SIRDAR PLC

Annual Report &
Financial Statements
30th June 2006

Contents

Professional Advisers

Auditors
Grant Thornton UK LLP
No 1 Whitehall Riverside,
Leeds,
West Yorkshire LS1 4BN

Bankers
Barclays Bank PLC
Wood Street,
Wakefield,
West Yorkshire WF1 2EA

Registrars
Capita Registrars
Northern House,
Woodsome Park,
Huddersfield,
West Yorkshire HD8 0LA

Solicitors
Eversheds
Cloth Hall Court,
Infirmary Street,
Leeds,
West Yorkshire LS1 2JB

Hammonds
2 Park Lane,
Leeds,
West Yorkshire LS3 1ES

Stockbrokers
Brewin Dolphin Securities Limited
34 Lisbon Street,
Leeds,
West Yorkshire LS1 4LX

Registered Office

Flanshaw Lane,
Alverthorpe,
Wakefield,
West Yorkshire WF2 9ND
Registered in England no. 526657
www.sirdarplc.co.uk

Chairman's Statement

Introduction

In an increasingly competitive marketplace, we have continued to implement a wide range of initiatives in support of the group's strategy to focus on the profitable growth of our existing operations. The change programme in the Floor Coverings division is on track and has identified opportunities to improve the sales and profitability of the division over time.

The results

Turnover for the year was £74.8m (2005: £71.4m), an increase of 5% and operating profit was £5.3m (2005: £4.8m before exceptional income (as restated), £5.2m after exceptional income (as restated)). Divisional performance reviews and further financial information are contained within the Review of Operations.

Management and personnel

Following the move to AIM, the simplified management structure referred to in last year's annual report was implemented on 1st January 2006. This reflects our determination to continue to improve the effectiveness of the management team and reduce costs. The board is focused on the group's strategic agenda, whilst delegating appropriate authority and accountability to the management teams of the operating businesses.

I would like to record my appreciation of the continuing commitment of all our team members throughout the group and thank them for their support during a further year of significant challenge for us all.

Current trading and future prospects

In view of the downturn in demand for fashion hand knitting yarns and a continuing uncertainty over the level of consumer spending, the prospects for further increases in sales and profitability in the current financial year remain challenging.

However, the ongoing implementation of our change programme will continue to yield benefits, particularly in the areas of working capital and operating efficiencies. We have a strong, determined and enterprising management team in place. This team is committed to improving our market shares through a clear focus on exceeding customer expectations through the marketing of innovative, quality products.

TIM VERNON
Chairman

14th September 2006

Review of Operations

Introduction

The group continues to adapt to the competitive pressures in its major markets. We have sought to increase the rate of change within the group to address market pressures where they exist and to exploit market opportunities where they are to be found. There has been a continuing focus on innovation, cost control and working capital management with a view to delivering the best achievable result from the group's operations. The group is likely to continue facing challenges in its markets. However, it is becoming better able to adapt and change in order to cope with those demands.

The results

Turnover in the year amounted to £74.8m (2005: £71.4m). This represents an increase of 5% attributable to growth within the Specialist Yarns division.

Operating profit increased to £5.3m (2005: £4.8m before exceptional income (as restated), £5.2m after exceptional income (as restated)). Lower average debt levels reduced the interest charge for the year to £0.6m (2005: £0.7m). After this interest charge and other finance costs, calculated in accordance with FRS 17, of £0.6m (2005: £0.7m) profit on ordinary activities before taxation was £4.1m (2005: £3.8m (as restated)).

Net cash inflow from operating activities increased in the year to £7.6m (2005: £6.0m), driven by effective working capital management. Net debt reduced by £3.8m to £5.4m (2005: £9.2m).

Earnings and dividends per share

Basic earnings per share amounted to 5.65p per share compared to 5.38p (as restated) last year. Adjusted earnings per share for 2005, after eliminating the effect of the exceptional item, amounted to 4.70p (as restated).

An interim dividend of 0.80p per share was paid in May 2006 and the proposed final dividend is 1.60p per share. This gives a total dividend of 2.40p per share for the year, representing an increase of 14% over last year's total of 2.10p per share. In accordance with FRS 21, the proposed final dividend is not recognised as a liability at the balance sheet date.

Key performance indicators

As part of its internal financial control procedures the board monitors certain financial ratios. For the year to 30th June 2006 sales per employee amounted to £110,000 (2005: £109,000), operating return on sales was 7.1% (2005: 6.7% before exceptional income), return on average net operating assets was 12.5% (2005: 10.5% before exceptional income) and working capital to sales percentage was 20.5% (2005: 23.3%).

The board is pleased to note modest improvements in each of these performance measures during the year.

Review of Operations

(continued)

Specialist Yarns division

Turnover increased to £18.6m (2005: £15.3m) and delivered operating profit of £3.7m (2005: £3.3m (as restated)). The division has enjoyed buoyant market conditions for its range of hand knitting yarns and has been able to exploit these opportunities to good effect as a result of the transformation of the business in 2004.

