SIRDAR PLC

Annual Report &
Financial Statements
30th June 2005

Summary

- Group turnover up 4% to £71.4m.
- Operating profit before exceptional items up 17% to £3.2m.
- Adjusted earnings per share up 1% to 3.58p.
- Final dividend up 17% to 1.40p per share, making a total dividend for the year of 2.10p per share.
- Net debt down £3.2m to £9.2m.
- Transfer to Alternative Investment Market proposed.
- Streamlined board and new management structure agreed.
- Brewin Dolphin Securities appointed as financial advisors and stockbrokers.
- Residential Floor Coverings operation remains an area of concern and the subject of significant focus.
- Potential for profitable growth within regenerated Contract Floor Coverings operation.
- Significant contribution from restructured Specialist Yarns division.
- Cost of product recall in line with expectations.

Contents

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Chairman's Statement

Introduction

The interim statement summarised the conclusion of our review of the group's strategy and confirmed our intention of focussing on the profitable growth of our existing operations. We are currently implementing a wide range of initiatives in pursuit of this objective. The diverse and challenging nature of the markets in which we operate requires the careful prioritisation of our transformation programme to ensure that the identified benefits are delivered within agreed timescales. Where implementation is near completion, as in the Specialist Yarns division, the benefits are clear, reaffirming our vision that exceeding customer expectations through the marketing of innovative quality products provides the greatest opportunity of delivering enhanced shareholder value.

The results

Turnover for the year was £71.4m (2004: £68.8m). Operating profit excluding exceptional items amounted to £3.2m (2004: £2.8m). The statutory operating profit amounted to £3.7m after exceptional income of £0.5m (2004: £1.2m after exceptional costs of £1.6m). Divisional performance reviews and further financial information are contained within the Group Chief Executive's Review and the Finance Report.

Earnings and dividend per share

Basic earnings per share amounted to 4.26p (2004: 1.13p). Adjusted earnings per share, which is calculated to show the underlying performance of the group and excludes the exceptional item, amounted to 3.58p per share (2004: 3.56p). The results to June 2004 benefited from a prior year tax credit of £0.5m, which was not repeated in the current year. The directors are proposing a final dividend of 1.40p (2004: 1.20p) per share. The dividend is payable on 22nd November 2005 to those shareholders on the register of members at the close of business on 28th October 2005.

Regulatory status

A move to the Alternative Investment Market (AIM) is proposed which would allow the group to operate within a market more appropriate to its size and resources. The move will be proposed as a resolution at an extraordinary general meeting and if the resolution is passed, will take place shortly afterwards. Further detail regarding the move to AIM is provided in the Finance Report.

Management and personnel

The proposal to move to AIM, coupled with the ongoing drive to reduce costs and maximise efficiencies, has led to a review of the management structure. The proposed simplification detailed below is designed to balance the requirement for a dynamic, value-adding central function with the need to control costs.

Duncan Verity has indicated his wish to retire from his role as group chief executive with effect from 31st December 2005, and I would like to record the board's appreciation of his contribution to the group's development and wish him well for the future. Following his retirement, Duncan's responsibilities will be reallocated between other members of the board.

Steve Harrison will resign from his role as senior independent non-executive director and will be appointed to an executive role as chief operating officer, on a part-time basis, with effect from 1st January 2006. In this role he will be directly accountable for the achievement of sales, profit and cash flow targets for the operating businesses.

Kevin Henry will continue to be responsible for finance and planning and will combine this with his responsibilities for the residential floor coverings business.

Carolyn Tobin will remain a non-executive director and I will be slightly increasing my time commitment in my role as non-executive chairman to help ensure the realisation of our vision for the group.

Current trading and future prospects

Despite the overall gains achieved during the year, areas of concern still exist and further work is required to consolidate and strengthen the group. The slowdown in consumer spending, combined with rapidly changing fashions, continues to generate fresh challenges. Such a changeable environment creates uncertainty and strains resources, creating a difficult position from which to achieve sustainable growth. However, the management team has a collective ambition to build an increasing share of our principal markets and we remain confident that the group is well placed to exploit growth opportunities.

