VICTORIA PLC

2012

Annual Report and Accounts
for the year ended 31 March 2012

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.

Pictured above:
Victoria, UK: Options 288 — Salmon

See further information on-line:
www.victoriaplc.com

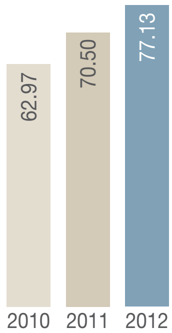
Highlights

Group revenue (£m)

£77.13m up **9.4%**

Group revenue increased by 9.4% and, in constant currency terms, was up 4.6%.

Revenue growth was experienced in both of the Group's core markets in the UK and Australia.



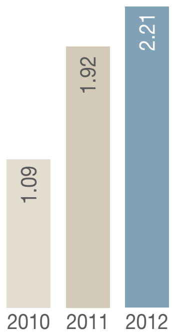
Group profit before tax (£m)

£2.21m up **14.7%**

Group profit before tax (pre exceptional items*) increased by 14.7% to £2.21m.

Both of the Group's operating divisions were profitable in the period.

** See note 3 under 'Our Financials'.*

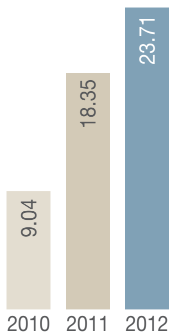


Group earnings per share (pence)

23.71 pence up **29.2%**

The improvement in underlying profitability and a reduction in the Group's effective tax rate resulted in a 29.2% uplift in earnings per share (basic adjusted*).

** See note 9 under "Our Financials'.*

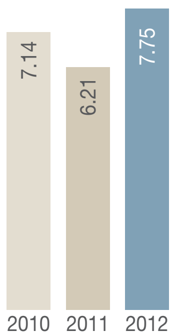


Group net debt (£m)

£7.75m up **24.7%**

Net debt increased by £1.54m, reflecting investment in new carpet ranges and a move into the luxury vinyl flooring market.

Net gearing remains relatively low at 16.1%.



Our Business

Our Performance

Our Governance

Our Financials

Group at a Glance

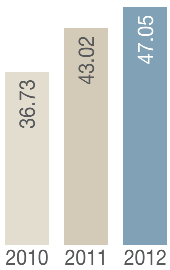
AUSTRALIA OPERATIONS

- 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, using 'state-of-the-art' equipment.
- 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.

Revenue (£m)

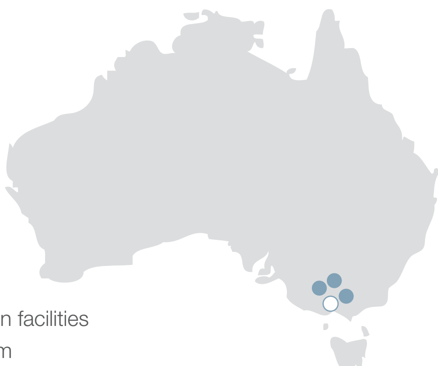
£47.05m

up **9.4%**



Average number of employees

287



● Production facilities

○ Showroom

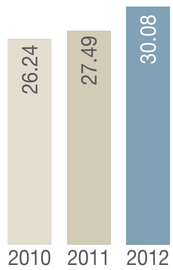
UK OPERATIONS

- In the UK, Victoria has been manufacturing fine carpets for well over a century.
- Today, the company not only manufactures both traditional woven Wilton and modern Tufted carpets, using 'state-of-the-art' Tufting machines at its plant in Kidderminster, Worcestershire, but has also entered the Luxury Vinyl Tile (LVT) market, distributing flooring to both commercial and retail sectors.
- Victoria controls all aspects of its carpet 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 then 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 and the insurance replacement market.

Revenue (£m)

£30.08m

up **9.4%**



Average number of employees

344

● Production facilities

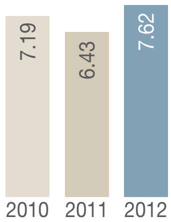
○ Showroom

CANADA OPERATIONS

- Victoria's Canadian operation, Colin Campbell & Sons Ltd ('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 (C$m)

C$7.62m
up **18.5%**



Average number of employees
16

Pictured below:
Victoria, UK: Options 288 — Cobalt.

Our brands

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

Victoria manufactures and distributes high quality Tufted carpets for the mid to high-end residential and contract markets. In addition, the UK manufactures design-led Wilton woven carpets for these markets.

Victoria™ Luxury Flooring Building upon our reputation in the carpet industry, we have developed our new division and brand identity Victoria Luxury Flooring (VLF). VLF provides Luxury Vinyl Tiles to both the commercial and residential markets in the United Kingdom.

Munster Carpets specialises in the supply of high-end woven Wilton broadloom carpet and carpet tiles for the corporate, hospitality and commercial sectors in Ireland. Munster Carpets also supply the high-end residential market through a designer-led programme offering quality custom made Wilton carpets to the more discerning consumer.

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.

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™ is a range of totally 'green' carpets. It is made from sustainable resources and is biodegradable. Made using 100% undyed 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.

Flooring@Home (F@H) provides e-commerce capabilities to our customers, which includes solution design, build and implementation — coupled with consultancy and an e-commerce retailing platform, enabling our customers to sell flooring products on-line with minimal effort.

VICTORIA CARPETS
Victoria Carpets
Munster Carpets
VLF
Navan Carpets
The Fine Art of Flooring
COLIN CAMPBELL
BROADLOOM ■ AREA RUGS
Nature's CARPET
F@H
Flooring at Home

Our Business Model

"Victoria's aim is to be the leading quality floorcovering brand in Australasia and the United Kingdom"

A strategy for innovation and growth

To grow our core retail business

In Australia, there has been a discernible shift in the market towards synthetic products and Victoria has reacted by introducing a programme of STAINMASTER® with **EverSoft™** SDN ranges.

In the UK, we have launched our latest range, **Options 288**, which offers the consumer one of the UK's most comprehensive twist pile ranges in a choice of 36 different colours, four weights and two widths. It is made with a blend of wool and polypropylene, which combines the durability of modern fibres with all the resilience and softness of wool.

To be strong in commercial

Following the introduction in Australia last year of our new Carpet Tiles product offering, we have expanded our Carpet Tile range to further develop our presence in the contract marketplace.

In the UK, we have entered the Luxury Vinyl Tile market with our new division, **Victoria™ Luxury Flooring,** which will ultimately give architects and designers a one-stop choice for floorcoverings.

To grow and develop retailing services

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

The Group's **Flooring@Home** (**"F@H"**) division provides e-commerce capabilities to our customers. By combining our expertise in supply and distribution with the knowledge of our retailers and in-house e-commerce skills, F@H will ensure that Victoria is a leader in multi-channel retailing in the flooring industry.

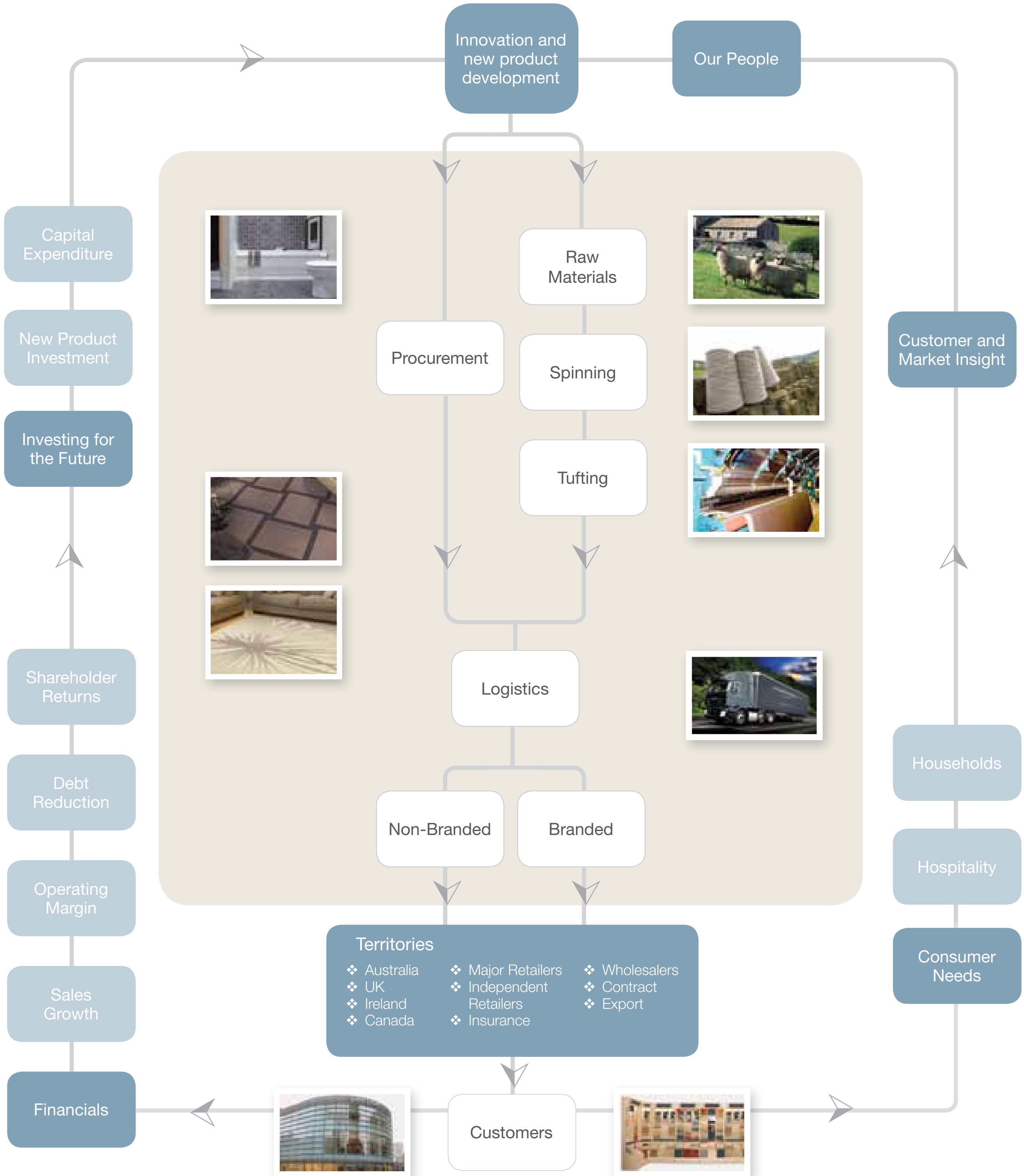
Our values, business model and commitment to quality

- 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.

See further information on-line:
www.victoriaplc.com

Innovation & quality

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



Questions & Answers
with Alan Bullock

Alan Bullock, Group Managing Director

Q. Why is the Group making major investments in products at the moment whilst the markets are still so tough?

A. The Group has three major product initiatives that it is investing heavily in at the moment. In the UK, Luxury Vinyl Tiles and Options 288 Twist, and in Australia, a programme of 'soft touch' STAINMASTER® Solution Dyed Nylon (SDN) carpet ranges. Combined, this is a significant investment and will increase borrowings in the short term. These initiatives are, however, vital to the Group's future growth and profitability and these new and innovative products will open up other exciting avenues of growth for Victoria. Investment now will position the Group well for the future.

Q. Why are synthetic pile carpets growing so quickly in popularity in Australasia?

A. Consumers in Australia and New Zealand like the feel and look that can be achieved from using 'soft touch' nylon and above all like the performance that can be expected from carpets made by Victoria using new SDN fibre. Victoria, in conjunction with Invista, is to bring to the market the new generation of STAINMASTER® with EverSoft™ SDN carpets to capitalise on the demand for 'soft touch' products. Victoria can expect to see even stronger growth in the future with this style of carpet. Great looks with first class performance.

Q. Why is it necessary to rationalise your spinning mill capacity in Australia at this time?

A. Victoria has two woollen spinning mills in Australia and, with the change in consumer taste away from wool rich carpets towards 'soft touch' nylon carpets, we have struggled to consistently fully utilise both mills' capacities. We feel that this change in consumer taste is not just a short term fashion trend but likely to be a longer term structural change as seen in the USA. As such, we need to be proactive in 'rightsizing' our operations so they run as cost-effectively as possible.

Q. Why is profitability in the UK still quite low?

A. The level of profitability in the UK is lower than we would like but it has to be looked at in the light of both the highly competitive nature of the UK market and the state of the UK economy since the start of the Global Financial Crisis in 2008. Profitability would have in fact been better than reported in the current year if the Group had not decided to invest in our new Luxury Vinyl Tile division and in creating e-commerce capabilities. Both of these investments will bear fruit in the second half of the new financial year and far beyond.

Q. How have the changes made in Ireland affected business?

A. Victoria closed its business entities in Ireland during the first quarter of FY12. This was done on time and below budget. Our business and brands in Ireland, Munster and Navan Carpets, are now marketed and traded under a distribution model and reported within the UK operation. Whilst business in Ireland remains extremely challenging, Victoria no longer has any fixed costs and the business we transact in Ireland is all value added. Our business is now stable in Ireland and we are working hard with the sales team to exploit whatever sales we can from the market.

Q. What is the size of the Luxury Vinyl Tile market in the UK?

A. The market in the UK is estimated to be over £100m per annum at manufacturers' selling prices, with sales split roughly 50% residential and 50% contract. This market size offers Victoria a good opportunity of growth.

Q. Will you roll out LVT into Ireland at some point?

A. Our initial focus for establishing Victoria™ Luxury Flooring will be in the United Kingdom but we will also be looking to establish an authorised dealer network in the Republic of Ireland shortly.

Q. What other flooring products could Victoria take to market in the UK?

A. Victoria has an excellent brand reputation and great customer associations which would allow us to take a wider product offer than merely carpet to market. Luxury Vinyl Tile is our first venture outside carpet and this was chosen because it is both a growth market sector and generally a higher margin business than carpet. We have no doubt that Victoria will bring a wider product offer to market in the future.

Q. Victoria's move into the insurance replacement market seems to have been a good success. Is there scope for further growth and a wider product offer to be taken to market too?

A. We are pleased with the progress we have made in the insurance replacement market in a relatively short period of time and we would hope that if we can continue to bring good value to the insurance companies and high levels of service, there will still be scope for further growth. Certainly, we would hope to expand the products we offer.

Q. Why is Victoria developing e-commerce platforms for selling flooring?

A. Victoria truly believes that multi-channel selling is the future for retailing and wants to make sure that our independent retailers have the opportunity of competing in this area with the larger shed operators. By providing e-commerce solutions, Victoria is leading the market and investing in the future for the benefit of both our customers and our shareholders.

Q. Is your Colin Campbell business in Western Canada core to your future business strategy?

A. Whilst our associate business in Canada has given us a great insight into the wider North American market, as well as a sales outlet for Group products, we recognise that the business may not necessarily be core to our future long term strategy. The business is, however, well managed locally and profitable.

Q. Is there scope for the Colin Campbell showroom business to be rolled out in other markets?

A. We have looked at expanding the decorative supply showroom concept into other geographies but it needs cities with a critical number of high wealth individuals amongst it population base for the model to be transferable. The concept is already well established in most major cities of the United States.

Chairman's Statement

"As the new financial year progresses, the benefits of our investment in new products, together with the cost reductions and targeted improvements in working capital, should result in stronger sales and profit growth in the second half of 2013 and in the following year."

Katherine Innes Ker, Chairman

Introduction

The year ended 31 March 2012 was one of significant challenge for Victoria and I am pleased to report that the business has responded well. The UK economy slipped back into recession in the latter part of 2011 as there continued to be a severe squeeze on real household incomes. The Australian economy softened in mid-2011 and turned down sharply in the first quarter of 2012. Despite these difficult trading conditions, the Company returned a positive performance.

In response to the worsening economic outlook, the Board has overseen cost reductions and is targeting working capital improvements in both the UK and Australia in the new financial period. At the same time, investments in new products in the UK and Australia have been made and these products have been launched since the 2012 year end. Further detail is given in the Group Managing Director's Business Review. As a result, 2013 will be a year of investment with the benefits expected to be seen in the second half of the year.

Financial results

Group revenue in the period under review increased by 9.4% from £70.50m to £77.13m and, in constant currency terms, was ahead of the prior year by 4.6%.

Revenue in Australia advanced by 1.5% in local currency after seeing a significant slowdown in the final quarter of the financial year, whilst revenue in the UK was ahead by 9.4%.

Operating profit before exceptional items increased by 6.8%, from £2.42m to £2.58m, with profit before tax and exceptional items increasing by 14.7% from £1.92m to £2.21m.

Net debt increased in the year from £6.21m to £7.75m, reflecting investment in future growth initiatives. As stated in the pre-closing trading update, net debt is forecast to rise in the first half of the new financial year, as the Group invests in stocks and point-of-sale materials to launch new range initiatives in both the UK and Australia but should fall again as the year progresses. The Group continues to be well invested throughout its operations and, with modest capital expenditure plans, is expected to remain cash generative. Net gearing remains relatively low at 16.1%.

