internal and external audits, receive reports thereon and deal with any control weaknesses identified
- To monitor the extent of non-audit work that the Auditor can perform to ensure that the provision of these non-audit services falls within the Group's policies and does not impair its objectivity or independence

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee

5 Corporate Governance Statement

Nominations Committee

The Nominations Committee comprises A Anton (Chairman), A Shishmanian, N Beckett and A R Bullock

The Committee meets as required to review the structure, size and composition of the Board and makes recommendations with regard to any changes that are considered necessary, both in the identification and nomination of new Directors and the continuation of existing Directors in office The Committee also advises the Board on succession planning for Executive Board appointments, although the Board itself is responsible for succession generally

The Committee met in May, July and September 2007 to consider the results of the search process carried out for the Group by external consultants which identified candidates for the positions of Non-Executive Directors This process led to the appointment of Aram Shishmanian and Nikki Beckett in October 2007

Remuneration Committee

The Directors Remuneration report on pages 33 to 36 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

Investor Relations

The Chairman and the Board seek to ensure that the views of major Shareholders are understood by the Board The Chairman maintains regular contact with major Shareholders and the Senior Independent Director offers a line of contact should the Shareholders decide they need further understanding of their issues or concerns The Group Managing Director and Group Finance Director meet regularly with the major Shareholders and updates are provided to all Board meetings

The Board recognises the Annual General Meeting (AGM) as an important opportunity to meet private Shareholders At its AGM, which is chaired by the Chairman, the Company complies with the provisions of the Code relating to the disclosure of proxy votes, the separation of resolutions and the attendance of the Committee Chairmen The Company's procedure is to arrange for the notice of the AGM and related papers to be posted to Shareholders at least twenty working days in advance to allow for consideration prior to the meeting

Financial reporting

The Board seeks to present a balanced and understandable assessment of the Company's position and prospects Details are given in the Chairman's statement and the Business Review

Compliance with the provisions of the Combined Code

The Company applied the principles set out in Section 1 of the Combined Code throughout the year and has complied with the detailed provision set out therein with the following exceptions

- Mr Anton will continue as a Non-Executive Director beyond a term of nine years, as the Board considers that he continues to make a valuable and effective contribution Due to the tenure of Mr Anton, the Combined Code would not consider the Audit Committee to be fully independent, however the Board considers the Audit Committee to be appropriate given the size and operation of the Group
- No formal reviews were undertaken of the performance of individual Directors or of the effectiveness of the Board as a whole, as each Director's performance is evaluated annually in conjunction with the remuneration review and the Board does not consider that a formal review of its effectiveness would be of any significant value

The Company's Auditor, Deloitte & Touche LLP, is required to review whether the above statement reflects the Company's compliance with the nine provisions of the Combined Code specified for its review by the Listing Rules and to report if it does not reflect such compliance No such report has been made

By Order of the Board

T A Danks
Secretary
18 June 2008

5 Directors' Remuneration Report

The report is divided into two sections, unaudited and audited information in accordance with schedule 7A of the Companies Act 1985 The audited information commences on page 35

Unaudited information

Remuneration Committee

The members of the Remuneration Committee throughout the year are shown in the table below all of whom were Non-Executive Directors

	From	Until
A Shishmanian (Chairman)	01/10/07	
R M Gilbert (former Chairman)		01/10/07
N S Beckett	01/10/07	
K Ackroyd		04/12/07
A Anton (served throughout the year)		

The committee meets at least twice a year to review and determine the remuneration of the Executive Directors and the Directors of subsidiary companies

During the year the committee met twice and with the exception of R M Gilbert who was unavailable to attend both meetings each member attended the meeting(s) they were eligible to attend

The committee received material assistance from advice given by the Group Managing Director A R Bullock and the Non-Executive Director of the Company's Australian subsidiary, M J Davies During the year Deloitte & Touche LLP commenced an Executive remuneration benchmarking exercise and provided advice on the implementation of a Long Term Incentive Plan (LTIP) for Group Directors and senior management (See "Long term incentives and share options' section below)

Directors' Remuneration Policy

The Directors' remuneration policy for the year ended 29 March 2008 and future years is to ensure that remuneration is sufficiently attractive to attract, retain and motivate Executive Directors and Directors of subsidiary companies of a calibre that meets the Group s needs to achieve its performance against financial objectives and relevant competitors Remuneration throughout the Group is designed to be competitive in the country of employment The committee gives full consideration to the requirements in Schedule A of the Combined Code The principal components of remuneration, which will remain in operation for the next financial year and thereafter, for Executive Directors and Directors of subsidiary companies are

Basic salary and benefits

Basic salary reflects the responsibility of the job and individual performance The Company also provides a company car or allowance and in the UK private healthcare cover and death in service cover

Performance-related bonus

The remuneration policy of the committee follows 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 Group operates an annual bonus scheme for Executive Directors and Directors of subsidiary companies The scheme is designed to encourage performance which the Remuneration Committee considers would contribute most to increasing Shareholder value

For the financial year ending 29 March 2008 bonuses, which were awarded at the discretion of the Remuneration Committee were in the range of 0–40% of basic salary Bonuses are not pensionable For next year bonuses may be amended in line with the findings of the Remuneration Committee following the Executive benchmarking review

Long-term Incentives and share options

The Remuneration Committee has recently undertaken a review of the Group's Executive remuneration arrangements The purpose of its review was to consider whether the existing arrangements align Executives' interests with those of Shareholders' to optimum effect particularly in the light of the strategic direction of the Group and its key corporate objectives over the next three years Having considered general market practice and alternative structures available to deliver genuine performance related pay with a clear line of sight for Executives and a direct alignment with Shareholders' interests, the committee has recommended the introduction of long term incentive arrangements

The Board has accepted the committee's recommendations and is to seek Shareholder approval for the adoption of the new remuneration arrangements For further details see the Circular accompanying the notice of the AGM

5 Directors' Remuneration Report

Pensions

Executive Directors participate in various defined contribution schemes, with the UK Executive Directors having a normal retirement age of 65

Service contracts

Executive Directors, in line with Group policy, have notice periods of 12 months except following a change of control when the period of notice required from the employer is extended to 24 months All new appointments are intended to have these same notice periods but it is recognised that for some appointments a longer period may initially be necessary for competitive reasons reducing to 12 months thereafter

The services of Non-Executive Directors are secured under contracts in the form of letters of appointment with a twelve month term Their remuneration is reviewed periodically and determined by the full Board

Directors' interests

The Directors of the Company who held office at 29 March 2008 had the following interests in the Ordinary Shares of the Company

	29 March 2008		31 March 2007	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
A Anton	**74,275**	**80,000**	74,275	80 000
A R Bullock	**28,750**	—	28,750	—
N S Beckett	—	—	—	—
I G Davies	**7,500**	—	—	—
B Poynter	—	—	—	—
A Shishmanian	—	—	—	—

The interests of the Directors in the shares of the Company and its subsidiaries have not changed between the year end and 1 June 2008

Directors' service contracts

Details of the service contracts or contracts for services of the Directors who served during the year are as follows

A Anton

The services of A Anton as Chairman and Non-Executive Director are provided under a contractual letter of continuing appointment dated 3 December 2007 with Harrison Sydney Limited, of which he is a Director The appointment runs from 4 December 2007 for an initial period of twelve months The contract does not include any provision for early termination

