SIRDAR PLC

Annual Report &
Financial Statements
30th June 2007

Contents

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Review of Operations

Introduction

Over the last twelve months we have continued with the restructuring of the residential floor coverings operation, as detailed in previous announcements, and the implementation of the strategy to focus on floor coverings, announced in March 2007. We believe that the effect of these changes will be to position the business to have a sustainable future and be better placed to achieve profitable growth in a substantial market.

As part of the implementation of this strategy, we stated our intention to review our property portfolio and to sell the Specialist Yarns division. The first stage in this process was completed at the end of July 2007 with the completion of the sale of Bective Mills, Wakefield and Ensor Mill, Rochdale for gross proceeds of £16.25m, which was significantly in excess of the book value. This disposal, which will be reflected in the financial statements for the year ending 30th June 2008, provides scope to amend the way that the business is financed in the future.

The results

Turnover for the year was £65.3m (2006: £74.8m). This represents a reduction of 13% due to a decline in the sales of fashion hand knitting yarns and residential carpets. Operating profit before exceptional costs was £1.5m (2006: £5.3m). After exceptional costs of £0.9m (2006: nil) associated with the reorganisation of the residential floor coverings operation, operating profit was £0.6m (2006: £5.3m). The group also recorded an exceptional profit on sale of fixed assets of £0.2m (2006: nil). Interest charges reduced to £0.5m (2006: £0.6m) and other finance costs reduced to £0.3m (2006: £0.6m). After interest charges and finance costs the result was a loss on ordinary activities before taxation of £0.1m (2006: profit £4.1m).

Net cash inflow from operating activities in the year amounted to £4.5m (2006: £7.6m), driven by an aggressive stock reduction programme. This enabled the group to fund the reorganisation of the residential floor coverings operation, including a significant increase in capital expenditure, and still reduce net debt by £0.2m to £5.2m (2006: £5.4m).

Earnings and dividends per share

Basic loss per share amounted to 0.89p (2006: basic earnings per share 5.65p). Adjusted earnings per share, after eliminating the effect of the exceptional items, amounted to 0.24p (2006: 5.65p).

An interim dividend of 0.80p per share was paid in May 2007 and the proposed final dividend is 1.60p per share. This gives an unchanged total dividend of 2.40p per share for the year.

Key performance indicators

As part of its internal financial control procedures, the board monitors certain financial ratios. For the year to 30th June 2007, sales per employee amounted to £107,000 (2006: £110,000), operating return on sales was 2.3% (2006: 7.1%), return on average net operating assets was 3.8% (2006: 12.5%) and working capital to sales percentage was 18.2% (2006: 20.5%). The first three of these performance indicators reduced as a consequence of the challenging market conditions. However, the working capital ratio benefited from the success of the stock reduction programme.

Floor Coverings division

Turnover reduced to £50.3m (2006: £56.2m), delivering an underlying operating profit of £1.8m (2006: £2.9m). After exceptional costs of £0.9m (2006: nil) associated with the reorganisation of the residential floor coverings operation and goodwill of £0.9m (2006: £0.9m) the operating result was a loss of £40,000 (2006: profit £2.1m). Modest growth was achieved by Burmatex in the commercial sector of the market but the residential sector was more difficult and Ryalux experienced a decline in sales.

The restructuring programme within the residential operation moved closer to completion. The site at Wakefield now has tufting and backing facilities operational with a small batch dye house due to come on stream in the near future. The Rochdale site was sold at the end of July 2007 and, although we have a licence to remain in occupation until 31st January 2008, activity at this site is gradually being scaled back with a view to ceasing manufacturing on site by the end of September 2007. The restructuring of the residential operation remains on target to be concluded by the original deadline of the end of December 2007.

In June 2007, we started the process of amalgamating the two floor coverings businesses, Burmatex and Ryalux, into one operation which will form the heart of the business in the future. A number of management appointments were announced on 1st August 2007 and key personnel are now working on an integration and amalgamation programme. When complete, we expect benefits to arise from the exploitation of additional sales opportunities, a greater focus on new product development and further cost savings.

Specialist Yarns division

Turnover reduced to £15.0m (2006: £18.6m) and delivered an operating profit of £1.0m (2006: £3.7m). As reported previously, sales of hand knitting yarns were more difficult than in the previous two years as the buoyant market conditions for fancy yarns came to an end. However, the focus on the development of innovative high performance products enabled sales of the Tilsatec range of technical products to continue to grow.

Management and personnel

We would like to thank the divisional directors, senior management and all our team members throughout the group for their ongoing commitment and support during a challenging period.

Current trading and future prospects

In spite of the highly competitive conditions in the markets in which we operate, it is encouraging to report that sales in both divisions are currently running ahead of the same period last year.

Trends in hand knitting are difficult to predict and subject to fluctuations caused by changes in fashion, although Tilsatec continues to offer opportunity for sustainable growth in the future. Floor coverings remains a challenging marketplace but we believe that the planned amalgamation of the two businesses will deliver profitable growth over time.

In summary, the group is currently undergoing a period of significant transformation in order to become a highly focused, lower cost, marketing-led business which majors on the strengths of its brands and people and which promotes an innovative culture. Our vision for the future remains clear and we are pursuing our strategy with vigour and determination in order to compete effectively in the years ahead.

TIM VERNON	STEVE HARRISON	
Chairman	Chief Operating Officer	18th September 2007

Directors' Report

The directors present their report for the year ended 30th June 2007.

Principal activity

The principal activity of the group is the manufacturing, marketing and distribution of textile products including floor coverings and specialist yarns. Details of the activities of subsidiary companies are set out on page 30.

Results and review of the business

The group's Consolidated Profit and Loss Account is set out on page 9.

The Review of Operations contains a review of the group's business, including key performance indicators, its position at the year end and details of likely future developments.

Dividends

An interim dividend of 0.80p per share was paid in May 2007 and the directors recommend a final dividend of 1.60p per share making a total for the year of 2.40p per share (2006: 2.40p per share). The final dividend amounts to £740,000 and, if approved, will be paid on 20th November 2007 to those shareholders on the register of members at the close of business on 26th October 2007.