As indicated in the year end trading update, much of this market buoyancy has surrounded UK demand for fashion yarns. Recent market indications are that this fashion led peak in demand may be set to reduce over the coming year, thereby returning demand to more normal levels. To counter this effect the business has been active in broadening the scope of its product offering and in seeking to grow sales in export markets.

Sales of the Tilsatec range of technical products have continued to grow through the development of innovative, high performance products. This was recognised publicly in April 2006 when the business was granted the Queen's Award for Enterprise in the innovation category.

Floor Coverings division

Turnover was static at £56.2m (2005: £56.2m), delivering an operating profit of £2.1m (2005: £2.4m (as restated)). The results reflect the continuing unhelpful nature of the markets to which the division is exposed.

The pace of change at the residential floor coverings operation has increased in the second half of the year. Plans have been devised and actions have been taken which will result in a more focused business capable of exploiting its strength in the market for high value residential carpets.

The integration of the Pownall and Ryalux businesses has been advanced by the streamlining of the relevant sales, marketing and administration activities. This integration will continue with the planned closure of the Spenbrook Mill manufacturing site.

Investment in the future of the residential floor coverings operation has been made with the relocation of bespoke carpet manufacture into a newly created centre of excellence within the group's Wakefield site. This provides a high quality environment in which best practice, lean manufacturing methods can be adopted to enable this activity to be more responsive to the needs of the market.

The new management team at Burmatex, the division's contract floor covering business, has been active in making changes to arrest and reverse the gradual decline recently experienced in this business. Changes have included improvements to operating methods, rationalisation and upgrading of the product range, re-branding and an increased focus on customer needs.

Directors' Report

The directors present their report for the year ended 30th June 2006.

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 33.

Results and review of the business

The group's consolidated profit and loss account is set out on page 10.

The Chairman's Statement and the Review of Operations contain a review of the group's business and its position at the year end and details of likely future developments. Key performance indicators are included in the Review of Operations.

Dividends

An interim dividend of 0.80p per share was paid in May 2006 and the directors recommend a final dividend of 1.60p per share making a total for the year of 2.40p per share (2005: 2.10p per share). The final dividend amounts to £740,000 and, if approved, will be paid on 21st November 2006 to those shareholders on the register of members at the close of business on 27th October 2006.

Directors

The present directors are detailed below.

Mr. R. B. Vernon was appointed independent non-executive chairman on 1st May 2004 having joined the group as an independent non-executive director in March 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.

Mr. S. R. Harrison was appointed as chief operating officer on 1st January 2006 having been senior independent non-executive director since July 2004. He is an engineer by profession and has experience at both executive and non-executive director levels. He has extensive experience in the manufacturing sector, specifically with respect to turnaround situations and strategic planning.

Mr. K. F. Henry joined the group in 1984. He is a chartered accountant and previously worked in the accountancy profession. He is finance and planning director and managing director of the residential floor coverings operation. Mr. K. F. Henry retires in accordance with the company's Articles of Association and, being eligible, offers himself for re-election.

Mrs. C. J. Tobin is a non-executive director who joined the group in 1998. 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.

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

	30th June 2006	1st July 2005
R. B. Vernon	–	–
S. R. Harrison	–	–
K. F. Henry	82,775	82,775
C. J. Tobin	3,802,668	3,802,668

Directors' Report

(continued)

There were no changes in directors' interests between 1st July 2006 and 14th September 2006. 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 directors will be asking shareholders to renew the authority granted to them at last year's annual general meeting to purchase the company's own shares. Further details of this resolution are set out in the Notice of Annual General Meeting on pages 34 and 35.

The Notice of Annual General Meeting includes two resolutions numbered 5 and 6 relating to the company's share capital and one resolution relating to the purchase by the company of its own shares which is resolution 7. Further details are set out in the notes on pages 36 to 38.

Substantial shareholdings

At 14th September 2006, in addition to the interest of Mrs. C. J. Tobin noted above which amounts to 8.22%, 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	3,725,000	8.06
Mr. & Mrs. G. A. Upsdell	2,606,190	5.64
Mrs. S. G. Ainslie	2,098,252	4.54
Post Office Staff Superannuation Scheme	1,580,000	3.42

Corporate Governance

As an AIM listed company, Sirdar PLC is not required to comply with the provisions of the Combined Code on Corporate Governance updated in 2003. However, the directors are committed to a high standard of corporate governance throughout the group.

Audit Committee

The audit committee is chaired by Mr. R. B. Vernon and its other member is the other non-executive director, Mrs. C. J. 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.

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 on 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 £3,000 (2005: £2,800). No political contributions were made.

Financial risk management

The group's financial instruments comprise, principally, cash and short-term deposits, bank loans, overdrafts, 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 UK 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 2006.

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.