N S Beckett

The services of N S Beckett as Non-Executive Director are provided under a contractual letter of continuing appointment dated 15 September 2007 The appointment runs from 1 October 2007 for an initial period of twelve months The contract does not include any provision for early termination

A Shishmanian

The services of A Shishmanian as Non-Executive Director are provided under a contractual letter of continuing appointment dated 15 September 2007 The appointment runs from 1 October 2007 for an initial period of twelve months The contract does not include any provision for early termination

R M Gilbert

The services of R M Gilbert as Chairman and Non-Executive Director were provided under a contractual letter of continuing appointment dated 9 May 2005 with Winchdown Limited, of which he is a Director He retired on 4 December 2007

K Ackroyd

K Ackroyd served as a Non-Executive Director under a contractual letter of continuing appointment dated 2 December 2004 He retired on 4 December 2007

Executive Directors

The Executive Directors are employed under service contracts which include the following terms

Director	Date of contract	Notice period from the Company Under normal circumstances	Following a change of control
A R Bullock	25 February 1997	12 months	24 months
I G Davies	19 March 2007	12 months	24 months
J A Duncan*	25 February 1997	12 months	24 months
B I Poynter	1 April 2001	12 months	24 months

* Retired on 30 April 2007

TSR — Total Shareholder Returns

The following chart shows the total Shareholder return on ordinary shares in Victoria PLC over the last five years

Audited Information

Directors' emoluments and pensions

The emoluments of all Directors for the year ended 29 March 2008 were

	Salary/fees £000	Benefits in kind £000	Car/fuel allowance £000	Bonus £000	**Total 2008 £'000**	Total 2007 £000
Executive						
A R Bullock	145	13	—	58	**216**	199
I G Davies	120	28	—	48	**196**	5
J A Duncan	5	17	—	—	**22**	92
M S W Lee	—	—	—	—	—	52
M W Oakley	—	—	—	—	—	72
B I Poynter	158	10	—	69	**237**	135
Non-Executive						
A Anton (Chairman)	37	—	—	—	**37**	20
N S Beckett	15	—	—	—	**15**	—
A Shishmanian	15	—	—	—	**15**	—
R M Gilbert	26	—	—	—	**26**	40
K Ackroyd	17	—	—	—	**17**	22
	538	68	—	175	**781**	637

5

5 Directors' Remuneration Report

Each Director served for the full year with the exception of

J A Duncan who retired on 30 April 2007,
N S Beckett who was appointed on 1 October 2007
A Shishmanian who was appointed on 1 October 2007
R M Gilbert who retired on 4 December 2007, and
K Ackroyd who retired on 4 December 2007

Share options

No Director held options to purchase shares during the year

Directors' pension entitlements

Four Directors were members of money purchase schemes

Contributions paid by the Group in respect of such schemes were

	2008 **£000**	2007 £000
A R Bullock	**49**	33
I G Davies	**18**	—
J A Duncan	**1**	17
M S W Lee	**—**	7
M W Oakley	**—**	4
B I Poynter	**14**	8
	82	69

By Order of the Board

T A DANKS
Secretary
18 June 2008

5 Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements The Directors are required to prepare financial statements for the Group in accordance with the International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires the financial statements to be presented fairly for each financial year the Company's financial position financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions, in accordance with the definitions and recognition criteria for assets liabilities income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and Presentation of Financial Statements" In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards Directors are also required to

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions other events and conditions on the Group's financial position and financial performance

The Directors are responsible for keeping proper accounting records which disclose the reasonable accuracy, at any time of the financial position of the parent Company They have a general responsibility for taking such steps as are reasonably open to them, to safeguard the assets and for the prevention and detection of fraud and other irregularities The Directors are also responsible for the preparation of a Directors' report and Directors remuneration report which comply with the requirements of the Companies Act 1985

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Victoria PLC website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' responsibility statement

We confirm to the best of our knowledge

1 The financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU give a true and fair view of the assets liabilities financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and

2 the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face

On behalf of the Board

Alan R Bullock	Ian G Davies
Group Managing Director	**Group Finance Director**
18 June 2008	18 June 2008

6 Independent Auditor's Report to the Members of Victoria PLC

We have audited the Group and parent Company financial statements (the "financial statements") of Victoria Plc for the 52 weeks ended 29 March 2008 which comprise the consolidated income statement the consolidated and individual Company balance sheets the consolidated and individual Company cash flow statements the consolidated statement of recognised income and expense and the related notes 1 to 27 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion 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 information specified by law regarding Directors remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Directors' Report, the Chairman's Statement, the Business Review the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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 financial statements and the part of the Directors' Remuneration Report to be audited 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 financial statements and the part of the Directors' Remuneration Report to be audited

Opinion

In our opinion

- the Group financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 29 March 2008 and of its profit for the 52 weeks then ended,
- the parent Company financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Companys affairs as at 29 March 2008,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements

Separate opinion in relation to IFRSs

As explained in the Accounting Policies, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 29 March 2008 and of its profit for the 52 weeks then ended

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, UK
18 June 2008

Deloitte + Touche LLP

6 Consolidated Income Statement

For the 52 weeks ended 29 March 2008

		Notes	**52 weeks ended 29 March 2008 £000**	52 weeks ended 31 March 2007 £000
Revenue		1	**61,701**	55 426
Cost of sales			**(43,392)**	(39,003)
Gross profit			**18,309**	16,423
Distribution costs			**(11,186)**	(10,641)
Administrative expenses			**(3,757)**	(3 097)
Other operating income			**828**	700
Operating profit		1	**4,194**	3,385
Share of results of associated company			**78**	104
Finance costs		3	**(763)**	(727)
Profit before tax		1,4	**3,509**	2,762
Taxation		7	**(972)**	(754)
Profit for the period			**2,537**	2,008
Attributable to				
Equity holders of the parent			**2,537**	2,008
Earnings per share — pence	basic	9	**36.54**	28 92
	diluted	9	**36 54**	28 92

6 Consolidated Statement of Recognised Income & Expense

For the 52 weeks ended 29 March 2008

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
Exchange differences on translation of foreign operations	**1,911**	(33)
Net income/(loss) recognised directly in equity	**1,911**	(33)
Profit for the period	**2,537**	2,008
Total recognised income for the period	**4,448**	1,975
Attributable to		
Equity holders of the parent	**4,448**	1,975

