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VICTORIA PLC

Annual Report and Accounts
for the year ended 3 April 2010

Victoria
Resilience & Stability

Contents

Group Revenue

£62.97m ↑1.3%

The Group experienced revenue growth of 1 3%, benefiting from a 13 3% strengthening of the Australian Dollar against Sterling over the period

Group Profit Before Tax

£1.09m ↓25.6%

The Group's Australian and UK operations were both profitable, however, the Irish operation recorded a trading loss as the significant deterioration in the Irish economy impacted the business

Group Earnings Per Share

9.04 pence ↓39.8%

Earnings per share (basic adjusted) was impacted by challenging economic and market conditions across the Group Irish losses also contributed to a relatively high effective tax rate of 42 3% in the period

Group Net Borrowings

£7.14m ↓37.5%

Strong cash generation in the year enabled the Group to reduce borrowings by £4 29m to £7 14m Net gearing is at a relatively low level of 16 1% (2009 26 0%)

Cover Victoria Carpets UK. Suede — Dove Grey
Opposite. Victoria Carpets UK. Crown Twist — Chalkdust.

Group at a Glance

"Victoria PLC is a successful and well established international manufacturer and distributor of carpets and floorcoverings, supplying the mid to high-end residential and contract sectors, both in the UK and overseas

Developing and 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", the business seeks to achieve a market leading position in the geographic areas in which it is represented "

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Brands

Victoria Carpets manufacture high quality Tufted and Wilton carpets for both the Residential and Contract markets Targeting the mid to high end floorcoverings markets, Victoria is considered to be one of the leading carpet manufacturers in the UK and Australia.

Navan Carpets is today the leading carpet brand in Ireland and maintains its dominant market position through excellence in product and service, supplying Axminster carpets, superior quality Wilton and Tufted carpets for the residential and contract sectors in Ireland

Munster Carpets specializes in the supply of high-end woven Wilton broadloom carpet and carpet tiles for the corporate, hospitality and leisure markets Munster Carpets also supply the high-end residential market through a designer-led custom programme offering quality custom made Wilton carpets to the more discerning house owner

Colin Campbell is a trade-only designer showroom catering to the Architect and Design community in Western Canada, with showrooms in Vancouver, Calgary and Edmonton There are also aligned partners in most major cities in Canada offering our products

Nature's Carpet® is a range of totally "green" carpets It is made from sustainable resources and is totally bio-degradable Made using 100% un-dyed Wools, with no chemical additives, it is tufted into a natural jute and cotton backing and finished with natural latex The carpet is therefore non-allergenic

- ● Production facilities
- ◻ Showrooms

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Factfile

- For over a century, the Victoria Group has been synonymous with carpets of the finest quality
- Engaged in the manufacture, distribution and sale of carpets, carpet yarns and floorcoverings
- Products are focused on the mid to high end residential and contract sectors
- Organised through four geographical divisions, with each region controlled by a managing director who is responsible for setting growth and development objectives
- Employing 654 people across its businesses and is proud of what it delivers in terms of value, quality and customer service

Key Strengths

- A well-managed international business with over 63% of its revenues being earned overseas
- Strong Group balance sheet, with £37 26m of net assets as at 3 April 2010
- Cash generative with relatively low gearing
- An entrepreneurial management team with strong sector knowledge and experience
- Well invested, modern vertically integrated manufacturing facilities, producing quality floorcoverings in a cost effective manner
- Great brands and products
- Excellent customer and supplier relationships

Chairman's Statement

Introduction

It gives me great pleasure to present to shareholders the results of the Group for the twelve months ended 3 April 2010 in this, my first Chairman's Statement since taking on the role in January 2010

The last year has been dominated by the global recession and this has resulted in highly challenging market conditions in most of the geographies in which we operate Victoria has remained focused on profitability, strong cash generation and debt reduction At the same time, we have continued with our investment in products and programmes aimed at both building, and improving the quality of our earnings going forward as markets improve

Financial Results

Group revenue in the period under review increased 1 3% from £62 15m to £62 97m (2009 53 weeks), however, operating profit declined by 20 1% to £1 78m and profit before tax by 25 6% to £1 09m A strong performance from the Company's Australian operation, which saw profit before tax increase by £0 35m on the prior year, was offset by a pre-tax loss in the Group's Irish businesses of £0 52m

Borrowings have reduced significantly from £11 43m to £7 14m, leaving Group net gearing at the relatively low level of 16 1% compared to 26 0% at the start of the financial year

Earnings per share (basic adjusted) were 9 04p (2009 15 01p) The combination of well-invested operations around the Group, a strong balance sheet, low borrowings, and strong cash flow means that the Group is well positioned to create and exploit future opportunities

Dividend

Having paid an interim dividend of 2 60p per share in December 2009, the Board is proposing to pay a final dividend of 5 40p per share This makes a total for the year of 8 00p per share (2009 8 00p) Like many companies, the Board appreciates the importance of dividend income and, subject to business performance and market conditions, will seek to return to a progressive dividend policy

The proposed final dividend, which is subject to shareholders' approval at the Annual General Meeting to be held on 28 July 2010, will be paid on 5 August 2010 to all members on the register at 25 June 2010 The ex-dividend date is 23 June 2010

Board Changes

I succeeded Alexander Anton and I would like to take this opportunity on behalf of everyone at Victoria to thank him for his service and contribution over 23 years, particularly over the last two years when he was Chairman

As shareholders will be aware, we are presently engaged in recruiting Non-executive Directors The process is progressing well and we are seeing a number of high calibre individuals, we expect to make an announcement shortly

Employees

I also wish to take this opportunity to express my personal thanks to everyone in the Group Victoria's solid performance during the recent tough economic times could not have been achieved without the dedication and commitment of our people at all levels throughout the business Despite overhead costs being tightly controlled and in some cases a freeze on salaries, our staff have continued to manufacture great products and to deliver consistently high levels of customer service

Prospects

The past year has been an extremely challenging one, as once again we have had to contend with unprecedented turmoil in world financial markets and a global recession that has continued to sap consumer confidence

Looking ahead, any growth in the UK and Ireland in the short-term is likely to come from product innovation and some of the new market initiatives we are developing We anticipate trading in the UK and Ireland is likely to remain difficult with Government spending cuts in the public sector, unemployment and reduced take home pay, coupled with a weak housing market, likely to continue to affect consumers' discretionary spending on larger ticket items such as carpets

Conversely, the Group is fortunate at this time to have a very strong presence in the Australasian market which is commodity driven and at this stage looks likely to see strong economic growth over the next decade

Overall, the Group is well managed, financially strong and well positioned to support future growth, particularly as the markets in which we operate start to recover Together with your Board and Victoria's operational management team, I am personally committed and looking forward to steering the Group through its next period of growth and success

Nikki Beckett
Chairman
14 June 2010

Opposite Victoria Carpets UK
Tudor Twist — Flaxen

Business Review

Group Strategy and Objectives

Alan Bullock
Group Managing Director

Ian Davies
Group Finance Director

The Business

Victoria PLC is a successful and well established international manufacturer and distributor of carpets and floorcoverings, supplying the mid to high end residential market and contract sector both in the UK and overseas

Developing and 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", the business seeks to achieve a market leading position in the geographic areas in which it is represented

Group strategy and objectives

The Group's strategy of positioning itself as both a vertically integrated manufacturer and distributor of floorcoverings, operating in the mid to high end of the sector and in carefully targeted international markets, has undoubtedly enabled it to remain profitable and cash generative whilst maintaining a strong balance sheet

No doubt, some of the markets in which the Group operates will, in the short term, remain challenging but the Directors believe that the Group is

- Well invested with "state of the art" plant and equipment
- Supported by highly motivated, strong and experienced managers in all of its businesses, capable of steering the business through whatever conditions the market presents

The Group's long term strategy remains based on

- Focusing its activities in the industry sector it knows and where it has premium knowledge, whilst at the same time, looking to establish and develop market leading positions in new chosen business segments
- Manufacturing and delivering design-led innovative products to its customers which meet the demands of the consumer
- Providing outstanding levels of customer service, including attaining the highest delivery and quality standards that both Victoria, as a business, and its customers require
- Achieving "best in class" manufacturing standards

Although the environment remains challenging globally, the Group has continued to invest in both innovative new products and projects aimed at improving the quality of its earnings and removing the seasonality of its business

The Group is organised into four operating divisions according to the geographical areas in which they operate Each division is controlled by a Managing Director who, together with his team, is responsible for setting growth and development objectives Performance is then monitored against agreed targets for each division The four divisions are the UK, Ireland, Australia and the Canadan associate, Colin Campbell

Business Review

UK Operations

United Kingdom

The UK economy remained in recession for most of the year under review and with little sign of any improvement in the housing market, this, coupled with the political uncertainty and the threat of higher tax rates being introduced by the Government, saw consumer sentiment remaining weak, particularly for 'big ticket' discretionary purchases such as carpets

Whilst Q3 of 2009 saw the normal seasonal improvement in residential carpet sales, the very poor weather conditions experienced in January 2010, followed then by soft trading conditions on the High Street, saw a disappointing Q4 and end to our financial year

Revenue in the UK which comprised of both carpet and yarn sales were down by 5 6% from £24 33m to £22 97m Carpet sales within the UK were down by 9 9% from £22 57m to £20 33m

Operating profit was also reduced by 21 8% from £0 41m to £0 32m and profit before tax down by 6 2% from £0 26m to £0 24m

Sales to the Residential sector declined 8 7% and the Contract market disappointingly was down by 30 0%

Intra-Group sales to our Irish businesses were significantly affected by the state of the Irish economy and sales were down 47 3% in the year under review However, we are pleased to report that external Export sales outside the Group increased 5 0%, as Victoria made a strong effort to expand the geographies within which it operates

Whilst the company currently has not gained the stronger foothold in the Contract market it might have hoped for due to the challenging times we have faced with the economy, Victoria has continued to invest in this area, choosing to take a longer term view and positioning this business well for the upturn in the sector when it arrives
The company's agreement to supply Hilton International in the UK with tufted guestroom carpet was successfully renewed in March 2010 and, in addition, we have started to see an improvement in the overall hospitality/ leisure sector of the Contract market in recent months, which is encouraging and underpins our commitment in this arena.

We have had to contend with some of the worst trading conditions seen in several decades, as well as losing significant sales from Allied Carpets, who entered Administration in July 2009 with the closure of stores the following month Despite this, our sales team has been proactive throughout the year in identifying and establishing new channels to market

In January 2010, the company signed a three year agreement with Independent Inspection Limited, the UK's largest insurance claims validation service to enable it to enter the insurance replacement market for floorcoverings Although this initiative did not go live until May 2010, it should help in removing some of the seasonality associated with the carpet market in the UK and enhance earnings in the current financial year as sales to this sector evolve

Victoria's UK yarn spinning operation, Westwood Yarns, has taken advantage of the closure of several woollen spinning mills, both in the UK and Continental Europe, to increase its spinning capacity, which has enabled it to increase external yarn sales Consequently, the company's yarn spinning operation increased sales, giving it both an improved plant utilisation and better profitability in the second half of the year

The UK operation, in common with the rest of the Group's businesses, is very well invested with modern plant and equipment and there has therefore been little need for capital investment during the year being reported upon However, we have continued to invest in products to make sure our ranges are both fashionable and meet the needs and demands of our customers Victoria has the scope to significantly increase production volumes when required to do so by the market and uplift in economic conditions

Q **Why is the Group's entry into the insurance replacement market in the UK important?**

A The insurance replacement market for floorcoverings in the UK is significant in size and, unlike normal carpet sales, tends not to be seasonal We see our tie-up with Independent Inspection, the UK's biggest claims and validation service to the insurance industry, as offering an excellent entry into this market

Right Victoria Carpets UK
New Imperial Velvet — Lichen

Australia

Revenue and pre-tax profit of the Group's Australian operation were almost identical to the prior year in local currency terms Revenue was down by 0 1% from A$69 45m to A$69 36m Operating profit was down by 2 6% from A$4 92m to A$4 79m, with profit before tax up by 3 3% from A$4 01m to A$4 15m This is a remarkable achievement given the extent to which the company's first half result was impacted by the dramatic downturn in the economic conditions worldwide

Although the overall Australian economy proved to be one of the few exceptions to the global turmoil of 2008/9 and remained with a marginally positive GDP growth, it was not immune to the considerable slowdown in discretionary consumer spending that affected all economies

The first half of the financial year saw the continuation of the trends that emerged in mid-2008, with a declining Residential market, intense price competition and a growing preference for synthetic carpets over wool During this H1 period, changing consumer preferences, coupled with the economic downturn, significantly reduced production requirements from the company's two woollen yarn spinning mills and resulted in a period of shorter working weeks At the same time, further growth in synthetic ranges was achieved, albeit at below normal margins

Against this backdrop, sales in the first half year were down by 3 4% on the prior year; however, this was better than the market as a whole, which we estimate declined by around 10–15% Whilst market share was being captured, profit was significantly affected by the lower capacity utilisation at the two spinning mills and depressed sales margins In local currency terms, the first half year profit before tax was down by 53 5% on the prior year

Market conditions improved in the second half year, stimulated by some very large spending by the Government, historically low interest rates and a quick rebound to the fortunes of the commodity sector of the economy Increased consumer confidence, a greater level of activity in the Real Estate market, and an increased share of an improving New Zealand market, saw revenue increase by 3 4% in H2 The introduction of strong new products, better utilisation of the company's spinning mill capacity, and a stronger Australian Dollar reducing import material costs, all contributed to improved margins and a second half profit outcome that was almost four times that of the corresponding prior financial year