Earnings and dividends

Basic adjusted earnings per share have risen by 29.2%, from 18.35p to 23.71p per share and the Board is pleased to declare a final dividend of 7.00p per share, up from 6.00p last year. This, with the interim dividend of 3.50p already paid, will bring the total dividend for the year to 10.50p, an increase of 16.7% over the prior year.

The proposed dividend, which is subject to shareholder approval at the Annual General Meeting to be held on 31 August 2012, will be paid on 6 September 2012 to all members on the Register at the close of business on 10 August 2012. The shares will be marked as ex dividend on 8 August 2012.

Board changes

There have been a number of changes to the Board during the year; my predecessor Chairman, Nikki Beckett, and Non-executive Director, Peter Jensen, resigned on 5 March 2012. At a General Meeting held on 6 March 2012, Alexander Anton, Sir Bryan Nicholson, Geoff Wilding and I were elected as Non-executive Directors and I was appointed Chairman. On behalf of the Board and the employees at Victoria, I thank Nikki Beckett and Peter Jensen for their valuable service to the Company.

As announced in April, Ian Davies, our Group Finance Director, will be standing down from the Board and leaving the business on 8 August 2012, having completed the FY12 financial reporting. We thank him for the positive contribution he has made to the Company over the last five years and, although we are sorry to see Ian leave the Company, we accept that his move is part of his continuing career progression.

Pictured below:
Victoria™ Luxury Flooring: LVT Signature Collection — Worn Oak.

Employees

With several years now of extremely challenging market conditions, the Directors would like to express their personal thanks to all employees in the Group for their loyal and dedicated support of the Company. Victoria has an excellent reputation for delivering consistently high levels of service to our customers and the quality of our employees is recognised as fundamental to this.

Proposed move to AIM

In response to requests from a large proportion of our shareholders, we intend to put a resolution to shareholders proposing that the listing of the ordinary shares be moved from the Official List to the AIM Market of the London Stock Exchange. This will confer certain tax advantages to private shareholders and should reduce the cost of any future transactions by the Company. Full details of this proposed resolution and the difference between AIM and the Official List will be contained in a Circular to be sent to shareholders in due course.

Outlook

The economic outlook in all of the markets in which we operate remains uncertain, affecting consumer confidence, and we anticipate that we are unlikely to see any significant recovery in market conditions in the current financial year.

To position the Group for future growth, we are investing heavily in the first half of the financial year in new products in both the UK and Australia; the benefit of the additional sales from these new initiatives is not expected to be seen until the second half of the financial year. We are also incurring the cost of 'rightsizing' the spinning mills in Australia, whilst improving working capital utilisation and making further cost reductions.

As the new financial year progresses, the benefits of the investment in the new products, together with the cost reductions and targeted improvements in working capital, should see stronger sales and profit growth in the second half of 2013 and in the following year.

Katherine Innes Ker
Chairman
25 June 2012

Business Review

"Victoria has remained focused on trading whilst also investing for future growth and increased shareholder value."

Alan Bullock, Group Managing Director

Introduction

I believe that we have had a reasonably successful year, remaining focused on trading, whilst also investing in new initiatives aimed at strengthening the Company's brand to deliver future growth and increased shareholder value.

The economies and the retail climate in both the UK and the Republic of Ireland continue to be challenging and present us with one of the toughest trading periods seen in many years. A combination of low economic growth and higher taxes has reduced consumers' disposable income, whilst higher raw material and other overhead costs put pressure on our margins. In Australia, the economy has become 'two-paced', with the mining sector still performing relatively well, whereas in the wider general economy, consumers save more and their weak sentiment towards both the national and global economies has led to a more cautious spending approach than we have seen in recent years.

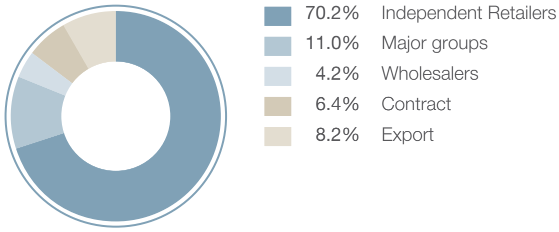
Despite the tough environment posed by the market conditions, the Group increased revenue in the year by 4.6% in constant currency terms and reported profit before tax and exceptional items increased by 14.7% from £1.92m to £2.21m. There were, however, non-recurring exceptional costs of £0.66m associated with the closure of the Group's Irish entity, the recent General Meeting and the formal sales process incurred during the year, which reduced the pre-tax profit (post exceptional costs) to £1.55m, compared to £1.92m in the prior year.

United Kingdom operations (including the Republic of Ireland)

The economic backdrop in the UK and the Republic of Ireland has been well reported upon in the media. We have certainly seen little improvement in either the economy or retail trading environment during the year and with a housing market, upon which the flooring industry relies for solid growth, remaining stagnant outside the London area, trading conditions have remained tough.

UNITED KINGDOM OPERATIONS

Sales by channels of distribution



Total: £30.08m

Despite this, the Group has seen revenue from its UK and Irish operations increase by 9.4%. We are pleased with this performance, which is clearly a much better achievement than that seen from most of our competitors in the sector. This would indicate that we are still gaining market share. If the detrimental effects of the sales decline we have seen in the Republic of Ireland are removed, the growth in UK sales would have been 15.4% in the year.

Victoria saw strong growth in its sales to the John Lewis Partnership, where a completely new programme of carpet ranges was introduced in April 2011. We also saw a further strengthening of our business through the insurance replacement market, which we entered for the first time in June 2010. Export sales were significantly up on the prior year, with several impressive contracts won during the year in the hospitality sector for well-known European hotels, including the Hotel Bristol in Paris.

In September 2011, Victoria announced that it was to enter the Luxury Vinyl Tile ('LVT') market and acquired certain of the assets of a distributor, C & H Distribution Ltd, in order to gain some immediate market traction in this new area of flooring for the Group.

In late autumn, Victoria created a new division called Victoria™ Luxury Flooring and recruited both a Managing Director and marketing manager to build and develop this new venture for the Group. With their combined LVT experience of over 40 years, I am pleased to report that in the short time frame of less than six months, Victoria has created a significant and impressive programme of LVT products, which is now being rolled out into the UK market. Details of the full product offer can be found on Victoria™ Luxury Flooring's website: www.victorialuxuryflooring.com.

The first part of the roll-out programme on LVT is through our existing residential sales force to carefully selected independent retailers who will form an exclusive authorised dealer network. The point-of-sale units, marketing tools and products are being very well received by our retailers and we are confident that the products will sell well in the market.

The second part of the roll-out programme is focused on the contract market, where both existing and some newly recruited contract sales specialists will target end user customers both directly and through the Architect/Designer community.

The upfront investment in both stock and point-of-sale display materials has in part been borne in the financial year under review but will also impact profitability and borrowings in the first half of the new financial year before sales build to anticipated levels. The Board is enthusiastic about the opportunity LVT presents and we intend to become a major player in this market sector in the UK within a three year time frame.

Pictured below:
Victoria, UK: Options 288 — Cane Heather.

Business Review continued

Victoria™ Luxury Flooring

Following the creation in April 2012 of our Victoria™ Luxury Flooring (VLF) division, we introduced a collection of stunning vinyl flooring products —Mode, Signature, Innova and Essencia — into the mainstream luxury vinyl flooring market.

With VLF, we are continuing towards our goal of becoming the leading high quality flooring supplier by building both consumer and trade brand awareness.

In support of the launch of this new division and our entry into the Luxury Vinyl Tile market, we have created a network of carefully selected Authorised Dealers, who are displaying our ranges on Victoria's state-of-the-art, contemporary point-of-sale units. In addition, we have created a dedicated website, **www.victorialuxuryflooring.com**, as well as an impressive, 64 page consumer brochure and sample folders which are specifically aimed at building our profile in this market.

To complement all of the above, we are also focusing on opportunities to endorse Victoria's VLF brand and product collections via targeted home interest and trade magazines. Our Authorised Dealers have also been provided with a suite of advertising templates designed to promote VLF on a regional/local basis.

Profiling our Victoria™ Luxury Flooring brand and showcasing our wide choice of affordable, luxurious and performance-led flooring, we aim to build our reputation and stay in front of our target audiences.

Go to **www.victorialuxuryflooring.com** for more information

Carpets, of course, will remain an integral part of the Group's offering and we do not intend to lose any focus or commitment in this area. Early in the new financial year, Victoria launched a major new range of twist pile carpets in a wool blend; this new carpet collection, called 'Options 288', represents a significant investment and will form the backbone of our improved UK carpet offer. Thirty-six colour ways in two widths and four pile weights will make 'Options 288' one of the most comprehensive twist pile carpet ranges available in the UK market today.

During the past financial year, the Company has also been investing in our e-commerce activities, as we recognise that the business has both to be able to offer its customers an e-commerce platform through which they can attract consumers into their retail shops via a brochure website and to be able to sell on-line through a transactional website to a wider customer base.

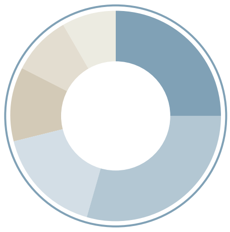
Multi-channel selling is likely to become more and more important and Victoria's investment in this area is seen to be key in developing even stronger associations with our core customer base.

Victoria's latest transactional website went live in May 2012 and details of this portal and the products offered can be found at www.beautifulflooringdirect.com. (See case study on page 15.)

After over seven years of seeking a change of use and planning consent on the Group's redundant sports ground in Worcestershire, the Company advised shareholders on 1 March 2012 that planning consent had been granted and, with the change of use, the Board was looking to sell the ground, seeking offers in excess of £1m. Discussions on the disposal of the site are ongoing and we will update shareholders in due course when a transaction is agreed.

AUSTRALIAN OPERATIONS

Sales by region



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

Total: £47.05m

The Australian economy, which was showing signs of softening in 2011, turned down sharply in the second half of the financial year, with a consequent adverse effect on full year results. There had been a general softness in retailing, real estate activity and construction prior to November 2011 but this deteriorated rapidly after that date. Australia's two-speed economy became more pronounced as sectors outside the mining industry struggled with weakening conditions, stubbornly cautious consumers, and uncertainty surrounding the global economic outlook.

Growth in revenue and profit achieved during H1 was reversed in H2 as trading conditions deteriorated.

Pressure on margins and volumes was intensified by an ever increasing volume of carpet imports made more attractive by a strong Australian Dollar. Many retailers have described the market conditions as the toughest they have experienced in twenty years or more. Despite this, revenue was up 9.2% in the first half of the year and closed the full year with sales totalling A$71.84m, up a modest 1.5% on the previous year (A$70.80m). Pre-tax profit for the full year was A$4.43m, down 17.4% on the previous year's A$5.37m, with the second half's pre-tax profit of $1.50m being 45.6% down on the corresponding period last year.

Within a depressed and intensely competitive market, there has been a continuance of the trend away from wool and wool blend carpets and a strengthening of the market share of synthetic pile carpets. Wool fibre costs, which peaked in late 2011 after almost doubling over the previous eighteen months, have since eased slightly but wool remains at a competitive disadvantage to synthetic fibres. As a consequence, our spinning mills have been impacted by reduced demand. Shorter working weeks have been required for much of the second half and this lower capacity utilisation is one of the major reasons for a diminished level of gross profit during the second half of the year.

Against an otherwise gloomy set of circumstances, it is pleasing to report that the strategic move to enter the

Pictured below:
Victoria, Australia: STAINMASTER® with EverSoft™ SDN — Cofield.

Business Review continued

Pictured above:
Victoria, Australia: STAINMASTER® with EverSoft™ SDN — Yering.

commercial market in 2010, with the introduction of carpet tiles and an extension of our broadloom ranges, provided welcome sales growth during the past year. Sales in this category have grown from 9.4% to 15.0% of total sales, despite a somewhat subdued commercial market.

Our Australian business continues to generate a strong operating cash flow. With tight control of working capital and modest capital expenditure in the past year, it was effectively debt free at the end of the financial year.

The value of inventories increased by A$1.63m (7.6%) to A$22.98m at year end. This is reflective of additional stock holdings required to service the commercial market and an increasing proportion of synthetic stocks which have longer raw material lead times.

Capital expenditure undertaken during the year totalled A$1.66m. The largest items being an in-line latex compounding system costing A$0.78m and a new tufting machine which cost A$0.43m, both at our Dandenong carpet factory.

In response to softer market conditions and the continuing market trend away from wool to synthetic carpets, the Australian management have implemented two major strategic actions:

- Declining demand for woollen yarns from the two Australian spinning mills has required a significant restructuring of their operations. This proactive measure was undertaken early in the new financial year and substantial non-recurring costs of around A$1.30m will be incurred in 'rightsizing' and reorganising the mills to meet reduced volume requirements in an efficient and cost-effective manner.
- To counter the threat of increasing imports of synthetic carpets and to establish a clear point of difference with our product offerings, we have successfully concluded an extended period of product development with INVISTA®, one of the world's major nylon producers, and are currently in the process of launching a series of new solution dyed nylon ranges licensed exclusively to Victoria Carpets under the STAINMASTER® with EverSoft™ SDN brand.

This new generation of carpets, manufactured with soft handle synthetic yarns, is supported by an extensive promotional and marketing campaign conducted jointly with STAINMASTER®, the best known brand in the Australian carpet market. The initial response to these new ranges has been extremely positive and we are confident that they will not only reverse the loss of synthetic market share we have experienced during the past year but also help us grow our overall market share of carpet sales.

The outlook for the Australian economy is for modest overall growth of approximately 3% over the coming year but, outside the mining segment, there will be geographic and sectoral differences. We do not expect retail or housing activity to improve until at least the second half of the coming year but consider that the aforementioned strategic actions have positioned our Australian business extremely well for the challenges and opportunities that will present themselves in the coming year.

Canada

Pleasingly, revenue in our Canadian Associate company, Colin Campbell, was up by 18.5% from C$6.43m to C$7.62m, whilst pre-tax profit advanced to C$0.31m, compared to a small pre-tax loss of C$0.09m recorded in the previous financial year.

Whilst sales through the decorative supply showroom to designers and architects were marginally down, we saw good sales growth in rug sales and also in the contract residential market, where several notable high rise residential projects in Vancouver were carpeted.

Summary and outlook

The past year has been a demanding time for our business and I have been proud of the adaptability and energy shown by the employees that I have the privilege of leading. I would like to express my personal thanks to my colleagues for their loyalty and hard work in the tough environment in which we operate.

Victoria has an excellent brand and we are determined to remain a leading quality flooring supplier in both Australasia and the United Kingdom. Plans have now been put in place and investments are being made to ensure we achieve these goals. The past six months and the first six months of the new financial year need to be viewed as a period of investment to position our businesses for future growth, which we believe will deliver future shareholder value.

We expect the consumer environment to remain challenging but we have already demonstrated that we can achieve good progress in these conditions. Our strong customer relationships and the ongoing actions to reduce costs and improve working capital utilisation will provide us with a strong platform for medium term growth through the core strategic growth areas the Company has embarked upon.

Through a focus on creating great value products for our customers to buy and an active management of the business, the Board believes the Group is being well positioned for the year ahead.

Alan Bullock
Group Managing Director

Flooring@Home

F@H, a division of Victoria Carpets UK, was established to provide e-commerce capabilities to our customers and to develop our own digital channels. Our full service offering includes solution design, build and implementation, coupled with consultancy and an e-commerce retailing platform enabling our customers to sell flooring products on-line with minimal effort.

Most recently, F@H has successfully launched a new website in partnership with the BRM buying group and over 100 high street retailers. Beautiful Flooring Direct (**www.beautifulflooringdirect.com**) offers customers the flexibility of having their goods delivered direct to their home or to a local retailer which acts as a collection point. Customers benefit from being able to research a vast choice of product from the comfort of their home and can arrange fitting services through their collection point if required.

By combining our expertise in supply and distribution with the knowledge of our retailers and in-house e-commerce skills, F@H will ensure that Victoria is leading multi-channel retailing in the flooring industry.

Go to **www.flooringathome.co.uk** for more information

Finance Review

"The Group remains in a strong financial position, which enabled Victoria to invest in new initiatives during the financial period, aimed at delivering future growth and enhanced quality of earnings."