Directors

The present directors are detailed below.

Tim Vernon joined the group as an independent non-executive director in 2004 and was appointed independent non-executive chairman on 1st May 2004. He has extensive experience in sales, marketing, procurement and operations gained with the Reckitt & Colman group of companies, where he held various positions including head of global transformation.

Steve Harrison joined the group as senior independent non-executive director in 2004. He was appointed as chief operating officer on 1st January 2006 and is also head of the floor coverings division. He is an engineer by profession and has experience in both executive and non-executive roles. He has extensive experience in the manufacturing sector, specifically with respect to turnaround situations and strategic planning. Steve retires by rotation in accordance with the company's Articles of Association and, being eligible, offers himself for re-election.

Kevin Henry joined the group in 1984. He is a chartered accountant and previously worked in the accountancy profession. He is group finance director and company secretary and is also head of operations within the floor coverings division.

Carolyn Tobin joined the group in 1998. She is a non-executive director. She has worked as an investment banker in the USA and currently works as a management consultant in London. She is a chartered accountant and holds an MBA.

A third party indemnity insurance policy is in place for the benefit of the directors.

Directors and their families have the following beneficial interests in the ordinary share capital of the company:

	30th June 2007	1st July 2006
Tim Vernon	–	–
Steve Harrison	–	–
Kevin Henry	82,775	82,775
Carolyn Tobin	3,802,668	3,802,668

There were no changes in directors' interests between 1st July 2007 and 18th September 2007 other than a reduction in the holding of Carolyn Tobin by 300,000 ordinary shares to 3,502,668 ordinary shares due to the termination of a family settlement. None of the directors has an interest in the share capital of subsidiary companies other than as a nominee of the company.

Share capital

Details of the share capital of the company are set out in note 17 to the financial statements.

The Notice of Annual General Meeting on pages 31 and 32 includes two resolutions, numbered 5 and 6, relating to the company's share capital and one resolution, numbered 7, which asks shareholders to renew the authority, granted to the directors at last year's annual general meeting, to purchase the company's own shares. Further details are set out in the notes on pages 33 to 35.

Substantial shareholdings

At 18th September 2007, in addition to the interest of Carolyn Tobin noted above which amounts to 7.57%, the company had been notified of the following interests representing 3% or more of the company's ordinary share capital:

	Number held	%
Lowland Investment Trust	4,125,000	8.92
HBOS plc	2,350,000	5.08
Mr. & Mrs. G. A. Upsdell	2,106,614	4.56
Mrs. S. G. Ainslie	2,098,252	4.54
Post Office Staff Superannuation Scheme	1,580,000	3.42

Corporate governance

The directors are committed to a high standard of corporate governance throughout the group.

Audit committee

The audit committee is chaired by Tim Vernon and its other member is the other non-executive director, Carolyn Tobin. Meetings are also attended, by invitation, by the executive directors. This committee normally meets twice during the financial year, around the time of the preparation of the group's interim and final results.

The committee assists the board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. It also reviews the drafts of the interim and final results prior to submission to the board and provides a forum through which the external auditors report to the board.

Internal control

The directors acknowledge their responsibility for the group's systems of internal control. The group maintains systems of internal controls, including suitable monitoring procedures in order to provide reasonable, but not absolute, assurance of the maintenance of proper accounting records and the consequent reliability of the financial information used within the business to identify and deal with any problems on a timely basis. The monitoring and control procedures include the specification of defined lines of responsibility and authorisation limits, the delegation of authority, the identification of risks and the continual process of the preparation of, and reporting against, annual budgets, forecasts and strategic plans.

Directors' Report

(continued)

Employees in the United Kingdom

The policy of the group for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position having regard to the maintenance of a safe working environment and with regard to their particular aptitudes and abilities. The group also tries, where practical, to provide support and retraining in cases where disability is incurred during employment with the group.

The group continues its practice of keeping all its employees informed of the performance of the group and other matters affecting them through regular meetings as well as through informal briefings.

The board is committed to the achievement of high standards of health and safety.

Charitable and political contributions

Contributions to charitable institutions during the year amounted to £2,000 (2006: £3,000). No political contributions were made.

Financial risk management

The group's financial instruments comprise, principally, cash and short-term deposits, bank loans, overdrafts and loan notes and various items, such as trade debtors and trade creditors, arising directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are currency risk, interest risk and liquidity risk. The board's policies for managing these risks are summarised as follows:

Currency risk – the group seeks to hedge its transactional foreign currency exposures arising from the underlying business activities of operating units, through the use of foreign currency bank accounts and forward exchange contracts. No transactions of a speculative nature are undertaken.

Interest risk – the group finances its operations through a mixture of retained profits, bank borrowings and loan notes. The bank borrowings attract floating rates of interest based on United Kingdom bank base rates and the loan notes attract a fixed rate of interest of 4%. If appropriate, having regard to its debt maturity profile, the group utilises interest rate cap arrangements to protect the cost of borrowing. There were no such arrangements in place during the year to 30th June 2007.

Liquidity risk – the group seeks to ensure sufficient liquidity is available to meet its foreseeable needs. The board reviews cash flow projections and the headroom position in respect of its banking facilities regularly and its policy is to maintain gearing at an appropriate level.

Further details of the group's financial instruments are detailed in note 25.

Going concern

After reviewing profit and cash flow forecasts for the year ending 30th June 2008 the directors have a reasonable expectation that the company and the group have 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 financial statements.

