



VICTORIA PLC

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VICTORIA PLC

*International manufacturer & distributor of carpets & floorcoverings,
supplying the mid to high end residential, and contract markets in the UK and overseas*

Preliminary Results for the year ended 3 April 2010

“Victoria has remained focussed on profitability, strong cash generation and debt reduction”

Financial highlights:

- Group revenue £62.97m with 63.5% coming from overseas operations
- Operating profit £1.78m (2009: £2.23m)
- Profit before tax £1.09m (2009: £1.46m)
- Basic adjusted earnings* per share 9.04p (2009: 15.01p)
- Final dividend 5.4p, making a maintained dividend of 8.0p for the year
- Strong balance sheet; Borrowings significantly reduced from £11.43m to £7.14m

* see Note 2

Key points:

- Successful product introductions, better plant utilisation and the strength of Australian Dollar contribute to a strong H2 performance in Australasia
- UK operation expands its channels to market including signing a three-year agreement to supply floorcoverings to the insurance replacement market
- The Group has continued with its investment in products and programmes, building for the future

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

“Looking ahead, any growth in the UK and Ireland in the short-term is likely to come from product innovation and some of the new market initiatives we are developing. Conversely, the Group is fortunate at this time to have a very strong presence in the Australasian market which is commodity driven and at this stage looks likely to see strong economic growth over the next decade.”

“The combination of well invested operations around the Group, a strong balance sheet, low borrowings and strong cash flow means that the Group is well positioned to create and exploit future opportunities.”

FULL STATEMENT ATTACHED

Enquiries:

Victoria PLC

Alan Bullock, Group Managing Director
Mobile: +44 (0) 7785 325701
Ian Davies, Group Finance Director
Mobile: +44 (0) 7770 638791
Today: +44 (0) 20 7638 9571 (until 2.00pm)
Office: +44 (0) 1562 749300

www.victoria.plc.uk

Citigate Dewe Rogerson

Fiona Tooley, Director
Mobile: +44 (0) 7785 703523
Keith Gabriel, Senior Account Manager
Mobile+ 44(0) 7770 788624
Today: +44 (0) 20 7638 9571
Office: +44 (0) 121 362 4035

Worcester Road, Kidderminster, Worcestershire DY10 1JR England
Telephone: +44 (0)1562 749300 Fax: +44 (0)1562 749649
Registered in England No. 282204

Victoria PLC
Preliminary Results for the year ended 3 April 2010

CHAIRMAN'S STATEMENT

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

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

Financial Results

Group revenue in the period under review increased 1.3% from £62.15m to £62.97m 2009:53 weeks; however, operating profit declined by 20.1% to £1.78m and profit before tax by 25.6% to £1.09m. A strong performance from the Company's Australian operation, which saw profit before tax increase by £0.35m on the prior year, was off-set by a pre-tax loss in the Group's Irish businesses of £0.52m.

Borrowings have reduced significantly from £11.43m to £7.14m, leaving Group gearing at the relatively low level of 16.1% compared to 26.0% at the start of the financial year.

Earnings per share (basic adjusted) were 9.04p (2009:15.01p) as shown in Note 2. The combination of well invested operations around the Group, a strong balance sheet, low borrowings, and strong cash flow means that the Group is well positioned to create and exploit future opportunities.

Dividend

Having paid an interim dividend of 2.60p per share in December 2009, the Board is proposing to pay a final dividend of 5.40p per share. This makes a total for the year of 8.00p per share (2009:8.00p). Like many companies, the Board appreciates the importance of dividend income and, subject to business performance and market conditions, will seek to return to a progressive dividend policy.

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

Board Changes

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

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

Employees

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

Prospects

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

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

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

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

Nikki Beckett
Chairman

Victoria PLC
Preliminary Results for the year ended 3 April 2010

BUSINESS REVIEW

The Business

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

Developing and manufacturing high quality, design-led products, whether produced internally in modern vertically integrated facilities in both the UK and Australia or outsourced using "best of class" products of differentiation to exploit the Victoria "brand", the business seeks to achieve a market leading position in the geographic areas in which it is represented.

Group Strategy and Objectives

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

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

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

The Group's long-term strategy remains based on:

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

2010 BUSINESS REVIEW

Although the environment remains challenging globally, we as a business have continued to invest in both innovative new products and projects aimed at improving the quality of our earnings and removing the seasonality of our business.