Directors' Report

(continued)

Going concern

After reviewing profit and cash flow forecasts for the year ending 30th June 2007 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 2006 represented 68 days (2005: 57 days) of trade purchases. The company does not have any trade creditors.

Statement of directors' responsibilities

The directors are required by UK company law to present financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for the year then ended.

The directors confirm that suitable accounting policies have been selected and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements and that applicable accounting standards have been followed.

The directors are responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the company and the group and which enable them to ensure that its financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and the group and for ensuring that steps are taken with a view to preventing and detecting 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 group's web site. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

During the year the directors reviewed the provision of audit services to the group. Following this review, Grant Thornton UK LLP were appointed as auditors to replace PricewaterhouseCoopers LLP. 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.

Flanshaw Lane, Alverthorpe
Wakefield, WF2 9ND
14th September 2006

IAN STEAD
Company Secretary

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 2006 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 (UK 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, 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 transactions with the group 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 Chairman's Statement, 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 (UK 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 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 2006 and of the profit 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 given in the Directors' Report is consistent with the financial statements for the year ended 30th June 2006.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants

No 1 Whitehall Riverside,
Leeds LS1 4BN
14th September 2006

Consolidated Profit and Loss Account

year ended 30th June 2006

	Note	2006 £000	2005 Restated £000
Turnover	1	74,811	71,422
Operating costs	2	(69,490)	(66,658)
Exceptional income		–	452
Net operating costs	2	(69,490)	(66,206)
Operating profit	1	5,321	5,216
Net interest payable and similar charges	3	(609)	(690)
Other finance costs	20	(590)	(700)
Profit on ordinary activities before taxation		4,122	3,826
Taxation	5	(1,509)	(1,338)
Profit for the year	19	2,613	2,488
Earnings per share (basic and diluted)	9	5.65p	5.38p

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

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

year ended 30th June 2006

	Note	2006 £000	2006 £000	2005 Restated £000	2005 Restated £000
Profit attributable to shareholders of the group			2,613		2,488
Actuarial gains/(losses) recognised in the pension scheme	20	4,020		(4,430)	
Related deferred taxation		(1,206)		1,330	
			2,814		(3,100)
Total recognised gains/(losses) relating to the year			5,427		(612)
Prior year adjustment	4		(15,463)		
Total recognised losses since last financial statements			(10,036)		

Consolidated Balance Sheet

as at 30th June 2006

	Note	2006 £000	2006 £000	2005 Restated £000	2005 Restated £000
Fixed assets					
Intangible	10		12,857		13,737
Tangible	11		15,107		15,694
			27,964		29,431
Current assets					
Stocks	13	16,517		17,344	
Debtors	14	10,416		11,938	
Cash at bank and in hand		537		485	
		27,470		29,767	
Creditors (amounts falling due within one year)	15	(17,399)		(18,920)	
Net current assets			10,071		10,847
Total assets less current liabilities			38,035		40,278
Creditors (amounts falling due after more than one year)	16		(739)		(3,733)
Deferred taxation	6		(2,071)		(2,230)
Net assets excluding pension deficit			35,225		34,315
Net pension deficit	20		(9,590)		(13,090)
			25,635		21,225
Equity 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		11,175		6,765
			25,635		21,225

The financial statements on pages 10 to 33 were approved by the board of directors on 14th September 2006 and were signed on its behalf by:

KEVIN HENRY
Finance & Planning Director

Company Balance Sheet

as at 30th June 2006

		2006		2005 Restated	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	12		58,000		58,000
Current assets					
Debtors	14	5,257		10,023	
Creditors (amounts falling due within one year)	15	(9,722)		(10,847)	
Net current liabilities			(4,465)		(824)
Total assets less current liabilities			53,535		57,176
Creditors (amounts falling due after more than one year)	16		(739)		(3,690)
			52,796		53,486
Equity 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		31,434		32,124
			52,796		53,486

The financial statements on pages 10 to 33 were approved by the board of directors on 14th September 2006 and were signed on its behalf by:

KEVIN HENRY
Finance & Planning Director

Consolidated Cash Flow Statement

year ended 30th June 2006

		2006		2005	
	Note	£000	£000	£000	£000
Net cash inflow from operating activities	22		7,584		5,995
Interest paid and similar charges			(654)		(720)
			6,930		5,275
Corporation tax paid			(1,121)		(122)
Capital expenditure					
Purchase of tangible fixed assets		(1,227)		(1,415)	
Sale of tangible fixed assets		207		340	
			(1,020)		(1,075)
Equity dividends paid			(1,017)		(879)
Cash inflow before financing			3,772		3,199
Financing					
Redemption of loan notes	23	(226)		(118)	
Repayment of bank loans	23	(2,811)		(2,921)	
			(3,037)		(3,039)
Increase in cash	23		735		160

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, except as noted below, throughout the previous year.

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards in the United Kingdom.