Improving profitability and an aggressive working capital reduction programme allowed Australian borrowings to be reduced by A$9 51m during the year Borrowings of A$2 89m resulted in net gearing in Australia of 7 1%, which is the lowest level achieved in more than a decade

As previously mentioned, market conditions during part of the year resulted in reduced working hours for most employees and the imposition of a wage freeze for all salaried staff The support and understanding of the employees during this difficult period is recognised and greatly appreciated

During the year, the Australian operation worked hard to attain ISO 14001 Environmental Certification The timing of this latest environmental credential dovetails very nicely with the imminent release of our new ranges aimed at the commercial Contract market sector

In addition to our own environmental credentials, the Carpet Institute of Australia has worked tirelessly, in conjunction with the Green Building Council of Australia (GBC), to have the Institute's Environmental Certification Scheme (ECS) recognised as the first under the GBC's assessment framework for third party environmental schemes Extended provisions of the ECS will allow approved broadloom carpets to automatically achieve points under the GBC's Green Star rating system for buildings Victoria

Left. Victoria Carpets Australia
Natural Cord Heather

is the first carpet manufacturer to have products certified under the original ECS and amongst the first to have certifications upgraded under the extended scheme

A period of consolidation after completion of the expansion of tufted manufacturing at Dandenong, together with the prevailing economic conditions, meant there were no major capital expenditure projects undertaken during the year

With regard to the outlook, the Australian economy is still facing a period of uncertainty Forecasts of national GDP growth of between 3 25% and 3 75% in the coming year mask a two-speed economy in which a solid mining recovery is expected, but the more populous non-mining States of New South Wales and Victoria may struggle

Most retailers have experienced poor conditions since March 2010 and have a bearish outlook for the year ahead Annual growth in retail spending, after surging on the back of the Government's largesse, is forecast at just over 1% The expectation is for 'big ticket' discretionary retail spend to remain challenging for some time

Tight fiscal policy has also served to dampen consumer sentiment over recent months, adding to retailers' concerns and sparking a further round of intense competitive pricing from other manufacturers

On the flip side, there are the positives of a strengthening housing market, improving employment trends and forecast economic growth

In these unpredictable market conditions, the Board is cautiously optimistic that the strategies in place will deliver increased revenue and earnings in the coming year and beyond

Q Why are solution dyed nylon carpets growing in popularity in Australia and how does this affect the Group's woollen spinning mills?

A Solution dyed nylon carpets are seen by the consumer as hard wearing and the fibres' "stain-free" properties are seen as desirable Wool carpets are still popular and the company continues to develop new and exciting styles in wool to make sure that its woollen yarn mills are kept as busy as possible

Ireland

The Irish economy has now seen negative GDP growth since the second half of 2007 and in 2009 had an annual negative GDP growth rate of -5 1% With no sign at all of any immediate end to the impact of recession, Ireland also has a major over-hang in the housing market with many unsold houses, which has implications for the floorcoverings market We estimate that the local market in the floorcovering sector is down by anything between 50% and 60% with many distributors and retailers currently in survival mode

The Group's Irish businesses, Munster and Navan Carpets, despite early attempts to restructure the business, have struggled to right-size the business sufficiently given the magnitude of the downturn in the market and territory

Revenue in local currency terms was down by 48 8% from €7 20m to €3 68m, with an operating loss of €0 59m compared to an operating profit of €0 15m in the prior year

Profit before tax in 2009 was €0 15m, compared to a loss of €0 59m in the current year

The Contract market in which Munster Carpets operates was particularly badly affected with sales significantly down by 67 8%, whilst the Residential sector was, to some extent, capable of some stimulation

Navan Carpets did its best to generate sales in the Residential market with both new product offerings and constant promotional activity

Since the end of the period being reported, the Group has moved aggressively to stem the losses being incurred in the Irish businesses through pulling back its warehousing, cutting and sales administration functions into its Victoria Carpets, Kidderminster, UK facilities Whilst there will be some restructuring costs associated with this move in the new financial year, it is hoped that the Group will see a significant improvement in its Irish businesses in the year ahead

We believe that we have the two strongest carpet brands in the Irish market and that the Group is well positioned to fully exploit any improvement in the market when it occurs

Q Why is the Group supportive of its Irish businesses given that they are currently loss making?

A Whilst the Irish market is in the short-term likely to remain challenging, the Group has confidence that, in the medium term, the markets will offer opportunities for increased revenue and profit The Group has the two best carpet brands in Ireland and, with the restructuring that has now been put in place, it is hoped that the businesses will move to at least a break-even position during the financial year

Canada Operations

Canada

The Canadian economy, supported by a stable Canadian banking system and consistent demand for its natural resources, has proven more resilient than the US economy during the global recession Due to low interest rates, housing prices in Canada and particularly Western Canada have not been impacted to the same extent as those in the USA However, unemployment is high by historical standards and consumers are approaching significant discretionary expenditures with greater caution

Revenue declined in our Canadian associate, Colin Campbell, by 22 8% to C$7 19m (2009 C$9 31m) The business recorded an operating loss of C$0 20m (2009 operating profit of C$0 38m)

The Contract Residential market in Vancouver, which has always been an active sector for Colin Campbell, stalled with the global recession and external banking crisis and it is only now that projects for late 2010 and 2011 are starting to come back on the drawing boards

The company's sales into the American market were affected by the state of the housing market in the USA, however, with the growing importance of sustainability and greater focus on the environmental impact of products, our environmentally friendly Nature's Carpet® programme should start to bear fruit

Colin Campbell saw a delay in the award of the refurbishment programme for the Olympic Village after the finish of the 2010 Winter Olympics which impacted anticipated revenue in the year Pleasingly, this project has subsequently been secured and 23,800m² of carpet will be supplied in Q1 of the current financial year

The appointment of a new VP Finance & General Manager for Colin Campbell has greatly benefited the company Against a challenging background, the company has seen an increased focus on cost control aligned with a programme of working capital reduction, which has significantly improved cash flow This has enabled the company to move from a borrowings position of C$0 77m at the start of the year to a net cash position of C$0 15m at year-end

Colin Campbell is expecting that the Canadian economy going forward in 2010 will continue the path of slow growth seen in 2009, with a slightly less optimistic outlook in the US market Overall, however, the Canadian board expects revenues in 2011 to be ahead of those in 2010

Q **What is Nature's Carpet®?**

A Nature's Carpet® is a totally "green" carpet It is made from sustainable resources and is totally bio-degradable Made using 100% un-dyed Wools, with no chemical additives, it is tufted into a natural jute and cotton backing and finished with natural latex The carpet is therefore non-allergenic

Financial Review

Group Financial Highlights

	2010 £m	2009 £m
Revenue	**62.97**	62 15
Operating profit	**1 78**	2 23
Finance costs	**(0 56)**	(0 77)
Share of associate result	**(0.13)**	0 00
Profit before tax	**1.09**	1 46

As described in detail on pages 6 to 13 within the business review, economic and market conditions have remained challenging across the geographies in which the Group operated during the financial period under review As a result of these difficult trading conditions, profit before tax has fallen by 25 6% in 2010 to £1 09m Despite lower profitability in the period, the Group was strongly cash generative and reduced its borrowings in the period by £4 29m, with closing net debt at £7 14m

The Group experienced revenue growth of 1 3% to £62 97m (2009 £62 15m), reflecting a 13 3% strengthening of the Australian Dollar against Sterling over the period On a constant currency basis, the Group saw a decrease in revenue by 6 9%

Exchange rates

	2010	2009	% change
Average rates			
Australian Dollar	**1.8881**	2 1787	-13 3%
Euro	**1.1280**	1 2096	-6 7%
Canadian Dollar	**1.7396**	1 9186	-9 3%

Overseas subsidiaries accounted for 63 5% of revenue (2009 60 9%), with Australia representing 58 3% (2009 51 3%) and Ireland 5 2% (2009 9 6%) The year on year movement in average exchange rates benefited revenue by £5 12m in 2010, of which £4 90m was attributed to Australia In local currencies, revenue decreased by 0 1% in Australia, 5 6% in the UK and 48 8% in Ireland

Trading conditions showed some signs of improvement in Australia in the second half of the financial year, with like-for-like sales improvement of 3 4% in H2 The UK was in recession for the majority of the financial period, whilst the recessionary conditions experienced in Ireland throughout the period show no sign of abating in the near future

The overall gross margin for the Group improved marginally to 28 4%, compared to the previous financial year (2009 28 2%) The UK and Ireland experienced gross margin improvement of 2 4% and 1 1% respectively, whilst Australia experienced a slight margin reduction (0 2%), impacted by competitor pricing pressure

Group operating profit for the year was £1 78m, representing a 20 1% decline against prior year (2009 £2 23m) In local currency terms, operating profits declined by 2 6% in Australia and 21 8% in the UK The Irish division recorded an operating loss of £0 52m (2009 £0 14m operating profit)

Revenue and operating profit are discussed in more detail on a divisional basis earlier in this section

Q **Why are the Group's overseas earnings so important?**

A 63 5% of the Group's revenue came from outside the UK during the last financial year The Group's geographical spread of business offers some protection to the currently weak economic factors expected in the UK in the short-term

Finance costs

Fmance costs were £0 56m (2009 £0 77m) The 26 4% reduction in finance costs reflects a reduction in average borrowings combined with a 1 3 percentage point decrease in the average borrowing rates to 5 6% (2009 6 9%)

Interest was covered 8 0 times by EBITDA (2009 6 0 times) and 3 2 times by operating profit (2009 2 9 times)

Profit before taxation

Group profit before taxation for the year decreased by 25 6% to £1 09m (2009 £1 46m)

Taxation

The total tax charge for the period was £0 46m (2009 £1 07m), comprising a current tax charge of £0 77m (2009 £0 57m) and deferred tax credit of £0 31m (2009 a charge of £0 50m) The prior year tax charge included a £0 65m exceptional charge in relation to the phased withdrawal of Industrial Buildings Allowances in the UK

The underlying effective rate of Corporation tax was 42 3% (2009 28 7%) The high effective tax rate in the current period is principally due to the following

- The Irish tax rate is relatively low at 12 5% and due to Ireland reporting losses in the period, the deferred tax credit is only available at 12 5%
- The reported Canadian loss is stated after tax as required under IAS 1, however is included in the Group profit before tax Consequently, no tax credit is recognised within the Group charge in respect to these losses
- Australia has the highest tax rate within the Group at 30% and generated the majority of the Group's profit in the period

As noted within the review of Ireland earlier in this Business Review, Management has taken actions to restructure the Irish business which it is hoped will significantly improve the Irish trading result in 2011 As such, the effective tax rate in 2011 is expected to reduce from the relatively high rate experienced in 2010

Earnings per share

Adjusted earnings per share were 9 04p, 39 8% below prior year (2009 15 01p) Basic earnings per share were 9 04p (2009 5 60p), with 2009 basic earnings per share impacted by an exceptional deferred tax charge

The diluted adjusted earnings per share were 7 87p (2009 13 97p)

Dividends

An interim dividend of 2 60p was paid in December 2009, and a final dividend of 5 40p is proposed, resulting in a dividend for the year of 8 00p, which is unchanged from prior year

The value of the interim dividend was £0 18m and the value of the proposed final dividend is £0 38m (Total £0 56m) The value of the dividend paid in July 2009, in respect of the year ended 4 April 2009, was £0 28m

Capital expenditure

The net book value of property, plant and equipment increased by £1 03m to £27 46m (2009 £26 43m) Currency movements accounted for £3 39m of the increase (2009 £0 52m), which was offset by the annual depreciation charge

Capital expenditure in the year of £0 38m represented 14 1% of the annual depreciation charge There were no major capital expenditure requirements in the year, following the significant investment in 'state-of-the-art' tufting machines in Australia in the prior period Capital expenditure of £3 48m in the prior year represented 146 4% of depreciation The Group remains extremely well invested with modern machinery and with modest investment programmes planned in the year ahead, capital expenditure levels are likely to remain well below normal depreciation levels

Disposals during the year totalled £0 28m (2009 £0 45m)

Net assets

The Group's overall net assets value at the financial year-end increased by £4 69m to £37 26m (2009 £32 57m) The increase in net assets due to exchange differences arising on overseas operations was £4 51m

The inventory balance has increased by £1 06m to £20 69m (2009 £19 63m), with currency movements accounting for £2 32m of the increase On a constant currency basis, inventory has decreased by £1 26m

Trade debtors increased by £1 07m to £9 71m (2009 £8 64m), of which currency movements accounted for £1 16m of the total Trade debtor days increased from 51 to 56 days

Current trade and other payables increased by £1 84m to £10 41m (2009 £8 57m), with the average credit period at 58 days (2009 50 days)

Operating cash flow

	2010 £m	2009 £m
Operating profit	1 78	2 23
Depreciation and non-cash items	2.74	2 40
Foreign exchange	0.22	(0 06)
Working capital	2.85	(1 94)
Operating cash flow	7.59	2 63
EBITDA	4.53	4 64
Operating cash flow conversion % (against EBITDA)	167 5%	56 6%

Operating cash flow increased by £4 96m to £7 59m (2009 £2 63m) Operating cash flow conversion improved to 167 5% (2009 56 6%) reflecting the Group's focus on reducing working capital levels in the financial period