United Kingdom

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

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

Revenue in the UK, which comprised of both carpet and external yarn sales were down by 5.6% from £24.33m to £22.97m. Carpet sales within the UK were down by 9.9% from £22.57 m to £20.33 m.

Operating profit was also reduced by 21.8% from £0.41m to £0.32m and profit before tax down by 6.2% from £0.26m to £0.24m.

Sales to the Residential sector declined 8.7% and the Contract market disappointingly was down by 30.0%. Intra-Group sales to our Irish businesses were significantly affected by the state of the Irish economy and sales were down 47.3% in the year under review. However, we are pleased to report that external Export sales outside the Group increased 5.0%, as Victoria made a strong effort to expand the geographies within which it operates.

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

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

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

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

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

Australia

Revenue and pre-tax profit of the Group's Australian operation were almost identical to the prior year in local currency terms. Revenue was down by 0.1% from A\$69.45m to A\$69.36m. Operating profit was down by 2.6% from A\$4.92m to A\$4.79m, with profit before tax up by 3.3% from A\$4.01m to A\$4.15m. This is a remarkable achievement given the extent to which the company's first half result was impacted by the dramatic downturn in the economic conditions worldwide.

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

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

Against this backdrop, sales in the first half year were down by 3.4% on the prior year; however, this was better than the market as a whole, which we estimate declined by around 10-15%. Whilst market share was being captured, profit was significantly affected by the lower capacity utilisation at the two spinning mills and depressed sales margins. In local currency terms, the first half year profit before tax was down by 53.5% on the prior year.

Market conditions improved in the second half year, stimulated by some very large spending by the Government, historically low interest rates and a quick rebound to the fortunes of the commodity sector of the economy. Increased consumer confidence, a greater level of activity in the Real Estate market, and an increased share of an improving New Zealand market, saw revenue increase by 3.4% in H2. The introduction of strong new products, better utilisation of the company's spinning mill capacity, and a stronger Australian Dollar reducing import material costs, all contributed to improved margins and a second half profit outcome that was almost four times that of the corresponding prior financial year.

Improving profitability and an aggressive working capital reduction programme allowed Australian borrowings to be reduced by A\$9.51m during the year. Borrowings of A\$2.89m resulted in net gearing in Australia of 7.1%, which is the lowest level achieved in more than a decade.

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

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

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

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

With regard to the outlook, the Australian economy is still facing a period of uncertainty. Forecasts of national GDP growth of between 3.25% and 3.75% in the coming year mask a two-speed economy in which a solid mining recovery is expected, but the more populous non-mining States of New South Wales and Victoria may struggle.

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

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

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

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

Ireland

The Irish economy has now seen negative GDP growth since the second half of 2007 and in 2009 had an annual negative GDP growth rate of -5.1%. With no sign at all of any immediate end to the impact of recession, Ireland also has a major overhang in the housing market with many unsold houses, which has implications for the floorcoverings market. We estimate that the local market in the floorcovering sector is down by anything between 50-60%, with many distributors and retailers currently in survival mode.

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

Revenue in local currency terms was down by 48.8% from €7.20m to €3.68m, with an operating loss of €0.59m compared to an operating profit of €0.15m in the prior year. Profit before tax in 2009 was €0.15m compared to a loss of €0.59m in the current year.

The Contract market in which Munster Carpets operates was particularly badly affected with sales significantly down by 67.8%, whilst the Residential sector was, to some extent, capable of some stimulation. Navan Carpets did its best to generate sales in the Residential market with both new product offerings and constant promotional activity.

Since the end of the period being reported, the Group has moved aggressively to stem the losses being incurred in the Irish businesses through pulling back its warehousing, cutting and sales administration functions into its Victoria Carpets, Kidderminster, UK facilities. Whilst there will be some restructuring costs associated with this move in the new financial year, it is hoped that the Group will see a significant improvement in its Irish businesses in the year ahead. We believe that we have the two strongest carpet brands in the Irish market and that the Group is well positioned to fully exploit any improvement in the market when it occurs.

Canada

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

Revenue declined in our Canadian associate, Colin Campbell by 22.8% to C\$7.19m, 2009 C\$9.31m. The business recorded an operating loss of C\$0.20m, 2009 operating profit of C\$0.38m.