The group has adopted, for the first time, Financial Reporting Standard 17, Retirement Benefits, and Financial Reporting Standard 21, Events after the Balance Sheet Date. This gives rise to prior year adjustments and the restatement of comparative figures accordingly. The effects of these changes are detailed in note 4.

Consolidation
The consolidated financial statements comprise the financial statements of Sirdar PLC and its subsidiaries. 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. Following the adoption of Financial Reporting Standard 10, Goodwill and Intangible Assets, 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.

As permitted by FRS 10, 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 works overhead expenditure based on a normal level of activity.

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, except for those which should not be recognised under Financial Reporting Standard 19, calculated at the enacted rates at which it is estimated that tax will be payable. 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 balance sheet. 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

Analysis of results by class of business

	Turnover		Operating profit		Net operating assets/(liabilities)	
	2006	2005	2006	2005 Restated	2006	2005 Restated
	£000	£000	£000	£000	£000	£000
Floor Coverings	56,218	56,162	2,053	2,443	34,470	34,841
Specialist Yarns	18,593	15,260	3,719	3,303	7,541	6,814
	74,811	71,422	5,772	5,746	42,011	41,655
Central group costs and (liabilities)/assets			(451)	(530)	(812)	2,354
Operating profit/net operating assets			5,321	5,216	41,199	44,009

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 £5,974,000 (2005: £9,694,000) and a net pension deficit of £9,590,000 (2005: £13,090,000).

Analysis of turnover by destination	2006 £000	2005 £000
United Kingdom	63,155	62,047
Eire	3,110	2,532
Rest of Europe	3,494	2,988
North America	4,040	3,024
Rest of the World	1,012	831
	74,811	71,422

All turnover and operating profit is generated by operations within the United Kingdom.

2 OPERATING COSTS

	2006 £000	Excluding exceptional income 2005 Restated £000	Exceptional income 2005 £000	Including exceptional income 2005 Restated £000
Changes in stocks of finished goods and work in progress	144	(106)	–	(106)
Raw materials and consumables	34,818	34,196	(72)	34,124
Other external charges	15,516	14,272	(304)	13,968
Staff costs (note 21)	15,415	14,361	(76)	14,285
Depreciation	1,769	2,022	–	2,022
Goodwill amortisation	880	880	–	880
Foreign exchange differences	(350)	(318)	–	(318)
Other operating charges	1,298	1,351	–	1,351
	69,490	66,658	(452)	66,206

Other external charges include auditors' remuneration of £58,000 (2005: £100,000). The amount of auditors' remuneration charged in respect of work carried out in relation to the holding company was £4,000 (2005: £7,000).

Fees paid to Grant Thornton UK LLP for non audit services amounted to £7,000. Fees paid to PricewaterhouseCoopers LLP for non audit services in the year to 30th June 2005 amounted to £96,000.

3 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Bank loans	319	522
Bank overdrafts	263	142
Loan notes	14	19
Bank guarantee	5	7
Other interest	8	–
	609	690

Notes to the Financial Statements

(continued)

4 PRIOR YEAR ADJUSTMENT

The group has adopted, for the first time, FRS 17, Retirement Benefits, and FRS 21, Events after the Balance Sheet Date. This gives rise to prior year adjustments and the restatement of the previous year's financial statements. The effect of these changes on opening shareholders' funds is shown below.

	FRS 17 £000	FRS 21 £000	Total £000
Group			
Adjustment to opening shareholders' funds at 1st July 2004	(12,881)	555	(12,326)
Adjustment to the profit and loss account reserve for the year ended 30th June 2005	518	92	610
Adjustment to the statement of total recognised gains and losses for the year ended 30th June 2005	(3,100)	–	(3,100)
Adjustment to opening shareholders' funds at 1st July 2005	(15,463)	647	(14,816)
Company			
Adjustment to opening shareholders' funds at 1st July 2004	(77)	555	478
Adjustment to the profit and loss account reserve for the year ended 30th June 2005	–	92	92
Adjustment to opening shareholders' funds at 1st July 2005	(77)	647	570

For the group, the adoption of FRS 17 results in a decrease in staff costs of £1,110,000 (2005: £1,528,000), an increase in other finance costs of £590,000 (2005: £700,000), an increase in the profit for the year of £364,000 (2005: £518,000) and an increase in other recognised gains and losses of £2,814,000 (2005: reduction of £3,100,000).