Payments to suppliers

It is the group's policy to agree the terms of payment with suppliers when negotiating each transaction or series of transactions and to abide by those terms. Group trade creditors at 30th June 2007 represented 79 days (2006: 68 days) of trade purchases. The company does not have any trade creditors.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report 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 have elected to prepare financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditor

Grant Thornton UK LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

KEVIN HENRY
Group Finance Director
and Company Secretary

Flanshaw Lane, Alverthorpe,
Wakefield, WF2 9ND
18th September 2007

Report of the Independent Auditor

To the members of Sirdar PLC

We have audited the group and parent company financial statements ("the financial statements") of Sirdar PLC for the year ended 30th June 2007 which comprise the Accounting Policies, the Consolidated Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition, we report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Review of Operations and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 30th June 2007 and of the loss of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants

No 1 Whitehall Riverside,
Leeds, LS1 4BN
18th September 2007

Consolidated Profit and Loss Account

year ended 30th June 2007

	Note	2007 £000	2006 £000
Turnover	1	65,330	74,811
Operating costs before exceptional items	2	(63,838)	(69,490)
Exceptional costs	3	(937)	–
Net operating costs	2	(64,775)	(69,490)
Operating profit	1	555	5,321
Exceptional profit on sale of fixed assets	3	190	–
Net interest payable and similar charges	4	(527)	(609)
Other finance costs	20	(310)	(590)
(Loss)/profit on ordinary activities before taxation		(92)	4,122
Taxation	5	(319)	(1,509)
(Loss)/profit for the year	19	(411)	2,613
(Loss)/earnings per share (basic and diluted)	9	(0.89)p	5.65p

The results shown in the profit and loss account derive wholly from continuing activities.

Statement of Total Recognised Gains and Losses

year ended 30th June 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
(Loss)/profit attributable to shareholders of the group			(411)		2,613
Actuarial gains recognised in the pension scheme	20	3,620		4,020	
Related deferred taxation		(1,086)		(1,206)	
			2,534		2,814
Total recognised gains relating to the year			2,123		5,427

Consolidated Balance Sheet

as at 30th June 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible	10		11,976		12,857
Tangible	11		15,729		15,107
			27,705		27,964
Current assets					
Stocks	13	13,312		16,517	
Debtors	14	10,682		10,416	
Cash at bank and in hand		176		537	
		24,170		27,470	
Creditors (amounts falling due within one year)	15	(17,243)		(17,399)	
Net current assets			6,927		10,071
Total assets less current liabilities			34,632		38,035
Creditors (amounts falling due after more than one year)	16		–		(739)
Deferred taxation	6		(2,104)		(2,071)
Net assets excluding pension deficit			32,528		35,225
Net pension deficit	20		(5,880)		(9,590)
			26,648		25,635
Shareholders' funds					
Called up share capital	17		11,561		11,561
Share premium account	18		504		504
Capital redemption reserve	18		2,395		2,395
Profit and loss account	18		12,188		11,175
			26,648		25,635

The financial statements on pages 9 to 30 were approved by the board of directors on 18th September 2007 and were signed on its behalf by:

KEVIN HENRY
Group Finance Director
and Company Secretary

Company Balance Sheet

as at 30th June 2007

		2007		2006	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	12		58,000		58,000
Current assets					
Debtors	14	6,960		5,257	
Creditors (amounts falling due within one year)	15	(12,628)		(9,722)	
Net current liabilities			(5,668)		(4,465)
Total assets less current liabilities			52,332		53,535
Creditors (amounts falling due after more than one year)	16		–		(739)
			52,332		52,796
Shareholders' funds					
Called up share capital	17		11,561		11,561
Share premium account	18		504		504
Capital redemption reserve	18		2,395		2,395
Merger reserve	18		6,902		6,902
Profit and loss account	18		30,970		31,434
			52,332		52,796

The financial statements on pages 9 to 30 were approved by the board of directors on 18th September 2007 and were signed on its behalf by:

KEVIN HENRY
Group Finance Director
and Company Secretary

Consolidated Cash Flow Statement

year ended 30th June 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Net cash inflow from operating activities	22		4,482		7,584
Interest paid and similar charges			(602)		(654)
			3,880		6,930
Corporation tax paid			(635)		(1,121)
Capital expenditure					
Purchase of tangible fixed assets		(2,574)		(1,227)	
Sale of tangible fixed assets		658		207	
			(1,916)		(1,020)
Equity dividends paid			(1,110)		(1,017)
Cash inflow before financing			219		3,772
Financing					
Redemption of loan notes	23	(80)		(226)	
Increase/(decrease) in bank loans	23	86		(2,811)	
			6		(3,037)
Increase in cash	23		225		735

A reconciliation of net cash flow to movement in net debt is set out in note 24.

Accounting Policies

Statement of accounting policies
The following paragraphs summarise the principal accounting policies, all of which have been applied consistently throughout the year and throughout the previous year.

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice.

Consolidation
The consolidated financial statements comprise the financial statements of Sirdar PLC and its subsidiaries. Inter-company balances and transactions are eliminated on consolidation. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. The results of subsidiaries are included from the effective date of their acquisition to the effective date of their sale.

Goodwill
Prior to 1st July 1999, goodwill, being the amount by which the consideration for new group and associated undertakings differs from the fair value of net assets acquired, was set against reserves in the year in which it arose. Goodwill arising on acquisitions subsequent to 1st July 1999 is capitalised and amortised on a straight line basis over its useful economic life, generally up to a maximum period of 20 years. An impairment review is carried out at the end of the first full financial year following acquisition. Any impairment in the value of goodwill, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period in which it arises.

Goodwill arising on acquisitions before 1st July 1999 which had already been written off to reserves, has not been reinstated on the balance sheet. This goodwill will remain as a write off to reserves until such time as it becomes impaired or the business to which it relates is disposed of, at which time it will be dealt with in the profit and loss account.

Investments
Investments are stated at cost less provision for any permanent impairment in value. The carrying value of investments is reviewed annually to determine the need for any provision for impairment.

Turnover
Turnover, for all classes of business, comprises the invoice value, after discounts and customer credits and excluding value added tax, of goods supplied to customers and revenue is recognised when the risks and rewards of ownership pass to the customer. Transactions between members of the group are excluded.

Stocks
Stocks are stated at cost or, if lower, at estimated net realisable value. Cost includes materials, direct labour and works overhead expenditure based on a normal level of activity.

Accounting Policies

(continued)

Fixed assets and depreciation

Tangible fixed assets are stated at cost to companies forming the group.