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

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

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

The appointment of a new VP Finance & General Manager for Colin Campbell has greatly benefited the company. Against a challenging background, the company has seen an increased focus on cost control aligned with a programme of working capital reduction, which has significantly improved cash flow. This has enabled the company to move from a borrowings position of C\$0.77m at the start of the year to a net cash position of C\$0.15m at year-end.

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

Financial Review

Group Financial Highlights

	2010	2009
	£'m	£'m
Revenue	62.97	62.15
Operating profit	1.78	2.23
Finance costs	(0.56)	(0.77)
Share of associate result	(0.13)	0.00
Profit before tax	1.09	1.46

As described in detail within the business review, economic and market conditions have remained challenging across the geographies in which the Group operated during the financial period under review. As a result of these difficult trading conditions, profit before tax has fallen by 25.6% in 2010 to £1.09m. Despite lower profitability in the period, the Group was strongly cash generative and reduced its borrowings in the period by £4.29m, with closing net debt at £7.14m.

The Group experienced revenue growth of 1.3% to £62.97m (2009: £62.15m), reflecting a 13.3% strengthening of the Australian Dollar against Sterling over the period. On a constant currency basis, the Group saw a decrease in revenue by 6.9%.

Exchange Rates

	2010	2009	% change
Average rates			
Australian Dollar	1.8881	2.1787	-13.3%
Euro	1.1280	1.2096	-6.7%
Canadian Dollar	1.7396	1.9186	-9.3%

Overseas subsidiaries accounted for 63.5% of revenue (2009: 60.9%), with Australia representing 58.3% (2009: 51.3%) and Ireland 5.2% (2009: 9.6%). The year on year movement in average exchange rates benefited revenue by £5.12m in 2010, of which £4.90m was attributed to Australia. In local currencies, revenue decreased by 0.1% in Australia, 5.6% in the UK and 48.8% in Ireland.

Trading conditions showed some signs of improvement in Australia in the second half of the financial year, with like for like sales improvement of 3.4% in H2. The UK was in recession for the majority of the financial period, whilst the recessionary conditions experienced in Ireland throughout the period shows no sign of abating in the near future.

The overall gross margin for the Group improved marginally to 28.4%, compared to the previous financial year (2009: 28.2%). The UK and Ireland experienced gross margin improvement of 2.4% and 1.1% respectively, whilst Australia experienced a slight margin reduction (0.2%), impacted by competitor pricing pressure.

Group operating profit for the year was £1.78m, representing a 20.1% decline against prior year (2009: £2.23m). In local currency terms, operating profits declined by 2.6% in Australia and 21.8% in the UK. The Irish division recorded an operating loss of £0.52m (2009: £0.14m operating profit).

Finance Costs

Finance costs were £0.56m (2009: £0.77m). The 26.4% reduction in finance costs reflects a reduction in average borrowings, combined with a 1.3 percentage point decrease in the average borrowing rates to 5.6% (2009: 6.9%).

Interest was covered 8.0 times by EBITDA (2009: 6.0 times) and 3.2 times by operating profit (2009: 2.9 times).

Profit before Taxation

Group profit before taxation for the year decreased by 25.6% to £1.09m (2009: £1.46m).

Taxation

The total tax charge for the period was £0.46m (2009: £1.07m), comprising a current tax charge of £0.77m (2009: £0.57m) and deferred tax credit of £0.31m (2009: a charge of £0.50m). The prior year tax charge included a £0.65m exceptional charge in relation to the phased withdrawal of Industrial Buildings Allowances in the UK.

The underlying effective rate of Corporation tax was 42.3% (2009: 28.7%). The high effective tax rate in the current period is principally due to the following:

- The Irish tax rate is relatively low at 12.5% and due to Ireland reporting losses in the period; the deferred tax credit is only available at 12.5%.
- The reported Canadian loss is stated after tax as required under IAS1, however, is included in the Group profit before tax. Consequently, no tax credit is recognised within the Group charge in respect to these losses.
- Australia has the highest tax rate within the Group at 30% and generated the majority of the Group's profit in the period.

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

Earnings per Share ('EPS')

Adjusted earnings per share were 9.04p, 39.8% below prior year (2009: 15.01p). Basic earnings per share were 9.04p (2009: 5.60p), with 2009 basic earnings per share impacted by an exceptional deferred tax charge.