5 TAXATION

	2006 £000	2005 Restated £000
Based on the profit for the year at 30%		
Corporation tax		
– Current year	1,374	1,856
– Prior year	–	(110)
Total current tax	1,374	1,746
Deferred tax		
– Current year	(159)	(33)
– Prior year	–	(66)
	(159)	(99)
– Relating to pension deficit	294	(309)
Total deferred tax	135	(408)
Tax on profit on ordinary activities	1,509	1,338

The tax charge in the years ended 30th June 2006 and 30th June 2005 differs from the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2006 £000	2005 Restated £000
Profit on ordinary activities before tax	4,122	3,826
Profit on ordinary activities before tax multiplied by standard rate of corporation tax of 30%	1,237	1,148
Effects of:		
Amortisation of goodwill	250	334
Other permanent differences	47	41
Adjustments to tax charge in respect of prior years	–	(110)
Other timing differences	(250)	334
Depreciation for the year in excess of capital allowances	76	69
Current corporation tax charge for the year	1,374	1,746

Notes to the Financial Statements

(continued)

6 DEFERRED TAXATION

	2006		2005	
	Group £000	Company £000	Group £000	Company £000
Brought forward as stated previously	3,247	33	3,259	33
Prior period adjustment for FRS 17	(1,017)	(33)	(930)	(33)
Brought forward as restated	2,230	–	2,329	–
Profit and loss account	(159)	–	(99)	–
At 30th June	2,071	–	2,230	–
An analysis of the balance as at 30th June is as follows:				
Accelerated capital allowances	2,064	–	2,221	–
Other timing differences	7	–	9	–
	2,071	–	2,230	–

7 PROFIT FOR THE YEAR

Sirdar PLC has not presented its own profit and loss account as permitted by section 230(1) of the Companies Act 1985. The amount dealt with in the financial statements of the holding company is a profit of £327,000 (2005: £13,216,000).

8 DIVIDENDS

	2006 £000	2005 £000
Paid during the year:		
Final dividend for the prior year of 1.40p per share (2005: 1.20p per share)	647	555
Interim dividend for the year of 0.80p per share (2005: 0.70p per share)	370	324
	1,017	879
Proposed after the year end (not recognised as a liability):		
Final dividend for the year of 1.60p per share (2005: 1.40p per share)	740	647

If approved, the final dividend will be paid on 21st November 2006 to members registered at the close of business on 27th October 2006.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of £2,613,000 (2005: £2,488,000 as restated) and on 46,242,455 (2005: 46,242,455) ordinary shares, being the weighted average number in issue during the year. Adjusted earnings per share in 2005 was calculated after excluding exceptional items as set out below.

	2006		2005	
	Earnings	Earnings per share	Earnings Restated	Earnings per share Restated
	£000	pence	£000	pence
Earnings and basic earnings per share	2,613	5.65	2,488	5.38
Exceptional item (net of tax)	–	–	(316)	(0.68)
Adjusted earnings and basic earnings per share	2,613	5.65	2,172	4.70

10 INTANGIBLE FIXED ASSETS

	2006	2005
Group	£000	£000
Goodwill – Cost		
At 1st July 2005 and 30th June 2006	17,609	17,609
Goodwill – Amortisation		
At 1st July	3,872	2,992
Charge for year	880	880
At 30th June	4,752	3,872
Goodwill – Net book amount		
At 30th June	12,857	13,737

Notes to the Financial Statements

(continued)

11 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1st July 2005	15,602	26,811	42,413
Additions	49	1,194	1,243
Disposals	–	(598)	(598)
At 30th June 2006	15,651	27,407	43,058
Depreciation			
At 1st July 2005	5,204	21,515	26,719
Charge for year	301	1,468	1,769
Disposals	–	(537)	(537)
At 30th June 2006	5,505	22,446	27,951
Net book amounts			
At 30th June 2006	10,146	4,961	15,107
At 30th June 2005	10,398	5,296	15,694

Capital commitments

	2006 £000	2005 £000
Group	234	546

These are items that are not provided for in the financial statements but which have been contracted for.

12 INVESTMENTS

	2006 Company £000	2005 Company £000
Shares in group companies		
At 1st July 2005 and 30th June 2006	58,000	58,000

Investments in group companies are stated at cost. Details of the company's principal subsidiaries are set out on page 33.

13 STOCKS

	2006 Group £000	2006 Company £000	2005 Group £000	2005 Company £000
Raw materials and consumables	4,110	–	4,793	–
Work in progress	1,011	–	1,371	–
Finished goods	11,396	–	11,180	–
	16,517	–	17,344	–

14 DEBTORS

	2006 Group £000	2006 Company £000	2005 Group Restated £000	2005 Company Restated £000
Trade debtors	9,150	–	10,374	–
Amounts owed by group companies	–	5,245	–	8,331
Corporation tax	–	–	–	1,684
Other debtors and prepayments	1,266	12	1,564	8
	10,416	5,257	11,938	10,023

15 CREDITORS (amounts falling due within one year)

	2006 Group £000	2006 Company £000	2005 Group Restated £000	2005 Company Restated £000
Bank overdraft	2,240	5,922	2,923	7,410
Bank loans (note 16)	2,995	2,952	3,038	2,952
Trade creditors	7,945	–	8,840	–
Amounts owed to group companies	–	167	–	388
Corporation tax	570	580	331	–
Social security and other taxes	1,352	–	1,378	–
Accruals and other creditors	2,297	101	2,410	97
	17,399	9,722	18,920	10,847

The bank facilities are secured by a fixed charge over land and buildings and a fixed and floating charge over undertakings and assets.