We will continue to major on the strengths of our brands and people and promote an innovative culture to ensure the group is well positioned to meet all future challenges and take advantage of opportunities as they arise.

I would like to thank all our team members for their support in addressing the challenges facing the group and dealing with the difficult market conditions in which we are operating.

TIM VERNON
Chairman

15th September 2005

Group Chief Executive's Review

Introduction

The climate of change that surrounded the group during 2004 has remained throughout the current year. Rapid evolution has been necessary to combat an increasingly competitive market place whilst maintaining profitability. The performance of the group against such a demanding backdrop provides optimism for the future. However, areas of unsatisfactory performance still exist which require attention.

As outlined within the Chairman's Statement this will be my final review due to my impending retirement. My original contract ended in 2004 but, at the request of the board, I was pleased to extend that contract to oversee the significant changes that have occurred since that time. However, with those changes complete and the new board structure and personnel agreed, it is an appropriate time for me to retire and to allow the new team to take the business forward. My time at Sirdar PLC has been challenging, yet enjoyable and fulfilling and I have enjoyed contributing to the development of both the people and the businesses within the group.

Floor Coverings division

Turnover of the Floor Coverings division was £56.2m (2004: £54.6m) in the year to 30th June 2005. This generated an operating profit of £1.6m (2004: £3.1m). The reduction in operating profit noted in the year is a reflection of the market conditions within which we are operating, particularly in relation to residential carpets.

The residential floor coverings operation, marketed under the Ryalux, Lomas and Pownall brands, remains an area of concern for group management and one of significant focus. A continuation of trends noted previously relating to increased imports, the popularity of alternative floor coverings, tough high street conditions and rising raw material and utility costs have all combined to create the most challenging environment in recent times. The number of business failures within this sector is indicative of these conditions and serves to highlight the ongoing difficulties faced by UK based manufacturers.

A dedicated team, led by Kevin Henry, is striving to compete profitably in these difficult conditions. Attempts to rationalise a complex cost base continue, with progress being made in the year in establishing a leaner management structure designed to reduce costs and improve flexibility. Such changes are necessary if the business is to evolve and adapt to its current environment. Work to generate efficiencies and improve profitability is ongoing although the size and complexity of the operation is likely to slow progress. It is difficult to envisage a change within the market easing the problems we are currently facing, consequently, a significant upturn in the fortunes of this operation in the short term is unlikely.

Contract floor covering products are marketed under the Burmatex, Carpet Tile Company and Burmafloors International brands. The appointment of Gordon Donald as managing director was announced in last year's annual report. Since his appointment further senior personnel changes have occurred, providing fresh impetus and a renewed drive, resulting in a new look to the business covering branding, product offering and target markets. The result of this regeneration is a strong, vibrant operation well positioned to meet the challenges of business in the twenty-first century. I am confident these changes will enable us to retain our position as a market leader and provide a platform for profitable growth.

Specialist Yarns division

Turnover in this division increased to £15.3m (2004: £14.2m). The increase is attributable to a combination of a gain in sales of hand knitting yarns and a planned reduction in the, lower margin, machine yarns business. This movement in the sales mix, combined with the benefits obtained from the reorganisation, resulted in an operating profit of £2.7m (2004: loss £1.4m).

The Specialist Yarns division's products are marketed under the Sirdar, Tilsatec and Tilsa brands. As announced in the interim report, Russell Morris now leads the division, with the appointment of a new sales and marketing director providing fresh impetus. The transformation from a manufacturing business to a customer focused, innovative, marketing and distribution led operation was well managed and has proven successful. Further work is now required to consolidate the considerable progress made to date and to explore additional value adding opportunities.

Conclusion

The factors underpinning the achievements of the Specialist Yarns division in the year are still present. By utilising the experience gained to date we can further enhance our product offering and processes and are confident of building on our success.

The residential floor coverings operation will remain an area of focus for the board and subsidiary management. The complexity of the operation, combined with tough market conditions, further complicate the revitalisation process and will increase the time necessary to achieve this. The contract floor coverings business is being operated from a simpler structure and is being supported by a more buoyant market. The changes occurring within this business are therefore capable of faster implementation and are likely to have a more immediate impact on profitability.

