



VICTORIA PLC



# 2011

Annual Report and Accounts  
for the year ended 2 April 2011



VICTORIA PLC

Victoria PLC is a successful and well established manufacturer, supplier and distributor of design-led carpets, carpet tiles and other floorcoverings, targeting the mid to high-end markets in which we operate.



Victoria Carpets' Imperial Velvet used in Westminster Abbey for the recent Royal Wedding.

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## Highlights

# innovation & quality

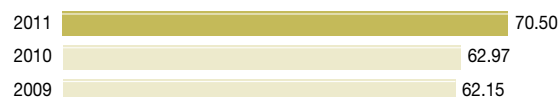
## Financial Highlights

### Group Revenue

The Group has grown revenue in its core markets in the UK and Australia. Overall, revenue increased by 12.0%, benefitting from a 12.8% strengthening of the Australian Dollar.

**£70.50m** up 12.0%

#### Group Revenue (£m)

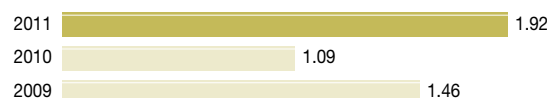


### Group Profit Before Tax

Gross margin recovery in Australia and a strong second half in the UK enabled Group profit before tax (PBT) to increase by 76.8% to £1.92m.

**£1.92m** up 76.8%

#### Group Profit Before Tax (£m)

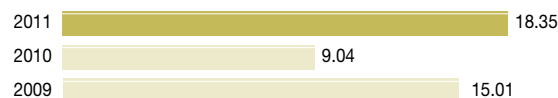


### Group Earnings per Share

The improvement in profitability enabled the Group to achieve earnings per share (EPS) (basic adjusted) growth in-line with our stated objective of delivering long term shareholder value.

**18.35 pence** up 103.0%

#### Group Earnings Per Share (basic adjusted\*) (pence)



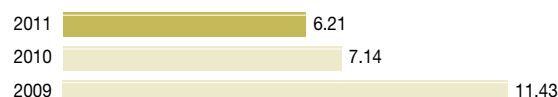
\*See note 8 under 'Our Financials'

### Group Net Debt

The continued focus on working capital management and cost control has allowed the Group to invest in new product ranges, whilst continuing to reduce net debt.

**£6.21m** down 13.0%

#### Group Net Debt (£m)



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## Group at a Glance

### Australia Operations



- Victoria has manufactured carpets in Australia since 1954 and is today the second largest supplier of carpets in the market and, in recent years, has gained a strong foothold in New Zealand.
- Victoria manufactures Tufted carpets in Dandenong, near Melbourne in the State of Victoria, on "state of the art" equipment.

Revenue  
**£43.02m**

Average number of employees  
**303**

### UK Operations



- In the UK, Victoria has been manufacturing fine carpets for well over a century.
- Today, the company manufactures both traditional woven Wilton and modern Tufted carpets at its plant in Kidderminster, Worcestershire. The carpet manufacturing process is again "state of the art" with Tufted machines, which we believe give the company a market leading advantage.

Revenue  
**£25.04m**

Average number of employees  
**336**

### Ireland Operations



- The Group owns the two best known carpet brands in the Republic of Ireland, which are Munster & Navan Carpets.
- Whilst the dire state of Irish economy has seen Group revenues in Ireland significantly decline, the brand values of Munster & Navan are still strong and a new agency distribution model now being adopted will stem the losses made over the past two years.

Revenue  
**£2.45m**

Average number of employees  
**8**

### Canada Operations



- Victoria's Canadian operation, Colin Campbell, is an Associate Company in which the Group has a 50% stake.
- The Campbell business brings to the Group a good insight on the very high-end floorcovering market in North America. Campbell deal with some of the world's top rug designers and offers both bespoke designed rugs and broadloom carpet as well as leading brand stock ranges from around the world.

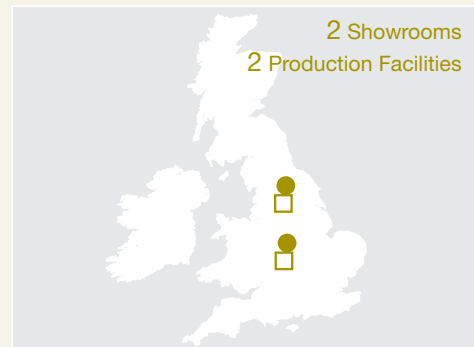
Revenue  
**£4.06m**

Average number of employees  
**16**

- Most of the woollen spun yarns the company uses in its carpets are produced in-house at two spinning mills the company owns based in Castlemaine and Bendigo, which are within a two hour drive of the Dandenong carpet plant.
- Victoria has strong brand recognition in the residential carpet market, selling primarily to the Independent Retail trade through all of the nation's major buying groups. Additionally, the company is now building upon its strong position in the residential sector by expanding into the contract carpet market with both Tufted broadloom and modular carpet tiles.



- Victoria controls all aspects of its production and has its own yarn spinning mill in Holmfirth, West Yorkshire, with yarns being delivered on a "just in time" basis to be converted into carpets. Carpets are delivered to our customers on our own liveried delivery vehicles.
- Victoria is a major supplier to the Independent Retail sector in the UK, as well as to the John Lewis Partnership.



● Production facilities □ Showrooms

## Our Brands

**VICTORIA CARPETS**  
Established 1895  
Victoria Carpets  
Nine carpet mills since 1895

**Victoria Carpets** are considered to be one of the leading carpet manufacturers in both the UK and Australia.

They manufacture high quality Tufted and Wilton woven carpets for both mid to high end residential and contract markets.

**Navan Carpets**  
The Fine Art of Flooring

**Navan Carpets** is 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**

**Munster Carpets** specializes in the supply of high-end woven Wilton broadloom carpet and carpet tiles for the corporate, hospitality and commercial sectors. 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 consumer.

**COLIN CAMPBELL**  
BROADLOOM = AREA RUGS

**Colin Campbell** is a trade-only designer showroom catering to the A&D community in Western Canada, with showrooms in Vancouver, Calgary and Edmonton. The company has aligned partners in most major cities in Canada also offering its exclusive floorcovering products to high wealth consumers in both the residential and commercial markets.

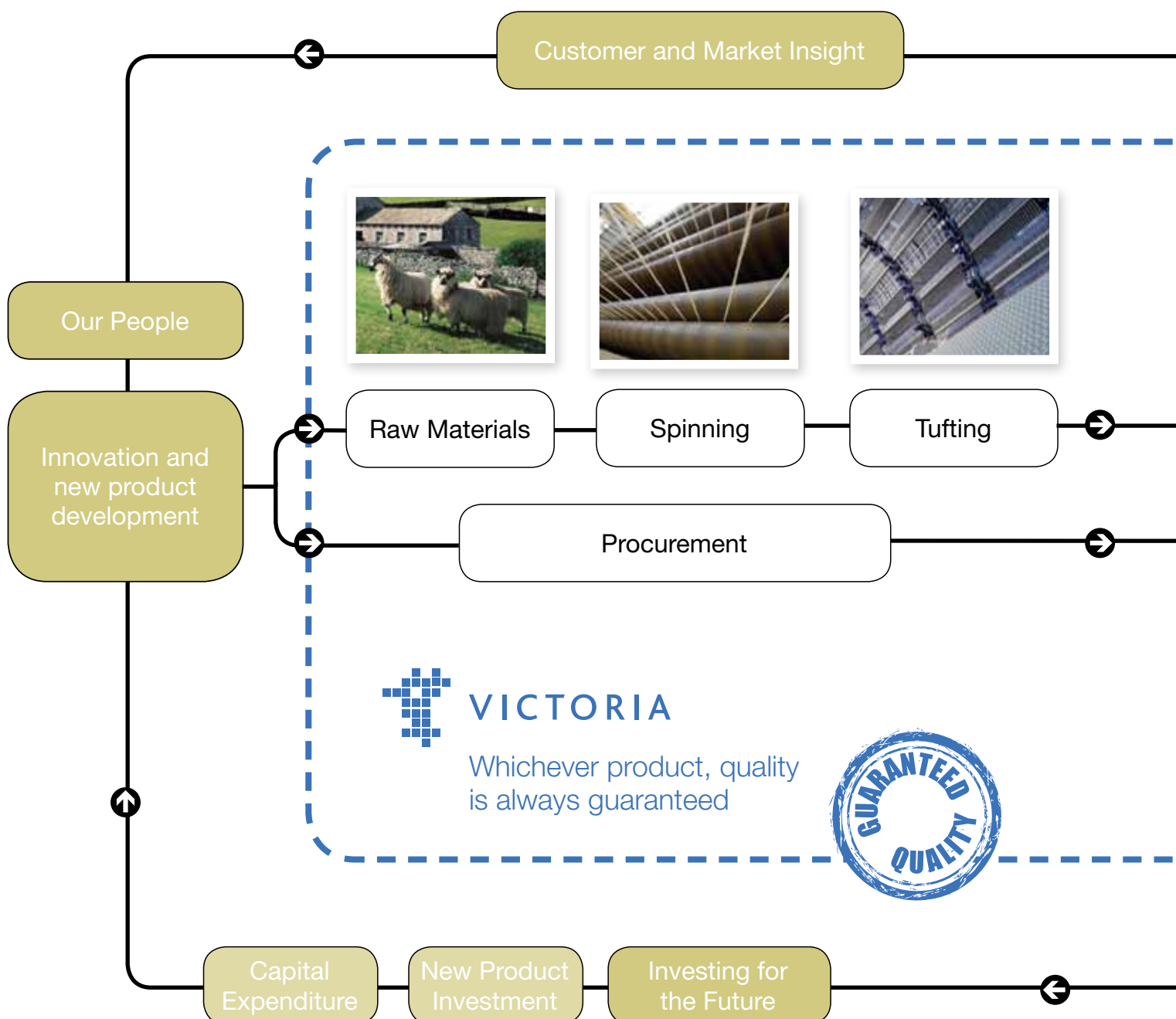
**Nature's Carpet**

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

## Our Business Model

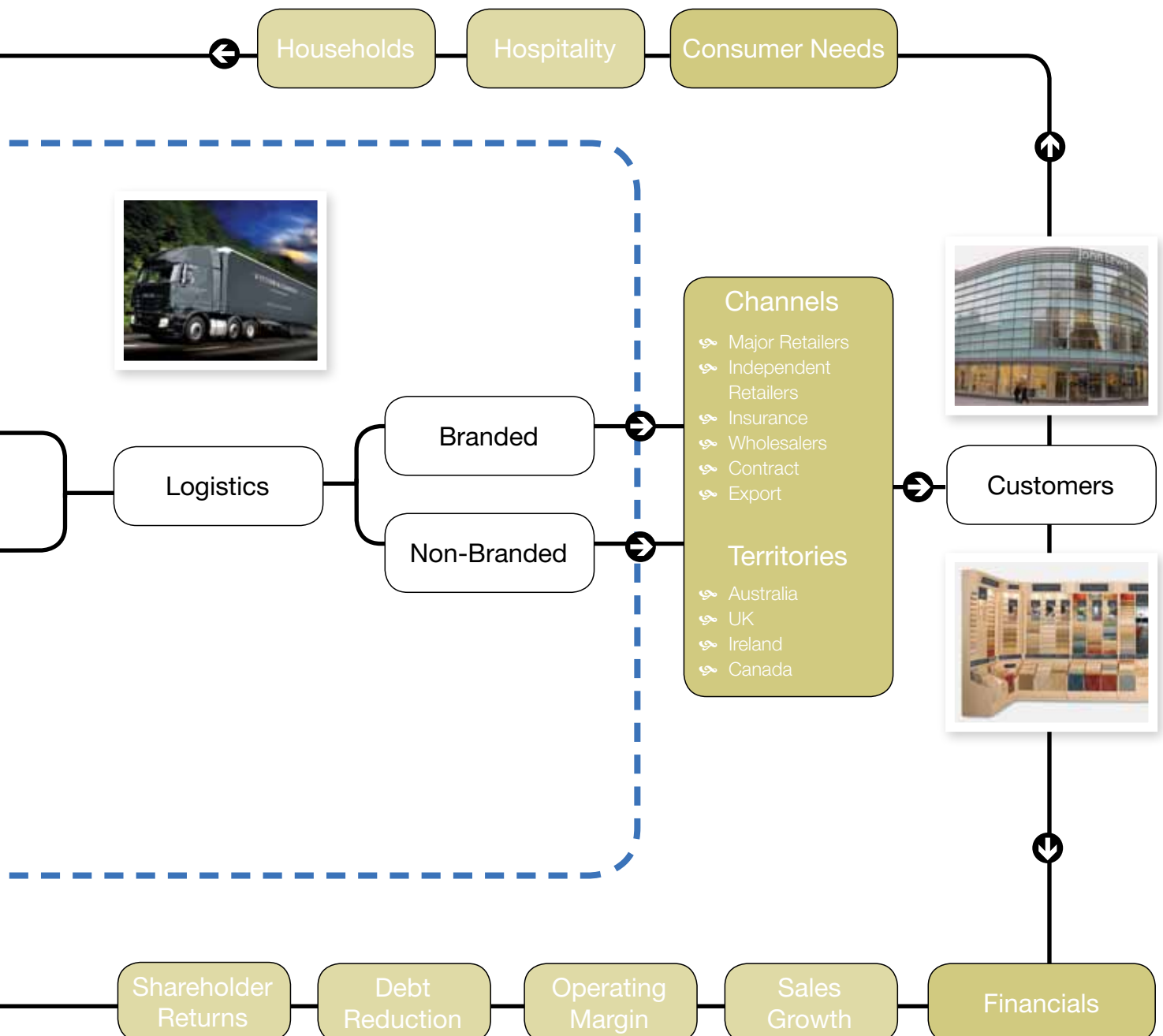
# Innovation & quality

“Improving quality is driven by our innovation and market insight. Our quality approach is essential in generating value for shareholders.”



## Our values, business model and commitment to quality

- ✓ Treat our customers, suppliers and employees with integrity and respect.
- ✓ Utilise customer and market insight to innovate and develop new products.
- ✓ Ensure reliable, cost effective delivery.
- ✓ Deliver excellence in customer and after sales service.
- ✓ Manufacture and source better performing, consistent, complaint free products.
- ✓ Invest in state of the art technology and equipment.