Notes to the Financial Statements

(continued)

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

	2006		2005	
	Group £000	Company £000	Group £000	Company £000
Bank loans	571	571	3,339	3,296
Loan notes	168	168	394	394
	739	739	3,733	3,690

The principal bank loan is repayable by October 2007 in accordance with the maturity profile detailed in note 25.

Loan notes redeemed in the year amounted to £226,000 (2005: £118,000). The loan notes are redeemable on not less than 30 days notice by the noteholders on 30th April and 31st October in each calendar year. Under the terms of the relevant banking agreements the redemption of the loan notes is funded by additional loan capital repayable in 2007. The loan notes bear interest at a fixed rate of 4%.

The principal loan is secured by a fixed charge over land and buildings and plant and machinery and a floating charge over other assets.

17 CALLED UP SHARE CAPITAL

	2006		2005	
	Number	£000	Number	£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 2005 as stated previously	504	2,395	–	21,581
Prior period adjustment for FRS 17	–	–	–	(15,463)
Prior period adjustment for FRS 21	–	–	–	647
At 1st July 2005 as restated	504	2,395	–	6,765
Profit for the year	–	–	–	2,613
Other recognised gains	–	–	–	2,814
Equity dividends paid	–	–	–	(1,017)
At 30th June 2006	504	2,395	–	11,175
Company				
At 1st July 2005 as stated previously	504	2,395	6,902	31,554
Prior period adjustment for FRS 17	–	–	–	(77)
Prior period adjustment for FRS 21	–	–	–	647
At 1st July 2005 as restated	504	2,395	6,902	32,124
Profit for the year	–	–	–	327
Equity dividends paid	–	–	–	(1,017)
At 30th June 2006	504	2,395	6,902	31,434

Profit and loss account reserves carried forward for the company include an amount of £4,714,000 (2005: £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.

Cumulative goodwill amounting to £13,944,000 (2005: £13,944,000) has been previously written off to group reserves.

Notes to the Financial Statements

(continued)

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Group		
Profit for the year (2005: as restated)	2,613	2,488
Other recognised gains/(losses) (2005: as restated)	2,814	(3,100)
Equity dividends paid	(1,017)	(879)
Net increase/(decrease) in shareholders' funds	4,410	(1,491)
Opening equity shareholders' funds as stated previously	36,041	35,042
Prior period adjustment for FRS 17	(15,463)	(12,881)
Prior period adjustment for FRS 21	647	555
Closing equity shareholders' funds	25,635	21,225
Company		
Profit for the year	327	13,216
Equity dividends paid	(1,017)	(879)
Net (decrease)/increase in shareholders' funds	(690)	12,337
Opening equity shareholders' funds as stated previously	52,916	40,671
Prior period adjustment for FRS 17	(77)	(77)
Prior period adjustment for FRS 21	647	555
Closing equity shareholders' funds	52,796	53,486

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 and at £2.1m for the year ending 30th June 2007. 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.

20 PENSION COMMITMENTS (continued)

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 £299,000 (2005: £244,000).

(b) Financial Reporting Standard 17, Retirement Benefits
As noted above, the group sponsors a defined benefit pension plan in the United Kingdom with benefits based on final salary. The actuarial valuation of the scheme undertaken as at 1st July 2005 was updated to 30th June 2006 by a qualified actuary. The major assumptions used by the actuary as at that date were:

	2006 %	2005 %	2004 %
Discount rate	5.30	5.00	5.80
Inflation rate	3.00	2.70	3.00
Rate of increase in pensionable salaries	3.75	3.45	3.75
Rate of increase in pensions in payment for post 1997 benefits	3.00	2.70	3.00
Rate of increase in pensions in payment for pre 1997 benefits	5.00	5.00	5.00

The assets in the scheme and the expected rates of return were:

	2006		2005		2004	
	Expected long-term rate of return on assets %	Value £000	Expected long-term rate of return on assets %	Value £000	Expected long-term rate of return on assets %	Value £000
Equities	7.25	16,600	7.25	18,800	7.25	16,400
Bonds	5.00	12,300	4.60	7,500	5.40	7,500
Other	4.50	3,600	4.50	2,500	4.25	1,300
		32,500		28,800		25,200

The following amounts were measured at 30th June 2006, 30th June 2005 and 30th June 2004 in accordance with the requirements of FRS 17, Retirement Benefits.

	2006 £000	2005 £000	2004 £000
Total market value of assets	32,500	28,800	25,200
Present value of scheme liabilities	(46,200)	(47,500)	(40,500)
Deficit in the scheme	(13,700)	(18,700)	(15,300)
Related deferred tax asset	4,110	5,610	4,590
Net pension deficit	(9,590)	(13,090)	(10,710)

In accordance with FRS 17, Retirement Benefits, the above amounts have now been recognised in the financial statements.