The diluted adjusted earnings per share were 7.87p (2009: 13.97p).

Dividends

An interim dividend of 2.60p was paid in December 2009, and a final dividend of 5.40p is proposed, resulting in a dividend for the year of 8.00p, which is unchanged from prior year.

The value of the interim dividend was £0.18m and the value of the proposed final dividend is £0.38m. (Total: £0.56m.) The value of the dividend paid in July 2009, in respect of the year ended 4 April 2009, was £0.28m.

Capital Expenditure

The net book value of property, plant and equipment increased by £1.03m to £27.46m (2009: £26.43m). Currency movements accounted for £3.39m of the increase (2009: £0.52m), which was offset by the annual depreciation charge.

Capital expenditure in the year of £0.38m represented 14.1% of the annual depreciation charge. There were no major capital expenditure requirements in the year, following the significant investment in "state of the art" tufting machines in Australia in the prior period. Capital expenditure of £3.48m in the prior year represented 146.4% of depreciation. The Group remains extremely well invested with modern machinery and with modest investment programmes planned in the year ahead, capital expenditure levels are likely to remain well below normal depreciation levels.

Disposals during the year totalled £0.28m (2009: £0.45m).

Net Assets

The Group's overall net assets value at the financial year-end increased by £4.69m to £37.26m (2009: £32.57m). The increase in net assets due to exchange differences arising on overseas operations was £4.51m.

The inventory balance has increased by £1.06m to £20.69m (2009: £19.63m), with currency movements accounting for £2.32m of the increase. On a constant currency basis, inventory has decreased by £1.26m.

Trade debtors increased by £1.07m to £9.71m (2009: £8.64m), of which currency movements accounted for £1.16m of the total. Trade debtor days increased from 51 to 56 days.

Current trade and other payables increased by £1.84m to £10.41m (2009: £8.57m), with the average credit period at 58 days (2009: 50 days).

Operating Cash Flow

	2010	2009
	£'m	£'m
Operating profit	1.78	2.23
Depreciation and non-cash items	2.74	2.40
Foreign exchange	0.22	(0.06)
Working capital	2.85	(1.94)
Operating cash flow	7.59	2.63
EBITDA	4.53	4.64
Operating cash flow conversion % (against EBITDA)	167.5%	56.6%

Operating cash flow increased by £4.96m to £7.59m (2009: £2.63m). Operating cash flow conversion improved to 167.5% (2009: 56.6%) reflecting the Group's focus on reducing working capital levels in the current financial period.

Free Cash Flow

Operating cash flow less interest, tax and capital expenditure resulted in a cash inflow of £6.28m (2009: £2.48m cash outflow). Interest, tax and capital expenditure outflows were all below prior year levels. As noted in "Capital expenditure" above, there was a low capital expenditure requirement in the current year. The major capital investment in Australia in 2009 contributed to a free cash outflow in the prior period.

Net Debt and Gearing

In the year, net debt has reduced by 37.5% to £7.14m (2009: £11.43m). The average borrowings in the year were £10.10m (2009: £11.06m).

The ratio of net debt to EBITDA has improved to 1.58 times (2009: 2.46 times).

Net gearing has decreased from 26.0% in 2009 to 16.1% in 2010, principally reflecting the repayment of borrowings in Australia.

Hedging

The Group manages interest rate exposures in the UK through the use of derivative financial instruments and currently has one interest rate swap covering £2.0m maturing in July 2011.

The Group reviews currency exposures on a regular basis 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 principle 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 the UK in September 2009 and in Australia in November 2009. The current facilities across the Group provide sufficient capacity in Australian Dollars, Sterling and Euros to cover all anticipated capital expenditure and working capital requirements in the year ahead.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the business review. The financial position of the Group is described in this financial review.