## Key Strengths and Strategy

“Victoria’s aim is to be the leading quality floorcovering brand in Australasia and the United Kingdom”

### We are Different. Here’s why:

#### 🌀 From a Shareholder’s perspective

Victoria PLC, from a Shareholder’s perspective, is a well managed and well invested business which has a strong balance sheet with £39.76m of net assets. Whilst we are often considered to be a UK stock, we in fact derive over 64% of our revenues from overseas and are not totally dependent on the UK economy.

#### 🌀 From a Supplier’s perspective

Victoria does not have to manufacture all of the products we choose to market. This offers prospective suppliers who make “best of brand” flooring products, the opportunity of working with us to bring great products to our customers through shared values and enduring relationships.

#### 🌀 From a Customer’s perspective

In each of the key markets in which Victoria trades, it has an excellent reputation for offering innovative and value for money products of high quality.

We try to meet and surpass our customers’ expectations and always look to develop long term relationships with our customers.

#### 🌀 From an Employee’s perspective

Our aim is to be seen as an employer of choice, where people want to work and deliver their best for the Group.

## A strategy for innovation and growth

### ✓ To grow our core retail business

In Australia, there was a discernable shift in the market towards synthetic products and new ranges were launched.

In the UK, a new generation of synthetic carpets marketed as EASICARE™ were launched during the year.

In June 2010, the UK entered the insurance replacement market as a key supplier to the leading insurance replacement specialist.

### ✓ To be strong in commercial

This year saw the introduction of carpet tile ranges in Australia which have started well.

New broadloom ranges have been introduced to meet the needs of the commercial marketplace.

### ✓ To grow and develop retailing services

In the UK, the Group provides warehousing and logistics services for both major retailers and buying groups.

The Group also provides IT solutions for retailers to enable them to check stock on-line or to trade on-line.



## Questions and Answers

with Alan Bullock



ALAN BULLOCK

**Q Where do you see the Group over the next three to five years?**

**A** Victoria has really good brand recognition and great customer relationships. Our drive now is to take a wider assortment of flooring products to market through our existing and expanded channels. Our aim is to make Victoria the leading quality flooring brand in Australasia and the United Kingdom.

**Q Why has Australia been such a good market for Victoria in recent years?**

**A** Firstly, the Australian economy did not suffer the set backs seen in many parts of the world due to the global financial crisis and their economy did not enter recession. Secondly, we have a great management team in Australia who have invested heavily in new plant and equipment and have created exciting new ranges that have undoubtedly helped us to take market share.

**Q Where do you see the growth coming from in the UK given the depressed state of the economy?**

**A** I feel that trade may remain challenging for as long as two or more years and, as such, we have planned on that basis. Our growth will come from taking market share from the competition by offering well styled and fashionable, value for money products that will tempt the consumer into spending their hard earned cash. We also plan to take an expanded product offer to market through both existing and new channels to market in the future.

**Q We noted that you speak of good progress being made in the Australian Contract market?**

**A** Yes, we introduced during the year a new programme of carpet tiles, giving us entry into the commercial contract market with tiles for the first time. Styled specifically for the Australian market and being competitively priced, they have been well received.

**Q How much of Victoria's carpets are exported from the UK and to where?**

**A** UK exports during the year were £1.77m, which represents 7.5% of total UK sales. The biggest export region was the EU, with France being the biggest market.

**Q Does the Group have any eco-friendly ranges?**

**A** The Group sells Nature's Carpet® into the UK and North American markets. Nature's Carpet® is a range of ultra low toxicity and bio-degradable floorcoverings. The range meets the high standards demanded by both environmentally conscious individuals and those with high sensitivity to toxins.

**Q Will increased wool prices mean the consumer moving away from wool and favouring synthetic carpets?**

**A** We estimate that the UK market is currently split 60:40 in favour of synthetic carpets. This is why Victoria launched its EASICARE™ collection of Polypropylene carpets in October 2010. Victoria will continue to offer both wool and synthetic carpets in the UK.

## Chairman's Statement



"Victoria is determined to become the leading quality flooring supplier in both Australia and the UK and we have firm plans now in place to ensure we achieve this goal"

NIKKI BECKETT

### Overview

I am pleased to present a positive set of results, which has seen the Group increase its sales and operating profit in a year that has been characterised by continuing challenging market conditions.

Victoria has a clear plan which is being well executed. Currently, we are focused on both our short term trading and delivering against our longer term objectives.

### Financial summary

Group revenue increased by 12.0% in the year ended 2 April 2011, from £62.97m to £70.50m and, in constant currency terms, was ahead of the prior year by 3.3%. Revenue in our core markets of Australia and the UK advanced by 2.1% and 9.0% respectively in local currency terms but, as previously reported, trading has continued to decline in the Republic of Ireland, with further action now having been taken to address the situation in the new financial year. Ireland is being closed as a separate trading entity and we will sell into the market via an agency distribution network. This is detailed further in the Group Managing Director's Review.

Group operating profit increased by 35.8% from £1.78m to £2.42m, whilst profit before tax increased by 76.8% from £1.09m to £1.92m.

Group net debt was further reduced in the period under review, down by 13.0% from £7.14m to £6.21m.



The Group remains very well invested in modern plant and equipment throughout its operations and, with modest capital expenditure plans, it is likely to remain cash generative. Gearing remains relatively low at 13.5%.

### Earnings and Dividend

Basic adjusted earnings per share (defined in note 8) have risen by 103.0%, from 9.04p to 18.35p, and the Board are pleased to declare a final dividend of 6.0p, up by 11.1% from 5.4p last year. This, together with the interim dividend of 3.0p, will bring the total dividend for the year to 9.0p, an increase of 12.5% over the prior year.

The proposed final dividend, which is subject to shareholder approval at the Annual General Meeting to be held on 2 August 2011, will be paid on 11 August 2011 to all members on the register at the close of business on 24 June 2011. The shares will be marked as ex-dividend on 22 June 2011.

### The Board

We were delighted to welcome Peter Jensen to the Board in September 2010. Peter will be a great asset to the business and is already bringing his extensive marketing experience gained at SmithKlineBeecham PLC to bear at Victoria. We are all looking forward to continuing working with him in the future.



### People

The continued success of the Group is the direct result of a team commitment by its employees at all levels of the business. I take this opportunity to express my thanks on behalf of all stakeholders to everyone in the Group for the dedication and effort they have put into achieving this year's result.

### Outlook

The business has made a good start to its new financial year. Our product offering is fresh and receiving good feedback from the trade. However, we are expecting trading conditions in the year ahead to be tough, with raw material price increases remaining a challenge. Consumers are cautious about the future and their confidence is still at a low level; therefore, discretionary spending is likely to stay under pressure on big ticket items, including carpets.

The quality of revenues in the UK have improved as a consequence of the Group's entry into the insurance replacement market; reducing the dependence we have on consumer sentiment.

Whilst the short term economic environment is likely to remain difficult, we are confident that the Group is very well placed to deliver against its long term objectives.

Victoria is determined to become the leading quality flooring supplier in both Australia and the UK and we have firm plans now in place to ensure we achieve this goal. We look forward to updating stakeholders of our progress.

**Nikki Beckett**

Chairman  
14 June 2011





## Group Managing Director's Review



"We remain focused on delivering great products of exceptional value to our customers. Quality underpins everything we do and our reputation for exceptional quality and consistently high levels of service continues to set us apart from our competitors"

ALAN BULLOCK

### Outlook

The Group has traded well in what has been a challenging global environment and in a market which has had to face unprecedented raw material price inflation. Despite this, we have seen growth in both sales and market share in each of our two principal regions of operation, Australia and the United Kingdom.

Market conditions in the Republic of Ireland have been radically affected by the state of the local economy, which has led to the Group making trading losses in Ireland in each of the past two years. Clearly, this was unacceptable and, following a careful review, the Group has moved early in the new financial year to a completely new business model in Ireland. This allows us to retain a strong brand presence whilst stopping the losses going forward.

I am satisfied with the overall trading result of the Group for the year and the good progress that has been made towards the strategic objectives we have set for the future growth of our business.

### Australian Operations

Our Australian business has delivered a strong performance in the year, rebounding well from the margin erosion seen in the prior year. I am pleased to report on revenues up by 2.1% in local currency terms from A\$69.36m to A\$70.80m. There was also good margin improvement thanks to better spinning mill capacity utilisation and reduced raw material prices, reflecting the strength of the Australian Dollar. Operating profit was up 21.1% from A\$4.79m to A\$5.80m.

The Australian economy has proven far more resilient than most during the global economic downturn, although consumer sentiment has remained fairly low. A positive GDP growth, strong Australian Dollar, reasonably steady interest rates and a tight labour market would suggest that retail sales, including those of consumer durables, should have been at higher levels than those experienced during the past year. There can be little doubt that one of the legacies of the global financial crisis is heightened consumer caution about personal debt levels.

Whilst overall sales and production levels did not change significantly, there was a discernable shift in the sales mix.

Synthetic carpet ranges continue to grow in the Australian and New Zealand markets and our strategic move to

enter the commercial market segment with new broadloom and carpet tiles has proven to be a successful area for growth. The challenge of managing the growing consumer preference for synthetic carpets over wool has been met with a series of marketing initiatives and product innovation in our wool range product offering. These actions, coupled with the launch of commercial ranges, have enabled spinning mill volumes to be maintained. Nevertheless, we have seen a small reduction in the sale of wool carpets in the residential sector.

In the second half of the year, both Australia and New Zealand suffered major natural disasters.



In Australia, the States of Queensland and Victoria suffered severe flooding. The Queensland floods in December 2010 and January 2011 resulted in 75% of the State being declared a disaster zone. More than 70 towns and over 200,000 people were affected and the damage bill is estimated to be at least A\$2 billion. The extent of the devastation and the degree of under-insurance are still being assessed but, in both States, there is likely to be a significant replacement market that may translate into increased demand over the next year or so.

In New Zealand, the tragedy of the Christchurch earthquake in February 2011 has been well documented. It may, however, be quite some time before rebuilding activity commences in the region but this will eventually increase demand for replacement floorcoverings.

In the meantime, the local economies of Queensland and the South Island of New Zealand have suffered major downturns and are likely to remain depressed until significant building activity commences.

During the latter part of the year, significant cost increases were experienced in both wool fibre and synthetic yarns. Wool price increases have been caused by the reduction in sheep being reared in New Zealand and the effects of foot and mouth disease in the UK, which reduced flocks. This reduced supply has been coupled with strong demand for wool from the burgeoning economies in both India and China.

Synthetic yarn price increases are oil related. A strong Australian Dollar has mitigated the impact of the synthetic increases and to date we have managed the challenge of recovering the increased wool cost in a highly competitive market with minimal adverse effect.

Increased imported yarn stocks, additional commercial broadloom ranges and the introduction of carpet tiles combined to lift inventories by A\$2.48m at the year-end. Despite this, strong cash flow generation from operations and modest capital expenditure of A\$1.26m enabled borrowings to be reduced by A\$2.58m in the year to just A\$0.31m. This is a gearing rate of less than 1%.

The outlook for the Australian economy in 2011 fiscal year is for an overall growth in GDP of 3.0% to 3.5% but with significant sectoral differences. Expectations are for mining and agriculture to perform strongly, whilst retail, manufacturing and construction are forecast to remain flat.

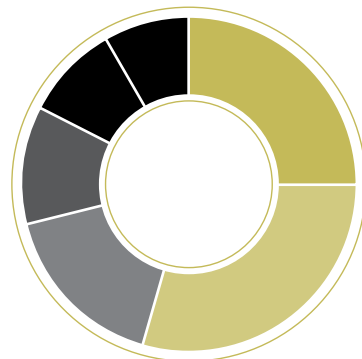
Signs of recovery from the flood-induced slowdown in Q1 2011 are starting to emerge and recent economic surveys indicate improving business and consumer confidence. Personal saving rates are at historic highs and consumers remain cautious; however, demand is expected to grow as household incomes are anticipated to rise during the coming year.

On balance, we anticipate modest growth in the Australian residential and commercial markets in the coming financial year.

The New Zealand market is different in that it was softening considerably prior to the Christchurch earthquake and has eased further since. We anticipate little if any improvement in this market during the next year.

With "state of the art" equipment, a strong balance sheet and a highly experienced management team in Australia, we are well placed and ready to take full advantage of any growth opportunities.

#### AUSTRALIAN SALES BY REGION



New South Wales	25.2%
Victoria	29.5%
Queensland	16.5%
New Zealand	11.5%
Western Australia	9.1%
Other	8.2%

#### QUESTIONS AND ANSWERS

**Q** Why was the margin improvement in Australia greater than the growth in revenues?

**A** Firstly, better capacity utilisation at our two yarn spinning mills in Australia delivered improved profitability and, secondly, the strength of the Australian Dollar also enabled us to buy synthetic yarns more cost effectively from overseas' markets than in the prior year.



## Group Managing Director's Review continued



### United Kingdom Operations

The UK operations have probably had to face one of the most difficult trading periods of the past twenty years and the year under review has certainly been a story of two halves.

The UK economy over the past three years has barely left recession. The economy has remained stubbornly sluggish and, with the housing market still stagnant, consumers have remained unconvinced of any economic recovery. The much heralded public spending cut backs and a higher tax take have yet to fully impact but, nonetheless, have played a part during the year of sapping consumer confidence and reducing discretionary spend on luxury big ticket items such as home furnishings and floorcoverings.

Additionally, we have also had to contend with rapidly rising raw material prices which, due to the fragile state of the market, proved challenging to pass onto customers and consumers in the first half of our financial year. The second half of the year saw improved trading, resulting in the UK operation posting a pre-tax profit for the full year of £0.30m, compared to £0.24m in the prior year.

Revenues in the UK were up in the year by 9.0% from £22.97m to £25.04m despite the harsh winter which severely impacted High Street trading pre-Christmas and in the first quarter of 2011. In the last quarter of the financial year, Victoria witnessed sales growth of 25.4%

in like for like sales; a much stronger finish to the year than had been expected.

This is a creditable performance and can be attributed to the success of new product introductions made in the latter stages of the first half-year, in particular the new generation of synthetic carpets marketed under the EASICARE™ banner and growing traction in the insurance replacement market which we entered into in June 2010.

Victoria has undoubtedly gained market share in the UK during the year; however, UK sales margin has been eroded due to the increases in raw material costs that could not be passed on fully during the year.

The magnitude of raw material price increases to manufacturers has now meant that all suppliers have been forced to pass on the increases to their customers and in turn there has now been greater acceptance of the increases from the retail trade. Victoria's carpet prices were increased in October 2010 and again in April 2011. This has started to see a restoration of margins. Whilst raw material prices have continued to increase, Victoria has forward contracts in place and price escalation clauses built into some of its major contracts, which should help to avoid further margin erosion.