Notes to the Financial Statements

(continued)

20 PENSION COMMITMENTS (continued)

The following amounts have been recognised in the performance statements in the year to 30th June 2006 and 30th June 2005 under the requirements of FRS 17, Retirement Benefits.

	2006 £000	2005 £000
Operating profit		
Current service cost	(170)	(260)
Other finance costs		
Expected return on pension scheme assets	1,820	1,650
Interest on pension scheme liabilities	(2,410)	(2,350)
Net costs	(590)	(700)
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	1,420	1,870
Experience gains and losses arising on the scheme liabilities	1,570	60
Changes in assumptions underlying the present value of the scheme liabilities	1,030	(6,360)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	4,020	(4,430)
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(18,700)	(15,300)
Movement in year:		
Current service cost	(170)	(260)
Contributions	1,740	1,990
Other finance costs	(590)	(700)
Actuarial gain/(loss)	4,020	(4,430)
Deficit in scheme at end of the year	(13,700)	(18,700)

Details of experience gains and losses for the year

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets (£000)	1,420	1,870	700	(2,700)	(5,000)
Percentage of scheme assets	4.4%	6.5%	2.8%	(12.1%)	(21.1%)
Experience gains and losses on scheme liabilities (£000)	1,570	60	–	–	–
Percentage of the present value of the scheme liabilities	3.4%	0.1%	0.0%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses (£000)	4,020	(4,430)	2,240	(9,560)	(5,900)
Percentage of the present value of the scheme liabilities	8.7%	(9.3%)	5.5%	(23.3%)	(17.8%)

21 EMPLOYEES

	2006	2005
		Restated
	£000	£000
Staff costs:		
Wages and salaries	13,698	12,602
Social security costs	1,248	1,179
Other pension costs	469	504
	15,415	14,285

	Number	Number
The average number of employees, including directors, principally in the United Kingdom were:		
Sales and marketing	120	126
Administration	96	93
Manufacturing and operations	464	438
	680	657

	2006	2005
	£000	£000
Directors' emoluments:		
Salary and benefits	339	385
Performance related bonuses	–	25
	339	410
Highest paid director		
Salary and benefits	148	121
Performance related bonuses	–	25
	148	146

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 2006 was £53,000 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 £719,000 (2005: £683,000). 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 £36,000.

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 £9,000 (2005: £3,000).

Notes to the Financial Statements

(continued)

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

	2006 £000	2005 Restated £000
Operating profit	5,321	5,216
Depreciation	1,769	2,022
Goodwill amortisation	880	880
Profit on sale of tangible fixed assets	(31)	(357)
Current service pension cost	170	260
Decrease/(increase) in stocks	827	(491)
Decrease/(increase) in debtors	1,432	(1,336)
(Decrease)/increase in creditors	(1,044)	1,791
Contributions to defined benefit pension scheme	(1,740)	(1,990)
Net cash inflow from operating activities	7,584	5,995

23 ANALYSIS OF CHANGES IN NET DEBT

	2006 £000	Cash flows £000	2005 £000
Cash at bank and in hand	537	52	485
Bank overdraft	(2,240)	683	(2,923)
	(1,703)	735	(2,438)
Loan notes	(168)	226	(394)
Bank loans	(3,566)	2,811	(6,377)
Total net debt	(5,437)	3,772	(9,209)

24 RECONCILIATION OF MOVEMENT IN NET DEBT

	2006 £000	2005 £000
Increase in cash	735	160
Redemption of loan notes	226	118
Repayment of bank loans	2,811	2,921
Movement in net debt	3,772	3,199
Net debt at start of year	(9,209)	(12,408)
Net debt at end of year	(5,437)	(9,209)

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.

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 2006 were cash deposits totalling £537,000 (2005: £485,000). 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 2006, all of which were denominated in sterling, was as follows:

	Fixed rates £000	Floating rates £000	2006 Total £000	Fixed rates £000	Floating rates £000	2005 Total £000
Bank loans	–	3,566	3,566	–	6,377	6,377
Loan notes	168	–	168	394	–	394
	168	3,566	3,734	394	6,377	6,771

Bank loans and overdrafts attract floating rates of interest based on United Kingdom bank base rates.

Details of the loan notes which bear a fixed rate of interest of 4.00% per annum for an effective period of seven years are given in note 16.

The maturity profile of the carrying amount of the group's financial liabilities at 30th June 2006 was as follows:

	Bank loans £000	Loan notes £000	2006 Total £000	Bank loans £000	Loan notes £000	2005 Total £000
In one year or less, or on demand	2,995	–	2,995	3,038	–	3,038
In more than one year but not more than two	571	168	739	2,995	–	2,995
In more than two years but not more than five	–	–	–	344	394	738
	3,566	168	3,734	6,377	394	6,771

The loan notes are redeemable on not less than 30 days notice by the noteholder on 30th April and 31st October in each calendar year.