The degree of change, both internally and externally, throughout this and the previous year appears now to be indicative of the nature of our markets and our industry. Evolving and adapting to these changes is a necessary skill to thrive in such an environment. The planned changes to a more streamlined board structure, complemented by a move to AIM, should provide sufficient flexibility to ensure we can capitalise on the opportunities this environment of change presents.

Finally, I would like to thank all the group's employees and everyone connected with Sirdar PLC for their support throughout my time with the group and wish them a prosperous future.

DUNCAN VERITY
Group Chief Executive — 15th September 2005

Finance Report

The results and financial statements

Turnover in the year amounted to £71.4m (2004: £68.8m). This represents an increase of 4%, attributable to gains within both the Floor Coverings and Specialist Yarns divisions.

Operating profit before exceptional items increased to £3.2m (2004: £2.8m). Net exceptional income of £0.5m further increased the operating profit to £3.7m (2004: £1.2m after net exceptional costs of £1.6m). Lower average debt levels reduced the interest charge for the year to £0.7m (2004: £0.8m) resulting in profit before taxation but after exceptional items of £3.0m (2004: £0.4m).

Exceptional items

The Specialist Yarns division instigated a product recall in February 2005. The likely cost of this recall, of £0.5m, was communicated in a statement issued in June 2005. This has subsequently been confirmed and is included as an exceptional cost in the year. This cost has been more than offset by exceptional credits arising in the Specialist Yarns division. Income from settlement of legal action against former directors of the division, profits on the sale of surplus assets following the decision to cease manufacturing and the release of provisions from the reorganisation of the division contributed total exceptional credits of £1.0m.

Cash flow

Net cash inflow from operating activities increased in the year to £6.0m (2004: £5.8m), driven by increased operating profits and effective working capital management.

Borrowings and interest

Interest payable for the year was £0.7m (2004: £0.8m) with lower average debt levels throughout the year compensating for the slight increase in the cost of debt. The reduction achieved in the net debt of £3.2m to £9.2m (2004: £12.4m) will provide increased financial flexibility and will result in a lower interest charge in the future.

Taxation

The rate of tax was 34% in the year due primarily to the goodwill amortisation that is non deductible for tax purposes offset by a tax credit relating to prior years of £0.1m. The overall tax charge in the year was £1.0m compared to an overall credit in the previous year of £0.1m.

Earnings and dividends per share

Basic earnings per share amounted to 4.26p per share compared to 1.13p last year. Adjusted earnings per share for 2005, which is calculated to show the underlying performance of the group and excludes exceptional items, is 3.58p (2004: 3.56p). Adjusted earnings per share in 2004 benefited from a £0.5m prior year tax credit, representing 1.16p per share. An interim dividend of 0.70p per share was paid in May 2005. The proposed final dividend is 1.40p per share, making a total dividend of 2.10p per share for the year.

Regulatory status

A move to AIM has been proposed as outlined in the Chairman's Statement. There are a number of advantages of such a move including inheritance tax and capital gains tax advantages for private shareholders. The advantages for the group include increased flexibility to carry out corporate transactions and a reduced regulatory burden.

An extraordinary general meeting will be convened to propose the move to AIM. A circular will be forwarded to all shareholders subsequent to these financial statements outlining the details of the move.

Professional advisors

Brewin Dolphin Securities have been appointed to replace Dresdner Kleinwort Wasserstein as financial advisors and stockbrokers.

Pensions

As announced in the interim statement to December 2004, accrual of salary related benefits ceased from 28th February 2005, being replaced by a money purchase arrangement from 1st March 2005. This should reduce the risk and volatility in pension costs and provide greater consistency of pension provision in the future.

The group continued to make accelerated payments towards eliminating the pension deficit, in the defined benefit scheme, calculated under the rules of the Minimum Funding Requirement. The pension charge in the financial statements is calculated consistently in accordance with Statement of Standard Accounting Practice 24 and, accordingly, the balance sheet prepayment has increased by £0.3m to £3.4m. Note 20 discloses the amounts that would have been included in the balance sheet and performance statements under Financial Reporting Standard 17, Retirement Benefits. This illustrates a net pension liability at 30th June 2005 of £13.1m (2004: £10.7m).