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

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

Accounting Standards

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

Key Performance Indicators (KPIs)

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

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

Financial KPIs	Description	Performance
Operating margin	Calculated as total operating profit divided by revenue. This is used to assess the underlying trading performance of the Group.	2010: 2.8% 2009: 3.6% 2008: 6.8%
Return on operating assets (ROA)	Calculated as operating profit (including share of associate company) divided by the operating assets employed. This is used to assess the profitability achieved from the Group's operating base.	2010: 3.7% 2009: 5.1% 2008: 10.6%
Earnings per share (basic adjusted)	Calculated as profit for the period divided by the total number of shares in issue, adjusted for any exceptional items in the period. This is used to assess the underlying financial performance of the Group as a whole.	2010: 9.0p 2009: 15.0p 2008: 36.5p
Net debt to EBITDA	Calculated as net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation). This is used to assess the financial position of the Group and its ability to fund future growth.	2010: 1.6 times 2009: 2.5 times 2008: 1.2 times
Interest cover	Represents the number of times EBITDA covers net interest payments. Used to assess the financial position of the Group and its ability to fund future growth.	2010: 8.0 times 2009: 6.0 times 2008: 8.6 times
Non-Financial KPIs	Description	Performance
Voluntary employee turnover	Number of permanent employee resignations as a percentage of total permanent employees. This is used to monitor our objective to be recognised as an employer of choice.	2010: 5.3% 2009: 5.5% 2008: 7.6%
Absenteeism	Calculated as unauthorised leave expressed as a percentage of total available work days. Our aim is to keep this to a minimum to ensure operational effectiveness.	2010: 3.1% 2009: 3.3% 2008: 3.0%
Kwh per square metre of carpet	Represents the energy consumption (in kilowatt-hours) for every square metre of carpet manufactured. Measured as part of the Group's objective to improve energy efficiency and reduce carbon emissions.	2010: 1.53 Kwh per m ² 2009: 1.61 Kwh per m ² 2008: 1.62 Kwh per m ²
Kwh per Kg of yarn spun	Represents the energy consumption (in kilowatt-hours) for every Kilogram of yarn produced. Measured as part of the Group's objective to improve energy efficiency and reduce carbon emissions.	2010: 5.16 Kwh per Kg 2009: 5.68 Kwh per Kg 2008: 5.32 Kwh per Kg

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	Hedging policy <i>See 'Hedging' above</i>
	Foreign exchange – exposure to market rates	Unexpected impact on material or investment cost	Use of forward contracts <i>See 'Hedging' above</i>
	Funding – lack of available funds	Inability to pursue capital expenditure or provide sufficient working capital	Debt capacity <i>See 'future funding' above</i>
Operational	Customer satisfaction – insufficient quality or on time delivery	Failure to retain and grow key customers' accounts	Pro-active service and quality management; regular customer meetings; own fleet (UK); third party service provider (Australia)
	Equipment – breakdown of key plant	Inability to produce carpet in accordance with production plan	Maintenance programme and reciprocal breakdown agreements.
Organisational	People – loss of key staff	Failure to retain and develop key management	Service agreements; regular line management reviews; training and development plans
	Health & Safety – personal injury to employees	Loss of availability of employees	Designated health & safety officers, health & safety procedures, first aiders on duty
External	Regulations – breach of applicable rules	Unexpected impact on sales and profit	Internal controls; ongoing training; insurance
	Customer concentration and relationships	Loss of major customer would impact sales and profitability	No single entity has more than 25% of any individual region's revenue
	Increase in material or energy costs	Significant impact on costs and profit	Monitoring of raw material price; forward pricing agreements; proactive energy efficiency
	Market – major downturn	Inability to maintain sales growth	Geographic spread and mix of business, widen channels to market

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

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

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

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

Summary

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

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

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

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

Alan R Bullock
Group Managing Director

Ian Davies
Group Finance Director

Victoria PLC
Consolidated Income Statement
For the 52 weeks ended 3 April 2010

	Notes	52 weeks ended 3 April 2010	53 weeks ended 4 April 2009
		£000	£000
Continuing operations			
Revenue	1	62,973	62,150
Cost of sales		(45,107)	(44,638)
Gross profit		17,866	17,512
Distribution costs		(12,837)	(12,313)
Administrative expenses		(3,611)	(3,604)
Other operating income		362	633
Operating profit	1	1,780	2,228
Share of results of associated company		(127)	2
Finance costs		(565)	(768)
Profit before tax	1	1,088	1,462
Taxation		(460)	(1,073)
Profit for the period		628	389
Attributable to:			
Equity holders of the parent		628	389
Earnings per share - pence			
basic	2	9.04	5.60
diluted	2	7.87	5.22

Victoria PLC
Consolidated Statement of Comprehensive Income
For the 52 weeks ended 3 April 2010