Notes to the Financial Statements

(continued)

25 FINANCIAL INSTRUMENTS (continued)

Borrowing facilities

The group had undrawn uncommitted borrowing facilities available at 30th June 2006 of £4,260,000 (2005: £2,077,000) 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 2006 of £168,000, (2005: £394,000) 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 early redemption of the loan notes as detailed above and expire after two years.

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

	US dollars £000	Euros £000	Total £000
30th June 2006	759	1,455	2,214
30th June 2005	411	711	1,122

Principal Subsidiaries

The group's principal subsidiary undertakings at 30th June 2006, 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

*Directly held

Notice of Annual General Meeting

Notice is hereby given that the fifty-third annual general meeting of the company will be held at the Cedar Court Hotel, Wakefield, on Tuesday 7th November 2006 at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 30th June 2006 together with the reports of the directors and auditor thereon.
2. To declare a final dividend.
3. To re-elect Mr. K. F. Henry 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.

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) on The London Stock Exchange plc ("the London Stock Exchange") 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 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

IAN STEAD
Company Secretary
3rd October 2006

Registered Office:
Flanshaw Lane, Alverthorpe,
Wakefield WF2 9ND

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.

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 5th November 2006 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 5th November 2006 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 20th November 2006.

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 8th November 2005, 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.

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 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 a possession of unpublished price sensitive information in relation to the company's shares.

Notes to the Notice of Annual General Meeting

(continued)

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.

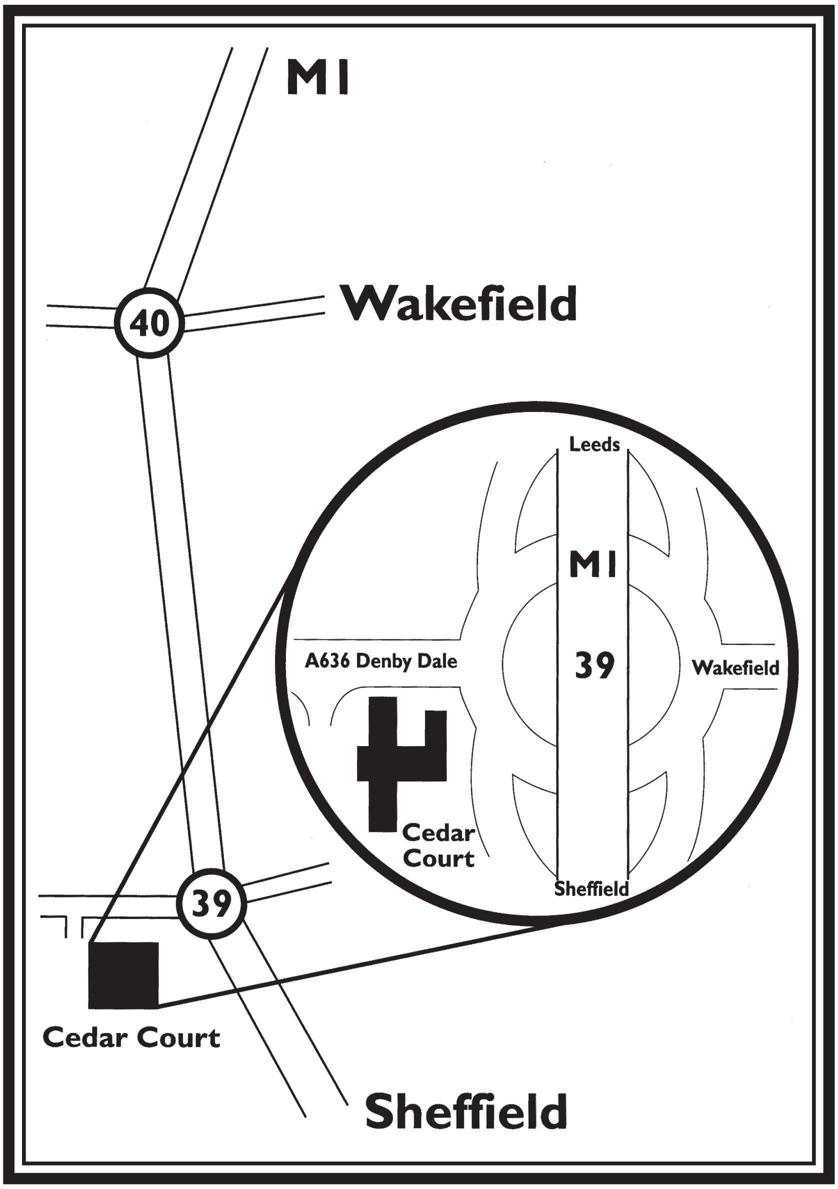
Recommendation
Your directors consider that the resolutions being put to shareholders are in the best interests of the shareholders as a whole. Accordingly, the directors recommend shareholders to vote in favour of the resolutions set out in the Notice of Annual General Meeting.

Crest proxy voting
CREST users should note that they can lodge their proxy votes for the 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 this year 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.



SIRDAR

S

RD

SIRD