Accounting policies

The group financial statements have been prepared in accordance with the accounting policies described on pages 25 and 26 and reflect compliance with all applicable accounting standards. These have been applied consistently with previous years.

KEVIN HENRY
Group Finance Director

15th September 2005

Directors' Report

The directors present their report for the year ended 30th June 2005.

Profit and dividends

The profit for the year after taxation was £1,970,000 (2004: £524,000). An interim dividend of 0.70p per share was paid in May 2005 and the directors recommend a final dividend of 1.40p per share making a total for the year of 2.10p per share (2004: 1.80p per share). After total dividends of £971,000 (2004: £832,000) an amount of £999,000 has been added to reserves brought forward (2004: £308,000 deducted from reserves).

Principal activity

The principal activity of the group is the marketing and distribution of textile products including floor coverings and specialist yarns. Details of the activities of subsidiary companies are set out on page 43.

The Chairman's Statement, the Group Chief Executive's Review and the Finance Report contain details of likely future developments, a review of the group's business and its position at the year end.

Directors

The present directors are detailed below.

Mr. R. B. Vernon was appointed as an independent non-executive director on 11th March 2004, and became 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 the head of Global Transformation.

Mr. J. D. Verity joined the group in 2000 following the acquisition of Ryalux Carpets and is group chief executive. He has held a number of senior management positions in the textile industry.

Mr. K. F. Henry joined the group in 1984. He is a chartered accountant and previously worked in the accountancy profession. He is group finance director and managing director of the residential floor coverings operation.

Mrs. C. J. Tobin joined the group in 1998. She has worked as a management consultant in London and as an investment banker in the USA. She is a chartered accountant, holds an MBA and is director of corporate finance at Clear Channel International. She is a non-executive director.

Mr. S. R. Harrison was appointed as senior independent non-executive director on 1st July 2004. He is an engineer by profession and has 15 years 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.

Mrs. C. J. Tobin retires in accordance with the company's Articles of Association and, being eligible, offers herself for re-election.

Details of the directors' interests in the company's issued share capital and loan notes are shown in the Remuneration Report together with details of their service agreements.

Apart from the service agreements and the loan notes referred to on page 19 held by Mr. J. D. Verity, no contracts between the company and any of its directors existed at any time throughout the year. During the year the company purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 1985.

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, set out on pages 45 and 46.

The Notice of Annual General Meeting includes two resolutions numbered 7 and 8 relating to the company's share capital and one resolution relating to the purchase by the company of its own shares which is resolution 9. Further details are set out in the notes on pages 47 to 49.

Freehold land and buildings

The directors have reviewed the current market value of freehold land and buildings and are of the opinion that the difference between the market value and that stated in the financial statements is not significant.

Charitable and political contributions

Contributions to charitable institutions during the year amounted to £2,800 (2004: £2,475). No political contributions were made.

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 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.

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 2005 represented 86 days (2004: 58 days) trade purchases. The company does not have any trade creditors.

Substantial shareholdings

At 15th September 2005, in addition to the interest of Mrs. C. J. Tobin noted in the Remuneration Report on page 18 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	%
Laxey Partners Limited	5,344,826	11.56
Lowland Investment Trust	3,625,000	7.84
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

Directors' Report

(continued)

Treasury policy

The group's treasury policy seeks to ensure that adequate resources are available to the operating divisions whilst minimising risks. The group does not engage in speculative treasury transactions.

The group's policy is to borrow on a floating rate basis and to manage the debt maturity profile to minimise its cost of borrowings. The group will maintain gearing at an appropriate level.

Currently borrowings comprise bank overdrafts, bank loans and guaranteed unsecured loan notes. If appropriate, the group may fix a portion of its debt by the use of interest rate swap arrangements or may protect the cost of borrowing by the use of interest rate caps. Such transactions require prior approval by the board.

Although the group's operations are located entirely in the United Kingdom a portion of its trading transactions are denominated in foreign currencies. Any significant exposures that do arise on individual transactions are covered by specific forward contracts.