Depreciation is provided by equal annual instalments to write off the cost of all tangible fixed assets, except land, on a straight line basis over their estimated useful lives. In general the rates used are as follows:

Freehold buildings	2%
Plant and equipment	10%
Computer equipment	20%
Motor vehicles	25%

Deferred taxation

Deferred taxation is provided, without discounting, on all timing differences which have originated but not reversed at the balance sheet date calculated at the rates at which it is estimated that tax will be payable based on enacted or substantially enacted legislation. Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered.

Pensions

The current service cost of providing retirement pensions and related benefits under the group defined benefit scheme is charged against operating profit and the expected return on pension scheme assets and the interest on pension scheme liabilities is included in other finance costs. Actuarial gains and losses, net of the related deferred taxation, are recognised in the statement of total recognised gains and losses and the deficit in the scheme, as calculated by the scheme's actuary, is recognised in the consolidated balance sheet. Other amounts paid to defined contribution schemes are charged to the profit and loss account as incurred.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences of a trading nature are dealt with in the profit and loss account.

Financial instruments

The group uses derivative financial instruments to manage its exposures to fluctuations in interest and foreign currency exchange rates. Derivative instruments utilised may include interest rate caps and swaps and forward currency contracts. These are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

Notes to the Financial Statements

1 SEGMENTAL INFORMATION

(a) Analysis of results by class of business

Turnover

	2007 £000	2006 £000
Floor Coverings	50,304	56,218
Specialist Yarns	15,026	18,593
	65,330	74,811
Operating profit		
Floor Coverings		
Underlying	1,778	2,933
Exceptional costs	(937)	–
Goodwill amortisation	(881)	(880)
	(40)	2,053
Specialist Yarns	994	3,719
	954	5,772
Central group costs	(399)	(451)
	555	5,321
Net operating assets		
Floor Coverings	31,571	34,470
Specialist Yarns	7,001	7,541
	38,572	42,011
Central group liabilities	(650)	(812)
	37,922	41,199

Net operating assets are stated excluding inter-company financing and are derived from the balance sheet total by excluding bank borrowings, loans and loan notes totalling £5,394,000 (2006: £5,974,000) and a net pension deficit of £5,880,000 (2006: £9,590,000).

(b) Analysis of turnover by destination	2007 £000	2006 £000
United Kingdom	53,222	63,155
Eire	3,071	3,110
Rest of Europe	3,377	3,494
North America	4,659	4,040
Rest of the World	1,001	1,012
	65,330	74,811

All turnover is generated by operations within the United Kingdom.

Notes to the Financial Statements

(continued)

2 OPERATING COSTS

	2007 Excluding exceptional costs £000	2007 Exceptional costs £000	2007 Including exceptional costs £000	2006 £000
Changes in stocks of finished goods and work in progress	1,954	–	1,954	144
Raw materials and consumables	30,543	–	30,543	34,818
Other external charges	13,773	191	13,964	15,516
Staff costs (note 21)	14,199	746	14,945	15,415
Depreciation	1,720	–	1,720	1,769
Goodwill amortisation	881	–	881	880
Foreign exchange differences	(215)	–	(215)	(350)
Other operating charges	983	–	983	1,298
	63,838	937	64,775	69,490

Other external charges include the following amounts payable to Grant Thornton UK LLP, the company's auditor.

For auditing the accounts of the company	15	–	15	14
For auditing the accounts of subsidiaries	45	–	45	44
For taxation services	23	–	23	–
For other services	16	–	16	7
	99	–	99	65

3 EXCEPTIONAL ITEMS

Exceptional costs

	2007 £000	2006 £000
Relocation costs	191	–
Severance payments and incentives	746	–
	937	–

The exceptional costs relate to the reorganisation of the residential floor coverings business.

The profit on disposal of fixed assets of £190,000 (2006: nil) arises on the disposal of plant and machinery as part of the reorganisation of the residential floor coverings business.

4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Bank loans	168	319
Bank overdrafts	349	263
Other interest	10	27
	527	609

5 TAXATION

	2007 £000	2006 £000
Based on the profit for the year at 30%		
Corporation tax		
– Current year	(214)	1,374
– Prior year	(4)	–
Total current tax	(218)	1,374
Deferred tax		
– Current year	33	(159)
– Relating to pension deficit	504	294
Total deferred tax	537	135
Tax on profit on ordinary activities	319	1,509

The tax (credit)/charge in the years ended 30th June 2007 and 30th June 2006 differs from the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below.

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before tax	(92)	4,122
(Loss)/profit on ordinary activities before tax multiplied by standard rate of corporation tax of 30%	(28)	1,237
Effects of:		
Difference between depreciation for the year and capital allowances	(23)	76
Other timing differences	(476)	(250)
Amortisation of goodwill	264	264
Other permanent differences	49	47
Adjustments to tax charge in respect of prior years	(4)	–
Current corporation tax (credit)/charge for the year	(218)	1,374

Notes to the Financial Statements

(continued)

6 DEFERRED TAXATION

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
At 1st July	2,071	–	2,230	–
Profit and loss account	33	–	(159)	–
At 30th June	2,104	–	2,071	–

An analysis of the balance as at 30th June is as follows:

	Group £000	Company £000	Group £000	Company £000
Accelerated capital allowances	2,164	–	2,064	–
Other timing differences	(60)	–	7	–
	2,104	–	2,071	–

7 PROFIT FOR THE YEAR

Sirdar PLC has not presented its own profit and loss account as permitted by section 230(1) to (4) of the Companies Act 1985. The amount dealt with in the financial statements of the holding company is a profit of £646,000 (2006: £327,000).

8 DIVIDENDS

	2007 £000	2006 £000
Paid during the year:		
Final dividend for the prior year of 1.60p per share (2006: 1.40p per share)	740	647
Interim dividend for the year of 0.80p per share (2006: 0.80p per share)	370	370
	1,110	1,017
Proposed after the year end (not recognised as a liability):		
Final dividend for the year of 1.60p per share (2006: 1.60p per share)	740	740

If approved, the final dividend will be paid on 20th November 2007 to members registered at the close of business on 26th October 2007.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on a loss of £411,000 (2006: profit £2,613,000) and on 46,242,455 (2006: 46,242,455) ordinary shares, being the number in issue during the year. Adjusted earnings per share is calculated after excluding exceptional items as set out below.