During the year, Victoria has been actively involved in negotiating an agreement to supply a new programme of carpet

ranges for the John Lewis Partnership. This will give us a significant product presence in all of the 30 John Lewis department stores with effect from 1 April 2011. New format carpet departments within these stores and increased promotional activity should assist John Lewis in gaining additional market share in the mid to high-end floorcovering sector, which in turn will benefit our business.

Victoria has also been active during the year in developing a multi-channel e-commerce selling platform, which we hope to be able to offer to our retailers in the near future.

Victoria's sales emphasis has remained clearly focused on its Independent Retailers and our sales mix over the past year has increased in this sector by 19.0% and now accounts for 71.0% of our UK sales. Sales to the Contract sector increased by 20.7% and Export sales by 5.4%.

The excellent **Victoria Carpets** brand is very well respected in the UK by both its suppliers and customers. The quality of Victoria Carpets' products was recognised with the use of its Imperial Velvet range, which was installed at Westminster Abbey for the recent Royal Wedding.

Our business also has good channels to market in both the Residential and Contract sectors. Recognising this, there are now plans to expand the product portfolio that we market and sell through these channels and we have identified several areas of potential future growth. Strategies are being developed to accelerate entry into a wider flooring product offer and we look forward to detailing our plans later in the year.

Shareholders will be aware that for some considerable time the Group has been looking to obtain planning consent on its redundant 6.25 acre sports field in Kidderminster. A planning decision on this site has been dependent on the sale of another site in Kidderminster whose owner needs the funding from the sale of their site to acquire part of our site. This other party's planning application was refused during 2010 but the decision

## Retail Focus

Victoria Carpets is proud to have an association of over 30 years with the John Lewis Partnership.

John Lewis is one of Victoria's largest customers and we believe that we are one of their key suppliers of carpet.

As well as supplying carpet to John Lewis, we manage the warehousing and distribution of all John Lewis branded carpet direct to their stores. A service that is also available and utilised by one of the UK's leading Independent Retail buying groups.

We share the same values and policies and have recently increased our presence in their newly reorganised carpet departments.

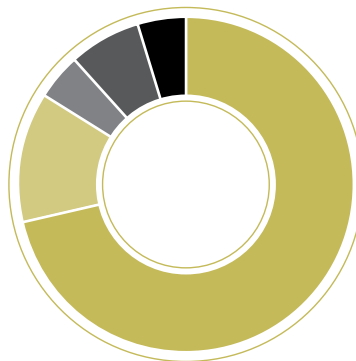


is now being appealed and we are hopeful of adjudication on this planning application in July 2011.

Looking forward to the new financial year in the UK, we have made a good start to the year but are mindful that the increasing pressure on consumers' disposable incomes and higher commodity prices will make overall trading uncertain and therefore we must be cautious about the outlook.

This aside, we remain focused on delivering great products of outstanding value to our customers. Quality underpins everything we do and our reputation for exceptional quality and consistently high levels of service continues to set us apart from our competitors. Our successful move into the insurance replacement market should underpin trading and our plans to bring innovative new floorcovering products to our customers should allow us to capture greater market share and subsequently deliver increased value to our shareholders.

UK CARPET SALES BY CHANNELS OF DISTRIBUTION



Independent retailers	71.4%
Major Groups	12.6%
Wholesalers	4.5%
Contract	6.9%
Export	4.6%

### QUESTIONS AND ANSWERS

**Q** How is your move into the insurance market likely to benefit the business?

**A** The insurance replacement market for floorcoverings in the UK is of significant size and, to a large extent, is not subject to consumer sentiment. Sales are driven by both climatic conditions and accidents and are therefore likely to help us in off-setting any general weakness in consumer demand.

Group Managing Director’s Review continued

Ireland

The extent of the financial crisis and its effect on the Irish economy are on-going and well reported across all media. Despite our best attempts over the past year to “right-size” our business in Ireland, the deepening crisis we believe has yet to see the market reach the bottom.

The Group’s Irish revenue declined by 22.3% in the year, down from €3.68m to €2.86m and recorded a pre-tax loss of €0.79m, compared to a loss of €0.59m in the prior year.

As announced to shareholders in the Group’s Interim Management Statement in February 2011 and our Trading update in May 2011, the Group could see little likelihood of any improvement in market conditions in the near future; as such, a decision was taken to close the trading entity we have in Ireland.

By the end of June 2011, the end of the first quarter of the new financial year, the complete stocking and administrative functions in Ireland will have been closed and transferred back to the Group’s UK operation. Sales in Ireland will be maintained and developed by Victoria Carpets under a new trading model, whereby we have offered agency agreements to some of the existing Irish sales employees. We will remain active in the Irish market through the continuing use and promotion of the two regionally established and well known brands of Munster and Navan Carpets.

Whilst there will be some material non-recurring costs associated with this action, the underlying future sales to Ireland are expected to be profitable.

I would also like to take this opportunity of thanking our Irish employees who have worked tirelessly on the Group’s behalf during the financial crisis in Ireland.

IRELAND SALES BY BUSINESS



Munster	22.5%
Navan	77.5%



QUESTIONS AND ANSWERS

**Q** Have your sales in Ireland bottomed out yet or are you still likely to see further pain in this market?

**A** We have seen our sales in Ireland decline in the year from €3.68m to €2.86m. We are still not certain that sales have reached the bottom yet and that is why we have chosen to completely restructure our business model. The planned change to trading our very well known brands of Munster & Navan Carpets through an agency distribution model should ensure that there are no further losses other than the one-off restructuring costs which will be taken in Q1 of this new financial year.

## Canada

Colin Campbell, ("Campbell"), the Group's Canadian Associate company, whilst achieving an improved performance in comparison with the prior year, nonetheless, contributed a small operating loss to the Group position in the financial year.

The Western Canadian economy, in which Campbell principally operates, has been inconsistent in its slow recovery. As a resource dependent economy, Canada has benefitted from stronger commodity markets; however, as new home construction continues in the Vancouver area, there has been a greater focus on 'value' products. The Canadian consumer is more debt laden than in the past, thereby restricting their desire to spend.

Campbell's prime business is as a trade-only showroom, supplying high quality floorcoverings to interior designers and architects who are dealing with both high-end residential and leading commercial clients. This part of the business saw a reduction in revenue in the year but an improvement in gross margin.

In addition to the showroom and commercial supply business, Campbell distributes a select range of carpets to retailers in Western Canada. This includes an environmentally friendly

range of carpets called Nature's Carpet®, which is distributed both in Canada and the USA, and are eco friendly, being made only from renewable resources.

The distribution business also saw both a reduction in revenues and an improvement in gross margin.

Campbell's sales decreased by 10.5% from C\$7.19m to C\$6.43m, whilst the improvement in gross margin and reduced overheads enabled a reduction in the operating loss of the business, from C\$0.20m to C\$0.09m.

Colin Campbell is anticipating that the Canadian economy will continue with modest growth in 2011. With solid progress on gross margin and overheads already achieved over the past year, the business is now well positioned to seek growth in overall revenue.

## Summary

In summary, our overall business is doing well in what continue to be challenging trading conditions. Our plans to expand the Group's retail and commercial product offering and to continue to develop new channels to market provides us with confidence that we can weather any uncertainty in market conditions.



## Alan Bullock

Group Managing Director  
14 June 2011

## CANADIAN CARPET SALES BY CHANNELS TO MARKET



Showroom	57.2%
Distribution	20.7%
Commercial	22.1%

## QUESTIONS AND ANSWERS

**Q** You have spoken in the past about the Contract Residential business you have in Vancouver. How has that been performing?

**A** Clearly, even the high rise developments on the waterfront in Vancouver slowed down during the past two years of the Global Financial Crisis. There are now signs, however, of the market picking up, with Colin Campbell installing a beautiful wool carpet throughout the condominium complex of 3 Harbour Green early in 2011.



## Finance Review



“The Group has remained focused on profitability, cost control and tight working capital management. The Group has strengthened its financial position whilst continuing to invest in product and programmes aimed at delivering future growth”

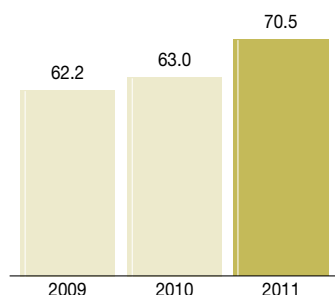
IAN DAVIES

### Group Financial Highlights

	2011 £m	2010 £m
Revenue	<b>70.50</b>	62.97
Operating profit	<b>2.42</b>	1.78
Finance costs	<b>(0.47)</b>	(0.56)
Share of associate result	<b>(0.02)</b>	(0.13)
Profit before tax	<b>1.92</b>	1.09
Net debt	<b>6.21</b>	7.14

As described in detail within the Group Managing Director's Review, economic and market conditions have remained challenging in the current financial period across all the territories in which we operate. The Group has, however, achieved year on year growth in pre-tax profit of 76.8% to £1.92m against this difficult backdrop. The Group was cash generative in the period and reduced net debt by £0.93m to £6.21m.

### Group Revenue (£m)



The Group achieved revenue growth of 12.0% to £70.50m (2010: £62.97m), in part benefitting from the Australian Dollar strengthening against Sterling by 12.8% in the period. In constant currency terms, revenue was ahead of prior year by 3.3%.



### Exchange rates

	2011	2010	change %
<b>Average rates</b>			
Australian Dollar	<b>1.6460</b>	1.8881	-12.8%
Euro	<b>1.1688</b>	1.1280	3.6%
Canadian Dollar	<b>1.5831</b>	1.7396	-9.0%

Overseas subsidiaries represented 64.5% of Group revenue (2010: 63.5%), with Australia representing 61.0% (2010: 58.3%) and Ireland 3.5% (2010: 5.2%).

The movement in average exchange rates in the period benefitted Group revenue by £5.43m, comprising a gain of £5.52m from the movement in the Australian

Dollar and a loss of £0.09m from a 3.6% weakening in the Euro against Sterling.

The overall gross margin for the Group was 28.2%, a marginal reduction from prior year (2010: 28.4%). The UK experienced a margin reduction of 3.3%, impacted by circa 68.0% increase in wool prices during the period. Ireland margins were 7.6% below prior year, driven by a shift in consumer demand towards lower value, lower margin product. Australia, however, experienced margin improvement of 2.6%, aided by more efficient utilisation of the spinning mills and lower costs on imported raw materials due to the relative strength of the Australian Dollar.





Group operating profit increased by 35.8% to £2.42m (2010: £1.78m). In local currency terms, operating profits increased by 21.1% and 24.5% in Australia and the UK respectively. Ireland reported an operating loss of £0.68m (2010: £0.52m operating loss).

### Finance costs

Finance costs reduced by 16.5% to £0.47m (2010: £0.56m), primarily reflecting a 15.7% reduction in average borrowings year on year. The average interest rate on borrowings was in line with the prior year at 5.6%.

Interest was covered 11.4 times by EBITDA (2010: 8.0 times) and 5.1 times by operating profit (2010: 3.2 times).

### Profit before taxation

Group profit before taxation for the year increased by 76.8% to £1.92m (2010: £1.09m). On a constant currency basis, profit before taxation was ahead of prior year by 36.3%.

### Taxation

The total tax charge for the period was £0.72m (2010: £0.46m), comprising a current tax charge of £1.17m (2010: £0.77m) and deferred tax credit of £0.45m (2010: a credit of £0.31m).

The underlying effective corporation tax rate was 37.2% (2010: 42.3%).

The effective tax rate is above the UK standard rate of 28%, primarily due to a reported loss in Ireland with tax credits only available at the standard

rate of tax of 12.5% in this jurisdiction.

In addition, the deferred tax asset balance of £0.11m in Ireland relating to brought forward losses was written off in the period as a result of the planned restructuring in the next financial period.

A deferred tax credit of £0.12m arose in the period in respect of the UK deferred tax liability as a result of the tax rate reduction from 28% to 26%, which was substantively enacted during the period with effect from 1 April 2011.

## Finance Review continued

### Earnings per share

Basic adjusted earnings per share were 18.35p, 103.0% above prior year (2010: 9.04p); earnings were adjusted for a goodwill impairment charge of £0.07m in 2011. Basic earnings per share were 17.41p (2010: 9.04p).

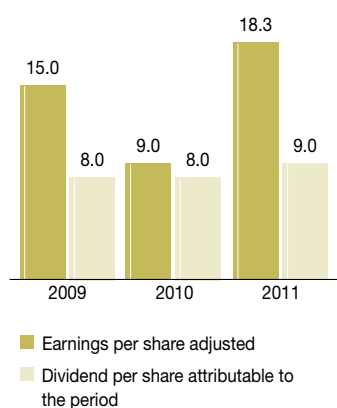
The diluted adjusted earnings per share were 16.61p (2010: 7.87p).

### Dividends

An interim dividend of 3.00p was paid in December 2010, and a final dividend of 6.00p is proposed, resulting in a total dividend for the year of 9.00p. This represents a 12.5% increase on the prior year total dividend of 8.00p.

The value of the interim dividend was £0.21m and the value of the proposed final dividend is £0.42m. (Total: £0.63m.) The value of the total dividend paid in respect of the year ended 3 April 2010, was £0.56m.

Earnings and Dividends per share (pence)



### Capital expenditure

The net book value of property, plant and equipment decreased by £0.92m to £26.54m (2010: £27.46m). Currency movements contributed an increase to net book value of £1.07m (2010: £3.39m), which was more than offset by the depreciation charge in the period of £2.87m (2010: £2.72m).



Capital expenditure in the year of £0.95m was 33.1% of the annual depreciation charge. Whilst capital expenditure is anticipated to increase in the new financial period, it is likely to remain below the normal annual depreciation level. The Group remains well invested with “state of the art” equipment.

Disposals during the year amounted to £0.26m (2010: £0.28m).

### Net assets

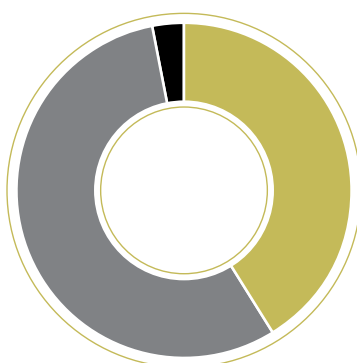
The Group's overall net assets value increased in the year by £2.50m to £39.76m (2010: £37.26m). The increase in net assets due to exchange differences arising on overseas operations was £1.73m.