6 Balance Sheets

As at 29 March 2008

	Notes	Group 29 March 2008 £000	Group 31 March 2007 £000	Company 29 March 2008 £000	Company 31 March 2007 £000
Non-current assets					
Intangible assets	11	**512**	491	**—**	—
Property, plant and equipment	12	**24,866**	23,846	**5,283**	5,312
Investment property	13	**180**	180	**180**	180
Investment in subsidiary undertakings	13	**—**	—	**3,321**	3,321
Investment in associated company	13	**541**	469	**56**	56
Deferred tax asset	18	**1,129**	983	**—**	3
Total non-current assets		**27,228**	25,969	**8,840**	8,872
Current assets					
Inventories	14	**18,162**	15,740	**—**	—
Trade and other receivables	15	**9,521**	9,603	**5,198**	4,505
Other financial assets	17	**—**	10	**—**	10
Cash at bank and in hand		**1,260**	644	**—**	—
Total current assets		**28,943**	25,997	**5,198**	4,515
Total assets		**56,171**	51,966	**14,038**	13,387
Current liabilities					
Trade and other payables	16	**9,651**	8,234	**119**	61
Current tax liabilities		**1,365**	998	**—**	—
Other financial liabilities	17	**4,635**	5,261	**3,672**	2,782
Total current liabilities		**15,651**	14,493	**3,791**	2 843
Non-current liabilities					
Trade and other payables	16	**1,474**	1,209	**—**	—
Other financial liabilities	17	**4,235**	5,072	**—**	—
Deferred tax liabilities	18	**2,248**	2,209	**656**	695
Total non-current liabilities		**7,957**	8,490	**656**	695
Total liabilities		**23,608**	22,983	**4,447**	3,538
Net assets		**32,563**	28,983	**9,591**	9,849
Equity					
Issued share capital	19	**1,736**	1,736	**1,736**	1 736
Share premium	20	**829**	829	**829**	829
Retained earnings	20	**29,998**	26,418	**7,026**	7,284
Total equity		**32,563**	28,983	**9,591**	9 849

The accounts on pages 40 to 67 were approved by the Board of Directors and authorised for issue on 18 June 2008

They were signed on its behalf by

A Anton Directors
I G Davies

6 Cash Flow Statements

For the 52 weeks ended 29 March 2008

	Notes	Group 52 weeks ended 29 March 2008 £000	Group 52 weeks ended 31 March 2007 £000	Company 52 weeks ended 29 March 2008 £000	Company 52 weeks ended 31 March 2007 £000
Net cash inflow from operating activities	22	5,427	5,061	(30)	574
Investing activities					
Dividends received from associates		54	32	54	32
Purchases of property, plant and equipment		(2,102)	(1,959)	(37)	—
Proceeds of disposals of property, plant and equipment		62	74	—	—
Net cash used in investing activities		(1,986)	(1,853)	17	32
Financing activities					
(Decrease)/increase in long-term loans		(1,392)	347	—	—
Receipts from financing of assets		832	870	—	—
Payment of finance leases/HP liabilities		(953)	(963)	—	—
Dividends paid		(868)	(799)	(868)	(799)
Net cash used in financing activities		(2,381)	(545)	(868)	(799)
Net increase/(decrease) in cash and cash equivalents		1,060	2,663	(881)	(193)
Cash and cash equivalents at beginning of period		(3,693)	(6,363)	(2,782)	(2,589)
Effect of foreign exchange rate changes		4	7	—	—
Cash and cash equivalents at end of period	23	(2,629)	(3,693)	(3,663)	(2 782)

6 Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments The principal accounting policies adopted are set out below

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

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

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

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

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell

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

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS5 Non-current Assets Held for Sale and Discontinued Operations Under the equity method investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance form part of the Group's net investment in the associate) are not recognised

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments)

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

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

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

6 Accounting Policies

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

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

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

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

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

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

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

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

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

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

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

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

The expected useful lives of assets are

Buildings — 50 years
Plant and equipment — 3 to 20 years
Motor vehicles — 4 to 5 years
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss

Internally generated intangible assets — research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred

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

- An asset is created that can be identified (such as software and new processes),

- It is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

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

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

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

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

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

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

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

Financial instruments
(a) Financial assets
The Group's financial assets fall into the categories discussed below with the allocation depending to an extent on the purpose for which the asset was acquired Although the Group occasionally uses derivative financial instruments in economic hedges of currency rate risk, it does not hedge account for these transactions The Group has not classified any of its financial assets as held to maturity

Unless otherwise indicated the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity

(a) (i) Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of goods and services to customers (e g trade receivables) and deposits held at banks but may also incorporate other types of contractual monetary asset They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost less provision for impairment, where appropriate

The effect of discounting on these financial instruments is not considered to be material

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within distribution expenses in the income statement On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision

(a) (ii) Fair value through profit or loss
This category comprises only "in the money" foreign exchange derivatives to the extent that they exist (see (b)(ii) for "out of the money" derivatives) They are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense Other than these derivative financial instruments, the Group does not have any assets held for trading nor has it designated any financial assets as being at fair value through profit or loss

6 Accounting Policies

The fair value of the Group's foreign exchange derivatives is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturity of the contracts

(b) Financial liabilities
The Group classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred Although the Group uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire

(b) (i) Financial liabilities measured at amortised cost
These liabilities include the following items

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost
- Bank borrowings and loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument Such interest bearing liabilities are subsequently measured at amortised cost Interest is recognised as a finance expense in the income statement

The fair value of the Group's financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using market rates of interest

(b) (ii) Fair value through profit or loss
This category comprises only "out of the money" derivatives to the extent that they exist (see (a)(ii) for "in the money " derivatives) They are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss

The methods used for calculating the fair value of the Group's interest rate and foreign exchange derivatives have been described in (a)(ii) above

(c) Share Capital
The Group's ordinary shares are classified as equity instruments The Group is not subject to any externally imposed capital requirements Share capital includes the nominal value of the shares Any share premium attaching to the shares are shown as share premium

Adoption of new and revised standards
In the current year the Group has adopted IFRS 7 "Financial Instruments Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 "Presentation of Financial Statements" The impact of this has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (See notes 19 and 25)

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period These are

- IFRIC 7 "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"
- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Re-assessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"

The adoption of these interpretations has not led to any changes in the Group's accounting policies

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

- IFRS 8 "Operating segments"
- IAS 23 (Revised) "Borrowing Costs"
- IFRIC 11 "IFRS 2 — Group and treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangement"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction"

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009

6 Notes to the Accounts

1 Segmental Information

For management purposes, the Group is organised into four operating divisions according to the geographical areas where they are managed These divisions form the basis on which the Group reports its primary segment information, plus the Canadian associate The three segments are UK, Ireland, Australia to which is added the Canadian Associate

Geographical segment information for revenue, operating profit and a reconciliation to entity net profit is presented below

Income Statement

	For the 52 weeks ended 29 March 2008				For the 52 weeks ended 31 March 2007			
	Revenue £000	**Operating profit £000**	**Finance costs £000**	**Profit before tax* £000**	Revenue £000	Operating profit £000	Finance Costs £000	Profit before tax* £000
UK	**27,149**	**1,335**	**(240)**	**1,095**	25,524	1,216	(302)	914
Ireland	**6,075**	**387**	**(36)**	**351**	6,196	348	(44)	304
Australia	**28,477**	**3,051**	**(266)**	**2,785**	23,706	2,082	(271)	1,811
	61,701	**4,773**	**(542)**	**4,231**	55,426	3 646	(617)	3,029
Share of results of associate				**78**				104
Central costs		**(579)**	**(221)**	**(800)**		(261)	(110)	(371)
Total continuing operations	**61,701**	**4,194**	**(763)**	**3,509**	55,426	3,385	(727)	2,762
Tax				**(972)**				(754)
Profit after tax from continuing activities				**2,537**				2,008

* The share of profits of the associated company is shown net of tax as required by IAS1

Intersegment sales between the UK and Ireland and Australia were immaterial in the current and comparative periods