Ian Davies, Group Finance Director

Group financial highlights

	2012 £m	2011 £m	% Change
Revenue	**77.13**	70.50	+9.4%
Operating profit before exceptional items	**2.58**	2.42	+6.8%
Finance costs	**(0.46)**	(0.47)	-2.3%
Share of associate result	**0.09**	(0.02)	+486.4%
Profit before tax and exceptional items	**2.21**	1.92	+14.7%
Exceptional items *(see note 3 to the accounts)*	**(0.66)**	—	—
Profit before tax	**1.55**	1.92	-19.6%
Net debt	**7.75**	6.21	+24.7%
Earnings per share —basic adjusted (pence)*	**23.71**	18.35	+29.2%
Earnings per share — basic (pence)	**15.64**	17.41	-10.2%

* *As defined in the Earnings per share section covered later in this review.*

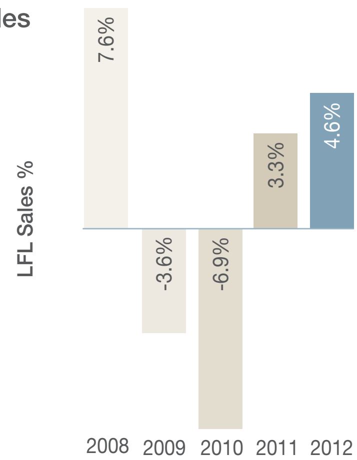
As described in detail within the Group Managing Director's Business Review, economic and market conditions remained difficult throughout the year in all of our core markets. Australasia, in particular, experienced a marked softening in the economy in H2 for the first time in recent years.

Against this backdrop, the Group has delivered growth in revenue of 9.4% to £77.13m and on underlying pre-tax profit (before exceptional items) of 14.7% to £2.21m. Net debt has increased from prior year level by £1.54m to £7.75m, reflecting investment in new carpet and LVT ranges in advance of product launches early in the new financial period.

Operating profit and profit before tax ('PBT'), before exceptional items, improved by 6.8% and 14.7% respectively year on year. As a result of the £0.66m of non-recurring exceptional costs, PBT decreased by 19.6%.

Revenue

Like-for-like Group sales
(Constant Currency)



The Group achieved revenue growth of 9.4% to £77.13m (2011: £70.50m), in part benefiting from a 7.2% strengthening in the Australian Dollar relative to Sterling. In constant currency terms, revenue was ahead of prior year by 4.6%.

Pictured right:
Victoria™ Luxury Flooring: Innova Collection — Velvet Walnut.


JDBUG
BUG JD BUG JD BU

Finance Review continued

Exchange rates

	2012	2011	% Change
Average rates			
Australian Dollar	**1.5270**	1.6460	-7.2%
Euro	**1.1559**	1.1688	-1.1%
Canadian Dollar	**1.5870**	1.5831	+0.2%

Australia represented 61.0% (2011: 61.0%) and UK & Ireland 39.0% (2011: 39.0%) of Group revenue.

The movement in average exchange rates in the period benefited Group revenue by £3.41m, with £3.40m of the benefit from the strengthening of the Australian Dollar.

Gross margin

The overall gross margin for the Group was 26.4% (2011: 28.2%).

Australia experienced a reduction in margin of 260bps, impacted by lower utilisation of the spinning mills due to reduced demand in wool and increased volumes of carpet imports due to the relative strength of the Australian Dollar.

UK margin was 70bps below prior year impacted by rising wool prices. A price increase was implemented in the UK in May 2012 which should facilitate a recovery in margin and, as sales of relatively high margin LVT product start to build in the new financial year, this is expected to have a further positive effect on overall margin.

Operating profit

Group operating profit before exceptional items increased by 6.8% to £2.58m (2011: £2.42m).

Operating profit in Australia decreased by 17.5% in local currency terms, primarily as a result of reduced margins as noted above.

The UK operation reported an operating profit before exceptional items of £0.31m compared to an operating loss of £0.28m in the prior year. The improvement in the UK operating profit is driven by the prior year Irish operating loss of £0.68m not recurring in the current period as a result of the restructuring measures undertaken.

Exceptional items

Exceptional costs in the period under review totalled £0.66m and relate to the restructuring of the Group's Irish businesses (£0.37m), and costs associated with the General Meeting and formal sales process earlier this year (£0.29m). As reported at the half-year, our Irish brands are now marketed and traded under a distribution model and reported within the UK operation.

Finance costs

Finance costs reduced slightly to £0.46m (2011: £0.47m). The average interest rate on borrowings was marginally lower at 5.3% (2011: 5.6%).

Interest was covered 12.1 times by EBITDA before exceptional items (2011: 11.4 times) and 5.6 times by operating profit before exceptional items (2011: 5.1 times).

Profit before taxation

Group PBT before exceptional items increased by 14.7% to £2.21m (2011: £1.92m). In constant currency terms, PBT before exceptional items was 3.8% up on prior year.

Taxation

The tax charge for the year was £0.46m (2011: £0.72m), equivalent to an effective tax rate of 29.8% (2011: 37.2%).

The effective tax rate is above the UK standard rate of 26%, impacted by a 30% standard rate of tax in Australia, where the majority of the Group's profit in the period was generated, and Irish restructuring costs of £0.37m which could not be utilised for tax purposes. These impacts are partly offset by a deferred tax credit in the period as a result of a reduction in the future UK tax rate from 26% to 24%, which was substantively enacted in the period.

Earnings per share ('EPS')

Basic adjusted earnings per share were 23.71p, 29.2% above prior year (2011: 18.35p). In the year under review, adjusted earnings per share excludes the impact of the Irish restructuring and the General Meeting and formal sales process (£0.66m), whilst the prior year comparatives exclude the impact of a goodwill impairment charge (£0.07m).

Basic earnings per share were 15.64p (2011: 17.41p).

The diluted adjusted earnings per share were 21.40p (2011: 16.61p).

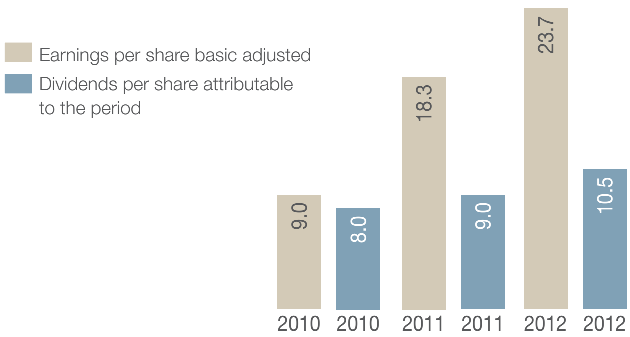
Pictured left:
Victoria™ Luxury Flooring: Signature Collection — Light Driftwood.

Dividends

The Board is proposing a total dividend for the year of 10.50p, representing a 16.7% increase on the prior year total dividend of 9.00p. This includes a proposed final dividend of 7.00p (2011: 6.00p). An interim dividend of 3.50p was paid in December 2011 (2011: 3.00p).

The value of the interim dividend was £0.24m and the value of the proposed final dividend is £0.49m (total: £0.73m). The value of the total dividend paid in the year ended 31 March 2012 was £0.66m (2011: £0.58m).

Earnings and dividends per share — pence

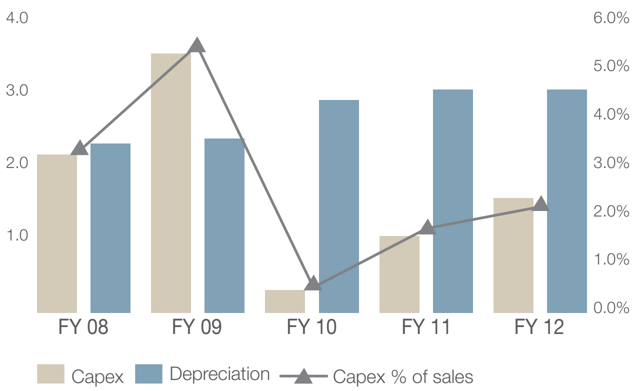


Capital expenditure

Capital expenditure in the year was £1.46m (2011: £0.95m). This represents 49.9% of the annual depreciation charge (2011: 33.1%). The main items of capital expenditure were an in-line latex compounding system (£0.51m), which will provide ongoing future cost savings and enhanced quality, and a new tufting machine (£0.28m), which provides additional capacity. Both of these items were installed in our Australian operations.

The Group remains very well invested with 'state-of-the-art' equipment. Capital expenditure is expected to remain relatively modest in the new financial period and is likely to remain below the normal depreciation levels.

Capital expenditure and depreciation (£m)



Finance Review continued

Net assets

The Group's overall net assets value increased in the financial period by £0.56m to £40.32m (2011: £39.76m). The increase represents profit for the period of £1.09m less dividends paid of £0.66m, an increase of £0.07m due to exchange differences on overseas operations and other movements of £0.06m.

Acquisition of C&H Distribution

The Group acquired the brand and certain trade assets of C&H Distribution Limited, a distributor of LVT, for consideration of £0.40m, which was funded from the Group's existing cash resources. Inventory and other fixed assets were also acquired for £0.08m and £0.02m respectively.

Operating cash flow

	2012 £m	2011 £m
Operating profit before exceptional items	2.58	2.42
Depreciation and non-cash items	3.08	3.03
Foreign exchange	0.01	0.12
Working capital	(2.24)	(1.67)
Operating cash flow (before exceptional items)	3.43	3.90
EBITDA*	5.56	5.38
Operating cash flow conversion % (against EBITDA)	61.7%	72.5%

* Earnings before interest, tax, depreciation, amortisation and exceptional items.

The Group generated positive operating cash flows (before exceptional items) of £3.43m in the period (2011: £3.90m). The decrease of £0.47m from prior year was primarily due to an increased level of working capital absorption in the period, reflecting a build-up in inventory to support the launch of new LVT and carpet ranges in the UK, and new SDN ranges in Australia.

Operating cash flow conversion percentage, as measured against EBITDA, was 61.7% (2011: 72.5%), with the lower level of conversion reflecting the investment in inventory.

Free cash flow and net debt

	2012 £m	2011 £m
Operating cash flow (before exceptional items)	3.43	3.90
Interest paid	(0.48)	(0.50)
Corporation tax paid	(1.41)	(0.89)
Capital expenditure net of sales proceeds	(1.38)	(0.89)
Free cash flow (before exceptional items)	0.16	1.62
Dividends paid	(0.66)	(0.58)
Exceptional costs	(0.66)	—
Acquisition of certain assets of C&H Distribution	(0.40)	—
Other	0.02	(0.11)
Movement in net debt	(1.54)	0.93
Opening net debt	(6.21)	(7.14)
Closing net debt	(7.75)	(6.21)

Operating cash flow less interest, tax and capital expenditure resulted in a free cash inflow of £0.16m (2011: £1.62m cash inflow). Group net debt increased by £1.54m to £7.75m (2011: £6.21m), whilst the average net debt during the period increased marginally to £8.63m (2011: £8.51m). The ratio of net debt to EBITDA (before exceptionals) remains at a satisfactory level of 1.39 times (2011: 1.15 times).

Pictured right:
Victoria, UK: Options 288 — Ivory.


Living
Stylish

Finance Review continued

Hedging

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

The principal currency exposure of the Group is in respect to the investment in its Australian subsidiary.

Future funding

The Group's annual renewal of banking facilities was completed in September 2011 in the UK and in June 2012 in Australia. 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 Business Review. The financial position of the Group is described in this finance review. In addition, note 26 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, projections and funding requirements, and taking account of reasonably 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 Directors are of the view that the Group is well placed to manage its business risks despite the difficult economic and market conditions. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Accounting standards

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

Key performance indicators (KPIs)

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

The KPIs monitored by the Group Board are set out in the table below:

KPI	Description	Performance
Financial KPIs		**Group**
Sales growth (constant currency)	Overall sales growth achieved year on year afer 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.	2012: +4.6% 2011: +3.3% 2010: - 6.9%
Operating margin	Calculated as total operating profit* divided by revenue. This is used to assess the underlying trading performance of the Group.	2012: 3.3% 2011: 3.4% 2010: 2.8%
Return on operating assets	ROA demonstrates the effectiveness of our managers in utilising the assets to deliver profits to provide a return for our shareholders. Calculated as operating profit* (including share of Associate company) divided by the operating assets employed.	2012: 5.6% 2011: 5.2% 2010: 3.7%
Earnings per share (basic adjusted)	Calculated as profit for the period divided by the total number of shares in issue and adjusted for any exceptional items in the period. This is used to assess the underlying financial performance of the Group as a whole.	2012: 23.7p 2011: 18.4p 2010: 9.0p
Net debt to EBITDA	Calculated as net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation and exceptional items). Used to assess the financial position of the Group and its ability to fund future growth.	2012: 1.4 times 2011: 1.2 times 2010: 1.6 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.	2012: 12.1 times 2011: 11.4 times 2010: 8.0 times

* Pre exceptional items.

Pictured left:
Victoria, Australia: STAINMASTER® with EverSoft™ SDN — Great Alpine.

Finance Review continued

KPI	Description	Performance
Non-financial KPIs		Group
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'.	2012: 4.7% 2011: 4.7% 2010: 5.3%
Absenteeism	Calculated as unauthorised leave expressed as a percentage ot total available work days. Our aim is to keep this to a minimum to ensure operational effectiveness.	2012: 4.3% 2011: 4.3% 2010: 3.1%
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.	2012: 1.36 kWh/m^2 2011: 1.50 kWh/m^2 2010: 1.53 kWh/m^2
kWh per kg of yarn spun	Represents the energy consumption (in kilowatt-hours) for every kilogram of yarn produced. Measured as part of the Group's objective to improve energy efficiency and reduce carbon emissions.	2012: 5.41 kWh/kg 2011: 5.74 kWh/kg 2010: 5.16 kWh/kg

Pictured below:
Victoria™ Luxury Flooring: Mode Collection — White Oak.

Risk management

There are a number of potential risks and uncertainties which could have a material impact on the Group. The Directors continue to develop processes for identifying, understanding and evaluating the risks faced by the organisation. The Directors recognise that the management of significant risks is necessary in order that the Group achieves its objective of creating long term returns for its shareholders.

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

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

Business risk

Risk area	Description	Potential impact	Mitigation
Finance	Interest rates – exposure to market rate.	Increased borrowing costs.	Review of interest cover.
	Foreign exchange – exposure to market rates.	Unexpected impact on material or investment cost.	Use of forward contracts. *See 'Hedging' above/page 22.*
	Funding – lack of available funds.	Inability to pursue capital expenditure or provide sufficient working capital.	Debt capacity. *See 'Future funding' above/ page 22.*
Operational	Customer satisfaction – insufficient quality or 'on-time' delivery.	Failure to retain and grow key customers' accounts.	Proactive service and quality management; regular customer meetings; own fleet (UK); third party service provider (Australia).
	Equipment – breakdown of key plant.	Inability to produce carpet in accordance with production plan.	Maintenance programme and reciprocal breakdown agreements.
Organisational	People – loss of key staff.	Failure to retain and develop key management.	Service agreements; regular line management reviews; 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.
	Loss of major customer.	Potential impact on 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; widen products to market.

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, these 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 Group reported growth in underlying profitability in the period after discounting the impact of exceptional costs and against a backdrop of worsening economic and market conditions in our core markets during the period. This has been facilitated by the Group's ongoing focus on cost control and tight working capital management. Whilst net debt increased in the current period as a result of new product launches and a number of exceptional costs, the Group remains in a strong financial position, with net gearing at a relatively low level.

This has enabled the Group to invest in these new initiatives during the financial period, with new product launches in both the UK and Australia early in the new financial period, aimed at delivering future growth and enhanced quality of earnings.

Ian Davies
Group Finance Director

Pictured left:
Victoria™ Luxury Flooring: Signature Collection — English Oak with Mahogany stripping, in a ship's decking design.

Directors

Advisers

Solicitors
Brown Rudnick LLP
8 Clifford Street
London
W1S 2LQ

Stockbroker
Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

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

Honorary President
G S F Anton

Company Secretary
Terry Danks

Auditor
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

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

Registered Office
Worcester Road
Kidderminster
Worcestershire
DY10 1JR

Company Registered Number
282204

1. Katherine Innes Ker ♦ ■ ▲
Chairman

Katherine Innes Ker MA, DPhil (Oxon) is a former director of SBC Warburg and media analyst. She is currently Non-executive Director of the Go-Ahead Group and St. Modwen Properties and Senior Independent Director at Tribal Group. She has had extensive Non-executive experience at well-known FTSE companies including Taylor Wimpey PLC, Fibernet, Shed Media Limited and Ordnance Survey.

2. 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.

3. 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.

4. Barry Poynter
Executive Director

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

5. Sir Bryan Nicholson ♦ ■ ▲
Senior Independent Non-executive Director

Sir Bryan Nicholson is a former President of the CBI and a former Chairman of BUPA, Cookson Group plc, the Post Office and Rank Xerox (UK) Limited. He also chaired the Manpower Services Commission, the Financial Reporting Council and the Council for the Open University and has been a Non-executive Director of GKN plc and LucasVerity plc.

6. Geoff Wilding ■
Non-executive Director

Geoff Wilding BSc is a former investment banker. He set up his own investment company in New Zealand in 1989. He is a major shareholder in one of Australasia's largest flooring retailers, Flooring Brands Limited, and is currently a Director of Chorus Law Limited.

7. Alexander Anton ♦ ■ ▲
Non-executive Director

Alexander Anton, a member of the founding family of Victoria, was appointed to the main Board in 1995 and is a former Chairman. He is currently a Trustee of The Queen's Club, London and Chairman of Legacy Portfolio.