The inventory balance has increased by £2.21m to £22.90m (2010: £20.69m), with currency movements accounting for £0.94m of the increase. On a constant currency basis, inventory has increased by £1.27m, primarily driven by stock building for new product launches taking place before and after the financial period end.

Trade debtors increased by £1.14m to £10.85m (2010: £9.71m) of which currency movements accounted for £0.41m of the increase. Trade debtor days were in line with the prior year at 56 days.

Current trade and other payables increased by £2.03m to £12.44m (2010: £10.41m), with the average credit period at 50 days (2010: 58 days).

TANGIBLE FIXED ASSETS  
BY CATEGORY AT 2 APRIL 2011



Freehold Land and Buildings	£10.9m
Plant and Machinery	£14.8m
Fixtures, Vehicles and Equipment	£0.8m

### Operating cash flow

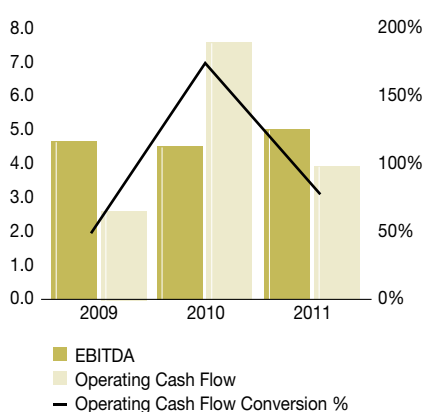
	2011 £m	2010 £m
Operating profit	2.42	1.78
Depreciation and other non-cash items	3.03	2.74
Foreign exchange	0.12	0.22
Working capital	(1.67)	2.85
<b>Operating cash flow</b>	<b>3.90</b>	<b>7.59</b>
EBITDA*	5.38	4.53
Operating cash flow conversion % (against EBITDA)	72.5%	167.5%

\* earnings before interest, tax, depreciation and amortisation

The Group generated operating cash flows of £3.90m in the period (2010: £7.59m).

Operating cash flow is below prior year primarily due to absorption of working capital, which is driven by the growth in stocks for new range releases noted above. Operating cash flow conversion percentage, as measured against EBITDA, was 72.5% (2010: 167.5%), with the lower level of conversion reflecting an investment in working capital.

Operating Cash Flow (£m)



### Free cash flow

Operating cash flow less interest, tax and capital expenditure resulted in a cash inflow of £1.62m (2010: £6.28m cash inflow). Tax and capital expenditure outflows were above prior year levels by £0.48m and £0.56m respectively, whilst interest payments were marginally below prior year.

### Net debt and gearing

Group net debt reduced by 13.0% to £6.21m (2010: £7.14m). The average net debt during the period decreased by £1.59m to £8.51m (2010: £10.10m).

The ratio of net debt to EBITDA has improved to 1.15 times (2010: 1.58 times).

Net gearing remains low at 13.5% (2010: 16.1%).

### 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 £2.00m maturing in July 2011.

The Group reviews currency exposures on a regular basis in respect of 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 in respect of the investment in its Australian subsidiary.

### Future funding

The Group's annual renewal of banking facilities was completed in the UK in September 2010 and in Australia in February 2011. 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 in the Group Managing Director's 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 restructuring of the Irish division noted earlier in the Group Managing Director's Review will occur during the next financial year.

As noted in the Group Managing Director's Review, the Group plans to continue to supply into Ireland as an export market from the UK operations. The Irish division currently accounts for 3.5% of the Group's revenue and the planned restructuring does not materially impact on the Group's ability to operate within its existing facilities or to continue operating on a going concern basis.

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.



## Finance Review continued

### 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 (KPI's)

The Board of Victoria PLC 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 KPI's monitored by the Group Board are set out in the table below.

KPI	Description	Performance
<b>Financial KPIs</b>		<b>Group</b>
Sales growth (constant currency)	Overall sales growth achieved year on year after adjusting for the impact from currency movements (Australian Dollar and Euro) in the period. This is used to assess the underlying trading performance of the Group.	2011: +3.3% 2010: -6.9% 2009: -3.6%
Operating margin	Calculated as total operating profit divided by revenue. This is used to assess the underlying trading performance of the Group.	2011: 3.4% 2010: 2.8% 2009: 3.6%
Return on operating assets	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.	2011: 5.2% 2010: 3.7% 2009: 5.1%
Earnings per share (basic adjusted)	Calculated as profit for the period divided by the total number of shares in issue, adjusted for any non-recurring items in the period. This is used to assess the underlying financial performance of the Group as a whole.	2011: 18.3p 2010: 9.0p 2009: 15.0p
Net debt to EBITDA	Calculated as net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation). Used to assess the financial position of the Group and its ability to fund future growth.	2011: 1.2 times 2010: 1.6 times 2009: 2.5 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.	2011: 11.4 times 2010: 8.0 times 2009: 6.0 times
<b>Non-Financial KPIs</b>	<b>Description</b>	<b>Group</b>
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.	2011: 4.7% 2010: 5.3% 2009: 5.5%
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.	2011: 4.3% 2010: 3.1% 2009: 3.3%
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.	2011: 1.50 kWh/m <sup>2</sup> 2010: 1.53 kWh/m <sup>2</sup> 2009: 1.61 kWh/m <sup>2</sup>
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.	2011: 5.74 kWh/kg 2010: 5.16 kWh/kg 2009: 5.68 kWh/kg

## 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, risks are categorised across four key areas: Financial, operational, organisational and external. For each key risk, each business reviews the likelihood of its occurrence, its potential effect on 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:

Risk Area	Description	Potential impact	Mitigation
Finance	Interest rates — exposure to market rate.	Increased borrowing costs.	Hedging policy <i>See 'Hedging' above/page 19.</i>
	Foreign exchange — exposure to market rates.	Unexpected impact on material or investment cost.	Use of forward contracts <i>See 'Hedging' above/page 19.</i>
	Funding — lack of available funds.	Inability to pursue capital expenditure or provide sufficient working capital.	Debt capacity <i>See 'future funding' above/page 19.</i>
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.



## Finance Review continued



Rug supplied by Colin Campbell at Olympic Village, Vancouver.



### Business risk

This 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.

### Summary

The past year has been one in which Victoria has seen continued tough market conditions.

The Group has remained focused on profitability, cost control and tight working capital management. The Group is well invested with "state of the art" manufacturing equipment and facilities and has strengthened its financial position whilst continuing to invest in product and programmes aimed at delivering future growth.

**Ian Davies**

Group Finance Director  
14 June 2011





New solution dyed nylon contract range.

## 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.

■

#### Key

▲ Audit Committee

■ Nominations Committee

◆ Remuneration Committee





## **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.



## **PETER JENSEN**

**Senior Independent Non-executive Director**

Appointed to the Board on 1 September 2010.

Peter spent 20 years with SmithKline Beecham Plc in a variety of senior management positions including the role of President of Worldwide Supply Operations and Chairman of Consumer Healthcare Europe.

Peter has held a number of Non-executive roles, including: Genetix Group Plc; Celsis International Plc; Domino Printing Sciences Plc and Glenmorangie Plc.



## **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.

## **ADVISERS**

### **SOLICITORS**

Wragge & Co LLP  
55 Colmore Row  
Birmingham  
B3 2AS

### **STOCKBROKER**

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

### **REGISTRARS**

Capita Registrars Ltd  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### **HONORARY PRESIDENT**

G S F Anton

### **COMPANY SECRETARY**

Terry Danks

### **PUBLIC RELATIONS**

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

### **AUDITOR**

Deloitte LLP  
Four Brindleyplace  
Birmingham  
B1 2HZ

### **BANKERS**

Barclays Bank PLC  
P.O. Box 3333  
1 Snow Hill  
Queensway  
Birmingham  
B3 2WN

### **COMPANY REGISTERED NUMBER**

282204

### **REGISTERED OFFICE**

Worcester Road  
Kidderminster  
Worcestershire  
DY10 1JR

## Senior Management Team

### UNITED KINGDOM



#### 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.



#### 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, which 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.



#### 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.



#### 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



#### 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.



## AUSTRALIA

**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.

**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.

**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

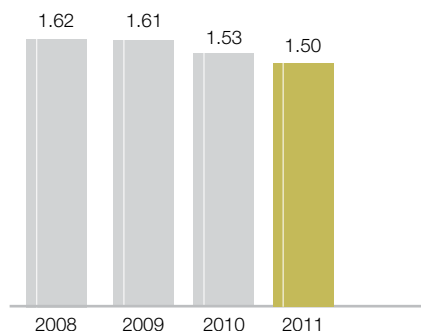
**CHRIS DRAGAN****President — Colin Campbell & Sons**

Chris joined Campbell in May 2009 as Vice President Finance & General Manager, becoming President of the company in 2010. Chris spent the previous three years managing the finance function of a property development company in Vancouver and prior to that, he held supervisory positions with KPMG in the Vancouver and Cayman Islands offices. He is a chartered accountant.

## Corporate Social Responsibility

### ENERGY CONSUMPTION PER SQUARE METRE OF CARPET MANUFACTURED

kWh per square metre of carpet



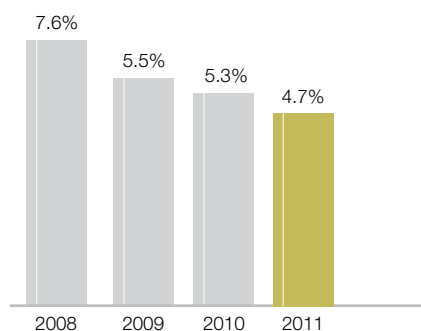
Victoria is committed to good practice and ethical behaviour and we fully recognise our responsibilities to all of our stakeholders. Our social, ethical and environmental policies are regularly reviewed and improved upon where possible and appropriate.

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.

Summaries of key policies are as follows:

### VOLUNTARY EMPLOYEE TURNOVER

Employee resignations as a % of total employees



### 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.

### Family-friendly employment policies

As part of our intention that Victoria is seen as an employer of choice; within the UK, we have adopted 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.

### Training

The Group recognises the importance of employee development and acknowledges the indirect impact this investment has on customer facing service and product.

Our aim remains consistently to ensure continued focus of energies on the creation of an organisation which realises the benefits to be gained by internal development of our most precious commodity: Our people.

Victoria continues to provide development training in all vocational disciplines and we continually review our training schedule as the operational environment and customer demand develops.

Westwood Yarns was awarded the "Training Company of the Year" in both 2009 and 2010 by The Huddersfield Textile Centre of Excellence in recognition of its commitment to training and development of its employees.

Across our three sites in Australia, employees have undertaken training in a variety of courses including:

- Front Line Management
- Materials handling and ergonomics
- Textile Manufacturing
- Apprenticeships in Mechanical Engineering (textiles)
- Sustainability

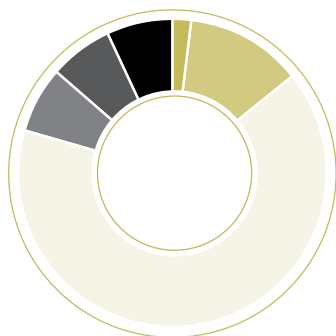
### Health & Safety

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 (OH&S) ranks equally with all other Group objectives, such as production, quality and the environment, and is integrated into the fabric of our business system.

In the UK, the Group continues to control its activities in line with the principles of BSI 18001:2007. Legislative compliance is not enough and the Group continues to push towards best practice in its quest for excellence, generating a positive OH&S performance. Continual improvement

### RESOURCES BY DEPARTMENT

March 2011



Directors	13
Sales and Marketing	81
Production	424
Logistics	46
Maintenance	42
Finance, IT and Administration	45

in OH&S, the provision of resources to facilitate this continuum and making safety everyone's business is at the heart of our intent.

Training and the generation of a 'learning organisation' culture is now gaining gravitas, with evidence of tangible benefit already being seen at the operational level.

The integration of our OH&S management system into the mapped business processes is now being driven forward. The promotion of a business model that includes, at its heart, the requirement for safe practice in all that we do is pivotal to our philosophy. Customer demand and expectation sits at the core of all we do and remains the focus for design of our business processes across the full sales, marketing, distribution and operational spectrum. Occupational Health and Safety ranks equally with all other Group objectives such as production, quality and the environment.

### 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.

### 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 endeavours 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 in which we operate.

### Environment

We take our responsibilities to the environment seriously and are committed to establishing our genuine green credentials amongst our shareholders and customer base.

The focus on environmental and sustainable business practices continues to escalate and the Australian operation is being proactive to ensure Victoria has the necessary resources and skills to meet the challenges ahead. ISO 14001 accreditation is the cornerstone of Victoria's environmental program and initiatives instigated from the ISO principles have seen improvements in waste reduction, efficiency and resource usage.

In recognising the growing importance of Environmental and Sustainability practices across the Australian operations an Environmental Management position has been appointed to drive initiatives to continuously improve our environmental impact.

The waste and cardboard recycling programme of SDN yarns at the Dandenong carpet factory has reduced landfill by 2,200m<sup>3</sup> per annum.

The finishing line water reclamation project is near completion and will achieve the targeted reductions in prescribed waste.

We are currently in consultation with a local manufacturer to recycle carpet scrap into industrial sheeting that will further reduce landfill by an estimated 350 tonnes per annum.

We are working with a local manufacturer to use waste stretchwrap as a raw material that is completely recycled to produce new stretchwrap that will be purchased back at reduced costs: An excellent example of closed-loop sustainability. This will further reduce landfill by an estimated 200 tonnes per annum.

The tank-farm bunding project at Dandenong is completed and will prevent storm water contamination in the event of a latex spill.

A take-back programme to recycle carpet tiles is in development stage. This will allow Victoria to attain the ratings in the Environmental Certification Scheme that are required by Australian Green Building Council in the commercial market segment.

Energy efficiency is a foremost issue throughout the Group, not only as a target for reducing costs but equally as an environmental issue. The Group is continually looking at methods to reduce heating and lighting costs and in making improvements to our production processes in order to further reduce our total energy consumption.

## Corporate Social Responsibility continued



In the UK, we have identified areas within our factory where we have been able to conserve heat and energy simply by closing off various internal and external doors, with no impact to our operation. We are also continuing with the replacement of 500W factory lights with more efficient 100W low-energy ones which provide the same light output.

In addition to recycling all cardboard, plastic and most electrical and metal waste, all backing line waste and changeover waste is now recycled into carpet underlay, saving approximately 100 tonnes per year of landfill. We have also been able to save an anticipated 20 tonnes per year of Yarn waste in our Tufting manufacture, a reduction of 25%.