Balance Sheet

	As at 29 March 2008		As at 31 March 2007	
	Segment assets £000	**Segment liabilities £000**	Segment assets £000	Segment liabilities £000
UK	**25,724**	**7,266**	25,990	8 444
Ireland	**2,480**	**1,199**	2,249	1 457
Australia	**27,135**	**10,824**	22,994	9,544
Investment in associated company	**541**	**—**	469	—
Unallocated central assets/liabilities	**291**	**4,319**	264	3,538
	56,171	**23,608**	51,966	22 983

The investment in associated company is held directly by the parent entity and does not relate specifically to any geographic segment

6 Notes to the Accounts

1 Segmental Information continued

Other segmental information

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
Depreciation and amortisation		
UK	**1,012**	985
Ireland	**31**	39
Australia	**1,277**	1,229
Unallocated central	**7**	—
	2,327	2,253

No other significant non-cash expenses were deducted in measuring segment results

Capital expenditure	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
UK	**904**	377
Ireland	**1**	2
Australia	**1,160**	1 580
Unallocated central	**37**	—
	2,102	1,959

Business Segments

No secondary segmental information is reported as the Directors consider that substantially all of the Group's operations relate to a single activity, that of the manufacture and sale of carpets

2 Revenue

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
Continuing operations		
Sale of goods	**61,701**	55,426
Other operating income	**828**	700
Investment income	**54**	32
	62,583	56,158

3 Finance costs

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
Loans and overdrafts wholly repayable within five years	**576**	543
Hire purchase and finance lease interest	**187**	184
	763	727

4 Profit on ordinary activities before taxation

	2008 £000	2007 £000
After charging/(crediting)		
Net foreign exchange (gains)/losses	**(273)**	(33)
Depreciation	**2,299**	2,226
Amortisation of intangible assets	**28**	27
Loss on sale of fixed assets	**15**	8
Charges under operating leases	**521**	517
Movement in fair value of interest rate swaps	**19**	(65)
Auditors' remuneration		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	**19**	16
The audit of the Company's subsidiaries pursuant to legislation	**61**	56
Total audit fees	**80**	72
Other services pursuant to legislation	**4**	2
Tax services	**13**	13
Total non-audit fees	**17**	15

5 Staff Costs

	2008 £000	2007 £000
Wages & salaries	**15,070**	13 708
Social security costs	**1,126**	1,083
Other pension costs	**1,018**	890
Total employee benefits expense	**17,214**	15,681

Average number employed	United Kingdom	Ireland	Australia	Total
2008	**366**	**14**	**330**	**710**
2007	360	14	327	701

The only employees of the Company were the three (2007 three) Executives based in the UK whose service contracts are with Victoria PLC Their details are shown in the Directors' Remuneration Report on page 35

Pension costs

The Group operates a number of money purchase pension schemes The companies and the employees contribute towards the schemes

The total pension cost for the Group was £1,018,000 (2007 £890 000), of which £380,000 (2007 £358,000) relates to the UK schemes

6

6 Notes to the Accounts

6 Directors' remuneration

Aggregate remuneration

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

	2008 £000	2007 £000
Emoluments (detailed in the Directors' Remuneration Report on page 35)	**781**	637
Contributions to money purchase pension schemes	**82**	69
	863	706

Pension benefits

At 29 March 2008, retirement benefits in respect of qualifying services were accruing to three Directors under money purchase schemes (31 March 2007 four Directors)

7 Tax

	2008 £000	2007 £000
Current tax		
— Current year UK	**—**	—
— Current year overseas	**1,043**	641
— Prior years	**9**	1
	1,052	642
Deferred Tax (note 18)		
— Current year	**24**	115
— Prior years	**(1)**	(3)
— Effect of rate change	**(103)**	—
	(80)	112
Total tax	**972**	754

Corporation tax is calculated at 30% (2007 30%) of the estimated assessable profit for the year in the United Kingdom and Australia Taxation for other jurisdictions is calculated at the prevailing rates in those jurisdictions

The tax charge for the year can be reconciled to the profit per the income statement as follows

	2008 £000	2008 %	2007 £000	2007 %
Profit before tax				
Continuing operations	**3,509**		2,762	
	3,509		2,762	
Tax at the UK corporation tax rate of 30% (2007 30%)	**1,053**	**30 0**	828	30 0
Tax effect of share of result of associate	**(23)**	**(0 6)**	(31)	(1 1)
Tax effect of expenses that are not deductible in determining taxable profit	**104**	**2 9**	32	1 2
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(60)**	**(1 7)**	(52)	(1 9)
Movement in short-term timing differences	**(7)**	**(0.2)**	(22)	(0 8)
Effect of rate change	**(103)**	**(2.9)**	—	—
Adjustments to prior periods	**8**	**0.2**	(1)	(0 1)
Tax expense and effective tax rate for the year	**972**	**27 7**	754	27 3

8 Dividends

	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 March 2007 paid during the year 12 5 per share (2007 11 5 pence)	**868**	799
Proposed final dividend for the year ended 29 March 2008 of 14p per share (2007 12 5p)	**972**	868

The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

9 Earnings per share

The calculation of earnings per ordinary equity share in the parent entity is based on the following earnings and number of shares

	2008	2007
Earnings (£000) basic and diluted		
Profit attributable to ordinary equity holders of the parent entity	**2,537**	2,008
Number of shares (thousands)		
— In issue throughout the period	**6,944**	6 944
Earnings per share (basic and undiluted) in pence	**36.54**	28 92

No arrangements existed during the period or the comparative period that might require the issue of shares and hence the diluted earnings per share are the same as the basic earnings per share

10 Rates of exchange

The results of overseas subsidiary and associated undertakings have been translated into Sterling at the average exchange rates prevailing during the periods The balance sheets are translated at the exchange rates prevailing at the period ends

	2008		2007	
	Average	**Year end**	Average	Year end
Australia — A$	**2.3115**	**2.1657**	2 4687	2 4279
Ireland — €	**1 4170**	**1.2623**	1 4717	1 4735
Canada — C$	**2.0734**	**2.0251**	2 1540	2 2627

6

6 Notes to the Accounts

11 Intangible fixed assets

	Note	2008 £000	2007 £000
Goodwill	a)	65	65
Other intangible assets	b)	447	426
		512	491

The intangible assets were acquired with the trade and assets of Munster Carpets and Navan Carpets and relate to customer lists acquired and the brand name They are amortised over 20 years

a) Goodwill

	Group 2008 £000	2007 £000
At cost		
At 1 April 2007 and 29 March 2008	65	65

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units that are expected to benefit from that combination The carrying amount of goodwill is allocated as follows

	2008 £000	2007 £000
UK and Ireland		
Munster Carpets	65	65

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired As at 29 March 2008 no impairment provision was considered necessary as its value in use exceeded its cost based upon the profitability and cash flow of this unit and its anticipated growth, discounted at a weighted average cost of capital of 10 47%

b) Other intangible assets

		Group 2008 £000	2007 £000
Cost	At 1 April 2007	536	547
	Exchange differences	64	(11)
	At 29 March 2008	600	536
Amortisation	At 1 April 2007	110	85
	Exchange differences	15	(2)
	Charge for the period	28	27
	At 29 March 2008	153	110
Net book value	**At 29 March 2008**	447	426
	At 31 March 2007	426	462