8. Terry Danks
Company Secretary — Victoria PLC,
Finance Director — Victoria Carpets UK

Appointed as Company Secretary to Victoria PLC in 1993. Terry joined Victoria Carpets in 1985 as Chief Accountant and has been responsible for both the accounting and IT function within the Company since that date. Terry was subsequently appointed as Finance Director of Victoria Carpets in 1989.

♦ Member of the Remuneration Committee
■ Member of the Nomination Committee
▲ Member of the Audit Committee

Senior Management Team

1. Shaun Lewis

Sales & Marketing Director — Victoria Carpets UK

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

2. Neil Glover

Operations Director — Victoria Carpets UK

Neil is a graduate in textile engineering from Leeds University and has had extensive experience in the carpet industry having previously worked for over 14 years with Brintons Ltd, 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.

3. Trevor Chippendale
Managing Director — Westwood Yarns

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

4. Paul Shaw
Managing Director — Victoria™ Luxury Flooring

Paul joined Victoria in September 2011 to spearhead the new Luxury Vinyl Tile (LVT) division having spent 23 years with LVT brand leaders Amtico International. He is responsible for the start-up of this new division and introducing the product into both commercial and retail markets. His appointment will allow the Victoria Carpets' team to remain focused on its core quality carpet business.

5. 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 President of the Carpet Institute of Australia and brings a wide breadth of experience to our Australian Board. His continued stewardship is of great value to the business.

6. Michael Davies
Non-executive Director — Victoria Carpets, Australia

Joined the Australian 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.

7. 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 20 years of sales and marketing experience 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.

8. 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

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.

What are Victoria's key HR policies?

Summaries of our key policies are as follows:

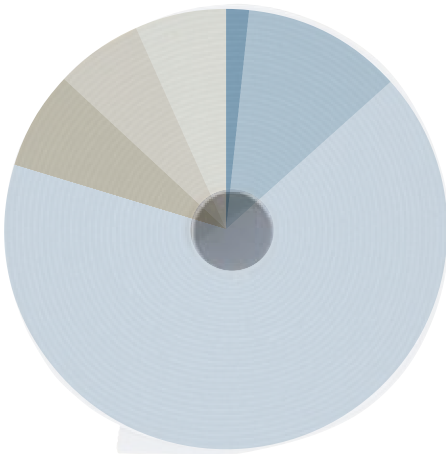
Equal opportunities policy

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

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

Resources by department

11	Directors
74	Sales and Marketing
421	Production
46	Logistics
40	Maintenenace
42	Finance, IT and Admin



Pictured above (from top):
Victoria, Australia: CMC technician attending to an infinity tufting machine.
Victoria, Australia: Maria Poulios, Dandenong Tufting Manager.
Victoria, UK: Andrea Price & Jan Roberts, Customer Service Department.

Family-friendly employment policies
It is our intention that Victoria is seen as an employer of choice.

Within the UK, wherever practically possible, a flexible approach is adopted for 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. In all cases, we ensure that parental leave policies are met.

What is Victoria's attitude to Training?
Victoria recognises the importance of employee development and acknowledges the indirect impact this investment has on customer facing service and product. Our human resources element is an asset and an integral part of the Group's overall strategic plan.

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

Training is undertaken at all levels within the Group. The type of training undertaken is based on giving our employees the tools and skills to do the job. This includes Degree courses, Apprenticeships, Development of Management skills, Health & Safety awareness, ICT and Adult Numeracy.

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

- Front Line Management
- Apprenticeships in Mechanical Engineering (textiles)
- Environmental Awareness and Sustainability Practices
- Harmonised National OH&S Laws Updates
- Impact of Carbon Tax on business
- Sustainability solutions in a Clean Energy Technology Environment

In October 2011, several members of staff at Kidderminster successfully passed a number of qualifications ranging from Maths and English NVQs to Business Improvement Techniques.

Pictured below:
Victoria, UK employees receiving training and education certificates.

We were in the unique situation of having multiple employees from five different families successfully achieve the qualifications at our Worcester Road Site.

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.

'Training Company of the Year'
The Group's investment in our people is proven, in particular, at our subsidiary, Westwood Yarns Limited, where for the third year running, the company has been awarded 'Training Company of the Year' by The Huddersfield Textile Centre of Excellence (an organisation specialising in providing training for the textile and clothing industry), in recognition of its commitment to training and the development of its employees.

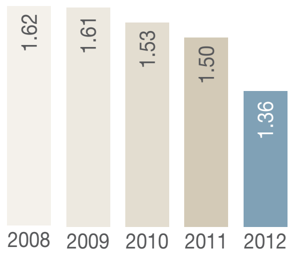
The investment that Westwood's has put into its people over the past few years has given the company a competitive advantage in both reducing costs and increasing quality by having a more flexible and highly skilled workforce.

Corporate Social Responsibility continued

Energy consumption per square metre of carpet manufactured

kWh per square metre of carpet

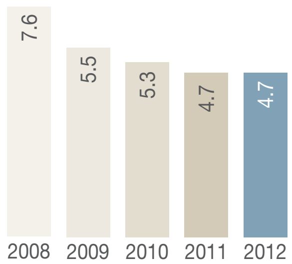
1.36 kWh



Voluntary employee turnover

Employee resignations as a % of total employees

4.7%



Health & Safety

Victoria Carpets Limited remains 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, as well as non-employees and local stakeholders 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 in OH&S, the provision of resources to facilitate this continuum and making safety everyone's business is at the heart of our intent. Occupational Health Screening has been rolled out right across Victoria's manufacturing operations and drivers of its delivery fleet.

The integration of our OH&S management system into the mapped business processes continues to be driven forward to become a part of our everyday business practices. 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. Safe and ethical business practices remain core to our ongoing business philosophy.

Marketplace

Our relationships with our suppliers, agents and representatives, regulators — even competitors — reflect Victoria's commitment to acting responsibly. These relationships 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.

Our relationship with our customers

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.

Our relationship with our suppliers

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.

How does Victoria view our responsibility to the environment?

As the global, national and local business sectors have become increasingly more difficult and competitive, it is with some pride that we continue to maintain our environmental credentials and responsibilities.

Environmental standards in all aspects of the Australian operations are being continuously improved and, increasingly, these standards are seen as an effective methodology to improve efficiencies and reduce the cost of doing business. At the same time, the impact on the environment is at the forefront of everything we do. We are committed to firmly establishing our environmental and sustainability credentials amongst our stakeholders and customer base.

The Australian operation is being proactive and responsive to environment-driven pressures by maintaining the ISO 14001:2004 EMS international standard. This, in combination with the long-held ISO 9001 Quality Standard, ensures Victoria has the optimum systems and methods in place to drive improvement programmes forward in all aspects of its operations.

Pictured below:
Victoria™ Luxury Flooring: Signature Collection — Limed Oak.

Corporate Social Responsibility continued

Carpeting Kemp Hospice

In the UK, Victoria Carpets donated carpet to Kemp Hospice, a well-renowned hospice in Kidderminster, which provides a major support system for the local community and whose primary goal is to provide palliative care and support, adding to the quality of life for both their patients and their carers.

Pictured above:
Graham Taylor, CEO Kemp Hospice, and John Silvester, Victoria UK's Contracts Manager, in room carpeted with carpet donated by Victoria at the Hospice.

Santas Sprint for Kemp Hospice

Five of our employees also raised money for Kemp Hospice by partaking in their annual Santa run, raising a total of £399 for the Hospice.

In December 2011, our employees elected to donate the money they would have spent on sending Christmas cards within the Company to the Kemp Hospice and Macmillan nurses.

Go to **www.victoriaplc.com** for more information

The waste and cardboard recycling programme at the Dandenong carpet factory continues to surpass ISO-established targets and objectives. The amount of recycling of waste diverted from landfill has increased threefold over the past three years, with other potential waste streams currently under development to reduce this even further.

A local company has commenced taking waste from the shearer operation to use as filler material in cement extrusion products. We are also partnering with the same company to develop a method to shred carpet into fine particles for use in the same end-product. This will divert a further 350 tonnes of waste from landfill, which will enable us to make considerable cost savings and help in lowering emissions.

The introduction of a Carbon Tax across Australia in July 2012 is driving programmes aimed at improving efficiencies and reducing wastes. A major focus is being placed on reducing energy use to ultimately lower GHG emission levels and mitigate the impact of the tax on the business.

A take-back programme to recycle carpet tiles is due to commence shortly. 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.

Throughout the Group, energy audits highlight areas of use that are not directly related to the production process, such as lighting, heating, administration and other areas. Programmes are under development at all mills to reduce the energy use of these non-process areas of the business.

Further steps have been made in the UK to reduce energy usage and waste to landfill, and in increasing the diversion of waste to recycling. Thermographic imaging equipment has been purchased which allows thermal images to be created to show heat loss. This can be either at a small scale, for example to identify overheating in motors or in electrical panels, or at a large scale, for example, to image heat loss through the fabric of the buildings. This has allowed us to focus energy-saving efforts on the most critical areas.

As part of our ongoing programme of energy saving, new energy-efficient heaters were installed throughout the main production areas, both reducing energy consumption and improving the working environment for employees.

Improvements in internal logistics have led to a 30% increase in the amount of polyethylene recycled. Further reductions in packaging waste are anticipated through a new initiative to adopt a thinner but more advanced LDPE packaging film, which, though more costly by weight, has dramatically reduced weight per square metre which more than offsets this.

Further to the reduction of process yarn waste reported last year, new ways have been found to recycle the remaining yarn waste, so that the vast majority of such waste is reprocessed back into useable products. Further focus on recycling has yielded a further 25% reduction in waste to landfill from carpet production. New avenues for recycling have been pursued. In addition to carpet underlay, process waste is now used for metals packaging, is recycled into mattress fillings and is also ground up for use in 'green roofs' — suitably processed, our waste has proved an excellent bed for grass to grow in.

Video conferencing continues to be 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.

Does Victoria have any truly ecological products?

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 individuals with high sensitivity to chemical toxins. Nature's Carpet® is currently sold throughout North America and Canada through retail flooring stores and green building centres.

How do the Group's companies interact with their local communities?

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

Victoria has benefited greatly from our communities and we therefore believe that we have a strong responsibility to support and contribute to these communities, such as 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 seventh 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.

How does Victoria align itself with charities?

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 Barnardo's, 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. The Company also supports employees who take part in sponsored activities on behalf of local charities.

Does the Group make any political contributions and if so, to whom?

As a general rule, the Company will not approve political donations and the Group does not make donations to political parties. There were no contributions to political organisations during the financial year ended 31 March 2012.

Directors' Report

The Directors present their report and the audited accounts for the Group for the financial year ended 31 March 2012.

Principal activities and business review

The Group's principal activities are the manufacture, distribution and sale of floorcoverings and carpet yarns. A review of the business during the financial year and the future development of the Group and a discussion of the principal risks and uncertainties faced by the Group is presented in the Chairman's Statement and the Business Reviews on pages 8 to 27. Details of the Company's subsidiary companies are set out in note 14 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 59 to 93.

	£000
Profit attributable to shareholders	1,086
Total dividend paid in the financial year	660
Retained profit	426

The Directors recommend the payment of a final dividend for the financial year ended 31 March 2012 of 7.00 pence per Ordinary share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid in cash on Thursday, 6 September 2012 to members on the Register at the close of business on Friday, 10 August 2012, with the ex dividend date being Wednesday, 8 August 2012.

Fixed assets

Movements in fixed assets are shown in notes 11 to 14 to the accounts.

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 26 to the accounts.

Directors and their interests

Those persons who were the Directors of the Company at year ended 31 March 2012 are listed on pages 28 and 29 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 54.

In accordance with the Company's Articles of Association, the Director(s) retiring by rotation at the 2012 Annual General Meeting are Alan Bullock and Barry Poynter who, being eligible, offer themselves for re-election pursuant to Article 86.

Details of all of the Executive Directors' service contracts and the Chairman's and Non-executive Directors' letters of appointment are set out in the Directors' Remuneration Report on pages 52 to 53. 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 31 March 2012, there were in issue 6,943,556 (2011: 6,943,556) fully paid Ordinary shares of 25 pence each. There are no special rights pertaining to any of the Ordinary shares in issue.

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) other than where certain restrictions may apply from time to time on the Board of Directors and other senior executive staff, which are imposed by laws and regulations relating to insider trading laws and market requirements relating to close periods. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

At the 2011 Annual General Meeting, the Directors received 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 2012 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 2012 Annual General Meeting will be operated in accordance with the guidance issued in 2008 by the Institute of Chartered Secretaries and Administrators on Proxies and Corporate Representatives at General Meetings.

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

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

If a person fails to give the Company any information requested by a notice served on him under section 793 of the Companies Act 2006 (which gives public companies the power to require information to be supplied in respect of a person's interests in the Company's shares) then the Company may, not earlier than 21 days later, and after warning that person, serve a disenfranchisement notice on 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.

Directors' Report continued

Proceedings at general meetings

Voting on each of the Resolutions will be conducted by way of a poll rather than on a show of hands. The Company believes that a poll is more representative of the shareholders' voting intentions because shareholder votes are counted according to the number of ordinary shares held and all votes tendered are taken into account. The results of the poll will be announced to the London Stock Exchange and will be made available on the Company's website at www.victoriaplc.com as soon as practicable following the conclusion of the AGM.

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 54), at 25 June 2012 (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	18.37%
G S F Anton	7.50%
C G F Anton	4.65%
J R D Anton	4.03%
J H H Anton	3.61%
P J Anton	3.56%
N E Anton	3.12%

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 20.

Payment policy

The Group does not have a written code or standard on payment practice. It negotiates settlement terms with each of its suppliers. Payments are then made to suppliers in accordance with those terms provided the supplier has carried out his agreed obligations in a satisfactory manner. The amount due to trade creditors on 31 March 2012 represented 59 days' purchases from suppliers (2011: 50 days).

Charitable and political contributions

There were no charitable contributions made by the Group during the year (2011: £2,527). There were no political contributions (2011: £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

With the change in consumer taste away from wool rich carpets towards 'soft touch' nylon carpets in Australia, we have struggled to consistently fully utilise the capacity of both of the spinning mills in Australia. Therefore, the Group took the decision to restructure and rightsize the mills, which gave rise to material non-recurring costs of *circa* A$1.30m in the first half of the new financial year.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

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

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

Deloitte LLP 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 2012 Annual General Meeting to be held on 31 August 2012, together with a description of the business to be discussed at the AGM, is set out in the accompanying Circular. The proposed resolutions relate to standard matters that are dealt with at every AGM.

By Order of the Board

Terry A Danks
Secretary
25 June 2012

Corporate Governance Statement

Chairman's introduction

Katherine Innes Ker, Chairman

"As Chairman of the Board and of the Group's Nomination and Remuneration Committees, I am pleased to present Victoria's Corporate Governance Report for 2012.

The Code emphasises the Board's responsibility for providing the leadership necessary to promote the success of the Company within the context of an effective framework of accountability, oversight and risk mitigation. As Chairman, I am conscious that it is my responsibility to provide leadership to the Board in order to ensure its effectiveness and to oversee the delivery of the Group's strategy. In this regard, I am mindful of the importance of encouraging the productive engagement of all Board members so as to enable all Directors to work in unison within a culture of openness and debate.

As a Board, we are committed to maintaining the high standards of corporate governance as laid out in the UK Corporate Governance Code 2010 ('the Code') throughout the Group. Set out below is the Board's report on how it applies the principles of good governance and complies with the Code and explains where it does not."

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.

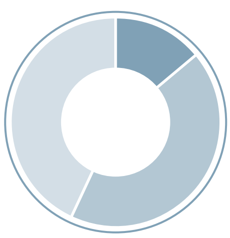
How is the Board made up?

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. The Board welcomes the publication of the Davies Review on 'Women on Boards'. The benefits of greater Board diversity, not just gender specific, are clear and this is a positive step forward.

The Board is committed to maintaining an appropriate balance between Executive and Non-executive Directors. Nikki Beckett and Peter Jensen resigned on 5 March 2012 and, following the General Meeting held on 6 March, four new Non-executive Directors were appointed: Katherine Innes Ker (Chairman), Sir Bryan Nicholson, Alexander Anton and Geoffrey Wilding.

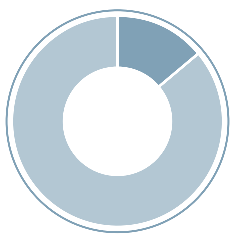
The Board currently consists of three Executive and four Non-executive Directors, with Sir Bryan Nicholson nominated as Senior Independent Director. A list of the current individual Directors and their biographies and other significant commitments are set out on pages 28 and 29.

Balance of Non-executive and Executive Directors



14% Chairman
43% Non-executive Directors
43% Executive Directors

Gender



14% Female
86% Male

How often do the Board and its sub-committees meet?