The Company continues to be eligible for the Climate Change Levy (CCL) rebate scheme. The Company has also been required to register for the new Climate Reduction Commitment (CRC), but Goup 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 (CCA's) already in place in the form of their CCL rebate schemes means that, now registration for the CRC is complete, we are able to continue to concentrate our efforts on carbon reduction through the CCL rebate scheme. We continue to implement energy saving ideas both in the factory and in the engineering of our

product specifications to reduce energy usage, and several initiatives are currently underway.

Video conferencing is used on a regular basis between the Group's sites located across the World to promote communication between our companies and to avoid unnecessary travel.

Nature's Carpet® is Victoria's response to increasing consumer demand for biodegradable ultra low toxicity products. The range includes Tufted and traditional woven Wilton carpet, carpet tiles and a wool underlay, all of which meet the high standards demanded by both the environmental movement and by individuals with high sensitivity to chemical toxins. Nature's Carpet® is currently sold throughout North America & Canada through retail flooring stores and green building centres and has been trialled exclusively in the UK for the past 6 months with John Lewis. Nature's Carpet should also soon be available throughout the UK.

### Charitable and political contributions

Victoria encourages employee involvement in charitable causes. In the UK, Victoria promotes a Give As You Earn scheme where employees can make regular donations through payroll to registered charities such as Dr Barnardos, Save the Children Fund, Midlands Society for the Blind and the Furnishing Industry Trust (FIT), one of the major carpet

industry charities which supports needy retired employees within the trade.

As well as giving through payroll, employees throughout the Group regularly support other charities by holding various "event" days. At Christmas, employees can elect to donate to local charities rather than sending Christmas cards within the Company. The Company also supports employees who take part in sponsored activities on behalf of local.

There were no contributions to political organisations during the financial year ended 2 April 2011 (2010: £Nil).

### 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:

- In December 2010, through various charity fund raising events held throughout the year against fellow carpet firms, more than £1,200 was raised to pay for toys for pupils of a special needs school within the Kidderminster area. Previous funds have also been raised for the Midlands Air Ambulance and the Millbrook Suite.
- 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 sixth season are playing in the Premier Division of the Birmingham League.

Many of the young players go on to play County Cricket, including England cricketer, Steve Davies, who started his career playing for Victoria Carpets and Kidderminster Victoria as a youngster.



## Directors' Report

The Directors present their report and the audited accounts for the Group for the financial year ended 2 April 2011.

### Principal activities and business review

The Group's principal activities are the manufacture and sale of carpets and carpet yarns. A review of the business during the financial year and its future development is included in the Chairman's Statement and the Business Review on pages 8 to 22. Details of the Company's 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 42 to 73.

	£000
Profit attributable to shareholders	1,209
Total dividend paid in the financial year	583
Retained profit	626

The Directors recommend the payment of a final dividend for the financial year ended 2 April 2011 of 6 pence per Ordinary Share on Thursday, 11 August 2011 to members on the Register at the close of business on Friday, 24 June 2011, with the ex-dividend date being Wednesday, 22 June 2011.

### Fixed assets

Movements in fixed assets are shown in notes 10 to 13 to the financial statements.

### Financial instruments

The financial risk management objectives and policies of the Group and its exposure to credit, liquidity and market risks in relation to financial instruments are set out in note 25 to the accounts.

### Directors and their interests

Those persons who were the Directors of the Company at any point during the year are listed on pages 24 and 25 together with the continuing Directors' biographical details, and their interests in the shares of the Company are shown in the Directors' Remuneration Report on page 39.

In accordance with the Company's Articles of Association, the Director retiring by rotation at the 2011 Annual General Meeting is Ian Davies, who, being eligible, offers himself for re-election pursuant to Article 86. Also, since he was appointed after the date of the 2010 Annual General Meeting, Peter Jensen offers himself for election pursuant to Article 81. 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 37 to 39. 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 2 April 2011 there were in issue 6,943,556 (2010: 6,943,556) fully paid ordinary shares of 25 pence each.

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 2010 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 2011 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 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. his 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 2011 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.

## Directors' Report continued

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 the person (whether or not he was the person to whom the section 793 notice was addressed) registered as holder of the 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 39), at 14 June 2011 (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:

Fortress Finance Investment Inc	13.68%
G S F Anton	7.50%
C G F Anton	4.65%
J R D Anton	4.03%
Small Companies Dividend Trust	3.96%
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 2 April 2011 represented 50 days' purchases from suppliers (2010: 58 days).

### Charitable and political contributions

The total charitable contributions made by the Group during the year amounted to £2,527 (2010: £3,423), principally to local charities serving the communities in which the Group operates. There were no political contributions. (2010: £nil)

### Taxation status

The Directors are advised 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

The Group made the decision in May 2011 to close the Irish trading entity as commented on in detail within the Group Managing Director's Review.

### 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 information of which would be needed by the Auditor in connection with preparing its audit report of which the Auditor was unaware; and

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

The above is in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

Notice of the 2011 Annual General Meeting to be held on 2 August 2011, together with a description of the business to be discussed at the AGM, is set out in the accompanying Circular. Most of the proposed resolutions 1 to 7 and 9 to 12 relate to standard matters that are dealt with at every AGM. Resolution 8 relates to the adoption of a proposed Performance Share Plan, to be known as the Victoria PLC 2011 Performance Share Plan (PSP).

By Order of the Board



**Terry A Danks**

Secretary  
14 June 2011

## 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 Company is governed by English law and its Articles of Association. A General Meeting of shareholders must resolve upon any amendment to the Articles of Association by three quarters of the votes cast.

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. A new Non-executive Director, Peter Jensen, was appointed in the year using an external search consultancy. It currently consists of three Executive and two Non-executive Directors, with Peter Jensen nominated as Senior Independent Director. A list of the individual Directors and their biographies and other significant commitments are set out on pages 24 and 25.

The Board meets monthly throughout the year. A formal schedule of matters reserved for the decision of the Board covers key areas of the Group's affairs.

The Board's primary role is to set the strategic direction of the Group as a whole, leaving day-to-day operational matters delegated to the two Executive boards which meet monthly: one for the UK and Ireland and one for 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 9 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.

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.

### 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 reviewed the independence of each of Nikki Beckett and Peter Jensen who served during the year as Non-executive Directors. After careful consideration, the Board determined that both Nikki Beckett and Peter Jensen had demonstrated the required degree of independence, both in character and judgement, taking into account all the relevant circumstances.

### 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 Ian Davies will be submitting himself for re-election at the 2011 Annual General Meeting (AGM).

In addition, Peter Jensen, having been appointed by the Board in September 2010, will also be submitting himself for election at the 2011 AGM.

### Attendance at Board and Committee Meetings

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

	Board (9)	Audit Committee (2)	Nominations Committee (3)	Remuneration Committee (3)
Nikki Beckett	9	2	3	3
Peter Jensen				
<i>(Appointed to the Board 01/09/2010)</i>	5/5*	0/0	0/0	3
Alan Bullock	8	0	3	2
Ian Davies	9	—	2	—
Barry Poynter	9	0	—	3

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

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

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



All of the Executive Directors' service contracts and the letters of appointment for the Non-executive Directors are available for inspection during normal business hours at the Company's registered office address and will also be available for inspect at the 2011 Annual General Meeting.

### Internal Control

Paragraph C.2 of the Combined Code states the principle: "The Board should maintain a sound system of internal control to safeguard Shareholders' investment and the Company's assets". Information on the power of the Company's Directors, including in particular any powers in relation to the issuing or buying back by the Company of its shares is detailed in the Directors' Report on pages 31 and 32.

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 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's current size and complexity.

### Audit Committee

Chaired by:	Nikki Beckett
Other members:	Peter Jensen Alan Bullock Barry Poynter

The Audit Committee is appointed by the Board on the recommendation of the Nominations Committee, where possible from amongst the Non-executive Directors of the Group. 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 twice 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. The full terms of reference for the Audit Committee can be found on the Company's website: [www.victoriapl.com](http://www.victoriapl.com).

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 56. 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.

## Corporate Governance Statement continued

### Nominations Committee

Chaired by:	Nikki Beckett
Other members:	Peter Jensen Alan Bullock 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. For full details of the Committee's terms of reference, please visit the Company's website: [www.victoriapl.com](http://www.victoriapl.com).

The Committee met three times during this financial year.

### Remuneration Committee

Chaired by:	Peter Jensen
Other members:	Nikki Beckett Alan Bullock Barry Poynter

The Directors' Remuneration report on pages 37 to 39 includes details of the composition and policy of the Remuneration Committee and how it has contributed to the Board's compliance with the Code of Best Practice. No Director is involved in setting his/her own remuneration.

### 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. (Details of substantial shareholders are set out in the Directors' Report on page 32.)

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 provision set out therein with the following exceptions:

- A.4.1: This paragraph recommends that a majority of the members of the Nominations Committee should be independent Non-executive Directors. As stated above, the Committee currently comprises two independent Non-executive Directors, Nikki Beckett and Peter Jensen, and two Executive Directors, Alan Bullock and Ian Davies. The Board considers the Nominations Committee to be appropriate given the size and operation of the Group.
- A6: 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.

By Order of the Board



**Terry A Danks**

Secretary  
14 June 2011

## 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 38.

### Unaudited information Remuneration Committee

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

Peter Jensen (Chairman)  
(appointed 01/09/10)  
Nikki Beckett (Chairman until 31/08/10)  
Alan Bullock  
Barry Poynter

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 three times, with each member attending the meeting(s) they were eligible to attend, with the exception of Alan Bullock who was only able to attend two out of the three meetings.

The Committee received material assistance from advice given by the Non-executive Directors of the Company's Australian subsidiary: Michael Oakley and Michael Davies.

Terms of Reference for the Committee can be found on the Company's website: [www.victoriapl.com](http://www.victoriapl.com).

### Directors' Remuneration Policy

The Directors' remuneration policy for the year ended 2 April 2011 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 car allowance and, in the UK, private health-care 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.

For the financial year ended 2 April 2011, Directors' bonuses were awarded, at the discretion of the Remuneration Committee, in the range of 0 – 25% of basic salary. Bonuses are not pensionable.

### Long-term incentive plan (LTIP)

The Group introduced the Victoria PLC 2008 Long Term Incentive Plan 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 Victoria PLC 2008 Long Term Incentive Plan (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 executive 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), (see note 8), 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. There will be no re-testing 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.

### 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 twelve 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:

## Directors' Remuneration Report continued

### Nikki Beckett

The services of Nikki 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 twelve months and subsequently amended by a further letter dated 29 January 2010 on taking on the role of Chairman. The appointment has since been renewed for a further 12 month period. The contract does not include any provision for early termination.

### Peter Jensen

The services of Peter Jensen as Non-executive Director are provided under a contractual letter of continuing appointment dated 28 July 2010, with the appointment commencing with effect from 1 September 2010. The contract does not include any provision for early termination.

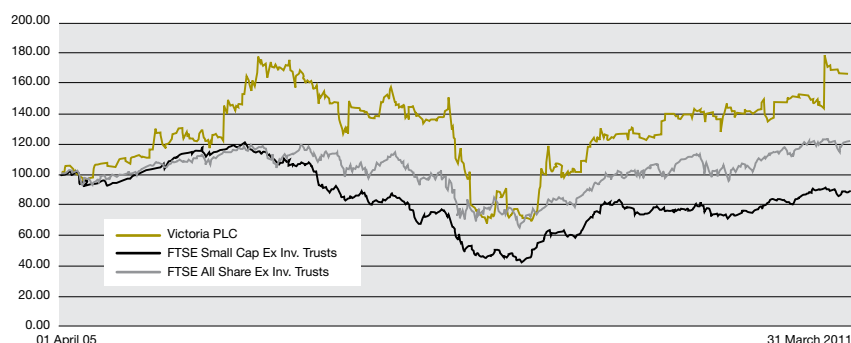
### Executive Directors

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

Director	Date of contract	Notice period from the Company	
		Under normal circumstances	Following a change of control
Alan Bullock	25 February 1997	12 months	24 months
Ian Davies	19 March 2007	12 months	24 months
Barry 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 total shareholder return for the five year period to 1 April 2011 of 166.5% compares to the total returns provided by the FTSE Small Cap Ex Inv. Trusts Index of 87.9% and by the FTSE All Share Ex Inv. Trusts Index of 119.9%.

### Audited Information

#### Directors' emoluments and pensions

The emoluments of all Directors for the financial year ended 2 April 2011 were:

	Salary/Fees £000	Benefits in kind £000	Bonus £000	Total 2011 £000	Total 2010 £000
<b>Executive</b>					
Alan Bullock	130	19	43	192	145
Ian Davies	130	22	33	185	151
Barry Poynter	238	26	76	340	240
<b>Non-executive</b>					
Nikki Beckett	60	—	—	60	36
Peter Jensen	20	—	—	20	—
Alexander Anton <i>(Resigned 28 January 2010)</i>	—	—	—	—	52
	578	67	—	797	624

Each Director served for the full year with the exception of Peter Jensen whose service commenced on 1 September 2010.



### Directors' interests

The Directors of the Company who held office at 2 April 2011 had the following interests in the Ordinary Shares of the Company:

	2 April 2011		3 April 2010	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Alan Bullock	28,750	—	28,750	—
Nikki Beckett	29,200	—	29,200	—
Ian Davies	13,500	—	13,500	—
Peter Jensen	—	—	—	—
Barry 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 2011 (being the last practicable date before production of this report).

### Share options

	At 3 April 2010	Granted in period	Market price on issue (p)	Earliest date of exercise	Lapsed	Exercised in period	At 2 April 2011
<b>Victoria PLC 2008 Long Term Incentive Plan</b>							
Alan Bullock	199,514	36,017	236.0	28/07/2012	100,000	—	135,351
Ian Davies	152,570	27,542	236.0	28/07/2012	76,471	—	103,641
Barry Poynter	201,973	49,460	236.0	28/07/2012	94,158	—	157,275
Terry Danks	76,863	13,427	236.0	28/07/2012	39,765	—	50,525
Shaun Lewis	70,268	12,275	236.0	28/07/2012	36,535	—	46,190
Neil Glover	67,458	11,784	236.0	28/07/2012	34,899	—	44,343
Trevor Chippendale	72,024	12,569	236.0	28/07/2012	37,261	—	47,332
Anne Seymour	113,214	27,771	236.0	28/07/2012	56,393	—	84,592
Sean Kelly	80,281	15,347	236.0	28/07/2012	37,528	—	58,100

The options granted in the period were conditional upon the 2009 options lapsing. The performance conditions in respect of the 2009 options were not satisfied and these options are shown in the "Lapsed" column. The total shown at 2 April 2011 represents the effective balance of share options carried forward.