No intangible assets were held by the Company

12 Property, plant and equipment

	Group				Company		
	Freehold land and buildings £000	Plant and machinery £000	Fixtures vehicles and equipment £000	Total £000	Freehold land and buildings £000	Fixtures, vehicles and equipment £000	Total £000
Cost or valuation							
At 2 April 2006							
Cost	9,158	29,547	2,085	40,790	5,493	—	5 493
Currency	17	33	(2)	48	—	—	—
Additions	765	995	199	1,959	—	—	—
Disposals	—	(620)	(167)	(787)	—	—	—
At 31 March 2007	9,940	29,955	2,115	42,010	5,493	—	5 493
At 1 April 2007	9 940	29,955	2,115	42,010	5 493	—	5,493
Currency	365	1,755	145	2,265	—	—	—
Additions	5	1,768	329	2,102	—	37	37
Disposals	—	(34)	(212)	(246)	—	—	—
At 29 March 2008	**10,310**	**33,444**	**2,377**	**46,131**	**5,493**	**37**	**5,530**
Aggregate depreciation							
At 2 April 2006	204	15,130	1,284	16,618	120	—	120
Currency	1	25	(1)	25	—	—	—
Charge for the year	103	1,912	211	2 226	61	—	61
Disposals	—	(608)	(97)	(705)	—	—	—
At 31 March 2007	308	16,459	1,397	18,164	181	—	181
At 1 April 2007	308	16,459	1,397	18,164	181	—	181
Currency	10	876	84	970	—	—	—
Charge for the year	106	1,973	220	2,299	59	7	66
Disposals	—	(24)	(144)	(168)	—	—	—
At 29 March 2008	**424**	**19,284**	**1,557**	**21,265**	**240**	**7**	**247**
Net book value							
At 29 March 2008	**9,886**	**14,160**	**820**	**24,866**	**5,253**	**30**	**5,283**
At 31 March 2007	9,632	13,496	718	23,846	5,312	—	5 312

Land and buildings were professionally valued at 4 April 2004 and this valuation was adopted as deemed cost on adoption of IFRS

6 Notes to the Accounts

12 Property, plant and equipment continued

Included within fixed assets are the following

	Plant and machinery £000	Group Fixtures, vehicles and equipment £000	Total £000
Held under finance leases			
Cost at 29 March 2008	**523**	**493**	**1,016**
Accumulated depreciation at 29 March 2008	**57**	**133**	**190**
Depreciation charged in year	**51**	**73**	**124**
Being acquired under hire purchase agreements			
Cost at 29 March 2008	**4,579**	**—**	**4,579**
Accumulated depreciation at 29 March 2008	**1,068**	**—**	**1,068**
Depreciation charged in year	**295**	**—**	**295**

Capital expenditure authorised and committed

	Group	
	2008 £000	2007 £000
Contracts placed	**2,440**	821

The Company held no assets under finance lease or hire purchase agreements and had no capital commitments at either year end

13 Fixed asset investments

		Group		Company	
	Note	**2008 £000**	2007 £000	**2008 £000**	2007 £000
Investment property	a)	**180**	180	**180**	180
Investment in subsidiaries	b)	**—**	—	**3,321**	3,321
Investment in associated company	c)	**541**	469	**56**	56

a) Investment property

Investment property were professionally valued at 4 April 2004 and this valuation was adopted as deemed cost on adoption of IFRS

13 Fixed asset investments continued

b) Investment in subsidiaries

The investment represents shares in subsidiaries at cost

Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following principal subsidiary companies

	Country of incorporation and operation	Nature of business
Victoria Carpets Limited	England	Carpet manufacture
Munster Carpets Limited*	Ireland	Carpet sales
Westwood Yarns Limited	England	Yarn manufacture
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacture

* Indirect shareholding

c) Investment in associated company

Victoria PLC owns 50% of the common shares of Colin Campbell & Sons Limited, a carpet distributor incorporated in Canada whose accounting period ended on 31 March 2008 (2007 31 March)

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Cost of investment	**101**	101	**101**	101
Return of capital	**(45)**	(45)	**(45)**	(45)
Share of post-acquisition profits (retained by associated company)	**485**	413	**—**	—
	541	469	**56**	56

14 Inventories

	Group	
	2008	2007
	£000	£000
Raw materials	**6,022**	4 670
Work-in-progress	**600**	460
Finished goods	**11,540**	10,610
	18,162	15,740

The Company held no inventories at either year end There is no material difference between the balance sheet value of inventories and their replacement cost

Cost of sales in the Income Statement represents the amount of inventories recognised as an expense in the period

6 Notes to the Accounts

15 Trade and other receivables

Amounts falling due within one year

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Trade debtors	**8,971**	8,813	**—**	—
Amounts owed by subsidiaries	**—**	—	**5,116**	4,434
Amounts owed by associated company	**191**	185	**82**	71
Other debtors	**42**	115	**—**	—
Prepayments and accrued income	**317**	490	**—**	—
	9,521	9,603	**5,198**	4,505

The average credit period taken on sale of goods is 53 days (2007 58 days) No interest is charged on past due receivables

The above amounts are stated net of an allowance (net of VAT) of £153,000 (2007 £134,000) made for estimated irrecoverable amounts from sale of goods The movement of this allowance account during the year is summarised below

	2008	2007
	£000	£000
Opening balance at 1 April 2007	**134**	124
Increase in provisions	**116**	83
Written off against provisions	**(89)**	(62)
Recovered amounts	**(19)**	(11)
Exchange differences	**11**	—
Closing balance at 29 March 2008	**153**	134
An analysis of the age of trade receivables that are past due at the reporting date but not impaired can be seen in the table below		
1–30 days overdue	**2,046**	1,897
31–60 days overdue	**495**	550
>60 days overdue	**354**	445
Total	**2,895**	2,892
An analysis of the age of impaired trade receivables is as follows		
1–30 days overdue	**67**	15
31–60 days overdue	**40**	6
>60 days overdue	**68**	116
Total	**175**	137

The main factors in assessing the impairment of trade receivables are the age of the balance and the circumstances of the individual customer The Directors consider that the carrying amount of all receivables, including those impaired, approximate to their fair value

16 Trade and other payables

Amounts falling due within one year

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Trade creditors	**6,712**	5,917	**—**	—
Amounts due to subsidiaries	**—**	—	**1**	26
Other creditors	**899**	730	**—**	—
Accruals and deferred income	**2,040**	1,587	**118**	35
	9,651	8,234	**119**	61

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 56 days (2007 55 days) The Directors consider that the carrying amount of trade payables approximates to their fair value

16 Trade and other payables continued

Amounts falling due after one year

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Other creditors	**1,474**	1,209	**—**	—
	1,474	1,209	**—**	—

Other creditors relate primarily to the deferred income of government grants as shown in note 24