The Board normally meets monthly throughout the year and during the year ended 31 March 2012, the Board met 17 times. The number of formal scheduled Board and Committee meetings attended by each Director during the financial year, was as follows:

	Board (17)	Audit Committee (2)	Nominations# Committee (0)	Remuneration Committee (3)
Katherine Innes Ker*	2/2†	0/0†		0/0†
Sir Bryan Nicholson*	2/2†	0/0†		0/0†
Alexander Anton*	2/2†	0/0†		0/0†
Geoff Wilding*	2/2†	—		—
Alan Bullock	17	—		3
Ian Davies	17	—		—
Barry Poynter	14	—		3
Former Directors				
Nikki Beckett *(resigned 05/03/12)*	13/14†	2		3
Peter Jensen *(resigned 05/03/12)*	14/14†	1/2†		3

* Appointed to the Board at the General Meeting held on 6 March 2012.
† Actual attendance/maximum number of meetings a Director could attend as a Board/Committee member.
# Whilst there were no Nominations Committee meetings held during the year, nomination matters were dealt with by the whole Board.

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.

Corporate Governance Statement continued

Schedule of matters reserved for the Board

A formal schedule of matters reserved for the decision of the Board covers key areas of the Group's affairs.

1. Approval of the Group's strategy, objectives, values and overall governance framework.
2. Approval of the Company's Annual Report and Accounts, Directors' Remuneration Report, Turnbull Statement and Half-year reports.
3. Approval of any interim dividend and recommendation of the final dividend.
4. Approval of the Notice of Annual General Meeting and the resolutions to shareholders therein, including the recommendation for the appointment, reappointment or removal of the Auditor.
5. Approval of all other circulars listing particulars and corresponding documentation sent to shareholders.
6. Approval of any changes to the Company's constitutional documentation.
7. Approval of the Group's financial, taxation and treasury management policies, dividend policy, long term financing, annual budget and operating plans.
8. Approval of material capital projects, investments, acquisitions, franchises and disposals.
9. Approval of any significant change in accounting, tax or treasury management policies or practices.
10. Approval of changes in the capital structure of the Company or its status as a public limited company listed on the London Stock Exchange and, in particular, the issue or allotment of shares in the Company otherwise than pursuant to Company approved employee share schemes and share buy-back programme.
11. Responsibility for the appointment, reappointment or removal of the Chairman and Directors and the recommendation to shareholders of their election or re-election under the Articles of Association; the appointment and removal of the Company Secretary, ensuring that suitable procedures are in place for succession planning and the fees payable to the Non-executive Directors.
12. Regular review and approval of the Board Policy and Procedures Manual, the division of responsibilities between the Chairman and Group Managing Director and this Schedule of matters reserved for the Board.
13. Responsibility for establishing Committees of the Board, approving their terms of reference, regularly reviewing their activities and, where appropriate, ratifying decisions.
14. Approval of all minutes of Board and Committee meetings.
15. Responsibility for oversight of internal controls, risk management, Health and Safety matters and corporate social responsibility.

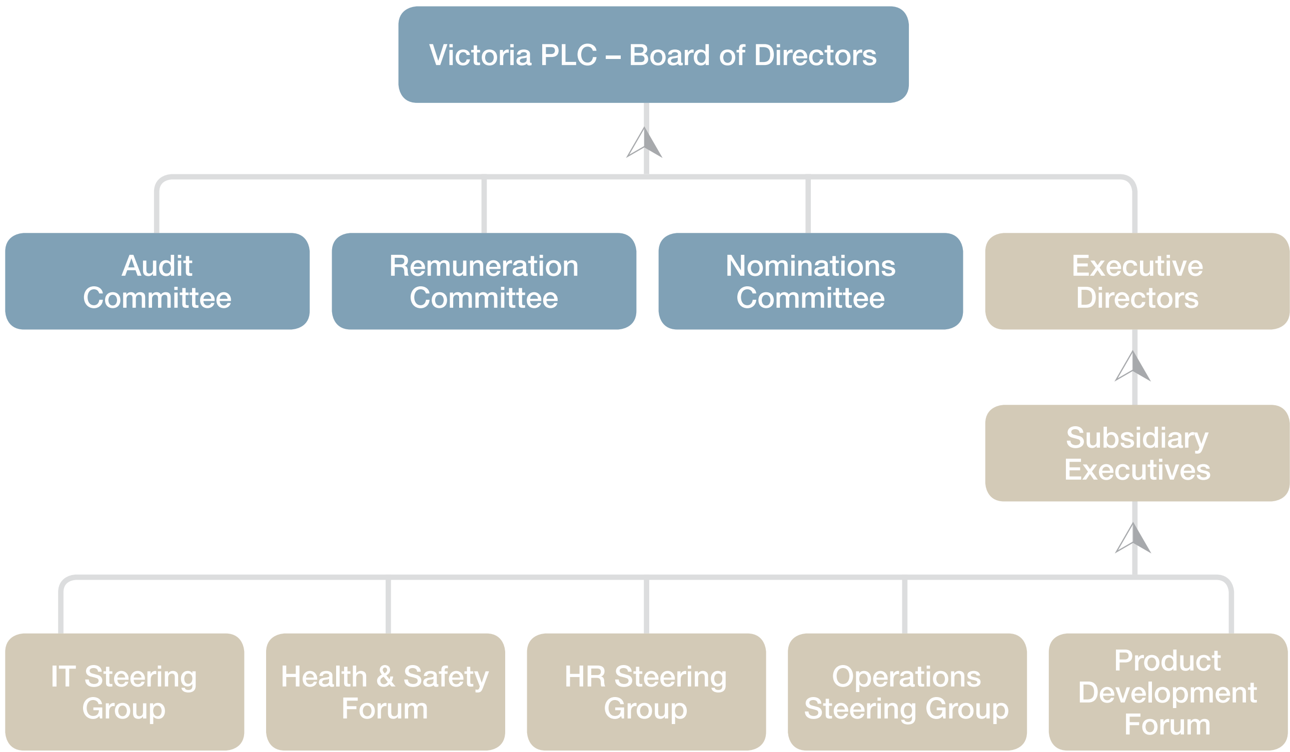
Board papers are distributed the week before Board meetings and Board decisions are only taken when adequate information is available to the Board and are deferred when further information is required.

Where does the Board meet?

The venues for Board meetings are split between the Company's registered office in Kidderminster and offices in London in order to accommodate travel and time constraints of all Directors on the Board. Barry Poynter attends Board meetings via video conferencing facilities. 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.

What is the Board and Management structure?



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 subsidiary operating companies' boards which meet monthly: one for the UK and Ireland and one for the Australian operating division.

The subsidiary executive boards are attended by the Group Managing Director and the Group Finance Director. The Board of the Canadian Associate meets independently and is currently chaired by the Group Finance Director; however, due to his planned departure from the Group on 8 August, the Group Managing Director will subsequently be taking on this role.

We believe that the above structure enables the Group to be managed in a particularly effective way. Local management throughout the Group are empowered to operate as autonomous companies whilst still benefiting from liaising closely and comparing and sharing experience and expertise and best practice from other operating companies within the Group as well as being able to utilise the depth of knowledge and experience held by the Group Board.

There are also a number of regular strategic management meetings held on matters such as Health & Safety, Operations, Product Development, HR and IT, the subject of which are fed into the subsidiary executive boards and which enable our operating companies to share best and emerging practice, to seek synergies and cost savings, to improve on quality and to achieve economies of scale wherever possible.

This operating method enables the Board to be well informed about our businesses, employees and stakeholders so we are able to respond to the changing dynamics of the economies and markets in which we operate.

Corporate Governance Statement continued

How do we evaluate information, professional development and performance?

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.

Skills

Independence

In compliance with the requirements of the 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. Following the appointment of Katherine Innes Ker, Sir Bryan Nicholson, Alexander Anton and Geoffrey Wilding at the General Meeting held on 6 March 2012, the Board has determined that with the exception of Alexander Anton, the current Non-executive Directors are independent, both in character and judgement, taking into account all relevant circumstances.

What is the procedure for election and re-election of Directors?

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, two Directors are required to retire by rotation and Alan Bullock and Barry Poynter will be submitting themselves for re-election at the 2012 Annual General Meeting (AGM).

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 inspection at the 2012 Annual General Meeting.

Internal control

Paragraph C.2 of the 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 38 and 39.

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.
- The use of a standard reporting framework by subsidiaries throughout the Group is important in ensuring that the Group's accounting policies are clearly established and that information is appropriately reviewed and reconciled as part of the reporting process. The use of a standard reporting package ensures that information is presented in a consistent way that facilitates the production of the consolidated financial statements.

Are there any 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 40.)

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 20 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.

How do we comply with the provisions of the Code?

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

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.

B1.1: Alexander Anton is not regarded as an independent Non-executive Director within the meaning of the Code, given that he represents the interests of a significant shareholder block and his previous tenure on the Board. However, this is mitigated because there is sufficient independent representation on the Board.

Corporate Governance Statement continued

Audit Committee

Sir Bryan Nicholson, **Chairman**

Chaired by:
Sir Bryan Nicholson

Other members:
Katherine Innes Ker
Alexander Anton
Alan Bullock *(until 06/03/12)*
Barry Poynter *(until 06/03/12)*

Former Directors:
Nikki Beckett *(Chairman resigned 05/03/12)*
Peter Jensen *(resigned 05/03/12)*

Meetings also regularly attended by invitation by:
Ian Davies, Group Finance Director

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.

Recent and relevant experience: As required by paragraph C.3.1 of the Code, the Board satisfied itself that following the resignation of Nikki Beckett in March 2012, Sir Bryan Nicholson has recent and relevant financial experience.

How often did the Committee meet?
The Audit Committee met twice during the year.

What are the main responsibilities of the Audit Committee?
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.victoriaplc.com.

Who is the Group's Auditor?
Deloitte LLP is the Group's Auditor, having originally been appointed in September 2004, with the lead audit partner changed in July 2009. The external auditor is required to rotate the engagement partner responsible for the Group every five years. There are no contractual obligations restricting the Company's choice of external auditor.

What is the policy on the Auditor providing non-audit services?
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. The ratio of audit fees to non-audit fees charged by the external auditor in the year as a proportion of the annual external audit fee is kept under review to ensure that neither their independence nor their objectivity is put at risk. Audit and non-audit fees paid or payable to the Auditor in the year under review are set out in note 5 on page 74. 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.

Whistle-blowing policy
The Group is committed to the highest standards of quality, honesty, openness and accountability. Therefore, a Whistle-blowing policy has been issued to all operating companies to ensure a consistent approach across the Group, with the purpose to allow all employees the opportunity of reporting any business misconduct, violations of the law, rules, and regulations of any of the Group's policies or procedures, without risk to themselves. Any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken. Any matters of significance are reported to the Audit Committee. During the year, no issues of significance were raised.

Nominations Committee

Katherine Innes Ker, **Chairman**

Chaired by:
Katherine Innes Ker

Other members:
Sir Bryan Nicholson
Alexander Anton
Geoffrey Wilding
Alan Bullock *(until 06/03/12)*
Ian Davies *(until 06/03/12)*

Former Directors:
Nikki Beckett *(Chairman resigned 05/03/12)*
Peter Jensen *(resigned 05/03/12)*

Meetings also regularly attended by invitation by:
Alan Bullock, Group Managing Director

What is the Committee's role?

The Committee reviews the composition and balance of the Board and senior Executive team on a regular basis to ensure that the Board and management have the right structure, skills and experience in place for the effective management for the Group to operate efficiently and effectively. This review includes a forward looking analysis of the skills and diversity required of Board members and is also reviewed and discussed with the Board.

What is the process for appointing Executive and Non-executive Directors?

When recruiting both Executive and Non-executive Directors, the Committee considers the skills, experience, knowledge and diversity that would benefit both the Board and its committees.

Appointments during the year

The current Non-executive Directors were appointed by shareholders at the General Meeting held on 6 March 2012. Following this process, the Board recommended Katherine Innes Ker as Chairman, Sir Bryan Nicholson as Senior Independent Non-executive Director and Alexander Anton and Geoffrey Wilding as Non-executive Directors.

What are the main responsibilities of the Nominations Committee?

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

- Reviewing the structure, size and composition of the Board and making recommendations with regard to any changes that are considered necessary, including the continuation of existing Directors in office.
- Succession planning for Executive Board appointments.
- Identifying and nominating candidates for Board approval to fill Board vacancies as and when they arise.
- Conducting an annual review and identification of the time commitment required from Non-executive Directors.
- Making recommendations to the Board regarding membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee.

For full details of the Committee's terms of reference, please visit the Company's website: www.victoriaplc.com.

Whilst there were no Nomination Committee meetings held during the year, nomination matters were dealt with by the whole Board.

Corporate Governance Statement continued

Remuneration Committee

Katherine Innes Ker, Chairman

Chaired by:
Katherine Innes Ker

Other members:
Sir Bryan Nicholson
Alexander Anton
Alan Bullock *(until 06/03/12)*
Barry Poynter *(until 06/03/12)*

Former Directors:
Peter Jensen *(Chairman, resigned 05/03/12)*
Nikki Beckett *(resigned 05/03/12)*

Meetings also regularly attended by invitation by:
Alan Bullock, Group Managing Director

The Directors' Remuneration report on pages 51 to 55 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.

By Order of the Board

Terry A Danks
Secretary
25 June 2012

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 54.

Unaudited information

Remuneration Committee

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

Chaired by:
Katherine Innes Ker *(appointed 06/03/12)*

Other members:
Sir Bryan Nicholson *(appointed 06/03/12)*
Alexander Anton *(appointed 06/03/12)*

Former Directors:
Peter Jensen *(Chairman, resigned 05/03/12)*
Nikki Beckett *(resigned 05/03/12)*
Alan Bullock *(until 06/03/12)*
Barry Poynter *(until 06/03/12)*

Meetings also regularly attended by invitation by:
Alan Bullock, Group Managing Director

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.

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.victoriaplc.com.

The Committee's main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Group Managing Director, Chairman, Executive Directors and senior managers.
- Reviewing progress made against KPI targets and agreeing final performance-related bonus award.
- Reviewing the design of share incentive plans for approval by the Board and shareholders and determining the annual award policy to Executive Directors and senior Executives under existing plans.
- Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director.
- Reviewing and noting the remuneration trends across the Group.

Directors' remuneration policy

The Directors' remuneration policy for the year ended 31 March 2012 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:

Directors' Remuneration Report continued

Basic salary and benefits

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

Performance-related bonus

The remuneration policy of the Committee follows the principle of the Combined Code that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of Executive Directors and directors of subsidiary companies and should be designed to align their interests with those of shareholders and to give these Directors keen incentives to perform at the highest levels.

The Group operates an annual bonus scheme for Executive Directors and directors of subsidiary companies. The scheme is designed to encourage performance which the Remuneration Committee considers would contribute most to increasing shareholder value.

For the financial year ended 31 March 2012, bonuses were awarded at the discretion of the Remuneration Committee in the range of 0 – 15% of basic salary. Bonuses are not pensionable.

Performance Share Plan (PSP)

The Victoria PLC 2011 Performance Share Plan (PSP) was adopted at the 2011 AGM following shareholders' approval. The PSP will be used as the primary incentive plan to replace the 2008 LTIP from August 2011 onwards for Executives Directors and other key Executives responsible for the delivery of the Company's business strategy. It will provide for conditional share awards and nil cost options to be acquired for no cost with vesting subject to the satisfaction of performance conditions based on growth in the Company's EPS over a three year performance period, with vesting as set out below:

Careful consideration has been given to the performance condition, taking into account market conditions and the Company's forecasts and budgets. The Remuneration Committee believes that the performance conditions proposed are sufficiently stretching and have been set to act as an appropriate incentive for Executives and to deliver sustained business performance without encouraging excessive risk.

EPS Growth	Percentage of Award vesting
RPI + 15% per annum	25%
RPI + 20% per annum	50%
RPI + 25% per annum	100%

The Remuneration Committee will regularly review the performance conditions for future awards (and will have the discretion to change the performance conditions for future awards) to ensure they are appropriate for the Company and the prevailing recruitment market.

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. No further options will be granted in respect of this plan; however, options may still vest until 2013.

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 12 month term. Their remuneration is reviewed periodically and determined by the full Board.

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

Katherine Innes Ker
The services of Katherine Innes Ker as Chairman and Non-executive Director are provided under a contractual letter of continuing appointment dated 6 March 2012. The contract does not include any provision for early termination.

Sir Bryan Nicholson
The services of Sir Bryan Nicholson as Non-executive Director are provided under a contractual letter of continuing appointment dated 6 March 2012. The contract does not include any provision for early termination.

Alexander Anton
The services of Alexander Anton as Non-executive Director are provided under a contractual letter of continuing appointment dated 6 March 2012. The contract does not include any provision for early termination.

Geoffrey Wilding
The services of Geoffrey Wilding as Non-executive Director are provided under a contractual letter of continuing appointment dated 6 March 2012. The contract does not include any provision for early termination.