### Directors' pension entitlements

Three Directors were members of money purchase schemes.

Contributions paid by the Group in respect of such schemes were:

	2011 £000	2010 £000
Alan Bullock	70	70
Ian Davies	19	19
Barry Poynter	21	18
	110	107

On behalf of the Board



**Peter Jensen**

Chairman of Remuneration Committee  
14 June 2011

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors are required to prepare the Group accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under the IFRSs as adopted by the EU. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these accounts, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's and Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence 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 accounts may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- The accounts, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company and the undertakings included in the consolidation taken as a whole; and
- The management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Group and Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Alan R Bullock**  
Group Managing  
Director  
14 June 2011



**Ian G Davies**  
Group Finance  
Director  
14 June 2011

## Independent Auditor's Report to the Members of Victoria Plc

We have audited the accounts of Victoria PLC for the 52 week period ended 2 April 2011 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 Statements of Cashflows 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 and, as regards the parent company accounts, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the accounts give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 April 2011 and of the Group's profit for the 52 week period then ended;
- the Group accounts have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company accounts have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group accounts, 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 accounts are prepared is consistent with the accounts.

### 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 accounts 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 the Financial Review in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



### Jane Whitlock (Senior Statutory Auditor)

for and on behalf of Deloitte LLP  
Chartered Accountants and  
Statutory Auditor  
Birmingham, United Kingdom  
14 June 2011

## Consolidated Income Statement

For the 52 weeks ended 2 April 2011

	Notes	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
<b>Continuing operations</b>			
<b>Revenue</b>	1,2	<b>70,503</b>	62,973
Cost of sales		<b>(50,611)</b>	(45,107)
<b>Gross profit</b>		<b>19,892</b>	17,866
Distribution costs		<b>(13,615)</b>	(12,837)
Administrative expenses		<b>(4,337)</b>	(3,611)
Other operating income		<b>478</b>	362
<b>Operating profit</b>	1	<b>2,418</b>	1,780
Share of results of associated company		<b>(22)</b>	(127)
Finance costs	3	<b>(472)</b>	(565)
<b>Profit before tax</b>	1,4	<b>1,924</b>	1,088
Taxation	6	<b>(715)</b>	(460)
<b>Profit for the period</b>		<b>1,209</b>	628
Attributable to:			
Equity holders of the parent		<b>1,209</b>	628
Earnings per share — pence			
basic	8	<b>17.41</b>	9.04
diluted	8	<b>15.76</b>	7.87



## Consolidated Statement of Comprehensive Income

For the 52 weeks ended 2 April 2011

	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
Exchange differences on translation of foreign operations	1,733	4,509
Deferred tax on share option scheme	18	11
<b>Other comprehensive income for the period</b>	<b>1,751</b>	<b>4,520</b>
<b>Profit for the period</b>	<b>1,209</b>	<b>628</b>
<b>Total comprehensive income for the period</b>	<b>2,960</b>	<b>5,148</b>
Attributable to:		
Equity holders of the parent	2,960	5,148

## Company Statement of Comprehensive Income

For the 52 weeks ended 2 April 2011

	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
Deferred tax on share option scheme	18	11
<b>Other comprehensive income for the period</b>	<b>18</b>	<b>11</b>
<b>Profit for the period</b>	<b>443</b>	<b>685</b>
<b>Total comprehensive income for the period</b>	<b>461</b>	<b>696</b>
Attributable to:		
Equity holders of the parent	461	696

## Consolidated and Company Balance Sheets


As at 2 April 2011

	Notes	Group		Company	
		2 April	3 April	2 April	3 April
		2011	2010	2011	2010
		£000	£000	£000	£000
<b>Non-current assets</b>					
Goodwill	10	—	65	—	—
Other intangible assets	11	389	422	—	—
Property, plant and equipment	12	26,537	27,459	5,078	5,147
Investment property	13	180	180	180	180
Investment in subsidiary undertakings	13	—	—	3,321	3,321
Investment in associated company	13	487	510	56	56
Deferred tax asset	18	853	1,530	—	45
<b>Total non-current assets</b>		<b>28,446</b>	<b>30,166</b>	<b>8,635</b>	<b>8,749</b>
<b>Current assets</b>					
Inventories	14	22,902	20,686	—	—
Trade and other receivables	15	11,821	10,244	4,958	5,083
Cash at bank and in hand		1,626	906	—	—
<b>Total current assets</b>		<b>36,349</b>	<b>31,836</b>	<b>4,958</b>	<b>5,083</b>
<b>Total assets</b>		<b>64,795</b>	<b>62,002</b>	<b>13,593</b>	<b>13,832</b>
<b>Current liabilities</b>					
Trade and other payables	16	12,442	10,411	141	108
Current tax liabilities		613	1,153	—	—
Other financial liabilities	17	6,360	5,145	3,707	3,801
<b>Total current liabilities</b>		<b>19,415</b>	<b>16,709</b>	<b>3,848</b>	<b>3,909</b>
<b>Non-current liabilities</b>					
Trade and other payables	16	2,611	2,374	—	—
Other financial liabilities	17	1,497	2,952	—	—
Deferred tax liabilities	18	1,510	2,712	978	1,121
<b>Total non-current liabilities</b>		<b>5,618</b>	<b>8,038</b>	<b>978</b>	<b>1,121</b>
<b>Total liabilities</b>		<b>25,033</b>	<b>24,747</b>	<b>4,826</b>	<b>5,030</b>
<b>Net assets</b>		<b>39,762</b>	<b>37,255</b>	<b>8,767</b>	<b>8,802</b>
<b>Equity</b>					
Share capital	19	1,736	1,736	1,736	1,736
Share premium	20	829	829	829	829
Retained earnings	20	37,067	34,690	6,115	6,237
Share-based payment reserve	20	130	—	87	—
<b>Total equity</b>		<b>39,762</b>	<b>37,255</b>	<b>8,767</b>	<b>8,802</b>

Company Registered Number (England &amp; Wales) 282204

The financial statements on pages 42 to 73 were approved by the Board of Directors and authorised for issue on 14 June 2011.

They were signed on its behalf by:



**Nikki Beckett**

Director

**Ian Davies**

Director

## Consolidated Statement of Changes in Equity

For the 52 weeks ended 2 April 2011

	Share capital £000	Share premium £000	Retained earnings £000	Share-based payment reserve £000	Total equity £000
At 4 April 2010	1,736	829	34,690	—	37,255
Total comprehensive income for the period	—	—	2,960	—	2,960
Dividends paid	—	—	(583)	—	(583)
Transfer from accruals	—	—	—	73	73
Share-based payment charge	—	—	—	57	57
<b>At 2 April 2011</b>	<b>1,736</b>	<b>829</b>	<b>37,067</b>	<b>130</b>	<b>39,762</b>
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

## Company Statement of Changes in Equity

For the 52 weeks ended 2 April 2011

	Share capital £000	Share premium £000	Retained earnings £000	Share-based payment reserve £000	Total equity £000
At 4 April 2010	1,736	829	6,237	—	8,802
Total comprehensive income for the period	—	—	461	—	461
Dividends paid	—	—	(583)	—	(583)
Transfer from accruals	—	—	—	73	73
Share-based payment charge	—	—	—	14	14
<b>At 2 April 2011</b>	<b>1,736</b>	<b>829</b>	<b>6,115</b>	<b>87</b>	<b>8,767</b>
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

## Consolidated and Company Statements of Cash Flows

For the 52 weeks ended 2 April 2011

		Group		Company	
		52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
Notes					
<b>Net cash inflow from operating activities</b>	22	<b>2,505</b>	6,629	<b>644</b>	729
<b>Investing activities</b>					
Purchases of property, plant and equipment		(948)	(384)	—	—
Proceeds on disposal of property, plant and equipment		62	39	—	—
<b>Net cash used in investing activities</b>		<b>(886)</b>	(345)	—	—
<b>Financing activities</b>					
Decrease in long term loans		(971)	(4,971)	—	—
Receipts from financing of assets		202	125	—	—
Repayment of obligations under finance leases/HP		(725)	(722)	—	—
Dividends paid		(583)	(459)	(583)	(459)
<b>Net cash used in financing activities</b>		<b>(2,077)</b>	(6,027)	<b>(583)</b>	(459)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(458)</b>	257	<b>61</b>	270
<b>Cash and cash equivalents at beginning of period</b>		<b>(3,474)</b>	(3,785)	<b>(3,750)</b>	(4,020)
Effect of foreign exchange rate changes		66	54	—	—
<b>Cash and cash equivalents at end of period</b>	23	<b>(3,866)</b>	(3,474)	<b>(3,689)</b>	(3,750)



## 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 IAS39. Land and buildings were professionally valued at 4 April 2004 and this 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 Finance Review on page 19 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 continued

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.

The investment properties are valued on an historical cost basis, having been professionally valued at 4 April 2004 on adoption of IFRS, which is considered to be the deemed cost.

### 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.

## 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.

## Significant Accounting Policies continued

### Taxation continued

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 and development 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.

### Impairment of tangible and intangible assets excluding Goodwill

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

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

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

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

### Inventories

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

### 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.

## Significant Accounting Policies continued

### 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.

IFRS 3 (revised) 'Business Combinations' focuses on what is given to the vendor as consideration on acquisition, rather than what is spent on achieving the acquisition. It also focuses on changes in control as a significant economic event and places greater emphasis on the use of fair value. The main impact of the revisions to the Group's Financial Statements are that of expensing acquisition costs and not being able to adjust goodwill after the measurement date for changes in the fair value of any contingent consideration.

IAS 27 (revised) 'Consolidated and Separate Financial Statements' focuses on the accounting for non-controlling interests and the loss of control of 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 7 (amended) 'Financial Instruments: Disclosures'
- IFRS 9 'Financial Instruments'
- IAS 12 (amended) 'Income Taxes'
- IAS 24 (amended) 'Related Party Disclosures'
- IAS 32 (amended) 'Classification of Rights Issues'
- IFRIC 14 (amended) 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

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.

## Notes to the Accounts

### 1 Segmental information

For management purposes, the Group is organised into four operating divisions according to the geographical areas where they are managed. These divisions form the basis on which the Group reports its primary segment information, plus the Canadian associate. The three segments are UK, Ireland and 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 2 April 2011				For the 52 weeks ended 3 April 2010			
	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	25,040	397	(94)	303	22,974	319	(78)	241
Ireland	2,448	(675)	(13)	(688)	3,265	(517)	(6)	(523)
Australia	43,015	3,526	(264)	3,262	36,734	2,537	(342)	2,195
	70,503	3,248	(371)	2,877	62,973	2,339	(426)	1,913
Share of Canadian associate				(22)				(127)
Unallocated central expenses		(765)	(101)	(866)		(559)	(139)	(698)
Goodwill impairment		(65)		(65)				
Total continuing operations	70,503	2,418	(472)	1,924	62,973	1,780	(565)	1,088
Tax				(715)				(460)
Profit after tax from continuing activities				1,209				628

\* The share of results of the associated company is shown net of tax as required by IAS1.

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

#### Balance Sheet

	As at 2 April 2011		As at 3 April 2010	
	Segment assets £000	Segment liabilities £000	Segment assets £000	Segment liabilities £000
UK	24,589	6,989	24,541	6,649
Ireland	1,161	876	1,629	618
Australia	38,286	12,259	35,087	12,453
Investment in associated company	487	—	510	—
Unallocated central assets/liabilities	272	4,909	235	5,027
	64,795	25,033	62,002	24,747

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



## 1 Segmental information continued

### Other segmental information

	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
<b>Depreciation and amortisation</b>		
UK	820	874
Ireland	38	40
Australia	2,030	1,830
Goodwill impairment	65	—
Unallocated central	9	9
	<b>2,962</b>	<b>2,753</b>

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

	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
<b>Capital expenditure</b>		
UK	182	87
Australia	766	297
	<b>948</b>	<b>384</b>

### 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 2 April 2011 £000	52 weeks ended 3 April 2010 £000
<b>Continuing operations</b>		
Sale of goods	70,503	62,973
Other operating income	478	362
	<b>70,981</b>	<b>63,335</b>

## 3 Finance costs

	52 weeks ended 2 April 2011 £000	52 weeks ended 3 April 2010 £000
Interest on loans and overdrafts wholly repayable within five years	409	436
Movement in fair value of interest rate swap	(33)	16
Hire purchase and finance lease interest	96	113
	<b>472</b>	<b>565</b>

## Notes to the Accounts continued

### 4 Profit on ordinary activities before taxation

	2011 £000	2010 £000
After charging/(crediting)		
Net foreign exchange (gains)/losses	(207)	(253)
Depreciation of property, plant and equipment	2,865	2,720
Amortisation of intangible assets	32	33
Impairment of goodwill	65	—
Staff costs (see note 5)	19,869	18,233
Cost of inventories recognised as an expense	50,611	45,107
Loss / (profit) on sale of fixed assets	13	(10)
Government grants (see note 24)	(447)	(277)
Other operating lease rentals	557	625
Auditor's remuneration:		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	26	26
The audit of the Company's subsidiaries pursuant to legislation	73	61
Total audit fees	99	87
Other services pursuant to legislation	6	14
Tax services	13	13
Total non-audit fees	19	27

### 5 Staff Costs

	2011 £000	2010 £000
Wages and salaries	17,313	15,868
Share based payment	57	33
Social security costs	1,216	1,150
Other pension costs	1,283	1,215
	19,869	18,266

Average number employed (including executive directors of subsidiaries)

	2011	2010
Directors	12	12
Sales and Marketing	76	81
Production	435	442
Logistics	45	44
Maintenance	40	37
Finance, IT and Administration	39	38
	647	654

#### 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 £1,283,000 (2010: £1,215,000), of which £381,000 (2010: £365,000) relates to the UK schemes. The total contributions outstanding at year end was £nil (2010: £56,000).

## 6 Tax

	2011 £000	2010 £000
Current tax		
— Current year UK	—	—
— Current year overseas	1,228	762
— Adjustments in respect of prior years	(62)	7
	<b>1,166</b>	769
Deferred Tax (note 18)		
— Current year	(371)	(301)
— Adjustments in respect of prior years	36	(8)
— Effect of rate change	(116)	—
	<b>(451)</b>	(309)
Total tax	<b>715</b>	460

Corporation tax is calculated at 28 percent and 30 percent (2010: 28 percent and 30 percent) 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.