17 Other financial assets/liabilities

a) Other financial assets

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Fair value of interest rate swaps	**—**	10	**—**	10
	—	10	**—**	10

b) Other financial liabilities

Amounts falling due within one year

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Loans — secured commercial bills	**—**	—	**—**	—
Bank loans and overdrafts	**3,889**	4,337	**3,663**	2 782
Hire purchase and finance lease creditors	**737**	924	**—**	—
Fair value of interest rate swaps	**9**	—	**9**	—
	4,635	5,261	**3,672**	2,782
Amounts falling due after more than one year				
Loans — Secured commercial bills				
— between one and two years	**—**	—	**—**	—
— between two and five years	**2,078**	2,883	**—**	—
Bank loans				
— Between one and two years	**—**	204	**—**	—
— Between two and five years	**—**	—	**—**	—
Hire purchase and finance lease obligations payable				
— Between one and two years	**563**	574	**—**	—
— Between two and five years	**1,594**	1,259	**—**	—
— After five years	**—**	152	**—**	—
	4,235	5,072	**—**	—

The Directors consider that the carrying amount of other financial assets and liabilities approximate to their fair value

6 Notes to the Accounts

17 Financial liabilities continued

The loans falling due after more than one year are repayable as follows

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
— Between one and two years	**—**	204	**—**	—
— Between two and five years	**2,078**	2,883	**—**	—

Bank borrowings in the United Kingdom amounting to £3 62m (2007 £3 93m) are secured by charges over a freehold property Bank borrowings of £0 87m (2007 £2 3m) 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 Limited, Westwood Yarns Limited and Barclays Bank PLC The Company has also guaranteed a loan and overdraft facility provided by Barclays Bank PLC to Munster Carpets Limited, of which £0 27m (2007 £0 61m) was outstanding at 29 March 2008

Operating lease arrangements

The Group as lessee

The Company had no operating leases during the years ended 29 March 2008 and 31 March 2007 Details of operating lease arrangements for the Group are as follows

	2008	2007
	£000	£000
Minimum lease payments under operating leases recognised in income for the year	**521**	517

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2008	2007
	£000	£000
Within one year	**447**	502
In the second to fifth years inclusive	**551**	631
After five years	**13**	53
	1,011	1,186

Operating lease payments represent rentals payable by the Group principally for vehicles and certain of its properties Leases of vehicles are usually negotiated for a term of 3–5 years and rentals are fixed for the term of the lease Leases of land and buildings are usually negotiated for 5–15 years and rentals reviewed after 5 years

18 Deferred taxation

	Group £000	Company £000
At 1 April 2006	1,115	669
Exchange adjustment	(1)	—
Income statement	112	23
At 31 March 2007	1,226	692
At 1 April 2007	1,226	692
Exchange adjustment	(27)	—
Income statement (Note 7)	(80)	(36)
At 29 March 2008	**1,119**	**656**

The potential liability and provision for deferred taxation are as follows

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Capital allowances	**1,744**	1,729	**251**	303
Liability on recovering value through sale	**504**	480	**405**	392
Deferred grant income	**(375)**	(303)	**—**	—
Tax losses	**(220)**	(375)	**—**	—
Other timing differences	**(534)**	(305)	**—**	(3)
	1,119	1,226	**656**	692

The potential liability and provision are based on taxation rates of 28% in the UK and 30% in Australia (2007 30% and 30% respectively)

The deferred tax balances shown on the balance sheet are

Deferred tax liabilities	**2,248**	2,209	**656**	695
Deferred tax assets	**(1,129)**	(983)	**—**	(3)
	1,119	1,226	**656**	692

19 Share capital

	2008 £000	2007 £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 (2007 6,943,556) — equity	**1,736**	1 736

No options were outstanding over Ordinary Shares during the year

The Company has one class of Ordinary Shares which carry no right to fixed income

19 Share capital continued

Capital risk management

The Group considers its capital to comprise its Ordinary Share capital, share premium and accumulated retained earnings In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs In making decisions to adjust its capital structure to achieve these aims through altering its dividend policy, new share issues or the reduction of debt the Group considers not only its short-term position but also its long-term operational and strategic objectives

20 Reserves

	52 weeks ended 31 March 2007				52 weeks ended 29 March 2008		
	At 1 April 2006 £000	Income statement £000	Other movements £000	At 31 March 2007 £000	Income statement £000	Other movements £000	**At 29 March 2008 £000**
Group							
Share premium	829	—	—	829	—	—	**829**
Profit and loss account	27,433	1,209	—	28,642	1,669	—	**30,311**
Adjustments arising out of consolidation							
Goodwill	(1,533)	—	—	(1,533)	—	—	**(1,533)**
Exchange rates	(658)	—	(33)	(691)	—	1,911	**1,220**
Retained earnings	25,242	1,209	(33)	26,418	1,669	1,911	**29,998**
Company							
Share premium	829	—	—	829	—	—	**829**
Retained earnings	6,995	289	—	7,284	(258)	—	**7,026**

The loss of the Company for the year determined in accordance with the Companies Act 1985 was £258,000 (2007 profit of £289 000) The Company is exempt under Section 230 of the Companies Act 1985 from presenting its own income statement

21 Reconciliation of movements of Shareholders' equity of Group

	2008 £000	2007 £000
Profit on ordinary activities after taxation	**2,537**	2,008
Dividends	**(868)**	(799)
	1,669	1,209
Other recognised net gains/(losses) relating to the year	**1,911**	(33)
Net addition to Shareholders' funds	**3,580**	1 176
Opening Shareholders' equity	**28,983**	27,807
Closing Shareholders' equity	**32,563**	28,983

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

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Operating profit from continuing operations	4,194	3,385	741	1,215
Adjustments for				
— Depreciation charges	2,299	2,226	66	61
— Amortisation of intangible assets	28	27	—	—
— Loss on disposal of property, plant and equipment	15	8	—	—
— Exchange rate difference on consolidation	976	(18)	—	—
Operating cash flows before movements in working capital	7,512	5,628	807	1 276
(Increase)/decrease in working capital	(500)	801	(634)	(526)
Cash generated by operations	7,012	6,429	173	750
Interest paid	(743)	(792)	(203)	(176)
Income taxes paid	(842)	(576)	—	—
Net cash inflow from operating activities	5,427	5,061	(30)	574

23 Analysis of net debt

	At 31 March 2007 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 29 March 2008 £000
Cash	644	544	—	72	1,260
Bank loans payable less than one year and overdrafts	(4,337)	516	—	(68)	(3,889)
Cash and cash equivalents	(3,693)	1,060	—	4	(2,629)
Secured commercial bills					
— Payable less than one year	—	—	—	—	—
— Payable more than one year	(2,883)	1,154	—	(349)	(2,078)
Finance leases and hire purchase agreements					
— Payable less than one year	(924)	953	(724)	(42)	(737)
— Payable more than one year	(1,985)	(832)	724	(64)	(2,157)
Bank loans payable more than one year	(204)	238	—	(34)	—
Net debt	(9,689)	2,573	—	(485)	(7,601)

The Group's policy on Derivatives and Other Financial Instruments is set out in note 25

24 Government Grants

During the year ended 29 March 2008, the Group's Australian operations benefited from government assistance under the SIP (Strategic Investment Programme) which was accounted for as follows

	2008 £000	2007 £000
Deferred income as 1 April 2007	1,010	904
Total grant income recognised in the year	317	265
Less Grants related to income (taken to income and shown as Other Operating Income)	(29)	(12)
Less Amortisation to deferred income by release through cost of production in the year	(177)	(150)
Exchange differences	130	3
Deferred income at 29 March 2008	1,251	1,010
Presented in		
Current liabilities	190	142
Non-current liabilities	1,061	868
Deferred income at 29 March 2008	1,251	1,010