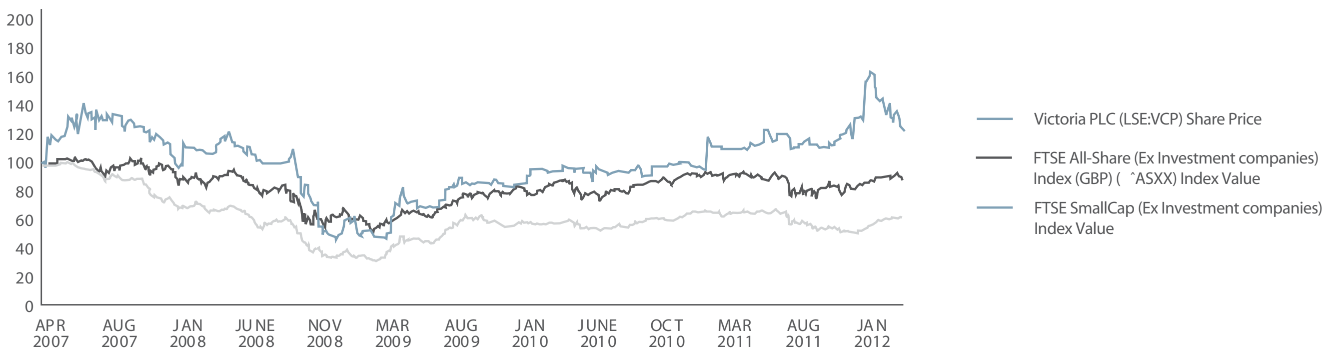
Nikki Beckett
The services of Nikki Beckett as Chairman and Non-executive Director were provided under a contractual letter of continuing appointment dated 15 September 2007. She resigned on 5 March 2012. The contract did not include any provision for early termination.

Peter Jensen
The services of Peter Jensen as Non-executive Director were provided under a contractual letter of continuing appointment dated 28 July 2010, with the appointment commencing with effect from 1 September 2010. He resigned on 5 March 2012. The contract did 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	Notice period from the Company: 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 31 March 2012 of 122.7% compares to the total returns provided by the FTSE Small Cap Ex Inv. Trusts Index of 64.3% and by the FTSE All-Share Ex Inv. Trusts Index of 90.3%.

Directors' Remuneration Report continued

Audited information

Directors' emoluments and pensions

The emoluments of all Directors for the financial year ended 31 March 2012 were:

	Salary/ Fees £000	Benefit in kind £000	Car/fuel allowance £000	Bonus £000	**Total 2012 £000**	Total 2011 £000
Executive						
Alan Bullock	172	21	—	28	**221**	192
Ian Davies	150	22	—	22	**194**	185
Barry Poynter	267	28	—	10	**305**	340
Non-executive						
Katherine Innes Ker	5	—	—	—	**5**	—
Sir Bryan Nicholson	3	—	—	—	**3**	—
Geoffrey Wilding	3	—	—	—	**3**	—
Alexander Anton	3	—	—	—	**3**	—
Former Directors						
Nikki Beckett	60	—	—	—	**60**	60
Peter Jensen	32	—	—	—	**32**	20
	695	71	—	60	**826**	797

The Executive Directors served for the full year. Nikki Beckett and Peter Jensen served until 5 March 2012 and Katherine Innes Ker, Sir Bryan Nicholson, Alexander Anton and Geoff Wilding were appointed to the Board on 6 March 2012.

Directors' interests

The Directors of the Company who held office at 31 March 2012 had the following interests in the Ordinary shares of the Company:

	31 March 2012		2 April 2011	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
Alan Bullock	**28,750**	**—**	28,750	—
Ian Davies	**13,500**	**—**	13,500	—
Barry Poynter	**—**	**—**	—	—
Katherine Innes Ker	**—**	**—**	—	—
Sir Bryan Nicholson	**—**	**—**	—	—
Alexander Anton	**71,075***	**80,000**	—	—
Geoff Wilding	**—**	**—**	—	—

* This includes 47,500 shares held in trust, of which Alexander Anton is the beneficiary.

The interests of the Directors in the shares of the Company and its subsidiaries have not changed between the year end and 25 June 2012 (being the last practicable date before production of this report).

Share options

	At 2 April 2011	Granted in period	Market price on issue (p)	Earliest date of exercise	Expired or forfeited in period	Exercised in period	**At 31 March 2012**
Victoria PLC 2008 Long Term Incentive Plan							
Alan Bullock	135,531	—	—	28/07/2012	—	—	**135,531**
Ian Davies	103,641	—	—	28/07/2012	—	—	**103,641**
Barry Poynter	157,275	—	—	28/07/2012	—	—	**157,275**
Terry Danks	50,525	—	—	28/07/2012	—	—	**50,525**
Shaun Lewis	46.190	—	—	28/07/2012	—	—	**46,190**
Neil Gover	44,343	—	—	28/07/2012	—	—	**44,343**
Trevor Chippendale	47,332	—	—	28/07/2012	—	—	**47,332**
Anne Seymour	84,592	—	—	28/07/2012	—	—	**84,592**
Sean Kelly	58,100	—	—	28/07/2012	58,100	—	**—**

	At 2 April 2011	Granted in period	Market price on issue (p)	Earliest date of exercise	Expired or forfeited in period	Exercised in period	**At 31 March 2012**
Victoria PLC 2011 Performance Share Plan							
Alan Bullock	—	19,278	291.0	07/12/2014	—	—	**19,278**
Ian Davies	—	15,464	291.0	07/12/2014	—	—	**15,464**
Barry Poynter	—	27,305	291.0	07/12/2014	—	—	**27,305**
Anne Seymour	—	15,332	291.0	07/12/2014	—	—	**15,332**

Directors' pension entitlements

Three Directors were members of money purchase schemes.

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

	2012 £000	2011 £000
Alan Bullock	**50**	70
Ian Davies	**23**	19
Barry Poynter	**24**	21
	97	110

On behalf of the Board

Katherine Innes Ker
Chairman of the Remuneration Committee
25 June 2012

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements 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 financial statements, 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 financial statements, 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' Reports, 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
25 June 2012

Ian G Davies
Group Finance Director
25 June 2012

Independent Auditor's Report to the Members of Victoria PLC

We have audited the financial statements of Victoria PLC for the 52 week period ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated 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 Cash Flows, significant accounting policies and the related notes 1 to 29. 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 financial statements, 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 financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2012 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements 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 financial statements 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' Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, contained within 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
25 June 2012

Consolidated Income Statement

For the 52 weeks ended 31 March 2012

		Note	52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000
Continuing operations				
Revenue		1,2	**77,126**	70,503
Cost of sales			**(56,787)**	(50,611)
Gross profit			**20,339**	19,892
Distribution costs			**(14,070)**	(13,615)
Administrative expenses			**(4,730)**	(4,337)
Other operating income			**384**	478
Operating profit			**1,923**	2,418
Analysed between:				
Operating profit before exceptional items		1	**2,583**	2,418
Exceptional items		1,3	**(660)**	—
Share of results of associated company			**85**	(22)
Finance costs		4	**(461)**	(472)
Profit before tax		1,5	**1,547**	1,924
Taxation		7	**(461)**	(715)
Profit for the period			**1,086**	1,209
Attributable to:				
Equity holders of the parent			**1,086**	1,209
Earnings per share — pence	basic	9	**15.64**	17.41
	diluted	9	**14.12**	15.76

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 31 March 2012

	52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000
Exchange differences on translation of foreign operations	**72**	1,733
Other comprehensive income for the period	**72**	1,733
Profit for the period	**1,086**	1,209
Total comprehensive income for the period	**1,158**	2,942
Attributable to:		
Equity holders of the parent	**1,158**	2,942

Consolidated and Company Balance Sheets

As at 31 March 2012

		Group		Company	
		31 March 2012 £000	2 April 2011 £000	**31 March 2012 £000**	2 April 2011 £000
	Note				
Non-current assets					
Intangible assets	11	**742**	389	**—**	—
Property, plant and equipment	13	**24,978**	26,537	**5,027**	5,078
Investment property	14	**180**	180	**180**	180
Investment in subsidiary undertakings	14	**—**	—	**3,322**	3,321
Investment in associated company	14	**558**	487	**56**	56
Deferred tax asset	19	**812**	853	**—**	—
Total non-current assets		**27,270**	28,446	**8,585**	8,635
Current assets					
Inventories	15	**25,966**	22,902	**—**	—
Trade and other receivables	16	**11,676**	11,821	**4,812**	4,958
Cash at bank and in hand		**806**	1,626	**—**	—
Total current assets		**38,448**	36,349	**4,812**	4,958
Total assets		**65,718**	64,795	**13,397**	13,593
Current liabilities					
Trade and other payables	17	**13,467**	12,442	**1,055**	141
Current tax liabilities		**31**	613	**—**	—
Other financial liabilities	18	**8,165**	6,360	**3,078**	3,707
Total current liabilities		**21,663**	19,415	**4,133**	3,848
Non-current liabilities					
Trade and other payables	17	**2,253**	2,611	**—**	—
Other financial liabilities	18	**388**	1,497	**—**	—
Deferred tax liabilities	19	**1,094**	1,510	**784**	978
Total non-current liabilities		**3,735**	5,618	**784**	978
Total liabilities		**25,398**	25,033	**4,917**	4,826
Net assets		**40,320**	39,762	**8,480**	8,767
Equity					
Share capital	20	**1,736**	1,736	**1,736**	1,736
Share premium	21	**829**	829	**829**	829
Retained earnings	21	**37,575**	37,067	**5,802**	6,115
Share-based payment reserve	21	**180**	130	**113**	87
Total equity		**40,320**	39,762	**8,480**	8,767

Company Registered Number (England & Wales) 282204

The financial statements on pages 59 to 93 were approved by the Board of Directors and authorised for issue on 25 June 2012.

They were signed on its behalf by:

Katherine Innes Ker
Director

Ian Davies
Director

Consolidated Statement of Changes in Equity

For the 52 weeks ended 31 March 2012

	Share capital £000	Share premium £000	Retained earnings £000	Share-based payment reserve £000	Total equity £000
At 3 April 2011	1,736	829	37,067	130	39,762
Profit for the period	—	—	1,086	—	1,086
Other comprehensive income for the period	—	—	72	—	72
Dividends paid	—	—	(660)	—	(660)
Movement in share-based payment reserve	—	—	—	50	50
Deferred tax on share option scheme	—	—	10	—	10
At 31 March 2012	**1,736**	**829**	**37,575**	**180**	**40,320**
At 4 April 2010	1,736	829	34,690	—	37,255
Profit for the period	—	—	1,209	—	1,209
Other comprehensive income for the period	—	—	1,733	—	1,733
Dividends paid	—	—	(583)	—	(583)
Transfer from accruals	—	—	—	73	73
Share-based payment charge	—	—	—	57	57
Deferred tax on share option scheme	—	—	18	—	18
At 2 April 2011	1,736	829	37,067	130	39,762

Company Statement of Changes in Equity

For the 52 weeks ended 31 March 2012

	Share capital £000	Share premium £000	Retained earnings £000	Share-based payment reserve £000	Total equity £000
At 3 April 2011	1,736	829	6,115	87	8,767
Profit for the period	—	—	337	—	337
Dividends paid	—	—	(660)	—	(660)
Share-based payment charge	—	—	—	26	26
Deferred tax on share option scheme	—	—	10	—	10
At 31 March 2012	**1,736**	**829**	**5,802**	**113**	**8,480**
At 4 April 2010	1,736	829	6,237	—	8,802
Profit for the period	—	—	443	—	443
Dividends paid	—	—	(583)	—	(583)
Transfer from accruals	—	—	—	73	73
Share-based payment charge	—	—	—	14	14
Deferred tax on share option scheme	—	—	18	—	18
At 2 April 2011	1,736	829	6,115	87	8,767

Consolidated and Company Statements of Cash Flows

For the 52 weeks ended 31 March 2012

	Note	Group		Company	
		52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000	**52 weeks ended 31 March 2012 £000**	52 weeks ended 2 April 2011 £000
Net cash inflow from operating activities	23	**885**	2,505	**1,285**	644
Investing activities					
Purchases of property, plant and equipment		**(1,464)**	(948)	**(13)**	—
Acquisition of intangible assets		**(400)**	—	**—**	—
Proceeds on disposal of property, plant and equipment		**85**	62	**—**	—
Investment in subsidiary		**—**	—	**(1)**	—
Net cash used in investing activities		**(1,779)**	(886)	**(14)**	—
Financing activities					
Repayment of loans		**(973)**	(971)	**—**	—
Receipts from financing of assets		**321**	202	**—**	—
Repayment of obligations under finance leases/HP		**(872)**	(725)	**—**	—
Dividends paid		**(660)**	(583)	**(660)**	(583)
Net cash used in financing activities		**(2,184)**	(2,077)	**(660)**	(583)
Net (decrease)/increase in cash and cash equivalents		**(3,078)**	(458)	**611**	61
Cash and cash equivalents at beginning of period		**(3,866)**	(3,474)	**(3,689)**	(3,750)
Effect of foreign exchange rate changes		**24**	66	**—**	—
Cash and cash equivalents at end of period	24	**(6,920)**	(3,866)	**(3,078)**	(3,689)

Significant Accounting Policies

Basis of accounting

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

The financial statements have been prepared on the historical cost basis, except for financial instruments which are recorded at fair value in accordance with IAS 39. Land and buildings were professionally valued at 4 April 2004 and 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 22 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 acquisition 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. Acquisition related costs are generally recognised as an expense in the income statement.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based payment at the acquisition date.
- 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.

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, and is considered to be the deemed cost.

Significant Accounting Policies continued

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 in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised 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. 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.

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.

Significant Accounting Policies continued

Property, plant and equipment continued

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.

Intangible assets

(i) Internally generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

— an asset is created that can be identified (such as software and new processes);
— it is probable that the asset created will generate future economic benefits; and
— the development cost of the asset can be measured reliably.

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

(ii) Patents and trademarks

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

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their value at the acquisition date, which is regarded as their cost.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) Amortisation of intangible assets

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Amortisation commences from the date the intangible asset becomes available for use.

(v) Derecognition of intangible assets

An intangible assset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(vi) Impairment of tangible and intangible assets

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.

The liability in respect of equity settled amounts is included in equity.

Exceptional items

Non-recurring transactions which are material by virtue of their size or incidence are disclosed as exceptional items.

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.

Significant Accounting Policies continued

Financial instruments continued

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 is 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 7 (amended) 'Financial Instrument Disclosures'
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'

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 9 'Financial Instruments'
IFRS 10 'Consolidated Financial Statements'
IFRS 12 'Disclosures of Interests in Other Entities'
IFRS 13 'Fair Value Measurement'
IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
IAS 29 (revised) 'Investments in Associates and Joint Ventures'

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

The Irish business was restructured in the first quarter of the period under review, and the trade and assets transferred into the UK operation from July 2011. Following this change, the UK and Ireland results are now reported as one segment.

The Group is organised into two operating divisions, the UK & Ireland and Australia. Our share of the Canadian Associate result is also presented separately.

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

Income statement

	For the 52 weeks ended 31 March 2012					For the 52 weeks ended 2 April 2011			
	Revenue £000	Segmental operating profit £000	Exceptional operating items £000	Finance costs £000	Profit before tax* £000	Revenue £000	Segmental operating profit £000	Finance costs £000	Profit before tax* £000
UK & Ireland	30,080	308	(369)	(128)	(189)	27,488	(278)	(107)	(385)
Australia	47,046	3,134		(231)	2,903	43,015	3,526	(264)	3,262
	77,126	3,442	(369)	(359)	2,714	70,503	3,248	(371)	2,877
Share of Canadian Associate					85				(22)
Unallocated central expenses		(859)	(291)	(102)	(1,252)		(765)	(101)	(866)
Goodwill impairment							(65)		(65)
Total continuing operations	77,126	2,583	(660)	(461)	1,547	70,503	2,418	(472)	1,924
Tax					(461)				(715)
Profit after tax from continuing activities					1,086				1,209

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

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

Management information is reviewed on a segmental basis to profit before tax.

Balance sheet

	As at 31 March 2012		As at 2 April 2011	
	Segment assets £000	Segment liabilities £000	Segment assets £000	Segment liabilities £000
UK & Ireland	27,649	10,480	25,750	7,865
Australia	37,255	9,889	38,286	12,259
Investment in the Associate company	558	—	487	—
Unallocated central assets/liabilities	256	5,029	272	4,909
	65,718	25,398	64,795	25,033

The investment in the Associate 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 31 March 2012 £000	52 weeks ended 2 April 2011 £000
Depreciation and amortisation		
UK & Ireland	**821**	858
Australia	**2,149**	2,030
Goodwill impairment	**—**	65
Unallocated central	**4**	9
	2,974	2,962

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

	52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000
Capital expenditure		
UK & Ireland	**361**	182
Australia	**1,090**	766
Unallocated central	**13**	—
	1,464	948

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 and other floorcoverings.