	2007		2006	
	Earnings £000	Earnings per share pence	Earnings £000	Earnings per share pence
Earnings and basic earnings per share	(411)	(0.89)	2,613	5.65
Exceptional items (net of tax)	523	1.13	–	–
Adjusted earnings and basic earnings per share	112	0.24	2,613	5.65

10 INTANGIBLE FIXED ASSETS

	2007 Goodwill £000	2006 Goodwill £000
Group		
Cost		
At 1st July 2006 and 30th June 2007	17,609	17,609
Amortisation		
At 1st July	4,752	3,872
Charge for year	881	880
At 30th June	5,633	4,752
Net book amount		
At 30th June	11,976	12,857

Notes to the Financial Statements

(continued)

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant and equipment	Total
Group	£000	£000	£000
Cost			
At 1st July 2006	15,651	27,407	43,058
Additions	434	2,383	2,817
Disposals	–	(4,451)	(4,451)
At 30th June 2007	16,085	25,339	41,424
Depreciation			
At 1st July 2006	5,505	22,446	27,951
Charge for year	315	1,405	1,720
Disposals	–	(3,976)	(3,976)
At 30th June 2007	5,820	19,875	25,695
Net book amounts			
At 30th June 2007	10,265	5,464	15,729
At 30th June 2006	10,146	4,961	15,107

Capital commitments

	2007 £000	2006 £000
Group	825	234

12 INVESTMENTS

	2007 Shares in group companies £000	2006 Shares in group companies £000
Company		
At 1st July 2006 and 30th June 2007	58,000	58,000

Investments in group undertakings are stated at cost. Details of the company's principal subsidiaries are set out on page 30.

13 STOCKS

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Raw materials and consumables	2,859	–	4,110	–
Work in progress	936	–	1,011	–
Finished goods	9,517	–	11,396	–
	13,312	–	16,517	–

14 DEBTORS

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Trade debtors	9,357	–	9,150	–
Amounts owed by group companies	–	6,949	–	5,245
Corporation tax	240	–	–	–
Other debtors and prepayments	1,085	11	1,266	12
	10,682	6,960	10,416	5,257

15 CREDITORS (amounts falling due within one year)

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Bank overdraft	1,654	8,071	2,240	5,922
Bank loans	3,652	3,652	2,995	2,952
Loan notes	88	88	–	–
Trade creditors	8,788	–	7,945	–
Amounts owed to group companies	–	156	–	167
Corporation tax	–	534	570	580
Social security and other taxes	911	–	1,352	–
Accruals and other creditors	2,150	127	2,297	101
	17,243	12,628	17,399	9,722

The bank facilities are secured by a fixed charge over land and buildings and a fixed and floating charge over undertakings and assets. The bank loans were repaid on 31st July 2007 following completion of the property transactions described in the Review of Operations on pages 2 and 3.

Loan notes redeemed in the year amounted to £80,000 (2006: £226,000). The remaining loan notes are redeemable on 31st October 2007. The loan notes bear interest at a fixed rate of 4%.

Notes to the Financial Statements

(continued)

16 CREDITORS (amounts falling due after more than one year)

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Bank loans	–	–	571	571
Loan notes	–	–	168	168
	–	–	739	739

17 CALLED UP SHARE CAPITAL

	2007 Number	2007 £000	2006 Number	2006 £000
Ordinary shares of 25p each				
Authorised	72,000,000	18,000	72,000,000	18,000
Allotted, called up and fully paid	46,242,455	11,561	46,242,455	11,561

18 RESERVES

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000
Group				
At 1st July 2006	504	2,395	–	11,175
Loss for the year	–	–	–	(411)
Other recognised gains	–	–	–	2,534
Equity dividends paid	–	–	–	(1,110)
At 30th June 2007	504	2,395	–	12,188
Company				
At 1st July 2006	504	2,395	6,902	31,434
Profit for the year	–	–	–	646
Equity dividends paid	–	–	–	(1,110)
At 30th June 2007	504	2,395	6,902	30,970

The profit and loss account reserves carried forward for the group have been reduced by £5,880,000 (2006: £9,590,000) in respect of deficit in the pension scheme.

Profit and loss account reserves carried forward for the company include an amount of £4,714,000 (2006: £4,714,000) in respect of profit arising consequent on a group reorganisation in the year ended 30th June 2001. This amount is non distributable.

The merger reserve relates to the premium arising on the issue of ordinary shares in connection with the acquisition of Burmatex Limited in the year ended 30th June 1987. This is eliminated on consolidation and therefore only appears in the financial statements of the company.

Cumulative goodwill amounting to £13,944,000 (2006: £13,944,000) has been written off to group reserves in previous years.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
(Loss)/profit for the year	(411)	646	2,613	327
Other recognised gains	2,534	–	2,814	–
Equity dividends paid	(1,110)	(1,110)	(1,017)	(1,017)
Net increase/(decrease) in shareholders' funds	1,013	(464)	4,410	(690)
Opening shareholders' funds	25,635	52,796	21,225	53,486
Closing shareholders' funds	26,648	52,332	25,635	52,796

20 PENSION COMMITMENTS

(a) Pension schemes

The group operates a pension scheme for certain of its employees of the defined benefit, final salary, type. The scheme is closed to new entrants and accrual of salary related benefits for current members has ceased. The scheme is managed independently and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date.

The scheme is subject to independent valuations at least every three years, on the basis of which the scheme actuary certifies the amount of the employer's contributions. These contributions, together with the proceeds from the scheme's assets, are intended to be sufficient to fund the benefits payable under the scheme over the long term.

The latest actuarial valuation of the scheme, which was undertaken as at 1st July 2005, adopted the projected unit method. The long term assumptions were that the annual rate of return on investments would be 6.00%, that annual increases in earnings would be 3.70% and that annual increases in pensions would be 2.70% for service after 5th April 1997. The actuarial value of the assets in the scheme represented 64% overall of the benefits due to members calculated on the basis of pensionable earnings and service as at the date of the valuation on an ongoing basis.