The group does not trade in complex financial instruments. Further details of the group's financial instruments, which principally comprise cash and short-term deposits, bank loans, overdrafts and loan notes, are detailed in note 26.

Auditors

The auditors, PricewaterhouseCoopers 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
15th September 2005

I. L. STEAD
Company Secretary

Corporate Governance

Introduction

The directors are committed to a high standard of corporate governance throughout the group. The company is subject to the Combined Code on Corporate Governance, updated in 2003 (the 'Code'). The Code sets out the principles and provisions relating to the good governance of companies and its aim is to provide guidance on how companies should be directed and controlled.

The board considers it has complied throughout the year with the provisions set out in Section 1 of the Code, except in the following instances:

– No formal appraisal of the board's performance took place during the year. It is the board's intention that a formal system will be developed and implemented in the coming year. (A.6.1)

– Mrs. C. J. Tobin is a non-independent non-executive director and a member of the audit and remuneration committees. The board believes that in view of the small number of non-executive directors it is appropriate that all non-executive directors should be members of the audit and remuneration committees. (B.2.1, C.3.1)

The board

The board comprises two executive directors, the group chief executive and the group finance director, and three non-executive directors, including the non-executive chairman. This structure is considered appropriate having regard to the size of the group as a whole. Short biographical details of the board of directors are given in the Directors' Report on page 8.

In addition to maintaining close dialogue between meetings, the board meets each month and also meets as required to deal with strategic issues. An agenda is established for all board meetings and this generally comprises reports on the individual operational companies from the appropriate managing directors, a report from the group finance director on the financial performance of the group and an overall report from the group chief executive. The board also meets annually to receive and consider presentations of the budgets of each operational company. Interim and full year results are reviewed by the audit committee and approved by the board prior to publication. The table below details the attendance of individual directors at board and committee meetings held during the year.

	Independent	Board	Strategy day	Audit committee	Nomination committee	Remuneration committee
Total number of meetings		**15**	**2**	**2**	**2**	**2**
Tim Vernon (Chairman)	Yes	13	2	2	2	2
Executive Directors						
Duncan Verity (Group Chief Executive)	No	15	2	–	2	–
Kevin Henry (Group Finance Director)	No	15	2	–	–	–
Richard Clark (Retired 13th October 2004)	No	2	–	–	–	–
Non-executive directors						
Steve Harrison	Yes	12	2	2	2	2
Carolyn Tobin	No	10	2	1	–	2

Corporate Governance

(continued)

Mr. R. B. Vernon was appointed chairman on 1st May 2004 and met the independence criteria as set out in the Code. There is a clear division of responsibilities between the chairman and the group chief executive, which is set out in writing and has been agreed by the board.

The senior independent non-executive director, Mr. S. R. Harrison, is available to shareholders if they have concerns which contact through the normal channels of chairman, group chief executive or group finance director has failed to resolve or for which such contact is inappropriate. No such concerns were raised during the year.

The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Board members are provided with full details on all agenda items prior to each board meeting. Directors have direct access to the company secretary who is responsible for ensuring that board procedures are followed. All directors are able to take independent professional advice in the furtherance of their duties as necessary and at the company's expense. Appropriate briefing and training is provided to directors on, and subsequent to, their appointment.

The chairman aims to ensure that the board's decisions are based on a consensus. The company secretary would minute any unresolved concerns expressed by any director. Were a director to resign over an unresolved issue, the chairman would bring the issue to the attention of the board. Appropriate insurance cover is maintained in respect of potential legal action against the directors.

All directors are subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years.

Audit committee

The audit committee is chaired by the senior independent non-executive director, Mr. S. R. Harrison. The other members of the committee are the non-executive chairman, Mr. R. B. Vernon, and the other non-executive director, Mrs. C. J. Tobin. Meetings are also attended, by invitation, by the group finance director, Mr. K. F. Henry, and the group chief executive, Mr. J. D. Verity. This committee meets at least twice during the financial year, normally around the time of the announcement 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 announcements of the interim and final results prior to submission to the board and monitors the independence and objectivity of the auditors, PricewaterhouseCoopers LLP, who also attend these meetings.