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

	2011 £000	2011 %	2010 £000	2010 %
Profit before tax				
Continuing operations	<b>1,924</b>		1,088	
Tax at the UK corporation tax rate of 28%	<b>539</b>	<b>28.0</b>	305	28.0
Tax effect of share of result of associate	<b>6</b>	<b>0.3</b>	35	3.2
Tax effect of items that are not deductible/non taxable in determining taxable profit	<b>32</b>	<b>1.7</b>	(4)	(0.3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>170</b>	<b>8.8</b>	125	11.5
Effect of change in rate	<b>(116)</b>	<b>(6.0)</b>	—	—
Tax losses not recognised for deferred tax	<b>110</b>	<b>5.7</b>	—	—
Adjustments to prior periods	<b>(26)</b>	<b>(1.3)</b>	(1)	(0.1)
Tax expense and effective tax rate for the year	<b>715</b>	<b>37.2</b>	460	42.3

## 7 Dividends

	2011 £000	2010 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 3 April 2010 paid during the period of 5.4p per share (2010: 4.0p)	<b>375</b>	278
Interim dividend for the year ended 2 April 2011 paid during the period of 3.0p per share (2010: 2.6p)	<b>208</b>	181
	<b>583</b>	459
Proposed final dividend for the year ended 2 April 2011 of 6.0p per share (2010: 5.4p)	<b>417</b>	375

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.

## Notes to the Accounts continued

### 8 Earnings per share

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

	Basic 2011 £000	Adjusted 2011 £000	Diluted 2011 £000	Basic 2010 £000	Adjusted 2010 £000	Diluted 2010 £000
Profit attributable to ordinary equity holders of the parent entity	1,209	1,209	1,209	628	628	628
Adjustment for goodwill impairment	—	65	—	—	—	—
Earnings for the purpose of basic, adjusted and diluted earnings per share	1,209	1,274	1,209	628	628	628

Weighted average number of shares

	2011 Number of shares (000)	2010 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	728	1,034
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,672	7,978

The Group's earnings per share are as follows:

	2011 pence	2010 pence
Basic adjusted	18.35	9.04
Diluted adjusted	16.61	7.87
Basic	17.41	9.04
Diluted	15.76	7.87

### 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:

	2011		2010	
	Average	Year end	Average	Year end
Australia — A\$	1.6460	1.5465	1.8881	1.6596
Ireland — €	1.1688	1.1333	1.1280	1.1289
Canada — C\$	1.5831	1.5461	1.7396	1.5420



## 10 Goodwill

	Group 2011 £000	2010 £000
At cost		
At 4 April 2009, 3 April 2010 & 2 April 2011	65	65
Accumulated impairment losses		
At 3 April 2010	—	—
Impairment losses for the year	65	—
At 2 April 2011	65	—
Net Book Value	—	65
	2011 £000	2010 £000
UK and Ireland		
Munster Carpets	—	65

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. As at 2 April 2011, an impairment provision to write off the full value of goodwill was considered necessary as a result of the planned restructuring of the Irish business in the next financial period.

## 11 Other intangible assets

	Group Total £000
<b>Cost</b>	
At 5 April 2009	666
Exchange differences	(12)
At 3 April 2010	654
At 4 April 2010	654
Exchange differences	(1)
<b>At 2 April 2011</b>	<b>653</b>
<b>Amortisation</b>	
At 5 April 2009	202
Exchange differences	(3)
Charges for the period	33
At 3 April 2010	232
At 4 April 2010	232
Exchange differences	—
Charges for the period	32
<b>At 2 April 2011</b>	<b>264</b>
<b>Net book value At 2 April 2011</b>	<b>389</b>
At 3 April 2010	422
At 4 April 2009	464

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.

## Notes to the Accounts continued

## 12 Property, plant and equipment

	Freehold land and buildings £000	Group Plant and machinery £000	Fixtures, vehicles and equipment £000	Total £000	Company Freehold land and buildings £000	Fixtures, vehicles and equipment £000	Total £000
<b>Cost</b>							
At 5 April 2009							
Cost	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
At 4 April 2010	11,348	42,204	3,080	56,632	5,493	37	5,530
Exchange differences	323	1,871	137	2,331	—	—	—
Additions	24	612	312	948	—	—	—
Disposals	—	(70)	(190)	(260)	—	—	—
<b>At 2 April 2011</b>	<b>11,695</b>	<b>44,617</b>	<b>3,339</b>	<b>59,651</b>	<b>5,493</b>	<b>37</b>	<b>5,530</b>
<b>Accumulated depreciation</b>							
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
At 4 April 2010	687	26,233	2,253	29,173	360	23	383
Exchange differences	17	1,154	89	1,260	—	—	—
Charge for the year	116	2,469	280	2,865	60	9	69
Disposals	—	(58)	(126)	(184)	—	—	—
<b>At 2 April 2011</b>	<b>820</b>	<b>29,798</b>	<b>2,496</b>	<b>33,114</b>	<b>420</b>	<b>32</b>	<b>452</b>
<b>Net Book Value</b>							
<b>At 2 April 2011</b>	<b>10,875</b>	<b>14,819</b>	<b>843</b>	<b>26,537</b>	<b>5,073</b>	<b>5</b>	<b>5,078</b>
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

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	Fixtures, vehicles and equipment £000	Total £000
Held under finance leases:			
<b>Cost at 2 April 2011</b>	<b>732</b>	<b>775</b>	<b>1,507</b>
<b>Accumulated depreciation at 2 April 2011</b>	<b>254</b>	<b>300</b>	<b>554</b>
<b>Depreciation charged in year</b>	<b>57</b>	<b>129</b>	<b>186</b>
Being acquired under hire purchase agreements:			
<b>Cost at 2 April 2011</b>	<b>2,880</b>	<b>—</b>	<b>2,880</b>
<b>Accumulated depreciation at 2 April 2011</b>	<b>995</b>	<b>—</b>	<b>995</b>
<b>Depreciation charged in year</b>	<b>128</b>	<b>—</b>	<b>128</b>

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 2011 £000	2010 £000
Contracts placed	<b>355</b>	—

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 2011 £000	2010 £000	Company 2011 £000	2010 £000
Investment property	(a)	<b>180</b>	180	<b>180</b>	180
Investment in subsidiaries	(b)	<b>—</b>	—	<b>3,321</b>	3,321
Investment in associated company	(c)	<b>487</b>	510	<b>56</b>	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. The Directors consider this to approximate to the fair value of the investment property at 2 April 2011.

## Notes to the Accounts continued

### 13 Fixed asset investments continued

#### b) Investment in subsidiaries

The investment represents shares in subsidiaries at cost.

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

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

\* Indirect shareholding.

#### c) Investment in associated company

Victoria PLC owns 50% of the common shares of Colin Campbell & Sons Limited, a carpet distributor incorporated in Canada, whose accounting period ended on 31 March 2011 (2010: 31 March).

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Cost of investment	101	101	101	101
Return of capital	(45)	(45)	(45)	(45)
Share of post-acquisition profits (retained by associated company)	431	454	—	—
	487	510	56	56

### 14 Inventories

	Group	
	2011 £000	2010 £000
Raw materials	6,658	5,311
Work-in-progress	898	1,016
Finished goods	15,346	14,359
	22,902	20,686

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	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade debtors	10,846	9,705	—	—
Amounts owed by subsidiaries	—	—	4,864	4,993
Amounts owed by associated company	210	179	88	88
Other debtors	390	1	—	—
Prepayments and accrued income	375	359	6	2
	11,821	10,244	4,958	5,083

The average credit period taken on sale of goods is 56 days (2010: 56 days). No interest is charged on past due receivables.

The above amounts are stated net of an allowance (net of VAT) of £369,000 (2010: £244,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	2011 £000	2010 £000
Opening balance at 4 April 2010	244	191
Increase in provisions	235	154
Written off against provisions	(112)	(104)
Recovered amounts	(10)	(17)
Exchange differences	12	20
Closing balance at 2 April 2011	369	244

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:

	2011 £000	2010 £000
1–30 days overdue	1,831	1,609
31–60 days overdue	251	205
> 60 days overdue	352	228
Total	2,434	2,042

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

	2011 £000	2010 £000
Current	6	—
1–30 days overdue	116	58
31–60 days overdue	112	21
> 60 days overdue	208	187
Total	442	266

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.

## Notes to the Accounts continued

### 16 Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade creditors	6,894	7,152	—	—
Amounts due to subsidiaries	—	—	4	3
Other creditors	2,612	1,292	—	73
Accruals and deferred income	2,936	1,967	137	32
	<b>12,442</b>	<b>10,411</b>	<b>141</b>	<b>108</b>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (2010: 58 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

Amounts falling due after one year:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Other creditors and deferred income	2,611	2,374	—	—
	<b>2,611</b>	<b>2,374</b>	<b>—</b>	<b>—</b>

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

### 17 Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans and overdrafts	5,492	4,380	3,689	3,750
Hire purchase and finance lease creditors	850	714	—	—
Fair value of interest rate swaps	18	51	18	51
	<b>6,360</b>	<b>5,145</b>	<b>3,707</b>	<b>3,801</b>

Amounts falling due after more than one year:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Loans — Secured commercial bills				
— between one and two years	970	—	—	—
— between two and five years	—	1,808	—	—
Hire purchase and finance lease obligations payable				
— Between one and two years	386	761	—	—
— Between two and five years	141	383	—	—
	<b>1,497</b>	<b>2,952</b>	<b>—</b>	<b>—</b>

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
— Between one and two years	970	—	—	—
— Between two and five years	—	1,808	—	—

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

## 17 Other financial liabilities continued

Bank borrowings in the United Kingdom amounting to £5.09m (2010: £4.21m) are secured by charges over a freehold property. Bank borrowings of the Australian subsidiary are secured by a mortgage on certain freehold properties and a floating charge over its assets; however, the company was in a net cash position of £0.20m at the year-end (2010: Net borrowings of £0.91m).

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 £0.36m (2010: £0.19m) was outstanding at 2 April 2011.

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 2 April 2011 and 3 April 2010. Details of operating lease arrangements for the Group are as follows:

	2011 £000	2010 £000
Minimum lease payments under operating leases recognised in income for the year.	557	625

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:

	2011 £000	2010 £000
Within one year	490	537
In the second to fifth years inclusive	656	755
After five years	—	4
	1,146	1,296

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 5 April 2009	1,608	1,105
Exchange adjustment	(106)	—
Income statement	(309)	(18)
Deferred tax on share option scheme taken to equity	(11)	(11)
At 3 April 2010	(1,182)	1,076
At 4 April 2010	1,182	1,076
Exchange adjustment	(56)	—
Income statement (Note 6)	(451)	(80)
Deferred tax on share option scheme taken to equity	(18)	(18)
At 2 April 2011	657	978

## Notes to the Accounts continued

### 18 Deferred taxation continued

The provision for deferred taxation is as follows:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Capital Allowances	1,775	2,175	662	722
Liability on recovering value through sale	513	536	370	399
Deferred grant income	(719)	(643)	—	—
Tax losses	(351)	(345)	—	—
Other timing differences	(561)	(541)	(54)	(45)
	657	1,182	978	1,076

The provision is based on taxation rates of 26% in the UK and 30% in Australia (2010: 28% and 30% respectively).

#### Effect on UK from proposed changes in the UK corporation tax rate

Legislation reducing the main rate of corporation tax from 28% to 26% with effect from 1 April 2011 was substantively enacted during the period. Accordingly, current tax has been provided for at a rate of 28% and deferred tax has been provided for at a rate of 26% in these financial statements.

Further reductions to the main rate of corporation tax of 1% per annum to 23% by 1 April 2014 have been announced by the government but have not yet been substantively enacted, so their effect has not been reflected in these financial statements.

The proposed reductions of the main rate of corporation tax from 26% to 23% by 1 April 2014 are expected to be enacted separately each year. If the deferred tax liabilities of the UK were all to reverse after 2014, the effect of the reduction from 26% to 23% would be to reduce the net deferred tax liability by £0.17m. To the extent that the net deferred tax liability reverses more quickly than this, the impact of the rate reductions on the net deferred tax liability will be reduced.

#### Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Deferred tax liabilities	1,510	2,712	978	1,121
Deferred tax assets	(853)	(1,530)	—	(45)
	657	1,182	978	1,076

### 19 Share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
6,943,556 Ordinary shares of 25p each (2010: 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

### (i) Share Premium and Retained Earnings

	52 weeks ended 3 April 2010				52 weeks ended 2 April 2011				At 2 April 2011 £000
	At 4 April 2009 £000	Income Statement £000	Dividends paid £000	Other movements £000	At 3 April 2010 £000	Income Statement £000	Dividends paid £000	Other movements £000	
<b>Group</b>									
Share Premium	829	—	—	—	829	—	—	—	829
Profit and Loss Account	29,450	628	(459)	11	29,630	1,209	(583)	18	30,274
Adjustments arising out of consolidation:									
Goodwill	(1,533)	—	—	—	(1,533)	—	—	—	(1,533)
Exchange rates	2,084	—	—	4,509	6,593	—	—	1,733	8,326
Retained earnings	30,001	628	(459)	4,520	34,690	1,209	(583)	1,751	37,067
<b>Company</b>									
Share Premium	829	—	—	—	829	—	—	—	829
Retained earnings	6,000	685	(459)	11	6,237	443	(583)	18	6,115

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £443,000. (2010: profit of £685,000) The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement.