2 Revenue

	52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000
Continuing operations		
Sale of goods	**77,126**	70,503
Other operating income	**384**	478
	77,510	70,981

3 Exceptional items

	52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000
(a) Restructuring of the Group's Irish businesses	**369**	—
(b) Costs in connection with the General Meeting and formal sales process	**291**	—
	660	—

All exceptional items are classified within administrative expenses.

(a) Relate to closure costs associated with the restructuring, with the largest cost relating to redundancies. The Irish business and brands are now being marketed and traded under a distribution model and reported within the UK operation.

(b) Relate to professional fees in connection with the General Meeting held in March 2012 and the formal sales process.

Notes to the Accounts continued

4 Finance costs

	52 weeks ended 31 March 2012 £000	52 weeks ended 2 April 2011 £000
Interest on loans and overdrafts wholly repayable within five years	409	409
Movement in fair value of interest rate swap	(18)	(33)
Hire purchase and finance lease interest	70	96
	461	472

5 Profit on ordinary activities before taxation

	2012 £000	2011 £000
After charging/(crediting)		
Net foreign exchange gains	(584)	(207)
Depreciation of property, plant and equipment	2,932	2,865
Amortisation of intangible assets	42	32
Impairment of goodwill	—	65
Staff costs (see note 6)	20,498	19,869
Cost of inventories recognised as an expense	56,787	50,611
Loss on sale of fixed assets	59	13
Government grants (see note 25)	(393)	(447)
Other operating lease rentals	557	557
Auditor's remuneration:		
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	27	26
The audit of the Company's subsidiaries pursuant to legislation	78	73
Total audit fees	105	99
Other services pursuant to legislation	10	6
Tax services	18	13
Total non-audit fees	28	19

6 Staff costs

	2012 £000	2011 £000
Wages and salaries	17,798	17,313
Share-based payment	47	57
Social security costs	1,283	1,216
Other pension costs	1,370	1,283
	20,498	19,869

Average number employed (including executive directors of subsidiaries)

	2012	2011
Directors	11	12
Sales and Marketing	74	76
Production	421	435
Logistics	46	45
Maintenance	40	40
Finance, IT and Administration	42	39
	634	647

6 Staff costs continued

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 £1,370,000 (2011: £1,283,000), of which £430,000 (2011: £381,000) relates to the UK schemes. The total contributions outstanding at year end was £nil (2011: £nil).

7 Taxation

	2012 £000	2011 £000
Current tax		
— Current year UK	—	—
— Current year overseas	823	1,228
— Adjustments in respect of prior years	—	(62)
	823	1,166
Deferred tax (note 19)		
— Expense recognised in the current year	(270)	(371)
— Adjustments in respect of prior years	(1)	36
— Effect of rate change	(91)	(116)
	(362)	(451)
Total tax	461	715
Tax charge before effect of exceptional items	561	715
Tax credit in respect of exceptional items	(100)	—
Total tax	461	715

Corporation tax is calculated at 26% and 30% (2011: 28% and 30%) of the estimated assessable profit for the year in the United Kingdom and Australia respectively. Taxation for other jurisdictions is calculated at the prevailing rates in those jurisdictions.

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

	2012 £000	2012 %	2011 £000	2011 %
Profit before tax				
Continuing operations	1,547		1,924	
Tax at the UK corporation tax rate of 26% (2011: 28%)	402	26.0	539	28.0
Tax effect of share of result of associate	(22)	(1.4)	6	0.3
Tax effect of items that are not deductible/non-taxable in determining taxable profit	9	0.6	32	1.7
Effect of different tax rates of subsidiaries operating in other jurisdictions	152	9.8	170	8.8
Effect of change in rate	(91)	(5.9)	(116)	(6.0)
Movement in deferred tax on land due to indexation	(19)	(1.2)		
Tax losses not recognised for deferred tax	31	2.0	110	5.7
Adjustments to prior periods	(1)	(0.1)	(26)	(1.3)
Tax expense and effective tax rate for the year	461	29.8	715	37.2

Notes to the Accounts continued

8 Dividends

	2012 £000	2011 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 2 April 2011 paid during the period 6.0p per share (2011: 5.4p)	**417**	375
Interim dividend for the year ended 31 March 2012 paid during the period 3.5p per share (2011: 3.0p)	**243**	208
	660	583
Proposed final dividend for the year ended 31 March 2012 of 7.0p per share (2011: 6.0p)	**486**	417

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

9 Earnings per share

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

	Basic 2012 £000	Adjusted 2012 £000	Basic 2011 £000	Adjusted 2011 £000
Profit attributable to ordinary equity holders of the parent entity	**1,086**	**1,086**	1,209	1,209
Adjustment for goodwill impairment	**—**	**—**	—	65
Restructuring of the Group's Irish businesses (net of tax effect)	**—**	**344**	—	—
General Meeting and formal sales process costs (net of tax effect)	**—**	**216**	—	—
Earnings for the purpose of basic, adjusted and diluted earnings per share	**1,086**	**1,646**	1,209	1,274

Weighted average number of shares

	2012 Number of shares (000)	2011 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 and Performance Share Plan	**747**	728
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**7,691**	7,672

The Group's earnings per share are as follows:

	2012 pence	2011 pence
Basic adjusted	**23.71**	18.35
Diluted adjusted	**21.40**	16.61
Basic	**15.64**	17.41
Diluted	**14.12**	15.76

10 Rates of exchange

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

	2012		2011	
	Average	**Year end**	Average	Year end
Australia — A$	**1.5270**	**1.5423**	1.6460	1.5465
Ireland — €	**1.1559**	**1.1998**	1.1688	1.1333
Canada — C$	**1.5870**	**1.5969**	1.5831	1.5461

11 Intangible assets

		Group Total £000
Cost	At 4 April 2010	654
	Exchange differences	(1)
	At 2 April 2011	653
	At 3 April 2011	653
	Additions	400
	Exchange differences	(8)
	At 31 March 2012	**1,045**
Amortisation	At 4 April 2010	232
	Exchange differences	—
	Charges for the period	32
	At 2 April 2011	264
	At 3 April 2011	264
	Exchange differences	(3)
	Charges for the period	42
	At 31 March 2012	**303**
Net book value	**At 31 March 2012**	**742**
	At 2 April 2011	389
	At 3 April 2010	422

The intangible assets relate to:

(a) The acquisition of 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.

(b) The acquisition of the trade and assets of C&H Distribution Limited, and relate to customer lists acquired, the brand name and a supplier exclusivity agreement. They are amortised over 20 years.

No intangible assets were held by the Company.

12 Acquisition of trade and assets

On 12 September 2011, the Group acquired the trade and certain assets of C&H Distribution Limited, a distributor of luxury vinyl tiles. The acquisition did not make a material contribution to the consolidated revenue and profit in the period from acquisition to 31 March 2012.

The intangible assets, comprising customer lists, brand name and a supplier exclusivity agreement, were acquired for an initial cash consideration of £400,000. (Refer to note 11.)

The Group also acquired the existing inventory for £83,000 and other fixed assets for £17,000.

The fair value exercise of the assets acquired was noted as being complete at the balance sheet date.

Notes to the Accounts continued

13 Property, plant and equipment

	Group				Company		
	Freehold land and buildings £000	Plant and machinery £000	Fixtures, vehicles and equipment £000	Total £000	Freehold land and buildings £000	Fixtures, vehicles and equipment £000	Total £000
Cost							
At 4 April 2010							
Cost	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)	—	—	—
At 2 April 2011	11,695	44,617	3,339	59,651	5,493	37	5,530
At 3 April 2011	11,695	44,617	3,339	59,651	5,493	37	5,530
Exchange differences	12	73	3	88	—	—	—
Additions	17	886	561	1,464	13	—	13
Transfers	56	(56)	—	—	—	—	—
Disposals	—	(545)	(439)	(984)	—	—	—
At 31 March 2012	**11,780**	**44,975**	**3,464**	**60,219**	**5,506**	**37**	**5,543**
Accumulated depreciation							
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)	—	—	—
At 2 April 2011	820	29,798	2,496	33,114	420	32	452
At 3 April 2011	820	29,798	2,496	33,114	420	32	452
Exchange differences	1	32	1	34	—	—	—
Charge for the year	121	2,497	314	2,932	60	4	64
Disposals	—	(513)	(326)	(839)	—	—	—
At 31 March 2012	**942**	**31,814**	**2,485**	**35,241**	**480**	**36**	**516**
Net book value							
At 31 March 2012	**10,838**	**13,161**	**979**	**24,978**	**5,026**	**1**	**5,027**
At 2 April 2011	10,875	14,819	843	26,537	5,073	5	5,078
At 3 April 2010	10,661	15,971	827	27,459	5,133	14	5,147

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

13 Property, plant and equipment continued

Included within fixed assets are the following:

	Group Plant and machinery £000	Group Fixtures, vehicles and equipment £000	Group Total £000
Held under finance leases:			
Cost at 31 March 2012	**—**	**796**	**796**
Accumulated depreciation at 31 March 2012	**—**	**238**	**238**
Depreciation charged in year	**—**	**149**	**149**
Being acquired under hire purchase agreements:			
Cost at 31 March 2012	**3,623**	**—**	**3,623**
Accumulated depreciation at 31 March 2012	**1,417**	**—**	**1,417**
Depreciation charged in year	**125**	**—**	**125**
Held under finance leases:			
Cost at 2 April 2011	732	775	1,507
Accumulated depreciation at 2 April 2011	254	300	554
Depreciation charged in year	57	129	186
Being acquired under hire purchase agreements:			
Cost at 2 April 2011	2,880	—	2,880
Accumulated depreciation at 2 April 2011	995	—	995
Depreciation charged in year	128	—	128

Capital expenditure authorised and committed at the period end:

	Group **2012** **£000**	Group 2011 £000
Contracts placed	**—**	355

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

14 Fixed asset investments

	Note	Group **2012** **£000**	Group 2011 £000	Company **2012** **£000**	Company 2011 £000
Investment property	(a)	**180**	180	**180**	180
Investment in subsidiaries	(b)	**—**	—	**3,322**	3,321
Investment in associated company	(c)	**558**	487	**56**	56

(a) Investment property

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

A planning certificate granting permission for the Company to develop the redundant 6.25 acre sports field in Kidderminster, Worcestershire was issued by Wyre Forest District Council in March 2012. The current book value for the site as at the last independent valuation date of 4 April 2004 is £80,000. With the change of use, the Company plans to seek offers in excess of £1 million for the development of the site.

Notes to the Accounts continued

14 Fixed asset investments continued

The Board does not consider the investment property to have met the criteria for a non-current asset held for sale in accordance with IFRS 5 as at the year end 31 March 2012, and therefore it continues to be held at deemed cost.

(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
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 2012 (2011: 31 March).

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Cost of investment	**101**	101	**101**	101
Return of capital	**(45)**	(45)	**(45)**	(45)
Share of post-acquisition profits (retained by associated company)	**502**	431	**—**	—
	558	487	**56**	56

15 Inventories

	Group	
	2012 £000	2011 £000
Raw materials	**6,371**	6,658
Work-in-progress	**1,154**	898
Finished goods	**18,441**	15,346
	25,966	22,902

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.

16 Trade and other receivables

Amounts falling due within one year:

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Trade debtors	**10,812**	10,846	**—**	—
Amounts owed by subsidiaries	**—**	—	**4,735**	4,864
Amounts owed by associated company	**166**	210	**76**	88
Other debtors	**76**	390	**—**	—
Prepayments and accrued income	**622**	375	**1**	6
	11,676	11,821	**4,812**	4,958

The average credit period taken on sale of goods is 51 days (2011: 56 days). No interest is charged on past due receivables.

Amounts owed by subsidiaries to the Company are not considered to be impaired.

The above amounts are stated net of an allowance (net of VAT) of £174,000 (2011: £369,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	2012 £000	2011 £000
Opening balance at 3 April 2011	**369**	244
Increase in provisions	**37**	235
Written off against provisions	**(207)**	(112)
Recovered amounts	**(22)**	(10)
Exchange differences	**(3)**	12
Closing balance at 31 March 2012	**174**	369

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:

	2012 £000	2011 £000
1–30 days overdue	**2,417**	1,831
31–60 days overdue	**104**	251
> 60 days overdue	**268**	352
Total	**2,789**	2,434

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

	2012 £000	2011 £000
Current	**1**	6
1–30 days overdue	**222**	116
31–60 days overdue	**48**	112
> 60 days overdue	**170**	208
Total	**441**	442

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

17 Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Trade creditors	**9,226**	6,894	**—**	—
Amounts due to subsidiaries	**—**	—	**886**	4
Other creditors	**2,169**	2,612	**—**	—
Accruals and deferred income	**2,072**	2,936	**169**	137
	13,467	12,442	**1,055**	141

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2011: 50 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

Amounts falling due after one year:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Other creditors and deferred income	**2,253**	2,611	**—**	—
	2,253	2,611	**—**	—

Other creditors relate primarily to the deferred income of government grants as shown in note 25.

18 Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Bank loans and overdrafts	**7,726**	5,492	**3,078**	3,689
Hire purchase and finance lease creditors	**439**	850	**—**	—
Fair value of interest rate swaps	**—**	18	**—**	18
	8,165	6,360	**3,078**	3,707

Amounts falling due after more than one year:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Loans — Secured commercial bills				
— Between one and two years	**—**	970	**—**	—
— Between two and five years	**—**	—	**—**	—
Hire purchase and finance lease obligations payable				
— Between one and two years	**143**	386	**—**	—
— Between two and five years	**245**	141	**—**	—
	388	1,497	**—**	—

18 Other financial liabilities continued

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

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
— Between one and two years	**—**	970	**—**	—
— Between two and five years	**—**	—	**—**	—

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

Bank borrowings in the United Kingdom amounting to £7.51m (2011: £5.09m) 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 £0.77m at the year end (2011: Net cash position of £0.61m).

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 £0.22m (2011: £0.36m) was outstanding at 31 March 2012.

The average effective interest rate of borrowings is set out in note 26 ‘Financial instruments’.

Operating lease arrangements

The Group as lessee

The Company had no operating leases during the years ended 31 March 2012 and 2 April 2011. Details of operating lease arrangements for the Group are as follows:

	2012 £000	2011 £000
Minimum lease payments under operating leases recognised in income statement for the year	**557**	557

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:

Minimum lease payments	**2012 £000**	2011 £000
Within one year	**458**	490
In the second to fifth years inclusive	**854**	656
After five years	**7**	—
	1,319	1,146

Present value of minimum lease payments	**2012 £000**	2011 £000
Within one year	**403**	431
In the second to fifth years inclusive	**595**	472
After five years	**3**	—
	1,001	903

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.

Notes to the Accounts continued

19 Deferred taxation

	Group £000	Company £000
At 4 April 2010	1,182	1,076
Exchange adjustment	(56)	—
Charge to Income statement (note 7)	(335)	(5)
Effect of rate change (note 7)	(116)	(75)
Deferred tax on share option scheme taken to equity	(18)	(18)
At 2 April 2011	657	978
At 3 April 2011	**657**	**978**
Exchange adjustment	**(3)**	**—**
Charge to Income statement (note 7)	**(271)**	**(119)**
Effect of rate change (note 7)	**(91)**	**(65)**
Deferred tax on share option scheme taken to equity	**(10)**	**(10)**
At 31 March 2012	**282**	**784**

The provision for deferred taxation is as follows:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Capital allowances	**1,560**	1,775	**597**	662
Liability on recovering value through sale	**467**	513	**324**	370
Deferred grant income	**(613)**	(719)	**—**	—
Tax losses	**(511)**	(351)	**(59)**	—
Other timing differences	**(621)**	(561)	**(78)**	(54)
	282	657	**784**	978

The provision is based on taxation rates of 24% in the UK and 30% in Australia (2011: 26% and 30% respectively).

Effect on UK of proposed changes in the UK corporation tax rate

Legislation reducing the main rate of corporation tax from 26% to 24% with effect from 1 April 2012 was substantively enacted during the period. Accordingly, current tax has been provided for at a rate of 26% and deferred tax has been provided for at a rate of 24% in these financial statements.

In the 2012 Budget, issued on 21 March 2012, the Government announced that the main rate of corporation tax would be reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. These rate reductions 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 24% to 22% 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 24% to 22% would be to reduce the net deferred tax liability by £0.10m. 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	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Deferred tax liabilities	**1,094**	1,510	**784**	978
Deferred tax assets	**(812)**	(853)	**—**	—
	282	657	**784**	978

20 Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
6,943,556 Ordinary shares of 25p each (2011: 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 and net debt. 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.

The Group is not subject to any externally imposed capital requirements.