Free cash flow

Operating cash flow less interest, tax and capital expenditure resulted in a cash inflow of £6 28m (2009 £2 48m cash outflow) Interest, tax and capital expenditure outflows were all below prior year levels As noted in 'Capital expenditure' above, there was a low capital expenditure requirement in the year The major capital investment in Australia in 2009 contributed to a free cash outflow in the prior period

Net debt and gearing

In the year, net debt has reduced by 37 5% to £7.14m (2009 £11 43m) The average borrowings in the year were £10 10m (2009 £11 06m)

The ratio of net debt to EBITDA has improved to 1 58 times (2009 2 46 times)

Net gearing has decreased from 26 0% in 2009 to 16 1% in 2010, principally reflecting the repayment of borrowings in Australia

Hedging

The Group manages interest rate exposures in the UK through the use of derivative financial instruments and currently has one interest rate swap covering £2 0m maturing in July 2011

The Group reviews currency exposures on a regular basis with respect to trading operations involving the export sale of goods or import of raw materials or capital equipment The Group may manage potential currency exposures through the use of forward currency contracts where currency movements may be considered as volatile and the amounts involved significant The principal currency exposure of the Group is with respect to the investment in its Australian subsidiary

Future funding

The Group's annual renewal of banking facilities was completed in the UK in September 2009 and in Australia in November 2009 The current facilities across the Group provide sufficient capacity in Australian dollars, sterling and euros to cover all anticipated capital expenditure and working capital requirements in the year ahead

Going concern

The consolidated financial statements have been prepared on a going concern basis The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out on pages 6 to 13 of the business review The financial position of the Group is described in this financial review In addition, note 25 to the financial statements includes details of the Group's financial instruments, hedging activities and its exposure to and management of credit risk, liquidity risk, currency risk and interest rate risk

Having reviewed the Group's budgets and projections, and taking account of reasonable possible changes in trading performance, the Directors believe they have reasonable grounds for stating that the Group has adequate resources to continue in operational existence for the foreseeable future The Group will open its usual annual renewal negotiations with its bankers in due course The Group has already held discussions with all its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms

The Directors are of the view that the Group is well placed to manage its business risks despite the current challenging economic and market conditions Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts

Q **Capital expenditure was low in the past financial year Is that likely to continue?**

A The Group's capital expenditure was modest in the past year at £0 38m, which was 14 1% of annual depreciation levels All of the Group's businesses remain well invested and whilst capital expenditure is likely to be slightly higher next year, it is still likely to remain below depreciation levels

Right Victoria Carpets Australia Helix

Accounting standards

The financial statements have been produced in accordance with International Financial Reporting Standards (IFRS), as endorsed and adopted for use in the EU There have been no changes to IFRS this year that have a material impact on the Group's results There have been no changes in the accounting policies of the Group and its subsidiaries this year

Key performance indicators (KPIs)

The Board of Victoria PLC ('Victoria' or the 'business' or 'Company') and the Divisional Management Boards monitor a range of financial and non-financial performance indicators on a monthly basis so as to measure performance against expected targets

The KPIs monitored by the Group Board are set out in the table below Clearly, the Board recognises that due to the weakness in markets overall the Group has not been able to deliver improvements in all financial KPIs during the year under review

Financial KPIs	Description	Performance
Operating margin	Calculated as total operating profit divided by revenue This is used to assess the underlying trading performance of the Group	2010 2 8% 2009 3 6% 2008 6 8%
Return on operating assets (ROA)	Calculated as operating profit (including share of associate company) divided by the operating assets employed This is used to assess the profitability achieved from the Group's operating base	2010 3 7% 2009 5 1% 2008 10 6%
Earnings per share (basic adjusted)	Calculated as profit for the period divided by the total number of shares in issue, adjusted for any exceptional items in the period This is used to assess the underlying financial performance of the Group as a whole	2010 9 0p 2009 15 0p 2008 36 5p
Net debt to EBITDA	Calculated as net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation) This is used to assess the financial position of the Group and its ability to fund future growth	2010 1 6 times 2009 2 5 times 2008 1 2 times
Interest cover	Represents the number of times EBITDA covers net interest payments Used to assess the financial position of the Group and its ability to fund future growth	2010 8 0 times 2009 6 0 times 2008 8 6 times

Non-financial KPIs	Description	Performance
Voluntary employee turnover	Number of permanent employee resignations as a percentage of total permanent employees This is used to monitor our objective to be recognised as an employer of choice	2010 5 3% 2009 5 5% 2008 7 6%
Absenteeism	Calculated as unauthorised leave expressed as a percentage of total available work days Our aim is to keep this to a minimum to ensure operational effectiveness	2010 3 1% 2009 3 3% 2008 3 0%
kWh per square metre of carpet	Represents the energy consumption (in kilowatt-hours) for every square metre of carpet manufactured Measured as part of the Group's objective to improve energy efficiency and reduce carbon emissions	2010 1 53 kWh per m^2 2009 1 61 kWh per m^2 2008 1 62 kWh per m^2
kWh per kg of yarn spun	Represents the energy consumption (in kilowatt-hours) for every kilogram of yarn produced Measured as part of the Group's objective to improve energy efficiency and reduce carbon emissions	2010 5 16 kWh per kg 2009 5 68 kWh per kg 2008 5 32 kWh per kg

***Opposite** Victoria Carpets UK.*
Crown Twist — Rosewood

Risk management

There are a number of potential risks and uncertainties which could have a material impact on the Group 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 long-term returns for its shareholders

At both Group and subsidiary level, it categorises risk 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 the Company's 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
Financial	Interest rates — exposure to market rate	Increased borrowing costs	Hedging policy *See 'Hedging' above (page 17)*
	Foreign exchange — exposure to market rates	Unexpected impact on material or investment cost	Use of forward contracts *See 'Hedging' above (page 17)*
	Funding — lack of available funds	Inability to pursue capital expenditure or provide sufficient working capital	Debt capacity *See 'future funding' above (page 17)*
Operational	Customer satisfaction — insufficient quality or on time delivery	Failure to retain and grow key customers accounts	Pro-active 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, training and development plans
	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, widen channels to market

This business review has been prepared to provide a fair review of the business of the Group 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

Q The dividend for the year has been maintained at 8.00p per share Is it likely to be increased next year?

A The final dividend of 5 40p per share brings the total dividend for the year up to 8 00p, the same as paid last year The Board appreciates the importance of dividend income and, subject to business performance and market conditions, will seek to return to a progressive dividend policy

Summary

The financial year under review has clearly been challenging with the continuing market uncertainty giving cause to be cautious about short-term prospects

However, the Group's focus on profitability and strong cash generation has enabled it to strengthen its financial position, whilst continuing with its investment programmes aimed at delivering future growth

The Group is well positioned with a very modern and cost-effective supply chain It has widened the geographies and channels to market within which it operates and above all it is delivering great brands with consistently high levels of service to all of its customers

The Group is in an excellent position to deliver future growth as the markets improve

Alan R Bullock
Group Managing Director

Ian G Davies
Group Finance Director

Right. Victoria Carpets UK.
New Solution Dyed Nylon range
— Côte d'Azur

Directors and Advisers

Nikki Beckett
Non-executive Chairman

Appointed to the Board on 1 October 2007 and subsequently appointed Chairman in January 2010 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 She is also the Senior Independent Director of Kiala SV

Chairman ▲■◆

Alan Bullock
Group Managing Director

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

▲■◆

Ian Davies
Group Finance Director

Appointed to the Board of Victoria PLC in March 2007 Prior to this, Ian spent ten 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

■

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

Public Relations
Citigate Dewe Rogerson
1 Wrens Court
Lower Queen Street
Birmingham
B72 1RT

Stockbroker
Arden Partners plc
Arden House
Highfield Road
Edgbaston
Birmingham
B15 3DU

Auditors
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

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

Barry Poynter
Executive Director

Appointed to the Board in August 2006 Barry joined the Victoria Carpet Company in Australia in 1996 as Financial Director and was subsequently appointed Managing Director of the Australian subsidiary in 2004

▲◆

Terry Danks
Company Secretary, Victoria PLC
Finance Director, Victoria Carpets UK

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

Key

▲ Audit Committee

■ Nominations Committee

◆ Remuneration Committee

Bankers

Barclays Bank PLC
PO Box 3333
1 Snow Hill
Queensway
Birmingham
B3 2WN

Honorary President

G S F Anton

Company Secretary

Terry Danks

Company Registered Number

282204

Registered Office

Worcester Road
Kidderminster
Worcestershire
DY10 1JR

Senior Management Team

United Kingdom

1 **Shaun Lewis**

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

2 **Neil Glover**

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

3 **Trevor Chippendale**

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 Westwood

4 **Neil Gledhill**

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 Westwood Yarns since 1991

Ireland

1 **Sean Kelly**

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

2 **Janet Train**

General Manager — Munster & Navan Carpets
Janet joined the Irish division in November 2008 with extensive experience in both sales and at an operational level in the contract furniture and carpet industries Prior to joining the Group, Janet held senior appointments with the Arenson Group and Interface Europe

Australia

1 Michael Oakley

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

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

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 in 1999 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

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 significant growth we have seen in the business since he joined in 2003

2 Chris Dragan

Vice President Finance & General Manager — Colin Campbell & Sons

Chris joined Campbells in May 2009, having spent the previous three years managing the finance function of a property development company in Vancouver Prior to that, he held supervisory positions with KPMG in the Vancouver and Cayman Islands offices Chris has responsibility for the finance, administration, IT, HR, purchasing and logistics functions at Campbells He is a chartered accountant

Directors' Report

The Directors present their report and the audited accounts for the year ended 3 April 2010

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 4 to 21 Details of subsidiary companies are set out in note 13 to the accounts

Results and dividends

The results include those of Victoria PLC and its subsidiaries for the full year and are set out in the accounts on pages 40 to 74

	£000
Profit attributable to shareholders	628
Total dividend paid in the financial year	459
Retained profit	169

The Directors recommend the payment of a final dividend for the financial year ended 3 April 2010 of 5 40p per Ordinary Share on Thursday, 5 August 2010 to members on the Register at the close of business on Friday, 25 June 2010, with the ex-dividend date being Wednesday, 23 June 2010

Fixed assets

Movements in fixed assets are shown in notes 10 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 22 and 23 together with biographical details, and their interests in the shares of the Company are shown in the Directors' Remuneration Report on page 37

In accordance with the Company's Articles of Association, the Director retiring by rotation at the 2010 Annual General Meeting is Mr B Poynter, who, being eligible, offers himself for re-election Details of all of the Executive Directors' service contracts and the Chairman's letter of appointment are set out in the Directors' Remuneration Report on pages 35 and 36 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

Share capital

The Company's share capital comprises a single class of ordinary shares and as at 3 April 2010 there were in issue 6,943,556 fully paid ordinary shares of 25p each (2009 6,943,556)

Throughout the year, the ordinary shares were listed on the official list of the UK Listing Authority and remain so at the date of this report There are no specific restrictions on the size of a shareholding or on the transfer of shares (apart from where a share is not fully paid up) The Directors are not aware of any agreements between holders of the Company's ordinary shares which may result in restrictions on the transfer of shares or on voting rights

At the 2009 Annual General Meeting, the Directors were granted authority to purchase up to 347,177 ordinary shares in the market The authority was not utilised during the year This authority is normally renewed annually and approval will be sought from shareholders at the 2010 Annual General Meeting to renew the authority over 5% of the issued share capital of the Company for a further year

Rights attaching to shares

The Company is proposing to adopt revised articles of association at the 2010 Annual General Meeting The rights attaching to the Company's ordinary shares summarised below do not reflect such revisions A detailed summary of the changes being proposed to the articles of association is set out in the separate circular to shareholders enclosed with this annual report (a copy of which is also available to shareholders and the public at our website at www victoria plc uk)

General

The rights attaching to the ordinary shares are set out in the Company's articles of association The articles of association may only be amended with the approval of the Company's shareholders by a special resolution at a general meeting of the shareholders

A shareholder whose name appears on the Register of members may choose whether their shares are evidenced by share certificates (i e are held in certificated form) or held in electronic form in CREST (i e uncertificated)

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company, and any other sanction required by law, divide among the shareholders the whole or any part of the assets of the Company He may, for such purposes, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders The liquidator may also transfer the whole or any part of such assets to trustees to be held on trust for the benefit of the shareholders

Votes at general meetings

Subject to the restrictions set out below, a shareholder is entitled to attend (or appoint another person as his representative to attend, i e proxy) and to exercise all or any of his rights to speak and vote at any general meeting of the Company A shareholder may also appoint more than one representative, provided that each such representative is appointed to exercise rights attaching to a different share or shares held by that shareholder A representative need not also be a member of the Company Voting by multiple corporate representatives at the 2010 annual general meeting will be operated in accordance with the guidance issued in 2008 by the Institute of Chartered Secretaries and Administrators on Proxies and Corporate Representatives at General Meetings

To be valid, any form of proxy sent by the Company to shareholders or, where permitted, any proxy registered electronically in relation to any general meeting must be received at the address provided in the notice not later than 48 hours before the time fixed for holding the meeting (or any adjourned meeting)