Following the valuation and with the agreement of the scheme's trustees, the level of the employer's contributions was set at £1.8m for the year ended 30th June 2006, £2.1m for the year ended 30th June 2007 and at £2.2m for the year ending 30th June 2008. It was agreed that subsequent levels of contributions will increase by £0.1m per annum. The actuary has advised that this level of contributions will allow the deficit to be eliminated by 2014.

As the defined benefit scheme is a multi-employer group scheme, the company is unable to identify its share of the underlying assets and liabilities and therefore accounts for the scheme as if it were a defined contribution scheme.

The group also operates a number of defined contribution pension arrangements. The cost of providing benefits from these arrangements is calculated as the contributions paid during the year and amounted to £272,000 (2006: £299,000).

Notes to the Financial Statements

(continued)

20 PENSION COMMITMENTS (continued)

(b) Major assumptions

The major assumptions used by the scheme actuary to calculate the amounts shown in the financial statements are:

	2007 %	2006 %	2005 %
Discount rate	5.75	5.30	5.00
Inflation rate	3.25	3.00	2.70
Rate of increase in pensionable salaries	4.00	3.75	3.45
Rate of increase in pensions in payment for post 1997 benefits	3.25	3.00	2.70
Rate of increase in pensions in payment for pre 1997 benefits	5.00	5.00	5.00

The mortality assumptions used were based on the most recent tables available and included an allowance for future improvements in mortality levels.

(c) Scheme assets and expected rates of return

	2007		2006		2005	
	Scheme assets £000	Expected rate of return %	Scheme assets £000	Expected rate of return %	Scheme assets £000	Expected rate of return %
Equities	18,700	7.80	16,600	7.25	18,800	7.25
Bonds	12,900	5.50	12,300	5.00	7,500	4.60
Property	3,600	7.80	3,300	7.25	400	7.25
Other	300	5.50	300	4.50	2,100	4.50
	35,500		32,500		28,800	

20 PENSION COMMITMENTS (continued)

(d) Amounts included in financial statements

	2007 £000	2006 £000
Calculation of net pension deficit		
Total market value of assets	35,500	32,500
Present value of scheme liabilities	(43,900)	(46,200)
Deficit in the scheme	(8,400)	(13,700)
Related deferred tax asset	2,520	4,110
Net pension deficit	(5,880)	(9,590)
Operating profit		
Current service cost	(180)	(170)
Other finance costs		
Expected return on pension scheme assets	2,080	1,820
Interest on pension scheme liabilities	(2,390)	(2,410)
Net costs	(310)	(590)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	1,120	1,420
Experience gains and losses arising on scheme liabilities	–	1,570
Changes in assumptions underlying the present value of scheme liabilities	2,500	1,030
Actuarial gain recognised in the statement of total recognised gains and losses	3,620	4,020
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(13,700)	(18,700)
Movement in year:		
Current service cost	(180)	(170)
Contributions	2,170	1,740
Other finance costs	(310)	(590)
Actuarial gain	3,620	4,020
Deficit in scheme at end of the year	(8,400)	(13,700)

Notes to the Financial Statements

(continued)

20 PENSION COMMITMENTS (continued)

(e) History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets (£000)	1,120	1,420	1,870	700	(2,700)
Percentage of scheme assets	3.2%	4.4%	6.5%	2.8%	(12.1%)
Experience gains and losses on scheme liabilities (£000)	–	1,570	60	–	–
Percentage of the present value of scheme liabilities	0.0%	3.4%	0.1%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses (£000)	3,620	4,020	(4,430)	2,240	(9,560)
Percentage of the present value of scheme liabilities	8.2%	8.7%	(9.3%)	5.5%	(23.3%)

21 EMPLOYEES

	2007 £000	2006 £000
Staff costs		
Wages and salaries	13,299	13,698
Social security costs	1,194	1,248
Other pension costs	452	469
	14,945	15,415

	Number	Number
The average number of employees, including directors, principally in the United Kingdom were as follows:		
Sales and marketing	120	120
Administration	86	96
Manufacturing and operations	405	464
	611	680

Directors' emoluments

Directors' emoluments amounted to £302,000 (2006: £339,000) and the emoluments of the highest paid director amounted to £156,000 (2006: £148,000).

21 EMPLOYEES (continued)

Director's pension entitlement

The highest paid director is a member of the group's defined benefit pension scheme. The total accrued pension at 30th June 2007 was £54,000 per annum and the gross increase in the accrued pension in the year was £1,000.

The transfer value of the accrued pension at the year end was £730,000 (2006: £719,000). The transfer values have been calculated on the basis of actuarial advice. The highest paid director made no contributions in the year and, therefore, the total change in the transfer value during the year was £11,000.

The highest paid director is now a member of the group's defined contribution scheme and the company's contributions in the year, in respect of this scheme, were £8,000 (2006: £9,000).

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £000	2006 £000
Operating profit	555	5,321
Depreciation	1,720	1,769
Goodwill amortisation	881	880
Profit on sale of tangible fixed assets	(55)	(31)
Current service pension cost	180	170
Decrease in stocks	3,205	827
Decrease in debtors	26	1,432
Increase/(decrease) in creditors	140	(1,044)
Contributions to defined benefit pension scheme	(2,170)	(1,740)
Net cash inflow from operating activities	4,482	7,584

23 ANALYSIS OF CHANGES IN NET DEBT

	2007 £000	Cash flows £000	2006 £000
Cash at bank and in hand	176	(361)	537
Bank overdraft	(1,654)	586	(2,240)
	(1,478)	225	(1,703)
Loan notes	(88)	80	(168)
Bank loans	(3,652)	(86)	(3,566)
Total net debt	(5,218)	219	(5,437)

Notes to the Financial Statements

(continued)

24 RECONCILIATION OF MOVEMENT IN NET DEBT

	2007 £000	2006 £000
Increase in cash	225	735
Redemption of loan notes	80	226
(Increase)/decrease in bank loans	(86)	2,811
Movement in net debt	219	3,772
Net debt at start of year	(5,437)	(9,209)
Net debt at end of year	(5,218)	(5,437)

25 FINANCIAL INSTRUMENTS

In accordance with the requirements of Financial Reporting Standard 13, Derivatives and Other Financial Instruments, the group has taken advantage of the exemption to exclude short-term debtors and creditors from the following disclosures, apart from those relating to foreign currency.