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

Company Statement of Comprehensive Income
For the 52 weeks ended 3 April 2010

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

Victoria PLC
Consolidated and Company Balance Sheets
As at 3 April 2010

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

Victoria PLC
Consolidated Statement of Changes in Equity
For the 52 weeks ended 3 April 2010

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

Company Statement of Changes in Equity
For the 52 weeks ended 3 April 2010

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

Victoria PLC
Consolidated and Company Statement of Cash Flows
For the 52 weeks ended 3 April 2010

	Notes	Group		Company	
		52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000	52 weeks ended 3 April 2010 £000	53 weeks ended 4 April 2009 £000
Net cash inflow from operating activities	4	6,629	894	729	860
Investing activities					
Dividends received from associates		-----	33	-----	33
Purchases of property, plant and equipment		(384)	(3,484)	-----	----
Proceeds on disposal of property, plant and equipment		39	76	-----	----
Net cash (used in)/ from investing activities		(345)	(3,375)	-----	33
Financing activities					
(Decrease)/ increase in long term loans		(4,971)	3,233	-----	----
Receipts from financing of assets		125	102	-----	----
Repayment of obligations under finance leases/HP		(722)	(766)	-----	----
Dividends paid		(459)	(1,250)	(459)	(1,250)
Net cash (used in)/ from financing activities		(6,027)	1,319	(459)	(1,250)
Net increase/ (decrease) in cash and cash equivalents		257	(1,162)	270	(357)
Cash and cash equivalents at beginning of period		(3,785)	(2,629)	(4,020)	(3,663)
Effect of foreign exchange rate changes		54	6	-----	----
Cash and cash equivalents at end of period	5	(3,474)	(3,785)	(3,750)	(4,020)

Victoria PLC
Notes to the Accounts

1 Segmental information

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

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

Income statement	For the 52 weeks ended 3 April 2010				For the 53 weeks ended 4 April 2009			
	Revenue	Operating profit	Finance costs	Profit Before tax*	Revenue	Operating profit	Finance costs	Profit Before tax*
	£000	£000	£000	£000	£000	£000	£000	£000
UK	22,974	319	(78)	241	24,326	408	(151)	257
Ireland	3,265	(517)	(6)	(523)	5,949	143	(18)	125
Australia	36,734	2,537	(342)	2,195	31,875	2,257	(415)	1,842
	62,973	2,339	(426)	1,913	62,150	2,808	(584)	2,224
Share of Canadian associate				(127)				2
Unallocated central expenses		(559)	(139)	(698)		(580)	(184)	(764)
Total continuing operations	62,973	1,780	(565)	1,088	62,150	2,228	(768)	1,462
Tax				(460)				(1,073)
Profit after tax from continuing activities				628				389

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

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

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

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

Other segmental information

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

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

Capital expenditure		
UK	87	374
Ireland	----	4
Australia	297	3,106
	384	3,484

Business Segments

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

2 Earnings per share

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

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

Weighted average number of shares

	2010	2009
	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,944	6,944
Effect of dilutive potential ordinary shares:		
Long Term Incentive Plan	1,034	513
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,978	7,457
The Group's earnings per share are as follows:		
	2010	2009
	pence	pence
Basic adjusted	9.04	15.01
Diluted adjusted	7.87	13.97
Basic	9.04	5.60
Diluted	7.87	5.22

3 Rates of exchange

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

	2010		2009	
	Average	Year end	Average	Year end
Australia - A\$	1.8881	1.6596	2.1787	2.0879
Ireland - €	1.1280	1.1289	1.2096	1.1028
Canada - C\$	1.7396	1.5420	1.9186	1.8288

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

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

5 Analysis of net debt

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

The Group's policy on Derivatives and Other Financial Instruments is set out in the Report & Accounts.

- 6 The results have been extracted from the audited financial statements of the Group for the 52 weeks ended 3 April 2010. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS. The audited financial statements incorporate an unqualified audit report.

Statutory accounts for the 53 weeks ended 4 April 2009, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies.

The Auditor's report on these accounts did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

- 7 The Report & Accounts will be posted to Shareholders by 28 June 2010. Further copies will be available from the Company's Registered Office: Worcester Road, Kidderminster, Worcestershire, DY10 1JR or via the website: www.victoria.plc.uk.
- 8 The Annual General Meeting is being held at the Registered Office of the Company, as above, at 2.30 pm on Wednesday, 28 July 2010.