Subject to any special terms regarding voting upon which any shares may for the time being be held, upon a show of hands every shareholder (or his representative) who is present in person at the general meeting shall have one vote and upon a poll every shareholder (or his representative) present in person shall have one vote for every share held by him on each resolution put to the meeting, save that, if a shareholder appoints more than one representative, the representatives appointed by that shareholder shall have only one vote between them

If a person fails to give the Company any information requested by a notice served on him under section 793 of the Companies Act 2006 (which gives public companies the power to require information to be supplied in respect of a person's interests in the Company's shares) then the Company may, not earlier than 21 days later, and after warning that person, serve a disenfranchisement notice on him as (whether or not he was the person to whom the section 793 notice was addressed) registered holder of the shares or shares in respect of which the section 793 notice was given and having warned the holder that unless the information required by the notice is given within 14 days, the holder will not be entitled to receive notice of any general meeting or attend any such meeting and shall not be entitled to exercise, either personally or by proxy, the votes attaching to such share or shares in respect of which the disenfranchisement notice has been given unless and until the information required by the section 793 notice has been provided

Proceedings at general meetings

At every general meeting each resolution shall be decided in the first instance on a show of hands unless, on or before the declaration of the result of the show of hands, a poll is demanded by (a) the chairman of the meeting, (b) at least five shareholders present in person or by proxy having the right to vote on the resolution, (c) a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution, or (d) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right On a poll, every shareholder (or his representative) present at the meeting has one vote for every ordinary share in respect of which he is the registered holder, save that, if a shareholder appoints more than one representative, the representatives appointed by that shareholder shall have only one vote between them

Substantial shareholdings

In accordance with the Disclosure and Transparency Rules of the Financial Services Authority, in addition to the interests of the Directors (which are fully set out in the Directors' Remuneration Report on page 37), at 14 June 2010 (being the last practicable date before production of this report), the following material interests in more than 3% of the issued Ordinary Share capital had been notified to the Company

New Fortress Finance Investment Inc	16 05%
G S F Anton	7 50%
C G F Anton	4 65%
Small Companies Dividend Trust	4 32%
J R D Anton	4 03%
J H H Anton	3 61%
P J Anton	3 56%
N E Anton	3 12%
G H Anton	3 02%

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 3 April 2010 represented 58 days purchases from suppliers (2009 50 days)

Charitable and political contributions

The total charitable contributions made by the Group during the year amounted to £3,423 (2009 £5,537), 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

Post-balance sheet events

There have been no important post-balance sheet events that require disclosure in the financial statements

Auditor

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 418 of the Companies Act 2006

Deloitte 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

Notice of the 2010 Annual General Meeting to be held on 28 July 2010, together with a description of the business to be discussed at the AGM, is set out in the accompanying Circular

By Order of the Board

Terry A Danks Terry Danks
Secretary
14 June 2010

Corporate Social Responsibility

Victoria is committed to good practice and ethical behaviour and we fully recognise our responsibilities to all of our stakeholders Our social, ethical and environmental policies are regularly reviewed and improved upon where possible and appropriate

Summaries of key policies are as follows

Equal opportunities policy

Victoria is committed to achieving equality in all our employment policies, procedures and practices We value our employees highly and respect human rights and dignity Victoria recognises the advantages of a diverse workforce and we do not tolerate any harassment of, or discrimination against, employees or potential employees, irrespective of their race, creed, colour, sexual orientation, nationality, ethnic origin, religion, disability, age, gender or marital status

We demand the highest ethical standards from ourselves, our representatives and our business partners

Our aim is to be seen as an employer of choice, where people want to work and deliver their best for the Group We have a low level of employee turnover, with the average length of service currently more than nine years

Family-friendly employment policies

In the UK, Victoria's strives to adopt a flexible approach to part time and non-standard hours of work for those employees who are returning to work after maternity leave or who become carers for close family members, wherever possible In all cases, we ensure that maternity and paternity leave policies are met

Health & Safety

Victoria is committed to continual improvement in the welfare of our employees and the prevention of injury and ill health We further recognise equal responsibility to all other persons who work under the control of the Group who may be affected by its activities or omissions Occupational Health and Safety ranks equally with all other Group objectives such as production, quality and the environment

In the UK, the Group will control its activities in line with the principles of BSI 18001 2007 to

- Comply with and identify best practice in line with current legislation for the business sector, continually striving to achieve a high level of Occupational Health & Safety (OH&S) performance
- Set performance objectives to generate continual improvement in OH&S and ensure these objectives are made known to employees
- Provide sufficient resources to ensure the policy is effectively implemented and maintained, and provide facilities and make arrangements for employees and their representatives to raise issues involving OH&S
- Make OH&S a prime responsibility of all levels of management
- Ensure employees at all levels are suitably trained and competent to carry out their duties
- Include OH&S in management and safety meeting reviews and continually review our OH&S policies

In the UK, Victoria 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

Training

The Group recognises the importance of the continued personal development of our employees in gaining skills, knowledge and experience which will improve our customer service and the execution of our business productivity and job satisfaction To this end, our aim is to focus our energies on the creation of an organisation which realises the benefits to be gained by internal development of our most precious commodity our people

Throughout the Group, there is an ongoing attention to Health & Safety and First Aid, with many of our employees undertaking First Aid certificates and ongoing refresher courses

Victoria continues to provide development training in all vocational disciplines and we continually review our training schedule as the operational environment develops Employees are sent on various courses throughout the year whenever a need is identified

These courses have included

In Australia,

- Process Manufacturing
- Warehouse & Distribution
- Occupational Safety and Health
- Environmental training for all State and Territory Managers

In the UK,

- OHSAS 18001 Lead Auditor
- Chartered Institute of Environmental Health Risk Assessment
- NEBOSH Diploma in Environmental Management
- Institute of Occupational Safety & Health "Managing Safely"
- Transport Manager Certificate of Professional Competency
- Driver "Safe & Fuel Efficient Driving"
- The Institute of Leadership and Management Team Leader
- Master of Business Administration (MBA)

In Ireland,

- Chartered Accountants Ireland Elevation Programme
- Sales and product training

Marketplace

Our relationships with our suppliers, agents and representatives, regulators — even competitors — reflect Victoria's commitment to acting responsibly These relations must always be built on principled conduct, respect, sound business decisions and our commitment to our customers, investors and employees Victoria's continued success is tied with that of our business partners and the respect of our competitors

Environment

Victoria takes its responsibility to the environment seriously

We are pleased to report that our Dandenong site in Australia achieved ISO 14001 Environmental Certification earlier this year and is the first Environmental Certification Scheme to be recognised under the Australian Green Building Council's assessment framework for third party environmental schemes

This is a significant achievement which gives us the genuine environmental credentials necessary to be considered a serious and credible participant in the commercial market segment in Australasia

The year saw Victoria Carpets in the UK make further progress on reducing its energy consumption Further efficiencies in factory heating, lighting and insulation led to a reduction in gas and electricity consumption, and improvements to latex formulas have meant that less heat is now required to back the carpet — reducing energy consumption

Recycling was also improved further — in addition to recycling all cardboard, plastic and most electrical and metal waste, we are now able to recycle an increasing proportion of our process waste These recycling opportunities are made possible by the pliable nature of Victoria Carpets Ltd's 'Loc-Weave' backing Most other carpet manufacturers would be unable to recycle carpet process waste in the same way because of the high proportion of Calcium Carbonate filler in their carpets, which makes them unsuitable for grinding down into recyclable components The company has invested in a semi-automatic baling press to facilitate the handling, storage and transport of this waste, and is using backloading of otherwise empty lorries to get the baled waste to the recycler without incurring any additional road miles

Many of the energy saving initiatives contribute towards the company's continuing eligibility for the Climate Change Levy (CCL) rebate scheme The company is also required to register for the new Climate Reduction Commitment (CRC), but Group energy usage falls below the threshold at which the company would be required to take part in the proposed "league tables" of carbon reduction performance The fact that the UK companies have Climate Change Agreements (CCAs) already in place in the form of their CCL rebate schemes means that once registration for the CRC is complete, we will be able to continue to concentrate our efforts on carbon reduction though the CCL rebate scheme

Several future ways in which energy usage can be further reduced have already been identified and more investment in this area is budgeted for the new financial year

All of the Group's vehicles are frequently inspected and serviced, which is a mandatory requirement in the UK from VOSA (Vehicle & Operators Services Agency) with which we comply fully We also aim to ensure our VOSA OCRS (Operator Compliance Risk Score) for maintenance and roadworthiness remains in the Green zone as defined by VOSA

Our planned fleet replacement programme will ensure that all LGV fleet vehicles are compliant with either Euro 4 or Euro 5 emission control levels by the end of 2010 Full loads are carried whenever possible and 'backloaded', again where possible Any contract hire operators used are surveyed to ensure they comply and operate within the current legislative standards

Video conferencing facilities have been installed in both the UK and Australia and used extensively throughout the Group to reduce travel wherever possible

Corporate Social Responsibility continued

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 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 We focus heavily on customer service and recognise the importance of consistent on time deliveries, reliable product guarantees and our reputation for quality products Relationships with our customers are strengthened by involving customers in our business and they are actively encouraged to visit our manufacturing facilities and to take part in various training courses we hold and to contribute to product development ideas

Supplier Relationships

Each Group company is expected to use a procurement process that is fair and seeks the best value for the cost of purchases Victoria strives to ensure that how we acquire these goods and services enhances the Group's success and demonstrates respect for our many potential and current suppliers

Victoria strives to forge strong relationships with our suppliers which are built on honesty, fairness and mutual respect This has proved extremely beneficial in the current challenging environment We encourage our suppliers to be honest about any issues they face and we work together to make realistic improvements or overcome any hurdles that we might face

Fair Competition

Relationships with competitors present the most sensitive territory in competition law At Victoria, fair competition means acting honestly and responsibly whilst competing vigorously to serve our customers and deliver returns to our shareholders We adhere to fair competition and anti-trust laws and regulations in the countries where we operate

Water recycling and conservation continues to be a major environmental focus at our Australian manufacturing sites In addition to the recently commissioned dyehouse water recycling plant at our Bendigo yarn mill, plans are now well advanced to install similar equipment at the Castlemaine dyehouse later this year At the Dandenong carpet factory we are working with the Carpet Institute of Australia, Environmental Protection Authority and Sustainability Victoria on a joint project to reclaim water and latex wastes from our finishing process If successful, this will reduce the volume of prescribed waste generated by an estimated 100 tonnes per annum

In Canada and the USA, we promote a range of products under the name of Nature's Carpet® which are all biodegradable and of ultra low toxicity The products include Tufted carpet, traditional woven Wiltons, carpet tiles and a wool underlay, and which all meet the high standards demanded by both the environmental movement and by individuals with high sensitivity to chemical toxins We will also be shortly rolling these products out in the UK

Political and charitable contributions

Victoria encourages employee involvement in charitable causes in a number of ways In the UK, Victoria promotes a Give As You Earn scheme whereby employees can make a regular donation through the payroll to a registered charity, for example, the Furnishing Industry Trust (FIT), one of the major carpet industry charities which supports needy retired employees within the trade

In the UK, Victoria is very much involved in the organisation of the annual carpet trade's charity golf tournament, which has been in existence for the past 50 years Last year's proceeds of £20,000 were shared between the 'FIT' and Macmillan Cancer Relief

Our employees throughout the Group also regularly support other charities by holding cake sales and 'non-work attire' days The company will also support employees who take part in various sponsored activities on behalf of local charities Each year, our employees elect a couple of charities to which they make a donation instead of sending Christmas cards within the company The company has also supplied carpet to charitable organisations, as well as offering its facilities for special events, in particular, the State Festival in Victoria, Australia

There were no contributions to political organisations during the financial year ended 3 April 2010

Community

Victoria recognises the importance of our contribution to the local communities in which we operate and have forged strong links with these communities, in many instances employing several generations of the same families within our operations

Victoria has benefitted greatly from our communities and we therefore believe that we have a strong responsibility to support and contribute to these communities, which we do in a number of ways

- As mentioned previously, we support our employees' efforts in raising money for charities and organizations within the local communities in which our staff live and work
- We provide work experience opportunities for students attending local educational schools and colleges
- In the UK, we sponsor our local cricket team, Kidderminster Victoria Cricket Club, who for their fifth season are playing in the Premier Division of the Birmingham League, with many of the young players going on to play County Cricket

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 June 2008 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 one Non-executive Director, following the resignation of Mr Anton in February 2010 A list of the individual Directors, their biographies and other significant commitments are set out on pages 22 and 23 The Board is currently seeking to increase the number of independent Non-executive Directors, and expects to make an announcement shortly The recruitment of another independent Non-executive Director to take over the role of Senior Non-executive Director from Nikki Beckett will move to redress the imbalance between the number of Executive and Non-executive Directors

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 operating division and one for the Australian operating division

The Executive Boards are attended by the Group Managing Director and the Group Finance Director The Board of the Canadian associate meets independently and is chaired by 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 12 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 Board meetings operate to a standing agenda ensuring that matters requiring regular or annual review are given sufficient time for debate and scrutiny

The Non-executive Directors met as required, until Mr Anton's resignation in February 2010, to discuss matters that did not concern the Executive Directors

In addition to the formal scheduled meetings, additional ad hoc Board and Committee meetings were held during the year to consider any time critical matters

Attendance at Board and Committee Meetings

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

	Board (12)	Audit Committee (1)	Nominations Committee (1)	Remuneration Committee (2)
Nikki Beckett*	10	1	1	2
Alexander Anton†	9‡	1		2
Alan Bullock	12		1	1
Ian Davies	12			
Barry Poynter	11			