The group's policy relating to financial risk management is set out in the Directors' Report.

Financial assets

The financial assets of the group at 30th June 2007 were cash deposits totalling £176,000 (2006: £537,000). This represents, principally, amounts held with foreign financial institutions to cover exposure to currency fluctuations and does not attract interest.

Financial liabilities

The interest rate profile of the group's financial liabilities at 30th June 2007, all of which were denominated in sterling, was as follows:

	2007			2006		
	Bank loans £000	Loan notes £000	Total £000	Bank loans £000	Loan notes £000	Total £000
Fixed rates	–	88	88	–	168	168
Floating rates	3,652	–	3,652	3,566	–	3,566
	3,652	88	3,740	3,566	168	3,734

The bank loans attract floating rates of interest based on United Kingdom bank base rates. Details of the loan notes are given in note 15.

25 FINANCIAL INSTRUMENTS (continued)

The maturity profile of the carrying amount of the group's financial liabilities at 30th June 2007 was as follows:

	2007 Bank loans £000	2007 Loan notes £000	2007 Total £000	2006 Bank loans £000	2006 Loan notes £000	2006 Total £000
In one year or less, or on demand	3,652	88	3,740	2,995	–	2,995
In more than one year but not more than two	–	–	–	571	168	739
	3,652	88	3,740	3,566	168	3,734

Borrowing facilities

The group had undrawn uncommitted borrowing facilities available at 30th June 2007 of £1,846,000 (2006: £4,260,000) at floating rates of interest, in respect of which all conditions precedent had been met at that date. These facilities expire within one year.

The group had undrawn committed borrowing facilities available at 30th June 2007 of £88,000 (2006: £168,000) at floating rates of interest, in respect of which all conditions precedent had been met at that date. These facilities are available to cover the redemption of the loan notes as detailed above and expire on 31st October 2007.

Fair values of derivatives

The fair values of the group's derivatives, which include forward foreign currency contracts and forward stock purchasing contracts, are not materially different from their historic costs.

Hedges

The group's policy is to hedge short term movements in exchange rates by selling or purchasing the appropriate currency to cover specific transactions. The principal exposures arise in the group's operational divisions that utilise foreign currency bank accounts and forward foreign currency contracts to hedge their respective positions.

Foreign currency

The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than in their functional currency of sterling. Foreign exchange differences on the re-translation of these assets and liabilities are taken to the profit and loss account of the subsidiary concerned and the group.

Net foreign currency monetary assets

	2007 £000	2006 £000
US dollars	1,054	759
Euro	945	1,455
	1,999	2,214

Principal Subsidiaries

The group's principal subsidiary undertakings at 30th June 2007, all of which were wholly owned by the company or its subsidiary undertakings and all of which operate and are registered in England and Wales, were:

Burmatex Limited	Manufacturing and distribution of fibre bonded sheet carpet and carpet tiles
Ryalux Carpets Limited	Manufacturing and distribution of carpet
Pennine Yarn Dyeing Limited	Yarn dyeing
Sirdar Spinning Limited*	Marketing and distribution of specialist yarns

Other subsidiary undertakings include:

Sirdar Floor Coverings Limited*	Intermediate divisional holding company
William Lomas Carpets Limited	Non trading
Oxford Spinning Limited	Non trading
William Pownall and Sons Limited	Non trading
Carpet Tile Company Limited	Non trading
Hayfield Textiles Limited	Non trading
Tilsa Yarns Limited	Non trading

*Held directly

Notice of Annual General Meeting

Notice is hereby given that the fifty-fourth annual general meeting of the company will be held at the Cedar Court Hotel, Wakefield, on Tuesday 6th November 2007, at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 30th June 2007 together with the reports of the directors and auditors thereon.
2. To declare a final dividend.
3. To re-elect Mr. S. R. Harrison as a director of the company.
4. To re-appoint Grant Thornton UK LLP as auditor of the company and to authorise the directors to fix their remuneration.

Special Business

As special business to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution 5 as an ordinary resolution and as to resolutions 6 and 7 as special resolutions.

Ordinary Resolution

5. That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount equal to the lesser of the unissued authorised ordinary share capital and £3,853,538 provided that this authority shall expire fifteen months after the passing of this resolution or, if earlier, on the date of the next annual general meeting of the company after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

6. That, subject to the passing of the ordinary resolution numbered 5 set out in the Notice of Annual General Meeting of which this resolution also forms part, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of that Act) pursuant to the authority conferred by that ordinary resolution as if subsection (1) of Section 89 of that Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them provided that the directors may make such arrangements as they consider necessary or expedient in respect of fractional entitlements and in respect of legal or practical problems arising under the laws or securities regulations in any overseas territories; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £578,031;

   and shall expire fifteen months after the passing of this resolution or, if earlier, on the date of the next annual general meeting of the company after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

(continued)

7. That the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the capital of the company ("ordinary shares") provided that:

   (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 4,624,246 (representing approximately 10% of the company's issued share capital);

   (b) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 25p per share;

   (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than 5% above the average of the middle market quotations for an ordinary share as derived from the AIM appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

   (d) unless previously revoked or varied, the authority hereby conferred shall expire fifteen months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the company after the passing of this resolution; and

   (e) the company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the board

KEVIN HENRY
Group Finance Director
and Company Secretary

Flanshaw Lane, Alverthorpe,
Wakefield, WF2 9ND
4th October 2007

Notes to the Notice of Annual General Meeting

Any member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and upon a poll vote on his behalf. A proxy need not be a member of the company. A proxy card is enclosed with this report and to be valid must reach the office of the Registrars to the company, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for the meeting excluding any part of a day that is a non-working day.