There are no unfulfilled conditions or other contingencies attaching to government assistance that has been recognised

6 Notes to the Accounts

25 Financial instruments

Background

Risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout the financial statements

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

The "financial instruments" which are affected by these risks comprise 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, intercompany payables and receivables, and any derivatives transactions (such as interest rate swaps and forward foreign currency contracts) used to manage interest rate and currency rates

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility Further details regarding these policies are set out below

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments

The Group's credit risk is primarily attributable to its trade receivables Credit risk is managed locally by the management of each business unit Prior to accepting new customers, credit checks are obtained from reputable external sources The amounts presented in the balance sheet are net of allowance for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience is evidence of a reduction on the recoverability of the cash flows

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

The Company has no significant concentration of credit risk, other than with its own subsidiaries, the performances of which are closely monitored The Directors confirm that the carrying amounts of moneys owed by its subsidiaries approximate to their fair value

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due

To achieve this aim the cash position is continuously monitored to ensure that cash balances (or agreed facilities) meet expected requirements for a period of at least 90 days

The Board monitors annual cash budgets and updated forecasts against actual cash position on a monthly basis At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances Note 17 illustrates the maturity analysis of the Group's financial liabilities

The Group's policy has throughout the year, been to ensure continuity of funding, with the intention that at least 50% of its borrowing should mature after more than one year At the balance sheet date borrowings maturing after one year was 55 7% (2007 52 4%)

The maturity of financial liabilities is detailed in note 17 'Financial liabilities'

25 Financial instruments continued

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk)

a) Interest rate risk

The Group finances its operations through a mixture of retained profits equity capital 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

Interest rate sensitivity

The annualised effect of a 50 basis point decrease in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £10,000 (2007 increase in post-tax profit £13,000) A 50 basis point increase in the interest rate would, on the same basis, have reduced profits by the same amount

Effective interest rate analysis

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced

	As at 29 March 2008					As at 31 March 2007				
	Effective interest rate %	Total £000	0–1 years £000	1–2 years £000	2–5 years £000	Effective interest rate %	Total £000	0–1 years £000	1–2 years £000	2–5 years £000
Group										
Cash and equivalents	4 06	1,260	1,260	—	—	3 97	644	644	—	—
Bank overdraft & loans	6.20	(3,889)	(3,889)	—	—	6 06	(4,541)	(4,541)	—	—
Commercial bills	6 43	(2,078)	(2,078)	—	—	6 27	(2,883)	(2,883)	—	—
Finance lease and HP	6 69	(2,894)	(930)	(289)	(1,675)	6 19	(2 909)	(1,329)	(52)	(1 528)
	6 80	(7,601)	(5,637)	(289)	(1,675)	6 30	(9,689)	(8,109)	(52)	(1,528)
Company										
Bank overdrafts	6.25	(3,663)	(3,663)	—	—	6 25	(2,782)	(2,782)	—	—

Interest rate swaps

An interest rate swap with a nominal value of £2m was taken out in July 2004 The fixed rate payable is 5 495% for the period up until July 2009 against 3 month LIBOR receivable The fair value of the swap entered into at 29 March 2008 was a liability of £8 914 which compares to an asset of £10,259 at 31 March 2007 An interest rate swap with a nominal value of £1m was also taken out in July 2004 which had a fixed rate payable of 5 425% for the period up until July 2007, when the swap expired Net receipts or payments and movements in fair value are taken through the income statement as "finance costs"

Non-interest bearing liabilities

	2008 £000	2007 £000
Non-interest bearing liabilities falling due within one year	9,651	8 234
	9,651	8 234

(Details of trade and other payables falling due within one year are set out in note 16)

6 Notes to the Accounts

25 Financial instruments continued

b) Currency risk

The main currency exposure of the Group arises from the ownership of the Australian subsidiary, which accounts for approximately 50% of the Group s net assets The Group has a less significant exposure to euros arising from the ownership of the Irish subsidiary

It is the Board's policy not to hedge against movements in the Sterling/Australian dollar exchange rate beyond the natural hedge of maintaining a relatively high proportion of the Group's borrowings in Australian dollars

Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported

Currency risk sensitivity

The effect of a 10% strengthening of the Australian dollar against Sterling over the full year would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £193,000 (2007 increase of £126,000) A 10% weakening in the exchange rate would, on the same basis, have decreased post-tax profit by £176,000 (2007 decrease £115,000)

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant have resulted in an increase in post-tax profit for the year of £30,000 (2007 increase of £26,000) A 10% weakening in the exchange rate would, on the same basis, have decreased post-tax profit by £28,000 (2007 decrease £24,000)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

	Liabilities		Assets	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Euro	**1,199**	1,457	**2,480**	2,249
Australian dollar	**10,824**	9,544	**27,135**	22,994

c) Trading

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

26 Key sources of estimation uncertainty

In applying the Group's accounting policies, appropriate estimates have been made in a number of areas and the actual outcome may vary from the position described in the Company's and Group's balance sheet at 29 March 2008 The key sources of uncertainty at the balance sheet date that may give rise to a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows

Goodwill (£65,000; 2007: £65,000)

The impairment test for Goodwill is dependent on the forecasts of the cash flows of the cash-generating units and the assumptions relating to the growth rate No impairment resulted from the annual impairment test at 29 March 2008

Deferred tax assets (£1,129,000; 2007: £983,000)

Deferred tax assets are recognised at the balance sheet date based on the assumption that there is a high expectation that the asset will be realised in due course This assumption is dependent on the Group's ability to generate sufficient future taxable profits

Inventories (£18,162,000; 2007: £15,740,000)

A proportion of inventory is made up of stocks which are not expected to sell for the full normal selling price, either because they are remnants, come from discontinued ranges, or are below the required quality standard This inventory is carried at a value which reflects the Directors' best estimates of achievable selling prices The carrying amount of inventories carried at fair value less costs to sell amounted to £1,338 000 (2007 £1,299,000) During the year provisions relating to these stocks increased by £235,000 (2007 a reduction of £112,000)

Trade receivables

Details of the provision made for non-recoverability of debts due to the Group from the sale of goods are set out under note 15

27 **Related parties**

Identity of related parties

The Group has a related party relationship with its associate and its Directors and Executive officers

The Company has a related party relationship with its associate its subsidiaries and its Directors and Executive officers

Transactions with key management personnel

Key management personnel are considered to be the Directors of the Company and its subsidiaries

As at 29 March 2008, the key management personnel, and their immediate relatives controlled 2 93% of the voting shares of the Company

The remuneration of the key management of the Group is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures

	Group 52 weeks ended	
	29 March 2008 £000	31 March 2007 £000
Short-term employee benefits	**1,582**	1,331
Post-employment benefits	**182**	146
	1,764	1 477

Transactions with associated company

	Group 52 weeks ended		Company 52 weeks ended	
	29 March 2008 £000	31 March 2007 £000	**29 March 2008 £000**	31 March 2007 £000
Management charges	**80**	71	**80**	71
Dividend income	**54**	32	**54**	32
Sale of goods	**387**	560	**—**	—
	29 March 2008 £000	31 March 2007 £000	**29 March 2008 £000**	31 March 2007 £000
Amounts due from associated undertakings	**191**	185	**82**	71