* *Nikki Beckett became Chairman on 28 January 2010*

† *Alexander Anton was Chairman until 28 January 2010 and resigned as a Director on 9 February 2010*

‡ *Prior to his resignation, there were 10 Board meetings of which Alexander Anton attended 9*

Information, professional development and performance evaluation

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

The Directors have access to the advice and services of the Company Secretary and are empowered to take independent professional advice in the furtherance of their duties at the Company's expense where necessary The Company Secretary also provides advice and support to each of the Board's committees and to the Chairman on all corporate governance issues The Group maintains insurance cover in respect of the liability of its Directors and officers to third parties

Independence

In compliance with the requirements of the Combined Code, the Board considered the independence of each of Alexander Anton and Nikki Beckett who served during the year as Non-executive Directors

Mr Anton was not considered to be independent since he had been in office for longer than the period of nine years referred to in paragraph A.3 1 of the Combined Code After careful consideration, the Board determined that Nikki Beckett had demonstrated the required degree of independence, both in character and judgement, taking into account all the relevant circumstances Therefore the Board currently only has one Non-executive Director determined by the Board to be independent

Election and Re-election

In accordance with the Company's Articles of Association, the number nearest to (but not exceeding) one-third of the total number of Directors is required to retire by rotation and, if appropriate, submit themselves for re-election On this basis, a Director is required to retire by rotation and Mr Poynter will be submitting himself for re-election at the 2010 Annual General Meeting

All of the Executive Directors' service contracts and the letter of appointment for the Chairman are available for inspection during normal business hours at the Company's registered office address and will also be available for inspection at the 2010 Annual General Meeting

Internal Control

Paragraph C 2 of the Combined Code states 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

The framework of the Group's system of internal control, which was in place for the whole of the financial year and up to the date of signing the accounts, includes

- An annual review of all business risks affecting the Group which also identifies procedures to manage and mitigate such risks These risks are monitored on a monthly basis,
- A Group policy and procedures manual with clearly designated responsibilities and levels of authority,
- A comprehensive budgeting and financial reporting system with an annual business plan approved by the Board Operating results, cash flow, working capital and future capital expenditure are reported monthly This data is reviewed and assessed by reference to KPIs and internal targets

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 on the recommendation of the Nominations Committee, where possible from amongst the Non-executive Directors and currently comprises Nikki Beckett (Chairman), Alan Bullock and Barry Poynter As required by paragraph C 3 1 of the Combined Code, the Board satisfied itself that Nikki Beckett has recent and relevant financial experience The Audit Committee met once during the year

The Committee's responsibilities are set out in its terms of reference, which 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 the 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

In order to seek to preserve auditor objectivity and independence, the Company has a policy regulating the provision of non-audit services by the Auditor Excluding local taxation advice, this is subject to the approval of the Group Finance Director and the Audit Committee Audit and non-audit fees paid or payable to the Auditor in the year under review are set out on page 55 Having considered the actual level of fees for the year, the Audit Committee has concluded that the nature and extent of non-audit fees in the year did not compromise the Auditor's objectivity or independence

The Auditor was originally appointed in September 2004 and the lead audit partner was changed in July 2009

Nominations Committee

The Nominations Committee currently comprises Nikki Beckett (Chairman), Alan Bullock and Ian Davies

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

Remuneration Committee

The Directors' Remuneration Report on pages 35 to 37 includes details of the composition and policy of the Remuneration Committee and how it has contributed to the Board's compliance with the Combined Code

Conflicts of Interest

With effect from 1 October 2008, Section 175 of the Companies Act 2006 introduced a statutory duty on a Director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company This duty is not infringed if the situation cannot reasonably be regarded as likely to give rise to a conflict or if the conflict has been authorised by the Board The Company's Articles of Association allow unconflicted Directors to authorise conflict situations in appropriate circumstances Procedures have been put in place for the disclosure of any such conflicts and, if appropriate, authorisation of the same The procedures permit any authorisation to be granted subject to terms or conditions

The Nominations Committee reviews any potential conflict of interest for any prospective Director and all continuing authorisations annually and makes recommendations to the Board

The Company maintains a register of any conflicts of interest of a Director, including the date of grant of the authorisation, and any limitations or terms and conditions that apply Any authorisations given by the Board are reviewed and may be renewed, varied or revoked at any time

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 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 (when physically possible) 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 has applied the principles set out in Section 1 of the Combined Code throughout the year and has complied with the detailed provisions set out therein with the following exceptions

- A.3 2 As reported earlier in this report, the Board is currently seeking to recruit further independent Non-executive Directors The Board wishes to ensure that any new Directors appointed have the appropriate skills and experience to enhance the effectiveness of the Board
- A 4 1 This paragraph recommends that a majority of the members of the Nominations Committee should be independent Non-executive Directors As is stated above, until Mr Anton's resignation from the Committee in January 2010, the Nominations Committee consisted of Mr Anton (who was not deemed independent due to the fact that he had been in office for more than nine years), Nikki Beckett (who is independent), and Mr Bullock Mr Anton continued as a Non-executive Director until his resignation in February 2010, as the Board considered that he continued to make a valuable and effective contribution The composition of the Nominations Committee since that date is also in breach of the Combined Code recommendation since it includes, in addition to the Chairman, Messrs Bullock and Davies, who are both Executive Directors As stated above, the Board are now seeking to appoint further independent Non-executive Directors, following which appointment, the membership of the Committee will be reviewed
- A 6 This paragraph recommends that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors 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
- B 2 1 This paragraph recommends that the Remuneration Committee should comprise at least two independent Non-executive Directors As is stated in the Directors' Remuneration Report on pages 35 to 37, until Mr Anton's resignation in January 2010, the Remuneration Committee consisted of Mr Anton (who was not deemed independent due to the fact that he had been in office for more than nine years) and Nikki Beckett (who is independent) The composition of the Committee since that date is also in breach of the Combined Code recommendation since it includes, in addition to the Chairman, Messrs Bullock and Poynter, who are both Executive Directors As stated above, the Board are now seeking to appoint further independent Non-executive Directors, following which appointment Messrs Bullock and Poynter will resign from the Remuneration Committee
- C 3 1 This paragraph recommends that the Audit Committee should comprise at least two independent Non-executive Directors As is stated above, until Mr Anton's resignation from the Committee in January 2010, the Audit Committee consisted of Mr Anton (who was not deemed independent due to the fact that he had been in office for more than nine years) and Nikki Beckett (who is independent) Furthermore, the participation of Messrs Bullock and Poynter in the Audit Committee since January 2010 is also a breach of paragraph C 3 1 in that they are not independent Non-executive Directors Again, as stated above, the Board is now seeking to appoint further independent Non-executive Directors, following which appointment Messrs Bullock and Poynter will resign from the Audit Committee

The Company's Auditor, Deloitte 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

Terry A Danks
Secretary
14 June 2010

Directors' Remuneration Report

The report is divided into two sections unaudited information and audited information in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 The audited information commences on page 36

Unaudited information

Remuneration Committee

The members of the Remuneration Committee during the year were as follows

N S Beckett (Chairman)
A Anton (resigned 28/01/10)
A R Bullock (appointed 28/01/10)
B I Poynter (appointed 28/01/10)

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 with each member attending the meeting(s) they were eligible to attend

The Committee received material assistance from advice given by the Non-executive Directors of the Group's Australian subsidiary M W Oakley and M J Davies

Directors' Remuneration Policy

The Directors' remuneration policy for the year ended 3 April 2010 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 to 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 Directors of subsidiary companies 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

The bonuses payable for the financial year ended 3 April 2010 are disclosed in the audited information, later in this report.

Long-term incentive plan (LTIP)

The Group introduced the Victoria PLC 2008 Long Term Incentive Plan (LTIP) during the financial year ended 4 April 2009 following shareholder approval at the AGM in July 2008 The LTIP was established to incentivise the Executive Directors to deliver real and sustainable long-term value to shareholders through performance related pay directly aligned with shareholders' interests

Executive Directors are eligible to participate in the LTIP It is intended that the LTIP will allow for the grant of options over shares worth up to a maximum of 125% of salary for Executive Directors of the Company and 95% of salary for Directors of subsidiary companies Options will normally vest and become exercisable on the third anniversary of the date of grant and remain exercisable until the tenth anniversary of the date of grant The performance target attached to the vesting of options is based on the Company's growth in adjusted earnings per share (EPS) in excess of the Retail Price Index (RPI) Options will vest, on a sliding scale between each step as follows

Annual Average EPS Growth	Proportion of option vesting
RPI +4%	25%
RPI +10%	50%
RPI +20%	100%

If the minimum performance conditions are not met, then those relevant options will lapse on the first date that they would otherwise have vested There will be no retesting provisions if the performance conditions are not met

The performance criterion was chosen because EPS creates a clear line of sight for Executive Directors and Directors of subsidiary companies to increase shareholder value The Remuneration Committee will regularly review the performance conditions for future options to ensure that they are appropriate for the Group and the prevailing market

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 newly appointed Directors 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 12 month term Their remuneration is reviewed periodically and determined by the full Board

Directors' service contracts and letters of appointment

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

A Anton

The services of A Anton as Chairman and Non-executive Director were provided under a contractual letter of continuing appointment dated 3 December 2007 with Harrison Sydney Limited, of which he is a Director He resigned on 9 February 2010 The contract did not include any provision for early termination

N S Beckett

The services of N S Beckett as Chairman and Non-executive Director are provided under a contractual letter of continuing appointment dated 15 September 2007 The appointment was renewed from 1 October 2009 for a further 12 months and subsequently amended by a further letter dated 29 January 2010 on taking on the role of Chairman The contract does not include any provision for early termination

Executive Directors

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

		Notice period from the Company	
Director	**Date of contract**	**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
B I Poynter	1 April 2001	12 months	24 months

TSR — Total Shareholder Returns

The following chart shows the total shareholder return on £100 worth of ordinary shares in Victoria PLC over the last five years

The UK Directors' Remuneration Report Regulations 2002 require the inclusion in the Directors' Remuneration Report of a graph showing TSR over a five year period in respect of a holding in the Company's shares, plotted against TSR in respect of a hypothetical holding of shares of a similar kind and number by reference to which a broad equity market index is calculated

The total shareholder return for the five year period to 31 March 2010 of 132 7% compares to the total returns provided by the FTSE Small Cap Ex Inv Trusts Index of 94 0% and by the FTSE All Share Ex Inv Trusts Index of 140 4%

Audited Information

Directors' emoluments and pensions

The emoluments of all Directors for the financial year ended 3 April 2010 were

	Salary/Fees £000	Benefits in kind £000	Bonus £000	**Total 2010 £000**	Total 2009 £000	Total 2008 £000
Executive						
A R Bullock	130	15	—	**145**	149	216
I G Davies	130	21	—	**151**	153	196
B I Poynter	196	12	32	**240**	185	237
Non-executive						
N S Beckett (Chairman from 28 January 2010)	36	—	—	**36**	30	15
A Anton (Chairman until 28 January 2010)	52	—	—	**52**	60	37
A Shishmanian	—	—	—	**—**	17	15
	544	48	32	**624**	594	716

Each Director served for the full year with the exception of Mr Anton who resigned on 9 February 2010

Directors' interests

The Directors of the Company who held office at 3 April 2010 had the following interests in the Ordinary Shares of the Company

	3 April 2010		4 April 2009	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
N S Beckett	**29,200**	—	29,200	—
A R Bullock	**28,750**	—	28,750	—
I G Davies	**13,500**	—	13,500	—
B Poynter	—	—	—	—

The interests of the Directors in the shares of the Company and its subsidiaries have not changed between the year end and 14 June 2010 (being the last practicable date before production of this report)

Directors' share options

	At 4 April 2009	Granted in period	Market price on issue (p)	Earliest date of exercise	Lapsed in period	Exercised in period	**At 3 April 2010**
Victoria PLC 2008 Long Term Incentive Plan							
Alan Bullock	100,000	99,514	170 83	28/07/2012	—	—	**199,514**
Ian Davies	76,471	76,099	170 83	28/07/2012	—	—	**152,570**
Barry Poynter	94,158	107,815	170 83	28/07/2012	—	—	**201,973**
Terry Danks	39,765	37,098	170 83	28/07/2012	—	—	**76,863**
Shaun Lewis	36,353	33,915	170 83	28/07/2012	—	—	**70,268**
Neil Glover	34,899	32,559	170 83	28/07/2012	—	—	**67,458**
Trevor Chippendale	37,261	34,763	170 83	28/07/2012	—	—	**72,024**
Anne Seymour	56,393	56,821	170 83	28/07/2012	—	—	**113,214**
Sean Kelly	37,528	42,753	170 83	28/07/2012	—	—	**80,281**

Directors' pension entitlements

Three Directors were members of money purchase schemes

Contributions paid by the Group in respect of such schemes were

	2010 £000	2009 £000
A R Bullock	**70**	66
I G Davies	**19**	19
B I Poynter	**18**	15
	107	100

On behalf of the Board

Nikki Beckett

Chairman of Remuneration Committee

14 June 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period

In preparing those financial statements, the Directors are required to

- Properly select suitable accounting policies and then apply them consistently,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Make judgements and estimates that are reasonable and prudent,
- State that the Group and Company financial statements comply with IFRS as adopted by the European Union subject to any material departures disclosed and explained in the financial statements, and
- Prepare the Group and Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the Company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