The audit committee undertook the following work during the year:

- Monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance.
- Making recommendations relating to the appointment, re-appointment and removal of external auditors and approval of remuneration and terms of engagement of the external auditors.

– Review of the external auditors' independence and objectivity and the effectiveness of the audit process.

– Monitoring and reviewing the effectiveness of the company's internal audit function.

– Review of compliance with the Code.

– Review of the internal control and risk management systems.

Auditor objectivity and independence is not considered to be compromised due to the level of non-audit services performed and the diverse nature of those services. Additional consideration would be given to this matter should the level of non-audit services begin to rise.

Nomination committee

The nomination committee is responsible for succession planning and for ensuring that all appointments to the board are objective. The committee is chaired by the non-executive chairman, Mr. R. B. Vernon. The other members of the committee are the senior independent non-executive director, Mr. S. R. Harrison, and the group chief executive, Mr. J. D. Verity. This committee meets when required but at least once during the financial year to review the composition and effectiveness of the board, to consider new appointments to the board and to determine the remuneration of the non-executive directors.

Remuneration committee

The remuneration committee is chaired by the non-executive chairman, Mr. R. B. Vernon. The other members of the committee are the senior independent non-executive director, Mr. S. R. Harrison and the other non-executive director, Mrs. C. J. Tobin. The committee is responsible for measuring the performance of the executive directors and setting the level of their remuneration. The committee's policy is to ensure that remuneration packages offered are competitive and that they are designed to attract, retain and motivate executive directors of the appropriate calibre who will implement the group's objectives and enhance shareholder value. They also seek to ensure an appropriate balance is maintained between fixed and performance related pay.

The information provided in relation to the committees of the board, reflects the status of the committees throughout the year. The board will give consideration to the ongoing composition and structure of the committees taking into account the management changes outlined within the Chairman's Statement.

Relations with shareholders

The board is committed to maintaining good communications with shareholders. Other than during close periods, the group chief executive and the group finance director aim to accommodate any requests from shareholders for meetings with board members and respond formally to all queries and requests for information from existing or potential shareholders. Relevant information from these meetings is circulated to all board members along with other feedback received during the meeting.

Corporate Governance

(continued)

Internal control

The directors acknowledge their responsibility for the group's systems of internal control and their responsibility to review these systems in the light of Code provision C. 2.1.

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 appropriately 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.

An ongoing process for identifying, evaluating and managing the significant risks faced by the group has been in place for the year and up to the date of this report. The process is designed to reduce rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss. The process is reviewed regularly by the board and accords with the Internal Control Guidance for directors set out in the Code produced by the Turnbull working party. The group has carried out a formal review of the effectiveness of the system of internal control incorporating financial controls, operational compliance and other areas.

The audit committee has, during the year, implemented internal audit reviews carried out by an experienced member of the group's central finance team. The work performed was concentrated on the risk areas of the business and was designed to supplement the work performed by the external auditors PricewaterhouseCoopers LLP.

Constructive use of the annual general meeting

All board members attend the annual general meeting and, in particular, the chairmen of the audit, remuneration and nomination committees are available to answer questions. Resolutions are proposed for each substantially separate issue and the agenda includes a resolution to adopt the group's annual report and financial statements. Notice of the annual general meeting is sent to shareholders at least 20 working days before the meeting. Details of the proxy votes for and against each resolution are announced after the result of the hand votes is known.

Statement of directors' responsibilities

The directors are required by United Kingdom 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 period 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.

Going concern

After reviewing profit and cash flow forecasts for the year ending 30th June 2006 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.

The auditors statement on the respective responsibilities of directors and auditors is included within their report.

The company's auditors, PricewaterhouseCoopers LLP, are required to review whether the above statements reflect the company's compliance with nine provisions of the Code specified for its review and to report if it does not reflect such compliance. The report of the auditors is set out on page 20.

	Flanshaw Lane, Alverthorpe
I. L. STEAD	Wakefield, WF2 9ND
Company Secretary	15th September 2005

Remuneration Report

The parts of this report that are audited are indicated by an asterisk.

Compliance with the Combined Code

The board presents its report on remuneration which includes all disclosure required by section 1 of the 2003 Financial Reporting Council Combined Code (the ‘Code’). Except as specifically referred to in the Corporate Governance statement on pages 11 to 15 in all respects the company has complied with the recommendations on remuneration within the Code.