Transactions with subsidiary undertakings

	Company 52 weeks	
	29 March 2008 £000	31 March 2007 £000
Management charges	**—**	—
Dividend income	**741**	930
Rental income	**658**	658
	29 March 2008 £000	31 March 2007 £000
Amounts due from subsidiary undertakings	**5,116**	4 434
Amounts due to subsidiary undertakings	**1**	26

6 Five Year Record

		2008 £000	2007 £000	2006 £000	2005 £000	UK GAAP 2004 £000
Results of continuing operations						
Revenue		**61,701**	55,426	52,288	49,282	54 622
EBITDA		**6,599**	5,742	5,259	6,016	6,865
Depreciation and amortisation		**(2,327)**	(2,253)	(2,320)	(2,240)	(2,094)
EBIT		**4,272**	3,489	2,939	3,776	4,771
Finance costs		**(763)**	(727)	(740)	(764)	(586)
Trading profit		**3,509**	2,762	2,199	3,012	4,185
Exceptional items		**—**	—	(188)	—	—
Profit before tax		**3,509**	2,762	2,011	3,012	4 185
Tax		**(972)**	(754)	(393)	(871)	(1,180)
Profit attributable to shareholders		**2,537**	2,008	1,618	2,141	3 005
Dividend — proposed		**972**	868	799	799	799
ASSETS EMPLOYED						
Operating assets						
Non-current assets		**26,099**	24,986	25,319	25,193	24 461
Net current assets (note a)		**16,667**	16,121	16,804	16,141	14,470
Non-current liabilities		**(2,593)**	(2,435)	(2 205)	(2,512)	(2 441)
		40,173	38,672	39,918	38,822	36,490
Financed by						
Share capital and premium		**2,565**	2,565	2,565	2,565	2,565
Retained reserves		**29,998**	26,418	25,242	24 340	22 766
Shareholders' funds		**32,563**	28,983	27,807	26,905	25 331
Net borrowings		**7,610**	9,689	12,111	11,917	11,159
		40,173	38,672	39,918	38,822	36,490
ANALYSIS						
Return on operating assets	%	**10.63**	9 02	7 36	9 73	13 07
Return on shareholders' funds	%	**10.78**	9 53	7 23	11 19	16 52
Earnings per share (basic)	p	**36 5**	28 9	23 3	12 1	43 3
Earnings per share (adjusted)	p	**36 5**	28 9	25 2	31 0	43 3
Dividend per share — proposed	p	**14 0**	12 5	11 5	11 5	11 5
Dividend cover (basic)	times	**2.61**	2 31	2 03	1 05	3 76
Dividend cover (adjusted)	times	**2.61**	2 31	2 19	2 69	3 76

Notes

(a) Excluding net debt, but including fair value of financial instruments where applicable

The amounts disclosed for 2004 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS The principal differences between UK GAAP and IFRS are that under IFRS

1 The results of foreign operations are included at average exchange rates
2 Properties are included at their valuation on the transition date
3 Deferred tax is provided on property values
4 Goodwill is not amortised
5 Proposed dividends are not shown as a liability

6 Shareholder Information

Corporate website

The Annual report Company announcements and other information are available on the Group's website at www victoria plc uk

Shareholder queries

If you have any queries in relation to the following

- Transfer of shares
- Change of name or address
- Lost share certificates
- Lost or out of date redemption/dividend cheques
- Death of a registered holder of shares

— or any other query relating to Victoria PLC shares please contact the Company's registrars whose details are as follows

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Telephone 0870 162 3100
www capitalregistrar com

Financial calendar

Results

Preliminary results	Wednesday 18 June 2008
Annual General Meeting	Thursday 24 July 2008
Interim management statement	July 2008
Half year results	November 2008
Interim management statement	January 2009

Dividend

Final dividend	
— ex dividend	Wednesday 25 June 2008
— payable	Monday 28 July 2008
Interim dividend	
— payable	December 2008

Institutional investors

One-to-one meetings and Group presentations are offered to analysts and institutional investors, usually following the announcement of the Group's results or trading announcements These presentations are also posted on our website to allow all shareholders access to the material We will always consider any additional requests for meetings or information, subject always to our obligation to ensure that information of a potentially price sensitive nature is first released via of a stock exchange announcement

Private investors

Company announcements are posted on our website and email alerts are sent out simultaneously to those have registered on our distribution list

Share dealing services

In order to buy or sell shares in the Company, you will need to contact a stockbroker Most high street banks offer a stockbroking service, as do the Companys corporate brokers Arden Partners plc who is regulated by the Financial Services Authority and is a member of the London Stock Exchange

6 Shareholder Information

Share price listing

The Company's share price is listed in the Financial Times

You can obtain the current market price of the Companys shares on the Group's website at www victoria plc uk and on various internet financial sites (VCP)

Shares by size of registered holding

(as at 1 June 2008)

Number of shares	Number of holders	Number of shares	% of total shares
1–150	53	2,857	0 04%
151–500	131	45,793	0 66%
501–1 000	109	94 260	1 36%
1 001–10,000	263	887,454	12 78%
10,001–50,000	43	929,772	13 39%
50,000–100,000	10	678,380	9 77%
100 000+	18	4 305,040	62 00%
	627	6,943,556	100 00%

Substantial shareholders

Details of substantial shareholders with material interests in more than 3% of the issued Ordinary share capital of the Company are as set out on page 24 of the Directors' Report

Electronic communications

Resolutions are being proposed at the forthcoming AGM on 24 July 2008 to enable the Company's Articles of Association to be changed to allow for electronic communications with its shareholders Please see the Company's website for future updates

Unsolicited mail

The Company is legally obliged to make its share register publicly available and, as a consequence some shareholders may receive unsolicited mail If you wish to limit the amount of unsolicited mail you receive, you can register free of charge with the Mailing Preference Service

Mailing Preference Service (MPS)
DMA House 70 Margaret Street London W1W 8SS
Tel 0845 703 4599
www mpsonline org uk

6 Shareholder Notes

6 Shareholder Notes

6 Principal Subsidiaries and their Directors

Victoria Carpets Limited
Manufacture and Sale of Carpets
Kidderminster, UK
A R Bullock (Chairman and Managing)
T A Danks
S W Lewis
N S Glover

The Victoria Carpet Company Pty Limited
Manufacture and Sale of Carpets
Dandenong, Australia
M W Oakley (Non-Executive Chairman)
B I Poynter (Managing)
A K Seymour
A R Bullock
M J Davies (Non-Executive)

Westwood Yarns Limited
Manufacture and Sale of Carpet Yarns
Holmfirth, UK
A R Bullock (Chairman)
T J Chippendale (Managing)
N Gledhill
T A Danks

Munster Carpets Limited
Sale of Carpets
Dublin, Ireland
S Kelly (Managing)
A R Bullock
T A Danks

Associated Undertaking
Colin Campbell & Sons Limited
Distributors of Carpets, Rugs and Furniture
Vancouver, Canada
R A Munden (President)
C Bolt
A R Bullock
K Metrick
A K Seymour

Financial Calendar

Preliminary results announcement	**18 June 2008**
AGM	**24 July 2008**
Interim Management statement	**July 2008**
Half Year Results	**November 2008**
Interim Management statement	**January 2009**

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