The register of directors' share interests and copies of directors' service contracts will be available for inspection at the registered office of the company during usual business hours on any weekday (public and bank holidays excluded) from the date of the notice until the date of the annual general meeting and will be available at that meeting for at least 15 minutes prior to and during the meeting.

The company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the company as at 2.00 p.m. on 4th November 2007 or, in the event that the annual general meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 2.00 p.m. on 4th November 2007 or, in the event that the annual general meeting is adjourned, less than 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the annual general meeting.

Warrants for the ordinary dividend, if approved, will be posted on 19th November 2007.

Explanatory notes on special business
The Notice of Annual General Meeting includes two resolutions relating to the company's share capital, which are resolutions 5 and 6, and one resolution relating to the purchase by the company of its own shares which is resolution 7.

Resolution 5 Share capital – Authority to allot shares
Under Section 80 of the Companies Act 1985 the directors are not allowed to allot shares unless they are authorised to do so by the company's shareholders. Resolution 5 gives the directors authority, until the earlier of the expiry of a period of fifteen months and the date of the next annual general meeting of the company, to allot shares under Section 80 of the Companies Act 1985. If resolution 5 is passed the amount of authorised ordinary share capital available for issue by the directors generally would be £3,853,538, representing approximately 33% of the present issued and allotted ordinary share capital of the company. The directors consider that this level of authority to allot shares, which is similar to that granted at the company's last annual general meeting on 7th November 2006, should be maintained in order to preserve maximum flexibility for the future. The directors have no present intention of issuing further shares.

Resolution 6 Share capital – Dis-application of pre-emption rights
Section 89 of the Companies Act 1985 gives all holders of equity shares the right to participate on a pro rata basis in all further issues of equity securities for cash unless they agree that this right should be excluded. The effect of resolution 6 is to give the directors authority, until the earlier of the expiry of a period of fifteen months and the date of the next annual general meeting of the company, first, to make a rights issue without having to comply with the detailed requirements of Sections 89 and 90 of the Companies Act 1985 and, secondly, to allot equity securities for cash otherwise than by issue pro rata to existing shareholders up to an aggregate nominal value of £578,031 representing 5% of the present issued and allotted ordinary share capital of the company.

Notes to the Notice of Annual General Meeting

(continued)

Resolution 7 General authority for the company to purchase its own ordinary shares
Shareholders will be asked to renew the general authority for the company to make market purchases on The London Stock Exchange plc ("the London Stock Exchange") of its own ordinary shares, subject to certain limitations set out below.

Your board has no immediate plans for the company to make purchases of its own ordinary shares if the proposed new general authority becomes effective but would like to be able to act quickly if circumstances arise in which they consider such purchases by the company of its own ordinary shares to be desirable. Accordingly, it is proposed that the board be given a new general authority to purchase the company's ordinary shares on the terms contained in resolution 7 in the Notice of Annual General Meeting.

The proposed new general authority will be limited, by the terms of resolution 7 in the Notice of Annual General Meeting, to purchases of up to 4,624,246 ordinary shares, representing approximately 10% of the current issued share capital of the company. The minimum price per ordinary share payable by the company (exclusive of expenses) will be 25p, the nominal value of each ordinary share. The maximum to be paid on the exercise of such new general authority (exclusive of expenses) will be an amount not exceeding 5% above the average of the middle-market quotation for ordinary shares as derived from the AIM appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of each purchase.

The board will only exercise the new general authority to purchase ordinary shares if it considers that such purchases of ordinary shares can be expected to result in an increase in earnings per share after such purchases and are in the best interests of shareholders generally. Your directors would also consider carefully the extent of the company's borrowings and its general financial position. Any such purchase of ordinary shares will be financed out of profits available for distribution. The actual cash required to fund any buy-backs of ordinary shares pursuant to the new general authority will be met from existing cash resources and/or borrowing facilities. Shareholders should note that any shares purchased by the company will be cancelled and not made available for reissue. The number of shares in issue will accordingly be reduced.

The maximum number of shares and the permitted price range are stated for the purpose of compliance with statutory and London Stock Exchange requirements in seeking the authority. This should not be taken as any representation of the number of shares (if any) which the company might purchase nor the terms upon which the company would intend to make any such purchases nor does it imply any opinion on the part of the directors as to the market or other value of the company's shares. In seeking this renewed general authority the board is not indicating any commitment to buy back ordinary shares. Shareholders should not, therefore, assume that any purchases will take place.

In addition, the requirements of the London Stock Exchange prevent the company from purchasing its own shares during the period of two months before the announcement of its half-year or full-year results (or, if shorter, the period from the end of the company's relevant financial period up to and including the time of the relevant announcement) or at any other time when the directors are in possession of unpublished price sensitive information in relation to the company's shares.

The general authority set out in resolution 7 in the Notice of Annual General Meeting will expire fifteen months after the resolution is passed or, if earlier, on the date of the next annual general meeting of the company. However, in order to maintain your board's flexibility of action, it is envisaged that this general authority may be renewed annually at annual general meetings of the company.

Details of ordinary shares purchased pursuant to the new general authority will be notified to the London Stock Exchange by 7.30 a.m. on the business day following the date of dealing and to the registrar of companies within 28 days of the date of purchase. Details will also be included in the company's report and financial statements in respect of the financial year in which any such purchases take place.

Resolutions 5, 6 and 7 all comply with institutional investment committee guidelines.

Recommendation
Your directors consider that the resolutions being put to shareholders are in the best interests of the shareholders as a whole. Accordingly, the directors recommend shareholders to vote in favour of the resolutions set out in the Notice of Annual General Meeting.

CREST proxy voting
CREST users should note that they can lodge their proxy votes for the annual general meeting through the CREST Proxy Voting System. For further instructions, users should refer to the CREST User Manual. Any CREST Sponsored Member should contact their CREST sponsor.

Directions to the Annual General Meeting

Please note that the annual general meeting will be held at the Cedar Court Hotel, Wakefield. The hotel is situated on the A636 towards Denby Dale just off junction 39 of the M1 motorway.

Directions to the hotel are set out below. Should you need to telephone for assistance the telephone number of the hotel is 01924 276310.