The Directors confirm that, to the best of their knowledge

(a) the Group and the Company financial statements in this annual report, which have been prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company taken as a whole, and

(b) the management report (which comprises the Chairman's Statement, Business Review and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Group and the Company taken as a whole, together with a description of the principal risks and uncertainties that they face

On behalf of the Board

Alan R Bullock	**Ian G Davies**
Group Managing Director	Group Finance Director
14 June 2010	14 June 2010

Independent Auditors' Report

We have audited the financial statements of Victoria Plc for the year ended 3 April 2010 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 April 2010 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the directors' statement contained within Financial Review in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Jane Whitlock (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham
United Kingdom
14 June 2010

Consolidated Income Statement

For the 52 weeks ended 3 April 2010

	Notes	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Continuing operations			
Revenue	1	**62,973**	62,150
Cost of sales		**(45,107)**	(44,638)
Gross profit		**17,866**	17,512
Distribution costs		**(12,837)**	(12,313)
Administrative expenses		**(3,611)**	(3,604)
Other operating income		**362**	633
Operating profit	1	**1,780**	2,228
Share of results of associated company		**(127)**	2
Finance costs	3	**(565)**	(768)
Profit before tax	1,4	**1,088**	1,462
Taxation	6	**(460)**	(1,073)
Profit for the period		**628**	389
Attributable to			
Equity holders of the parent		**628**	389
Earnings per share — pence basic	8	**9 04**	5 60
diluted	8	**7 87**	5 22

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 3 April 2010

	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Exchange differences on translation of foreign operations	4,509	864
Deferred tax on share option scheme	11	—
Other comprehensive income for the period	4,520	864
Profit for the period	628	389
Total comprehensive income for the period	5,148	1,253
Attributable to		
Equity holders of the parent	5,148	1,253

Company Statement of Comprehensive Income

For the 52 weeks ended 3 April 2010

	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Exchange differences on translation of foreign operations	—	—
Deferred tax on share option scheme	11	—
Other comprehensive income for the period	11	—
Profit for the period	685	224
Total comprehensive income for the period	696	224
Attributable to		
Equity holders of the parent	696	224

Consolidated and Company Balance Sheets

As at 3 April 2010

		Group		Company	
	Notes	**3 April 2010 £000**	4 April 2009 £000	**3 April 2010 £000**	4 April 2009 £000
Non-current assets					
Goodwill	10	**65**	65	**—**	—
Other intangible assets	11	**422**	464	**—**	—
Property, plant and equipment	12	**27,459**	26,430	**5,147**	5,216
Investment property	13	**180**	180	**180**	180
Investment in subsidiary undertakings	13	**—**	—	**3,321**	3,321
Investment in associated company	13	**510**	560	**56**	56
Deferred tax asset	18	**1,530**	1,067	**45**	21
Total non-current assets		**30,166**	28,766	**8,749**	8,794
Current assets					
Inventories	14	**20,686**	19,630	**—**	—
Trade and other receivables	15	**10,244**	9,175	**5,083**	5,042
Cash at bank and in hand		**906**	259	**—**	—
Total current assets		**31,836**	29,064	**5,083**	5,042
Total assets		**62,002**	57,830	**13,832**	13,836
Current liabilities					
Trade and other payables	16	**10,411**	8,565	**108**	90
Current tax liabilities		**1,153**	776	**—**	—
Other financial liabilities	17	**5,145**	5,507	**3,801**	4,055
Total current liabilities		**16,709**	14,848	**3,909**	4,145
Non-current liabilities					
Trade and other payables	16	**2,374**	1,521	**—**	—
Other financial liabilities	17	**2,952**	6,220	**—**	—
Deferred tax liabilities	18	**2,712**	2,675	**1,121**	1,126
Total non-current liabilities		**8,038**	10,416	**1,121**	1,126
Total liabilities		**24,747**	25,264	**5,030**	5,271
Net assets		**37,255**	32,566	**8,802**	8,565
Equity					
Share capital	19	**1,736**	1,736	**1,736**	1,736
Share premium	20	**829**	829	**829**	829
Retained earnings	20	**34,690**	30,001	**6,237**	6,000
Total equity		**37,255**	32,566	**8,802**	8,565

Company Registered Number (England & Wales) 282204

The accounts on pages 40 to 74 were approved by the Board of Directors and authorised for issue on 14 June 2010

They were signed on its behalf by

Nikki Beckett
Ian Davies Directors

Consolidated Statement of Changes in Equity

For the 52 weeks ended 3 April 2010

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 5 April 2009	1,736	829	30,001	32,566
Total comprehensive income for the period	—	—	5,148	5,148
Dividends paid	—	—	(459)	(459)
At 3 April 2010	**1,736**	**829**	**34,690**	**37,255**
At 30 March 2008	1,736	829	29,998	32,563
Total comprehensive income for the period	—	—	1,253	1,253
Dividends paid	—	—	(1,250)	(1,250)
At 4 April 2009	1,736	829	30,001	32,566

Company Statement of Changes in Equity

For the 52 weeks ended 3 April 2010

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 5 April 2009	1,736	829	6,000	8,565
Total comprehensive income for the period	—	—	696	696
Dividends paid	—	—	(459)	(459)
At 3 April 2010	**1,736**	**829**	**6,237**	**8,802**
At 30 March 2008	1,736	829	7,026	9,591
Total comprehensive income for the period	—	—	224	224
Dividends paid	—	—	(1,250)	(1,250)
At 4 April 2009	1,736	829	6,000	8,565

Consolidated and Company Statements of Cash Flows

For the 52 weeks ended 3 April 2010

		Group		Company	
		52 weeks ended 3 April 2010	53 weeks ended 4 April 2009	**52 weeks ended 3 April 2010**	53 weeks ended 4 April 2009
	Notes	**£000**	£000	**£000**	£000
Net cash inflow from operating activities	22	**6,629**	894	**729**	860
Investing activities					
Dividends received from associates		**—**	33	**—**	33
Purchases of property, plant and equipment		**(384)**	(3,484)	**—**	—
Proceeds on disposal of property, plant and equipment		**39**	76	**—**	—
Net cash (used in)/from investing activities		**(345)**	(3,375)	**—**	33
Financing activities					
(Decrease)/increase in long-term loans		**(4,971)**	3,233	**—**	—
Receipts from financing of assets		**125**	102	**—**	—
Repayment of obligations under finance leases/HP		**(722)**	(766)	**—**	—
Dividends paid		**(459)**	(1,250)	**(459)**	(1,250)
Net cash (used in)/from financing activities		**(6,027)**	1,319	**(459)**	(1,250)
Net increase/(decrease) in cash and cash equivalents		**257**	(1,162)	**270**	(357)
Cash and cash equivalents at beginning of period		**(3,785)**	(2,629)	**(4,020)**	(3,663)
Effect of foreign exchange rate changes		**54**	6	**—**	—
Cash and cash equivalents at end of period	23	**(3,474)**	(3,785)	**(3,750)**	(4,020)

Significant Accounting Policies

Basis of Accounting
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 financial instruments which are recorded at fair value in accordance with IAS 39 Land and buildings were professionally valued at 4 April 2004 and their valuation was adopted as deemed cost on adoption of IFRS The accounting policies have been applied consistently in the current and prior year The principal accounting policies adopted are set out below

Basis of preparation
The consolidated financial statements have been prepared on a going-concern basis The Business Review on page 17 sets out the justification for this basis of preparation

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 and liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell

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

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 does not have control or joint control over those policies

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

Significant Accounting Policies

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and 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 and liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement

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 and 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 and Investment Property

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

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

Revenue recognition

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

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

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

Leasing

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

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

Significant Accounting Policies

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

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payment In accordance with IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

The Group issues equity settled share-based payments to certain employees Equity settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions

Fair value is measured by use of the Black–Scholes model The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

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 asset to another entity

(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

(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

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

(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

(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

The following revised and amended standards and interpretations, which have all been endorsed by the EU, have been adopted by the Group in these consolidated financial statements, their adoption has had no material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share

IAS 1 (revised) 'Presentation of Financial Statements' effective for periods beginning on or after the 1 January 2009, has resulted in the 'Statement of Recognised Income and Expense' being renamed the 'Statement of Comprehensive Income' and the introduction of the 'Statement of Changes in Equity' as a primary statement

IAS 23 (revised) 'Borrowing Costs' effective for accounting periods beginning on or after 1 January 2009, requires the Group to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of the asset

IFRS 2 (revised) 'Share-Based Payments' clarifies that vesting conditions are service conditions and performance conditions only; other features of a share-based payment are not vesting conditions It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment

Significant Accounting Policies

IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of information that is provided internally to the chief operating decision maker Following the adoption of IFRS 8, the Group is continuing to report operating segments by operating division since this forms the basis of internal reporting

IFRS 1 (amended) and IAS 27 (amended) 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate', effective for accounting periods after 1 January 2009, relates to the measurement of the initial cost of investment in a subsidiary

At the date of authorisation of these financial statements, the following revised and amended standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 3 (revised) 'Business Combinations'
IAS 27 (revised) 'Consolidated and Separate Financial Statements'
IFRIC 17 'Distribution of Non-cash Assets to Owners'
IFRS 9 (replacement of IAS 39) 'Financial Instruments'
IAS 24 (revised) 'Related Party Disclosures'
IAS 32 (amended) 'Financial Instruments Presentation'
IAS 39 (amended) 'Financial Instruments Recognition and Measurement — Eligible Hedged Items'
IFRIC 19 'Embedded Derivatives'

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

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 3 April 2010				For the 53 weeks ended 4 April 2009			
	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	22,974	319	(78)	241	24,326	408	(151)	257
Ireland	3,265	(517)	(6)	(523)	5,949	143	(18)	125
Australia	36,734	2,537	(342)	2,195	31,875	2,257	(415)	1,842
	62,973	2,339	(426)	1,913	62,150	2,808	(584)	2,224
Share of Canadian associate				(127)				2
Unallocated central expenses		(559)	(139)	(698)		(580)	(184)	(764)
Total continuing operations	62,973	1,780	(565)	1,088	62,150	2,228	(768)	1,462
Tax				(460)				(1,073)
Profit after tax from continuing activities				628				389

* The share of results of the associated company is shown net of tax as required by IAS 1

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

Balance sheet

	As at 3 April 2010		As at 4 April 2009	
	Segment assets £000	Segment liabilities £000	Segment assets £000	Segment liabilities £000
UK	24,541	6,649	24,278	6,087
Ireland	1,629	618	2,285	731
Australia	35,087	12,453	30,484	13,176
Investment in associated company	510	—	560	—
Unallocated central assets/liabilities	235	5,027	223	5,270
	62,002	24,747	57,830	25,264

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

Notes to the Accounts

1 Segmental information continued

Other segmental information

	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Depreciation and amortisation		
UK	874	956
Ireland	40	36
Australia	1,830	1,412
Unallocated central	9	7
	2,753	2,411

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

	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Capital expenditure		
UK	87	374
Ireland	—	4
Australia	297	3,106
	384	3,484

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 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Continuing operations		
Sale of goods	62,973	62,150
Other operating income	362	633
Investment income	—	33
	63,335	62,816

3 Finance costs

	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Interest on loans and overdrafts wholly repayable within five years	436	572
Movement in fair value of interest rate swap	16	26
Hire purchase and finance lease interest	113	170
	565	768

4 Profit on ordinary activities before taxation

	2010 £000	2009 £000
After charging/(crediting)		
Net foreign exchange gains	(253)	(216)
Depreciation	2,720	2,380
Amortisation of intangible assets	33	31
Staff costs (see note 5)	18,233	17,625
Cost of inventories recognised as an expense	45,107	44,638
Profit on sale of fixed assets	(10)	(16)
Charges under operating leases	625	574
Auditors' remuneration		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	26	26
The audit of the Company's subsidiaries pursuant to legislation	61	59
Total audit fees	87	85
Other services pursuant to legislation	14	18
Tax services	13	15
Total non-audit fees	27	33

5 Staff costs

	2010 £000	2009 £000
Wages & salaries	15,868	15,303
Social security costs	1,150	1,162
Other pension costs	1,215	1,160
Total employee benefits expense	18,233	17,625

Average number employed (including Executive Directors)

	2010	2009
Production	442	473
Sales and Marketing	81	83
Administration	131	138
Total average number of employees	654	694

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 £1,215,000 (2009 £1,160,000), of which £365,000 (2009 £407,000) relates to the UK schemes

6 Tax

	2010 £000	2009 £000
Current tax		
— Current year UK	—	—
— Current year overseas	762	600
— Adjustments in respect of prior years	7	(29)
	769	571
Deferred Tax (note 18)		
— Current year	(301)	(157)
— Adjustments in respect of prior years	(8)	6
— Effect of rate change	—	—
— Effect of change in law	—	653
	(309)	502
Total tax	460	1,073

Corporation tax is calculated at 28% and 30% (2009 28% and 30%) of the estimated assessable profit for the year in the United Kingdom and Australia respectively Taxation for other jurisdictions is calculated at the prevailing rates in those jurisdictions

Exceptional deferred tax

The Finance Act 2008 included legislation which prevented the Group claiming industrial buildings allowances (IBAs) on affected assets after 2011 This change was introduced by reducing the rate of allowances that may be claimed from 1 April 2008 to 31 March 2011 at which point the IBA's will be removed The removal of these allowances resulted in an exceptional deferred tax charge of £653,000 in the prior year comparatives The Directors estimate that the proposed changes will increase the future corporation tax payable by this amount over the next 12 years