### (ii) Share-based payment reserve

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Balance at 3 April 2010	—	—	—	—
Movement in year	57	—	14	—
Transfer from prior year accruals	73	—	73	—
<b>Balance at 2 April 2011</b>	<b>130</b>	<b>—</b>	<b>87</b>	<b>—</b>

## 21 Reconciliation of movements of shareholders' equity of Group

	2011 £000	2010 £000
Profit on ordinary activities after taxation	1,209	628
Dividends	(583)	(459)
	626	169
Exchange differences on translation of foreign operations	1,733	4,509
Share based payment reserve	130	—
Deferred tax on share options	18	11
Net addition to shareholders' funds	2,507	4,689
Opening shareholders' equity	37,255	32,566
Closing shareholders' equity	39,762	37,255



## Notes to the Accounts continued

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Operating profit from continuing operations	2,418	1,780	461	773
Adjustments for:				
— Depreciation charges	2,865	2,720	69	69
— Amortisation of intangible assets	32	33	—	—
— Goodwill impairment	65	—	—	—
— Share-based payment charge	57	—	14	—
— Loss/(profit) on disposal of property, plant and equipment	13	(10)	—	—
— Exchange rate difference on consolidation	126	219	—	—
Operating cash flows before movements in working capital	5,576	4,742	544	842
Decrease/ (increase) in working capital	(1,673)	2,852	230	10
Cash generated by operations	3,903	7,594	774	852
Interest paid	(505)	(549)	(134)	(123)
Income taxes paid	(893)	(416)	4	—
Net cash inflow from operating activities	2,505	6,629	644	729

### 23 Analysis of net debt

	At 3 April 2010 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 2 April 2011 £000
Cash	906	654	—	66	1,626
Bank loans payable less than one year and overdrafts	(4,380)	(1,112)	—	—	(5,492)
Cash and cash equivalents	(3,474)	(458)	—	66	(3,866)
Secured commercial bills					
— Payable more than one year	(1,808)	971	—	(133)	(970)
Finance leases and hire purchase agreements					
— Payable less than one year	(714)	725	(829)	(32)	(850)
— Payable more than one year	(1,144)	(202)	829	(10)	(527)
Net debt	(7,140)	1,036	—	(109)	(6,213)

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

### 24 Government Grants

During the year ended 2 April 2011, the Group's Australian operations benefited from government assistance under the SIP (Strategic Investment Programme) which was accounted for as follows:

	2011 £000	2010 £000
Deferred Income at 4 April 2010	2,144	1,282
Total grant income in the year	578	819
Less: Grants related to income (taken to income and shown as Other Operating Income)	(41)	(75)
Less: Amortisation to deferred income by release through cost of production in the year	(447)	(277)
Exchange differences	162	395
<b>Deferred income at 2 April 2011</b>	<b>2,396</b>	<b>2,144</b>
Presented in:		
Current liabilities	381	324
Non-current liabilities	2,015	1,820
<b>Deferred income at 2 April 2011</b>	<b>2,396</b>	<b>2,144</b>

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.

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'.

## Notes to the Accounts continued

### 25 Financial instruments continued

#### Market risk

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

#### a) Interest rate risk

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

#### Interest rate sensitivity

The annualised effect of a 50 basis point decrease in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £12,000. (2010: increase in post-tax profit £8,000). 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.

	Effective Interest Rate %	As at 2 April 2011				Effective Interest Rate %	As at 3 April 2010			
		Total £000	0–1 years £000	1–2 years £000	2–5 years £000		Total £000	0–1 years £000	1–2 years £000	2–5 years £000
<b>Group</b>										
Cash and equivalents	0.97	1,626	1,626	—	—	0.99	906	906	—	—
Bank overdraft and loans	2.74	(5,492)	(5,492)	—	—	2.68	(4,380)	(4,380)	—	—
Commercial bills	3.40	(970)	—	(970)	—	3.67	(1,808)	(904)	(904)	—
Finance lease and HP	6.22	(1,377)	(553)	(239)	(585)	5.65	(1,858)	(664)	(246)	(948)
	4.08	(6,213)	(4,419)	(1,209)	(585)	3.92	(7,140)	(5,042)	(1,150)	(948)
<b>Company</b>										
Bank overdrafts	2.65	(3,689)	(3,689)	—	—	2.65	(3,750)	(3,750)	—	—

#### Interest rate swaps

An interest rate swap with a nominal value of £2.00m 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 2 April 2011 was a liability of £18,030 compared to a liability of £50,574 at 3 April 2010. Net receipts or payments and movements in fair value are taken through the income statement as "finance costs".

#### Non-interest bearing liabilities

	2011 £000	2010 £000
Non-interest bearing liabilities falling due within one year	12,442	10,411

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 66% 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 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 £256,000. (2010: increase of £172,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £209,000 (2010: decrease £141,000).

The effect of a 10% strengthening of the Australian dollar against Sterling at year-end rates would have resulted in an increase to equity of £2,892,000 (2010: An increase of £2,515,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £2,366,000 (2010: A decrease of £2,058,000).

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 £79,000. (2010: decrease of £46,000). A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £64,000 (2010: increase £37,000).

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in an increase to equity of £30,000 (2010: An increase of £113,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £25,000 (2010: A decrease of £93,000).

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

	Liabilities		Assets	
	2011 £000	2010 £000	2011 £000	2010 £000
Euro	876	618	1,161	1,629
Australian dollar	12,259	12,453	38,286	35,087

### c) Trading

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

## 26 Key sources of estimation uncertainty

In applying the Group's accounting policies, appropriate estimates have been made in a number of areas and the actual outcome may vary from the position described in the Group's and Company's balance sheets at 2 April 2011. 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 (£853,000; 2010: £1,530,000)

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 Australia's ability to generate sufficient future taxable profits.

## Notes to the Accounts continued

### 26 Key sources of estimation uncertainty continued

#### Inventories (£22,902,000; 2010: £20,686,000)

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 £821,000 (2010: £930,000). During the year, provisions relating to these stocks decreased by £43,000 (2010: a decrease of £213,000).

#### 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 31.

	Number of Shares		Weighted average exercise price (p)	
	2011	2010	2011	2010
LTIP:				
At start of period	<b>1,034,166</b>	512,828	<b>149.3</b>	127.5
Granted during the period	<b>206,192</b>	521,338	<b>236.0</b>	170.8
Exercised during the period	—	—	—	—
Lapsed	<b>(512,828)</b>	—	—	—
Outstanding at end of the period	<b>727,530</b>	1,034,166	<b>189.3</b>	149.3
Exercisable at end of the period	—	—	—	—

The options outstanding at 2 April 2011 had a weighted average exercise price of 189.3p and a weighted average remaining contractual life of 2 years. In the year ended 2 April 2011, options were granted in December 2010. The aggregate of the estimated fair value of the options granted in the current financial year is £118,000. In the year ended 3 April 2010, options were granted in July 2009. The aggregate of the estimated fair values of the options granted in the prior year is £217,000.

The total stock option expense recognised in the year is £57,000 (2010: £33,000).

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:

	2011	2010
Weighted average exercise price (pence)	<b>189.3</b>	149.3
Expected volatility	<b>40.8%</b>	40.8%
Expected life	<b>5 years</b>	5 years
Risk-free interest rate	<b>2.6%</b>	2.6%
Expected dividend yields	<b>5.0%</b>	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 2 April 2011, the key management personnel, and their immediate relatives controlled 1.2% of the voting shares of the Company.

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

	Group 52 weeks 2 April 2011 £000	52 weeks 3 April 2010 £000
Short-term employee benefits	1,521	1,289
Post-employment benefits	223	237
Share based payments	57	33
	<b>1,801</b>	<b>1,559</b>

### Transactions with associated company:

	Group		Company	
	52 weeks 2 April 2011 £000	52 weeks 3 April 2010 £000	52 weeks 2 April 2011 £000	52 weeks 3 April 2010 £000
Management charges	—	88	—	88
Dividend income	—	—	—	—
Sale of goods	261	239	—	—
	<b>2 April 2011 £000</b>	<b>3 April 2010 £000</b>	<b>2 April 2011 £000</b>	<b>3 April 2010 £000</b>
Amounts due from associated undertakings	210	179	88	88

### Transactions with subsidiary undertakings:

	Company 52 weeks 2 April 2011 £000	52 weeks 3 April 2010 £000
Dividend income — The Victoria Carpet Company Pty Limited	649	722
Rental income — Victoria Carpets Limited	658	658
	<b>2 April 2011 £000</b>	<b>3 April 2010 £000</b>
Amounts due from subsidiary undertakings	4,864	4,993
Amounts due to subsidiary undertakings	4	3

## Five Year Record

	52 weeks 2 April 2011 £000	52 weeks 3 April 2010 £000	53 weeks 4 April 2009 £000	52 weeks 29 March 2008 £000	52 weeks 31 March 2007 £000	
Results of continuing operations						
Revenue	70,503	62,973	62,150	61,701	55,426	
EBITDA	5,380	4,533	4,639	6,521	5,638	
Depreciation and amortisation	(2,962)	(2,753)	(2,411)	(2,327)	(2,253)	
EBIT	2,418	1,780	2,228	4,194	3,385	
Share of results of associated company	(22)	(127)	2	78	104	
Finance costs	(472)	(565)	(768)	(763)	(727)	
Trading profit	1,924	1,088	1,462	3,509	2,762	
Profit before tax	1,924	1,088	1,462	3,509	2,762	
Tax	(715)	(460)	(1,073)	(972)	(754)	
Profit attributable to shareholders	1,209	628	389	2,537	2,008	
Dividend attributable to the period	625	556	556	972	868	
ASSETS EMPLOYED						
Operating assets						
Non-current assets	27,593	28,636	27,699	26,099	24,986	
Net current assets (note a)	21,668	19,366	19,464	16,667	16,121	
Non-current liabilities	(3,268)	(3,556)	(3,129)	(2,593)	(2,435)	
	45,993	44,446	44,034	40,173	38,672	
Financed by						
Share capital and premium	2,565	2,565	2,565	2,565	2,565	
Retained reserves	37,197	34,690	30,001	29,998	26,418	
Shareholders' funds	39,762	37,255	32,566	32,563	28,983	
Net borrowings	6,231	7,191	11,468	7,610	9,689	
	45,993	44,446	44,034	40,173	38,672	
ANALYSIS						
Return on operating assets	%	5.21	3.72	5.06	10.63	9.02
Return on shareholders' funds	%	4.84	2.92	4.49	10.78	9.53
Earnings per share (basic)	p	17.4	9.0	5.6	36.5	28.9
Earnings per share (basic adjusted)	p	18.3	9.0	15.0	36.5	28.9
Dividend per share attributable to the period	p	9.0	8.0	8.0	14.0	12.5
Dividend cover (basic)	times	1.93	1.13	0.70	2.61	2.31
Dividend cover (adjusted)	times	2.04	1.13	1.87	2.61	2.31

### Notes

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

## Shareholder Information

### Corporate website

The Annual Report, Company announcements and other information are available on the Group's website at: [www.victoriapl.com](http://www.victoriapl.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

The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Telephone: 0871 664 0300 (*calls cost 10p/minute plus network extras*).

[www.capitaregistrars.com](http://www.capitaregistrars.com)

Overseas: +44 20 8639 3399

### Financial calendar

#### Results

Preliminary results

Wednesday, 15 June 2011

Annual General Meeting

Tuesday, 2 August 2011

Interim management statement

2 August 2011

Half year results

November 2011

Interim management statement

January/February 2012

#### Dividend

Final dividend

— ex dividend

Wednesday, 22 June 2011

— payable

Thursday, 11 August 2011

#### Interim dividend

— payable

December 2011

### Dividend payments

Our registrars have the facility to pay shareholders' dividends directly into their bank accounts, instead of receiving the dividend payment by cheque. They are also able to convert dividend payments into local currency and send the funds by currency draft or, again, if preferred, pay them straight into a bank account.

More information on the above services can be obtained from Capita Registrars or downloaded from the Group's website: [www.victoriapl.com/victoriapl/investors/downloads/](http://www.victoriapl.com/victoriapl/investors/downloads/)

### 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.

## Shareholder Information continued

### 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.

The current market price of the Company's shares can be viewed on the London Stock Exchange website: [www.londonstockexchange.com](http://www.londonstockexchange.com) (VCP) and share price information is also available on the Group's website at [www.victoriapl.com](http://www.victoriapl.com).

### Shares by size of registered holding

(as at 14 June 2011)

Number of shares	Number of holders	Number of shares	% of total shares
1–150	51	2,698	0.04%
151–500	106	36,808	0.53%
501–1,000	92	80,337	1.16%
1,001–10,000	202	682,297	9.83%
10,001–50,000	40	1,023,112	14.73%
50,001–100,000	7	493,368	7.10%
100,000+	17	4,624,936	66.61%
	515	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 32 of the Directors' Report.

### Electronic communications

The Company's Articles of Association 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](http://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](http://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

<b>AGM</b>	Annual General Meeting
<b>BSI18001:2007</b>	Occupational health and safety management systems
<b>CIPD</b>	Chartered Institute of Personnel and Development
<b>Combined Code</b>	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
<b>Corporate Governance</b>	The system by which an organisation is directed and controlled
<b>CSR</b>	Corporate Social Responsibility
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	Earnings Per Share — profit for the period divided by the total number of shares in issue
<b>H1/H2</b>	First half/second half of the financial year
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>ISO14001</b>	An international standard for environmental management systems
<b>LTIP</b>	Long-Term Incentive Plan
<b>KPIs</b>	Key Performance Indicators used to assess business performance
<b>Net Gearing</b>	Debt as a percentage of debt plus equity
<b>OH&amp;S</b>	Occupational Health & Safety
<b>PBT</b>	Profit before taxation
<b>PSP</b>	Performance Share Plan
<b>Q1/Q2/Q3/Q4</b>	Quarters of the financial year
<b>ROA</b>	Return On Operating Assets — operating profit divided by the operating assets employed
<b>A &amp; D Community</b>	Architect and Design Community





# Shareholder Notes



## Shareholder Notes

## Principal Subsidiaries and their Directors

### Victoria Carpets Limited

*Manufacture, distribution and sale of carpets*  
Kidderminster, UK  
Alan Bullock (Chairman and Managing)  
Terry Danks  
Shaun Lewis  
Neil Glover

### The Victoria Carpet Company Pty Limited

*Manufacture and sale of carpets*  
Dandenong, Australia  
Michael Oakley (Non-executive Chairman)  
Barry Poynter (Managing)  
Anne Seymour  
Alan Bullock  
Michael Davies (Non-executive)

### Westwood Yarns Limited

*Manufacture and sale of carpet yarns*  
Holmfirth, UK  
Alan Bullock (Chairman)  
Trevor Chippendale (Managing)  
Neil Gledhill  
Terry Danks

### Munster Carpets Limited

*Sale of carpets*  
Dublin, Ireland  
Sean Kelly (Managing)  
Alan Bullock  
Terry Danks

### Associated Undertaking Colin Campbell & Sons Limited

*Distributors of carpets and rugs*  
Vancouver, Canada  
Ian Davies (Chairman)  
Chris Dragan (President)  
Alan Goldberg  
Ken Metrick  
Anne Seymour

## Financial Calendar

### Financial Statements

Preliminary results announcement	15 June 2011
Annual General Meeting	2 August 2011
Interim management statement	2 August 2011
Half-year results	November 2011
Interim management statement	February 2012

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