21 Reserves

(i) Share Premium and Retained Earnings

	52 weeks ended 2 April 2011					**52 weeks ended 31 March 2012**			
	At 3 April 2010 £000	Income Statement £000	Dividends paid £000	Other movements £000	At 2 April 2011 £000	Income Statement £000	Dividends paid £000	Other movements £000	**At 31 March 2012 £000**
Group									
Share premium	829	—	—	—	829	—	—	—	**829**
Profit and Loss Account	29,630	1,209	(583)	18	30,274	1,086	(660)	10	**30,710**
Adjustments arising out of consolidation:									
Goodwill	(1,533)	—	—	—	(1,533)	—	—	—	**(1,533)**
Exchange rates	6,593	—	—	1,733	8,326	—	—	72	**8,398**
Retained earnings	34,690	1,209	(583)	1,751	37,067	1,086	(660)	82	**37,575**
Company									
Share premium	829	—	—	—	829	—	—	—	**829**
Retained earnings	6,237	443	(583)	18	6,115	337	(660)	10	**5,802**

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £337,000 (2011: profit of £443,000). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

Notes to the Accounts continued

21 Reserves continued

(ii) Share-based payment reserve

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Balance at 2 April 2011	**130**	—	**87**	—
Movement in year	**47**	57	**26**	14
Transfer from prior year accruals	**—**	73	**—**	73
Exchange rates	**3**	—	**—**	—
Balance at 31 March 2012	**180**	130	**113**	87

22 Reconciliation of movements of shareholders' equity of Group

	2012 £000	2011 £000
Profit on ordinary activities after taxation	**1,086**	1,209
Dividends	**(660)**	(583)
	426	626
Exchange differences on translation of foreign operations	**72**	1,733
Movement in share-based payment reserve	**50**	130
Deferred tax on share options	**10**	18
Net addition to shareholders' funds	**558**	2,507
Opening shareholders' equity	**39,762**	37,255
Closing shareholders' equity	**40,320**	39,762

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

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Operating profit from continuing operations	**1,923**	2,418	**254**	461
Adjustments for:				
— Depreciation charges	**2,932**	2,865	**64**	69
— Amortisation of intangible assets	**42**	32	**—**	—
— Goodwill impairment	**—**	65	**—**	—
— Share-based payment charge	**47**	57	**26**	14
— Loss on disposal of property, plant and equipment	**59**	13	**—**	—
— Exchange rate difference on consolidation	**4**	126	**—**	—
Operating cash flows before movements in working capital	**5,007**	5,576	**344**	544
(Increase)/decrease in working capital	**(2,239)**	(1,673)	**1,061**	230
Cash generated by operations	**2,768**	3,903	**1,405**	774
Interest paid	**(478)**	(505)	**(120)**	(134)
Income taxes (paid)/received	**(1,405)**	(893)	**—**	4
Net cash inflow from operating activities	**885**	2,505	**1,285**	644

24 Analysis of net debt

	At 2 April 2011 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	**At 31 March 2012 £000**
Cash	1,626	(824)	—	4	**806**
Bank loans payable less than one year and overdrafts	(5,492)	(2,254)	—	20	**(7,726)**
Cash and cash equivalents	(3,866)	(3,078)	—	24	**(6,920)**
Secured commercial bills					
— Payable more than one year	(970)	973	—	(3)	**—**
Finance leases and hire purchase agreements					
— Payable less than one year	(850)	872	(461)	—	**(439)**
— Payable more than one year	(527)	(321)	461	(1)	**(388)**
Net debt	(6,213)	(1,554)	—	20	**(7,747)**

The Group's policy on Derivatives and Other Financial Instruments is set out in note 26 'Financial instruments'.

25 Government grants

During the year ended 31 March 2012, the Group's Australian operations benefited from government assistance under the SIP (Strategic Investment Programme) which was accounted for as follows:

	2012 £000	2011 £000
Deferred income at 3 April 2011	**2,396**	2,144
Total grant income in the year	**50**	578
Less: Grants related to income (taken to income and shown as Other Operating Income)	**(21)**	(41)
Less: Amortisation to deferred income by release through cost of production in the year	**(393)**	(447)
Exchange differences	**10**	162
Deferred income at 31 March 2012	**2,042**	2,396
Presented in:		
Current liabilities	**366**	381
Non-current liabilities	**1,676**	2,015
Deferred income at 31 March 2012	**2,042**	2,396

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

Notes to the Accounts continued

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

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

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

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

26 Financial instruments continued

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 18 'Other financial liabilities'.

Market risk

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

(a) Interest rate risk

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

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 £28,000 (2011: increase in post-tax profit £12,000). A 50 basis point increase in the interest rate would, on the same basis, have reduced profits by the same amount.

Effective interest rate analysis

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates for the remaining contractual maturity based on the discounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	As at 31 March 2012					As at 2 April 2011				
	Effective Interest Rate %	Total £000	0–1 year £000	1–2 years £000	2–5 years £000	Effective Interest Rate %	Total £000	0–1 year £000	1–2 years £000	2–5 years £000
Group										
Cash and equivalents	0.96	806	806	–	–	0.97	1,626	1,626	–	–
Bank overdraft & loans	2.82	(7,726)	(7,726)	–	–	2.74	(5,492)	(5,492)	–	–
Commercial bills	–	–	–	–	–	3.40	(970)	–	(970)	–
Finance lease and HP	6.58	(827)	(319)	(65)	(443)	6.22	(1,377)	(553)	(239)	(585)
	3.41	(7,747)	(7,239)	(65)	(443)	4.08	(6,213)	(4,419)	(1,209)	(585)
Company										
Bank overdrafts	2.65	(3,078)	(3,078)	–	–	2.65	(3,689)	(3,689)	–	–

Notes to the Accounts continued

26 Financial instruments continued

Interest rate swaps

An interest rate swap with a nominal value of £2m was taken out in July 2009 for a period of two years. The fixed rate payable was 2.65% for the period up until July 2011 against three month LIBOR receivable. There were no interest rate swaps in place at the end of the current financial period. In the prior year comparatives, the fair value of the swap entered into at 2 April 2011 was a liability of £18,030. Net receipts or payments and movements in fair value are taken through the income statement as 'finance costs'.

Non-interest bearing liabilities

	2012 £000	2011 £000
Non-interest bearing liabilities falling due within one year	13,467	12,442

Details of trade and other payables falling due within one year are set out in note 17.

(b) Currency risk

The main currency exposure of the Group arises from the ownership of the Australian subsidiary, which accounts for approximately 68% of the Group's net assets. The Group had a less significant exposure to Euros arising from the ownership of the Irish subsidiary, and following the restructuring of the Irish businesses in June 2011, this exposure will not continue into the next financial period.

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 £226,000 (2011: increase of £256,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £185,000 (2011: decrease of £209,000).

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 £3,041,000 (2011: increase of £2,892,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £2,488,000 (2011: decrease of £2,366,000).

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 £29,000 (2011: decrease of £79,000). A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £24,000 (2011: increase of £64,000).

The effect of a 10% strengthening of the Euro against Sterling at year end rates would have resulted in an increase to equity of nil (2011: increase of £30,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £nil (2011: decrease of £25,000).

26 Financial instruments continued

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

	Liabilities		Assets	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Australian Dollar	**9,889**	12,259	**37,255**	38,286

(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.

27 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 31 March 2012. 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 (£812,000; 2011: £853,000)

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.

Inventories (£25,966,000; 2011: £22,902,000)

A proportion of inventory is made up of stocks which are not expected to sell for the full normal selling price, either because they are remnants, come from discontinued ranges, or are below the required quality standard. This inventory is carried at a value which reflects the Directors' best estimates of achievable selling prices. The carrying amount of inventories carried at fair value less costs to sell amounted to £1,434,000 (2011: £821,000). During the year, provisions relating to these stocks increased by £454,000 (2011: decrease of £43,000).

Trade receivables

Details of the provision made for non-recoverability of debts due to the Group from the sale of goods are set out in note 16.

28 Share-based payments

Victoria PLC 2008 Long Term Incentive Plan and 2011 Performance Share Plan

The Group has a Long Term Incentive Plan (LTIP) which was established in 2008 and Performance Share Plan (PSP) established in 2011 which entitle Executive Directors to purchase shares in the Company subject to achievement of specific performance conditions. Details of the LTIP and PSP, including performance conditions, are set out in the Remuneration Report on page 52.

	Number of shares		Weighted average exercise price (p)	
	2012	2011	**2012**	2011
LTIP:				
At start of period	**727,530**	1,034,166	**189.3**	149.3
Granted during the period	**—**	206,192	**—**	236.0
Forfeited during the period	**(58,100)**	—	**—**	—
Exercised during the period	**—**	—	**—**	—
Expired during the period	**—**	(512,828)	**—**	—
Outstanding at end of the period	**669,430**	727,530	**189.3**	189.3
Exercisable at end of the period	**—**	—	**—**	—

Notes to the Accounts continued

28 Share-based payments continued

	Number of shares		Weighted average exercise price (p)	
	2012	2011	**2012**	2011
PSP:				
At start of period	**–**	–	**–**	–
Granted during the period	**77,379**	–	**0.0**	–
Forfeited during the period	**–**	–	**–**	–
Exercised during the period	**–**	–	**–**	–
Expired during the period	**–**	–	**–**	–
Outstanding at end of the period	**77,379**	–	**0.0**	–
Exercisable at end of the period	**–**	–	**–**	–

The LTIP options outstanding at 31 March 2012 had a weighted average exercise price of 189.3p and a weighted average remaining contractual life of two years. In the year ended 2 April 2011, options were granted in December 2010 under the LTIP plan. The aggregate of the estimated fair value of the options granted in the prior year is £118,000. The vesting period is three years from date of issue of the LTIP share options.

In the year ended 31 March 2012, options were granted in December 2011 under the PSP plan. The aggregate of the estimated fair value of the options granted in the year ended 31 March 2012 is £175,000. The PSP options have an exercise price of 0.0p. The weighted average remaining contractual life of the PSP options is four years. The vesting period is three years from the date of issue of the PSP share options.

The total stock option expense recognised in the year is £47,000 (2011: £57,000).

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

	December 2011 PSP award	December 2010 LTIP award	July 2009 LTIP award
Number of share options awards	77,379	206,192	521,338
Exercise price	0.00	236.0	170.8
Expected volatility	41%	41%	41%
Expected life	5 years	5 years	5 years
Risk-free interest rate	1.1%	2.6%	2.6%
Expected dividend yields	5%	5%	5%

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.

29 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 31 March 2012, the key management personnel, and their immediate relatives, controlled 3.0% 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 IAS 24 Related Party Disclosures.

	Group	
	52 weeks 31 March 2012 £000	52 weeks 2 April 2011 £000
Short term employee benefits	**1,513**	1,521
Post-employment benefits	**211**	223
Share-based payments	**47**	57
	1,771	1,801

Transactions with associated company:

	Group		Company	
	52 weeks 31 March 2012 £000	52 weeks 2 April 2011 £000	**52 weeks 31 March 2012 £000**	52 weeks 2 April 2011 £000
Sale of goods	**321**	261	**—**	—

	31 March 2012 £000	2 April 2011 £000	**31 March 2012 £000**	2 April 2011 £000
Amounts due from associated undertakings	**166**	210	**76**	88

Transactions with subsidiary undertakings:

	Company	
	52 weeks 31 March 2012 £000	52 weeks 2 April 2011 £000
Dividend income — The Victoria Carpet Company Pty Limited	**825**	649
Rental income — Victoria Carpets Limited	**658**	658

	31 March 2012 £000	2 April 2011 £000
Amounts due from subsidiary undertakings	**4,735**	4,864
Amounts due to subsidiary undertakings	**886**	4

Five Year Record

		52 weeks 31 March 2012 £000	52 weeks 2 April 2011 £000	52 weeks 3 April 2010 £000	53 weeks 4 April 2009 £000	52 weeks 29 March 2008 £000
Results of continuing operations						
Revenue		**77,126**	70,503	62,973	62,150	61,701
EBITDA (Pre Exceptional items)		**5,557**	5,380	4,533	4,639	6,521
Depreciation and amortisation		**(2,974)**	(2,962)	(2,753)	(2,411)	(2,327)
EBIT (Pre Exceptional items)		**2,583**	2,418	1,780	2,228	4,194
Share of results of associated company		**85**	(22)	(127)	2	78
Finance costs		**(461)**	(472)	(565)	(768)	(763)
Trading profit		**2,207**	1,924	1,088	1,462	3,509
Exceptional items		**(660)**	—	—	—	—
Profit before tax		**1,547**	1,924	1,088	1,462	3,509
Tax		**(461)**	(715)	(460)	(1,073)	(972)
Profit attributable to shareholders		**1,086**	1,209	628	389	2,537
Dividend attributable to the period		**729**	625	556	556	972
ASSETS EMPLOYED						
Operating assets						
Non-current assets		**26,458**	27,593	28,636	27,699	26,099
Net current assets (note a)		**24,144**	21,668	19,366	19,464	16,667
Non-current liabilities		**(2,535)**	(3,268)	(3,556)	(3,129)	(2,593)
		48,067	45,993	44,446	44,034	40,173
Financed by						
Share capital and premium		**2,565**	2,565	2,565	2,565	2,565
Retained reserves		**37,755**	37,197	34,690	30,001	29,998
Shareholders' funds		**40,320**	39,762	37,255	32,566	32,563
Net borrowings		**7,747**	6,231	7,191	11,468	7,610
		48,067	45,993	44,446	44,034	40,173
ANALYSIS						
Return on operating assets	%	**5.55**	5.21	3.72	5.06	10.63
Return on shareholders' funds	%	**3.84**	4.84	2.92	4.49	10.78
Earnings per share (basic)	p	**15.6**	17.4	9.0	5.6	36.5
Earnings per share (basic adjusted)	p	**23.7**	18.3	9.0	15.0	36.5
Dividend per share attributable to the period	p	**10.5**	9.0	8.0	8.0	14.0
Dividend cover (basic)	times	**1.49**	1.93	1.13	0.70	2.61
Dividend cover (adjusted)	times	**2.26**	2.04	1.13	1.87	2.61

(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.victoriaplc.com.

Shareholder queries
If you have any queries in relation to the following:

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

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

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Telephone: 0871 664 0300 (calls cost 10p/minute plus network extras) Overseas: +44 20 8639 3399
www.capitaregistrars.com

Financial calendar
Results

Preliminary results	Tuesday, 26 June 2012
Annual General Meeting	Friday, 31 August 2012
Interim management statement	31 August 2012
Half-year results	November 2012
Interim management statement	February 2013

Dividend

Final dividend	
— ex dividend	Wednesday, 8 August 2012
— payable	Thursday, 6 September 2012

Interim dividend

— payable	December 2012

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.victoriaplc.com/victoriaplc/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 does the Company's corporate broker, Seymour Pierce, who is regulated by the Financial Services Authority.

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 (VCP) and share price information is also available on the Group's website at www.victoriaplc.com.

Shares by size of registered holding
(as at 25 June 2012)

Number of shares	Number of holders	Number of shares	% of total shares
1 – 150	50	2,792	0.04%
151 – 500	103	35,085	0.51%
501 – 1,000	77	66,965	0.96%
1,001 – 5,000	155	387,286	5.58%
5,001 – 10,000	38	298,340	4.30%
10,001 – 50,000	49	1,225,850	17.65%
50,001 – 100,000	8	586,327	8.44%
100,000+	14	4,340,911	62.52%
	494	**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 40 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
Telephone: 0845 703 4599, www.mpsonline.org.uk

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

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

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

Victoria PLC Registered office
Worcester Road
Kidderminster
Worcestershire, DY10 1JR

Company Registered No. (England & Wales)
282204

Glossary

BSI 18001:2007	Occupational health and safety management systems
CIPD	Chartered Institute of Personnel and Development
Combined Code	The Combined Code on Corporate Governance sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability, audit and relations with shareholders
Corporate Governance	The system by which an organisation is directed and controlled
CSR	Corporate Social Responsibility
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptional items
EPS	Earnings per share — profit for the period divided by the total number of shares in issue
EverSoft™	Possibly the best soft touch SDN carpet in the World!
GHG	Green House Gas
H1/H2	First half/second half of the financial year
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISO 14001	An international standard for environmental management systems
LTIP	Long Term Incentive Plan
LVT	Luxury Vinyl Tile
KPIs	Key Performance Indicators used to assess business performance
Net Gearing	Debt as a percentage of debt plus equity
OH&S	Occupational Health & Safety
PBT	Profit before taxation
PSP	Performance Share Plan
Q1/Q2/Q3/Q4	Quarters of the financial year
ROA	Return on Operating Assets — operating profit divided by the operating assets employed
SDN	Solution Dyed Nylon
VLF	Victoria™ Luxury Flooring

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)
Terry Danks

Associated Undertaking
Colin Campbell & Sons Limited

Distribution of carpets and rugs
Vancouver, Canada
Ian Davies (Chairman)
Chris Dragan (President)
Ken Metrick
Anne Seymour
Jamie Metrick

Financial Calendar

Financial Statements

Preliminary results announcement	26 June 2012
AGM	31 August 2012
Interim management statement	31 August 2012
Half year results	November 2012
Interim management statement	February 2013

VICTORIA PLC

Victoria PLC
Worcester Road
Kidderminster
Worcestershire
DY10 1JR
Tel: +44 (0)1562 749300
Fax: +44 (0)1562 749649
www.victoriaplc.com