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

	2010 £000	2010 %	2009 £000	2009 %
Profit before tax				
Continuing operations	1,088		1,462	
Tax at the UK corporation tax rate of 28%	305	28 0	409	28 0
Tax effect of share of result of associate	35	3 2	(1)	(0 1)
Tax effect of items that are not deductible/non-taxable in determining taxable profit	(4)	(0 3)	18	1 2
Effect of different tax rates of subsidiaries operating in other jurisdictions	125	11 5	17	1 2
Effect of change in law	—	—	653	44 7
Adjustments to prior periods	(1)	(0 1)	(23)	(1 6)
Tax expense and effective tax rate for the year	460	42 3	1,073	73 4

7 Dividends

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 4 April 2009 paid during the period 4 0p per share (2009 14 0p)	278	972
Interim dividend for the year ended 3 April 2010 paid during the period 2 6p per share (2009 4 0p)	181	278
	459	1,250
Proposed final dividend for the year ended 3 April 2010 of 5 4p per share (2009 4 0p)	375	278

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

8 Earnings per share

The calculation of the basic, adjusted and diluted earnings per share is based on the following data

	Basic 2010 £000	Adjusted 2010 £000	Diluted 2010 £000	Basic 2009 £000	Adjusted 2009 £000	Diluted 2009 £000
Profit attributable to ordinary equity holders of the parent entity	628	628	628	389	389	389
Effect of change in tax law	—	—	—	—	653	—
Earnings for the purpose of basic, adjusted and diluted earnings per share	628	628	628	389	1,042	389

Weighted average number of shares

	2010 Number of shares (000)	2009 Number of shares (000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,944	6,944
Effect of dilutive potential ordinary shares		
Long-Term Incentive Plan	1,034	513
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,978	7,457

The Group's earnings per share are as follows

	2010 Pence	2009 Pence
Basic adjusted	9.04	15 01
Diluted adjusted	7.87	13 97
Basic	9.04	5 60
Diluted	7.87	5 22

9 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

	2010		2009	
	Average	**Year end**	Average	Year end
Australia — A$	**1 8881**	**1 6596**	2 1787	2 0879
Ireland — €	**1.1280**	**1.1289**	1 2096	1 1028
Canada — C$	**1 7396**	**1 5420**	1 9186	1 8288

10 Goodwill

	Group	
	2010	2009
At cost	**£000**	£000
At 4 April 2009 & 3 April 2010	**65**	65

	2010	2009
	£000	£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 3 April 2010 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 12 2%

11 Other intangible assets

		Group	
		2010	2009
		£000	£000
Cost	At 5 April 2009	**666**	600
	Exchange differences	**(12)**	66
	At 3 April 2010	**654**	666
Amortisation	At 5 April 2009	**202**	153
	Exchange differences	**(3)**	18
	Charge for the period	**33**	31
	At 3 April 2010	**232**	202
Net book value	**At 3 April 2010**	**422**	464
	At 4 April 2009	**464**	447
	At 29 March 2008	**447**	426

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 names They are amortised over 20 years

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							
At 30 March 2008							
Cost	10,310	33,444	2,377	46,131	5,493	37	5,530
Exchange differences	126	740	68	934	—	—	—
Additions	—	3,224	260	3,484	—	—	—
Disposals	—	(371)	(83)	(454)	—	—	—
At 4 April 2009	10,436	37,037	2,622	50,095	5,493	37	5,530
At 5 April 2009	10,436	37,037	2,622	50,095	5,493	37	5,530
Exchange differences	905	5,161	362	6,428	—	—	—
Additions	7	177	200	384	—	—	—
Disposals	—	(171)	(104)	(275)	—	—	—
At 3 April 2010	**11,348**	**42,204**	**3,080**	**56,632**	**5,493**	**37**	**5,530**
Accumulated depreciation							
At 30 March 2008	424	19,284	1,557	21,265	240	7	247
Exchange differences	5	366	43	414	—	—	—
Charge for the year	108	2,010	262	2,380	60	7	67
Disposals	—	(333)	(61)	(394)	—	—	—
At 4 April 2009	537	21,327	1,801	23,665	300	14	314
At 5 April 2009	537	21,327	1,801	23,665	300	14	314
Exchange differences	38	2,779	217	3,034	—	—	—
Charge for the year	112	2,298	310	2,720	60	9	69
Disposals	—	(171)	(75)	(246)	—	—	—
At 3 April 2010	**687**	**26,233**	**2,253**	**29,173**	**360**	**23**	**383**
Net book value							
At 3 April 2010	**10,661**	**15,971**	**827**	**27,459**	**5,133**	**14**	**5,147**
At 4 April 2009	9,899	15,710	821	26,430	5,193	23	5,216
At 29 March 2008	9,886	14,160	820	24,866	5,253	30	5,283

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

12 Property, plant and equipment continued

Included within fixed assets are the following

	Group Plant and machinery £000	Group Fixtures vehicles and equipment £000	Total £000
Held under finance leases			
Cost at 3 April 2010	**682**	**661**	**1,343**
Accumulated depreciation at 3 April 2010	**123**	**215**	**338**
Depreciation charged in year	**50**	**97**	**147**
Being acquired under hire purchase agreements			
Cost at 3 April 2010	**4,455**	—	**4,455**
Accumulated depreciation at 3 April 2010	**595**	—	**595**
Depreciation charged in year	**228**	—	**228**

Capital expenditure authorised and committed at the period end

	Group 2010 £000	Group 2009 £000
Contracts placed	—	110

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

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Investment property	(a)	**180**	180	**180**	180
Investment in subsidiaries	(b)	—	—	**3,321**	3,321
Investment in associated company	(c)	**510**	560	**56**	56

a) Investment property

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

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

13 Fixed asset investments continued

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 2010 (2009 31 March)

	Group		Company	
	2010	2009	**2010**	2009
	£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)	**454**	504	**—**	—
	510	560	**56**	56

14 Inventories

	Group	
	2010	2009
	£000	£000
Raw materials	**5,311**	5,739
Work-in-progress	**1,016**	527
Finished goods	**14,359**	13,364
	20,686	19,630

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

15 Trade and other receivables

Amounts falling due within one year

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Trade debtors	**9,705**	8,641	**—**	—
Amounts owed by subsidiaries	**—**	—	**4,993**	5,042
Amounts owed by associated company	**179**	143	**88**	—
Other debtors	**1**	29	**—**	—
Prepayments and accrued income	**359**	362	**2**	—
	10,244	9,175	**5,083**	5,042

The average credit period taken on sale of goods is 56 days (2009 51 days) No interest is charged on past due receivables

The above amounts are stated net of an allowance (net of VAT) of £244,000 (2009 £191,000) made for estimated irrecoverable amounts from sale of goods The movement of this allowance account during the year is summarised below

	2010	2009
	£000	£000
Opening balance at 5 April 2009	**191**	153
Increase in provisions	**154**	204
Written off against provisions	**(104)**	(157)
Recovered amounts	**(17)**	(17)
Exchange differences	**20**	8
Closing balance at 3 April 2010	**244**	191

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

	2010	2009
	£000	£000
1–30 days overdue	**1,609**	1,364
31–60 days overdue	**205**	275
>60 days overdue	**228**	325
Total	**2,042**	1,964

An analysis of the age of impaired trade receivables is as follows

	2010	2009
	£000	£000
1–30 days overdue	**58**	73
31–60 days overdue	**21**	21
>60 days overdue	**187**	122
Total	**266**	216

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	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Trade creditors	**7,152**	6,145	**—**	—
Amounts due to subsidiaries	**—**	—	**3**	1
Other creditors	**1,292**	1,099	**73**	40
Accruals & deferred income	**1,967**	1,321	**32**	49
	10,411	8,565	**108**	90

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 58 days (2009 50 days) The Directors consider that the carrying amount of trade payables approximates to their fair value

Amounts falling due after one year

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Other creditors and deferred income	**2,374**	1,521	**—**	—
	2,374	1,521	**—**	—

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

17 Other financial liabilities

Amounts falling due within one year

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Loans — secured commercial bills	**—**	766	**—**	—
Bank loans and overdrafts	**4,380**	4,044	**3,750**	4,020
Hire purchase and finance lease creditors	**714**	662	**—**	—
Fair value of interest rate swaps	**51**	35	**51**	35
	5,145	5,507	**3,801**	4,055

Amounts falling due after more than one year

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Loans — Secured commercial bills				
— Between one and two years	**—**	1,042	**—**	—
— Between two and five years	**1,808**	3,580	**—**	—
Hire purchase and finance lease obligations payable				
— Between one and two years	**761**	631	**—**	—
— Between two and five years	**383**	967	**—**	—
	2,952	6,220	**—**	—

17 Other financial liabilities continued

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

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
— Between one and two years	**—**	1,042	**—**	—
— Between two and five years	**1,808**	3,580	**—**	—

The Directors consider that the carrying amounts of other financial liabilities approximate to their fair value

Bank borrowings in the United Kingdom amounting to £4 21m (2009 £4 06m) are secured by charges over a freehold property Bank borrowings of £0 91m (2009 £5 18m) 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 an overdraft facility provided by Barclays Bank PLC to Munster Carpets Limited of which £0 19m (2009 £nil) was outstanding at 3 April 2010

The average effective interest rate of borrowings is set out in note 25 'Financial instruments'

Operating lease arrangements

The Group as lessee

The Company had no operating leases during the years ended 3 April 2010 and 4 April 2009 Details of operating lease arrangements for the Group are as follows

	2010	2009
	£000	£000
Minimum lease payments under operating leases charged to income for the year	**625**	574

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

	2010	2009
	£000	£000
Within one year	**537**	622
In the second to fifth years inclusive	**755**	1,205
After five years	**4**	16
	1,296	1,843

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 30 March 2008	1,119	656
Exchange adjustment	(13)	—
Income statement	502	449
At 4 April 2009	1,608	1,105
At 5 April 2009	1,608	1,105
Exchange adjustment	(106)	—
Income statement (Note 6)	(309)	(18)
Deferred tax on share option scheme	(11)	(11)
At 3 April 2010	**1,182**	**1,076**

The provision for deferred taxation is as follows

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Capital allowances	**2,175**	2,181	**722**	721
Liability on recovering value through sale	**536**	494	**399**	405
Deferred grant income	**(643)**	(385)	**—**	—
Tax losses	**(345)**	(242)	**—**	—
Other timing differences	**(541)**	(440)	**(45)**	(21)
	1,182	1,608	**1,076**	1,105

The provision is based on taxation rates of 28% in the UK and 30% in Australia (2009 28% and 30% respectively)

The deferred tax balances shown on the balance sheet are

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Deferred tax liabilities	**2,712**	2,675	**1,121**	1,126
Deferred tax assets	**(1,530)**	(1,067)	**(45)**	(21)
	1,182	1,608	**1,076**	1,105

Notes to the Accounts

19 Share capital

	2010 £000	2009 £000
Authorised		
8,500,000 Ordinary Shares of 25p each	**2,125**	2,125
Allotted, called up and fully paid		
6,943,556 Ordinary shares of 25p each (2009 6,943,556)	**1,736**	1,736

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

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, either 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

	53 weeks ended 4 April 2009				**52 weeks ended 3 April 2010**				
	At 29 March 2008 £000	Income Statement £000	Dividends paid £000	Other movements £000	At 4 April 2009 £000	Income Statement £000	Dividends paid £000	Other movements £000	**At 3 April 2010 £000**
Group									
Share premium	829	—	—	—	829	—	—	—	**829**
Profit and loss account	30,311	389	(1,250)	—	29,450	628	(459)	11	**29,630**
Adjustments arising out of consolidation									
Goodwill	(1,533)	—	—	—	(1,533)	—	—	—	**(1,533)**
Exchange rates	1,220	—	—	864	2,084	—	—	4,509	**6,593**
Retained earnings	29,998	389	(1,250)	864	30,001	628	(459)	4,520	**34,690**
Company									
Share Premium	829	—	—	—	829	—	—	—	**829**
Retained earnings	7,026	224	(1,250)	—	6,000	685	(459)	11	**6,237**

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £685,000 (2009 profit of £224,000) The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement

21 Reconciliation of movements of Shareholders' equity of Group

	2010 £000	2009 £000
Profit on ordinary activities after taxation	**628**	389
Dividends	**(459)**	(1,250)
	169	(861)
Exchange differences on translation of foreign operations	**4,509**	864
Deferred tax on share options	**11**	—
Net addition to shareholders' funds	**4,689**	3
Opening shareholders' equity	**32,566**	32,563
Closing shareholders' equity	**37,255**	32,566

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

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Operating profit from continuing operations	**1,780**	2,228	**773**	922
Adjustments for				
— Depreciation charges	**2,720**	2,380	**69**	67
— Amortisation of intangible assets	**33**	31	**—**	—
— Profit on disposal of property, plant and equipment	**(10)**	(16)	**—**	—
— Exchange rate difference on consolidation	**219**	(59)	**—**	—
Operating cash flows before movements in working capital	**4,742**	4,564	**842**	989
Decrease/(increase) in working capital	**2,852**	(1,936)	**10**	28
Cash generated by operations	**7,594**	2,628	**852**	1,017
Interest paid	**(549)**	(742)	**(123)**	(157)
Income taxes paid	**(416)**	(992)	**—**	—
Net cash inflow from operating activities	**6,629**	894	**729**	860

23 Analysis of net debt

	At 4 April 2009 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	**At 3 April 2010 £000**
Cash	259	593	—	54	**906**
Bank loans payable less than one year and overdrafts	(4,044)	(336)	—	—	**(4,380)**
Cash and cash equivalents	(3,785)	257	—	54	**(3,474)**
Secured commercial bills					
— Payable less than one year	(766)	964	—	(198)	**—**
— Payable more than one year	(4,622)	4,007	—	(1,193)	**(1,808)**
Finance leases and hire purchase agreements					
— Payable less than one year	(662)	722	(726)	(48)	**(714)**
— Payable more than one year	(1,598)	(125)	726	(147)	**(1,144)**
Net debt	(11,433)	5,825	—	(1,532)	**(7,140)**

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

Notes to the Accounts

24 Government Grants

During the year ended 3 April 2010, the Group's Australian operations benefited from government assistance under the SIP (Strategic Investment Programme) which was accounted for as follows

	2010 £000	2009 £000
Deferred income at 5 April 2009	**1,282**	1,251
Total grant income recognised in the year	**819**	205
Less Grants related to income (taken to income and shown as Other Operating Income)	**(75)**	(73)
Less Amortisation to deferred income by release through cost of production in the year	**(277)**	(147)
Exchange differences	**395**	46
Deferred income at 3 April 2010	**2,144**	1,282
Presented in		
Current liabilities	**324**	189
Non-current liabilities	**1,820**	1,093
Deferred income at 3 April 2010	**2,144**	1,282

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

25 Financial instruments

Background

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, inter-company payables and receivables, and any derivatives transactions (such as interest rate swaps and forward foreign currency contracts) used to manage the risks from interest rate and currency rate volatility

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

25 Financial instruments continued

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 monies 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

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

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

25 Financial instruments continued

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 £8,000 (2009 increase in post-tax profit £10,000) 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 for the remaining contractual maturity based on the discounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay

	As at 3 April 2010					As at 4 April 2009				
	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	0 99	906	906	—	—	0 81	259	259	—	—
Bank overdraft and loans	2 68	(4,380)	(4,380)	—	—	1 49	(4,044)	(4,044)	—	—
Commercial bills	3 67	(1,808)	(904)	(904)	—	4 41	(5,388)	(5,388)	—	—
Finance lease and HP	5 65	(1,858)	(664)	(246)	(948)	5 58	(2,260)	(863)	(454)	(943)
	3.92	(7,140)	(5,042)	(1,150)	(948)	3 69	(11,433)	(10,036)	(454)	(943)
Company										
Bank overdrafts	2 65	(3,750)	(3,750)	—	—	1 50	(4,020)	(4,020)	—	—

Interest rate swaps

An interest rate swap with a nominal value of £2m was taken out in July 2004 The fixed rate payable was 5 50% for the period up until July 2009 against 3 month LIBOR receivable An interest rate swap with a nominal value of £2m was taken out in July 2009 for a period of 2 years The fixed rate payable is 2 65% for the period up until July 2011 against 3 month LIBOR receivable The fair value of the swap entered into at 3 April 2010 was a liability of £50,574 which compares to a liability of £35,497 at 4 April 2009 under the previous interest swap agreement Net receipts or payments and movements in fair value are taken through the income statement as 'finance costs'

Non-interest bearing liabilities

	2010 £000	2009 £000
Non-interest bearing liabilities falling due within one year	**10,411**	8,565

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

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 61% 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 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 These exposures may be managed by forward currency contracts, particularly when the amounts or periods to maturities are significant and at times when currencies are particularly volatile

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 Group post-tax profit for the year of £172,000 (2009 increase of £143,000) A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £141,000 (2009 decrease £117,000)

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant, have resulted in a decrease in Group post-tax profit for the year of £46,000 (2009 increase of £11,000) A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £37,000 (2009 decrease £9,000)

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

	Liabilities		Assets	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Euro	**618**	731	**1,629**	2,285
Australian Dollar	**12,453**	13,176	**35,087**	30,484

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

Notes to the Accounts

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 Group's and Company's balance sheets at 3 April 2010. 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.

Deferred tax assets (£1,530,000; 2009: £1,067,000)

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 (£20,686,000, 2009: £19,630,000)

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 £930,000 (2009: £1,163,000). During the year, provisions relating to these stocks decreased by £213,000 (2009: an increase of £17,000).

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 Share-based payments

Victoria PLC 2008 Long-Term Incentive Plan

The Group has a Long-Term Incentive Plan (LTIP) which was established in 2008 and entitles Executive Directors to purchase shares in the Company subject to achievement of specific performance conditions. Details of the LTIP, including performance conditions, are set out in the Directors' Remuneration Report on page 35.

	Number of shares		Weighted average exercise price (p)	
	2010	2009	**2010**	2009
LTIP				
At start of period	**512,828**	—	**127.5**	—
Granted during the period	**521,338**	512,828	**170.8**	127.5
Exercised during the period	**—**	—	**—**	—
Lapsed during the period	**—**	—	**—**	—
Outstanding at end of the period	**1,034,166**	512,828	**149.3**	127.5
Exercisable at end of the period	**—**	—	**—**	—

The options outstanding at 3 April 2010 had a weighted average exercise price of 149.3p and a weighted average remaining contractual life of 1.5 years. In the year ended 3 April 2010, options were granted in July 2009. The aggregate of the estimated fair value of the options granted in the current financial year is £217,000. In the year ended 4 April 2009, options were granted in December 2008. The aggregate of the estimated fair values of the options granted in the prior year is £172,000.

27 Share-based payments continued

The total stock option expense recognised in the year is £33,000 (2009 £40,000)

The fair value of the LTIP rights are calculated at the date of grant using the Black–Scholes model The inputs into the Black–Scholes are as follows

	2010	2009
Weighted average exercise price (pence)	**149 3**	127 5
Expected volatility	**40 8%**	43 1%
Expected life	**5 years**	5 years
Risk-free interest rate	**2 6%**	3 0%
Expected dividend yields	**5 0%**	5 0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years The expected useful life in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

28 Related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation

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 3 April 2010, the key management personnel, and their immediate relatives controlled 1 2% 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 IAS 24 Related Party Disclosures

	Group	
	52 weeks 3 April 2010 £000	53 weeks 4 April 2009 £000
Short-term employee benefits	**1,289**	1,216
Post-employment benefits	**237**	245
	1,526	1,461

28 Related parties continued

Transactions with associated company

	Group		Company	
	52 weeks	53 weeks	**52 weeks**	53 weeks
	3 April	4 April	**3 April**	4 April
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Management charges	**88**	95	**88**	95
Dividend income	**—**	33	**—**	33
Sale of goods	**239**	602	**—**	—

	3 April	4 April	**3 April**	4 April
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Amounts due from associated undertakings	**179**	143	**88**	—

Transactions with subsidiary undertakings

	Company	
	52 weeks	53 weeks
	3 April	4 April
	2010	2009
	£000	£000
Management charges	**—**	—
Dividend income — The Victoria Carpet Company Pty Limited	**722**	924
Rental income — Victoria Carpets Limited	**658**	658

	3 April	4 April
	2010	2009
	£000	£000
Amounts due from subsidiary undertakings	**4,993**	5,042
Amounts due to subsidiary undertakings	**3**	1

Five Year Record

		52 weeks 3 April 2010 £000	53 weeks 4 April 2009 £000	52 weeks 29 March 2008 £000	52 weeks 31 March 2007 £000	52 weeks 1 April 2006 £000
Results of continuing operations						
Revenue		**62,973**	62,150	61,701	55,426	52,288
EBITDA (note b)		**4,406**	4,641	6,599	5,742	5,259
Depreciation and amortisation		**(2,753)**	(2,411)	(2,327)	(2,253)	(2,320)
EBIT (note b)		**1,653**	2,230	4,272	3,489	2,939
Finance costs		**(565)**	(768)	(763)	(727)	(740)
Trading profit		**1,088**	1,462	3,509	2,762	2,199
Exceptional items		**—**	—	—	—	(188)
Profit before tax		**1,088**	1,462	3,509	2,762	2,011
Tax		**(460)**	(1,073)	(972)	(754)	(393)
Profit attributable to shareholders		**628**	389	2,537	2,008	1,618
Dividend attributable to the period		**556**	556	972	868	799
ASSETS EMPLOYED						
Operating assets						
Non-current assets		**28,636**	27,699	26,099	24,986	25,319
Net current assets (note a)		**19,366**	19,464	16,667	16,121	16,804
Non-current liabilities		**(3,556)**	(3,129)	(2,593)	(2,435)	(2,205)
		44,446	44,034	40,173	38,672	39,918
Financed by						
Share capital and premium		**2,565**	2,565	2,565	2,565	2,565
Retained reserves		**34,690**	30,001	29,998	26,418	25,242
Shareholders funds		**37,255**	32,566	32,563	28,983	27,807
Net borrowings		**7,191**	11,468	7,610	9,689	12,111
		44,446	44,034	40,173	38,672	39,918
ANALYSIS						
Return on operating assets	%	**3 72**	5 06	10 63	9 02	7 36
Return on shareholders funds	%	**2 92**	4 49	10 78	9 53	7 23
Earnings per share (basic)	p	**9 0**	5 6	36 5	28 9	23 3
Earnings per share (basic adjusted)	p	**9 0**	15 0	36 5	28 9	25 2
Dividend per share attributable to the period	p	**8.0**	8 0	14 0	12 5	11 5
Dividend cover (basic)	times	**1 13**	0 70	2 61	2 31	2 03
Dividend cover (adjusted)	times	**1.13**	1 87	2 61	2 31	2 19

Notes

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

(b) EBITDA and EBIT adjusted to include the Canadian associate result, which is shown after operating profit in the statutory accounts presentation

Shareholder Information

Corporate website

The Annual Report, Company announcements and other information are available on the Group's website at www victoriaplc com

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 Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Telephone 0870 162 3100

www capitaregistrars com

Financial calendar

Results

Preliminary results	Tuesday, 15 June 2010
Annual General Meeting	Wednesday, 28 July 2010
Interim management statement	28 July 2010
Half year results	November 2010
Interim management statement	January/February 2011

Dividend

Final dividend	
— ex-dividend	Wednesday, 23 June 2010
— payable	Thursday, 5 August 2010

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 a stock exchange announcement

Private investors

Company announcements are posted on our website and e-mail alerts are sent out simultaneously to those who 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 Company's corporate brokers Arden Partners plc, who is regulated by the Financial Services Authority and is a member of the London Stock Exchange

Share price listing

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

You can obtain the current market price of the Company's shares on the London Stock Exchange website www londonstockexchange com (VCP) and share price information is also available on the Group's website at www victoriaplc com

Shares by size of registered holding

(as at 1 June 2010)

Number of shares	Number of holders	Number of of shares	% of total shares
1–150	52	2,837	0 04%
151–500	125	43,493	0 63%
501–1,000	105	90,379	1 30%
1,001–10,000	269	924,612	13 32%
10,001–50,000	47	1,175,995	16 94%
50,001–100,000	10	689,240	9 93%
100,000+	15	4,017,000	57 84%
	623	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 27 of the Directors' Report

Electronic communications

The Company's Articles of Association have now been changed to allow for electronic communications with its shareholders It is the Company's intention to use a phased approach to adopting this form of communication 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

ShareGift

Shareholders with a small number of shares, the value of which makes them uneconomical to sell, may wish to consider donating them to charity through 'ShareGift', a registered charity (1052686) who aggregates and sells these parcels of donated shares, giving the proceeds to a wide range of UK charities

A ShareGift donation form can be obtained from Capita Registrars, details of which are found above

Further information about ShareGift can be found on their website www sharegift org or by writing to ShareGift, 17 Carlton House Terrace, London, SW1Y 5AH Telephone 020 7930 3737

Victoria PLC Registered office

Worcester Road
Kidderminster
Worcestershire
DY10 1JR

Company Registered No. (England & Wales)

282204

Glossary

BSI 18001: 2007	Occupational health and safety management systems
CIPD	Chartered Institute of Personnel and Development
Combined Code	The Combined Code on Corporate Governance sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability, audit and relations with shareholders
Corporate Governance	The system by which an organisation is directed and controlled
CSR	Corporate Social Responsibility
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings Per Share — profit for the period divided by the total number of shares in issue
H1/H2	First half/second half of the financial year
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISO 14001	An international standard for environmental management systems
LTIP	Long Term Incentive Plan
KPIs	Key Performance Indicators used to assess business performance
Net Gearing	Debt as a percentage of debt plus equity
OCF Conversion	Operating Cash Flow (OCF) as a percentage of EBITDA
OH&S	Occupational Health & Safety
PBT	Profit before taxation
Q1/Q2/Q3/Q4	Quarters of the financial year
ROA	Return On Operating Assets — operating profit divided by the operating assets employed

Shareholder Notes

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
M J Davies (Non-executive)
A R Bullock

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
A R Bullock (Chairman)
S Kelly (Managing)
T A Danks

Associated Undertaking
Colin Campbell & Sons Limited
Distributors of carpets and rugs
Vancouver, Canada
I G Davies (Chairman)
R A Munden (President)
C Dragan
K Metrick
A K Seymour
A Goldberg

Financial calendar

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