Components of remuneration

This report sets out the group’s policy on directors’ remuneration for the current year and, so far as practicable, for subsequent years. Whilst the remuneration policy for the coming year can be stated with reasonable certainty, stating the policy for subsequent years is less certain. The remuneration committee remains flexible to ensure decisions are made with sufficient regard to the group’s current business environment and remuneration policy and are in the best interests of the group. Any policy changes will be detailed in future remuneration reports.

The remuneration of each executive director comprises the following elements:

a) Salary and benefits – basic salaries of executive directors are reviewed annually taking into account individual performance and, where appropriate, information from independent sources on salary levels for similar positions in comparable companies. In addition to basic pay there is the provision of, or a monetary allowance for, a motor car and medical insurance. These benefits are in line with those offered by comparable companies and are valued for the purposes of remuneration at the amount assessed to income tax on the director.

b) Performance related bonus – in the year to 30th June 2005 executive directors were entitled to a performance related bonus. The performance criteria were based on the achievement of group budgets in the case of Mr. J. D. Verity and on the achievement of group and operational budgets for Mr. K. F. Henry. Bonuses are generally capped at 50% of salary. Details of the amounts payable for the year are shown on page 18. The performance related bonus component of remuneration is not pensionable.

c) Mr. K. F. Henry is a member of the group’s defined benefit pension scheme and details of this arrangement can be found on page 19. Mr. J. D. Verity is a member of a defined contribution scheme and contributions of £20,000 (2004: £20,000) were made in the year.

Service agreements

The service contracts and letters of appointment of the directors include the following terms:

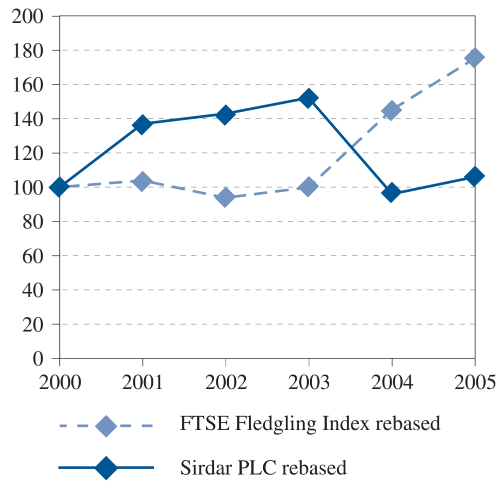
	Date of agreement	Expiry date	Notice period (months)
Executive directors			
Mr. J. D. Verity	19th February 2001	30th April 2006	12
Mr. K. F. Henry	25th September 2002	–	12
Non-executive directors			
Mr. R. B. Vernon	11th March 2004	30th April 2007	6
Mrs. C. J. Tobin	19th October 2004	30th June 2007	6
Mr. S. R. Harrison	30th June 2004	30th June 2007	6

Board changes

Mr. R. J. Clark retired from his position on the board and as managing director of Burmatex Limited on 13th October 2004.

Performance graph

This graph illustrates the performance of Sirdar PLC measured by total shareholder return (share price growth plus dividend reinvested) for each period against the total shareholder return in a notional investment made up of shares in the FTSE Fledgling Index. The FTSE Fledgling Index was selected as Sirdar PLC is a constituent member and it also contains other companies of a similar size.



Remuneration Report

(continued)

Directors' remuneration*

Emoluments for the directors were as follows:

	Salary and fees £000	Performance related bonus £000	Other benefits £000	2005 Total £000	2004 Total £000
R. B. Vernon (Appointed 11th March 2004)	45	–	–	45	11
J. D. Verity	144	–	1	145	145
K. F. Henry	120	25	1	146	120
R. J. Clark (Retired 13th October 2004)	31	–	–	31	110
S. R. Harrison (Appointed 1st July 2004)	20	–	–	20	–
C. J. Tobin	23	–	–	23	23
	383	25	2	410	409

Other benefits include taxable benefits in kind, comprising medical insurance. The monetary allowance provided for a motor car is disclosed within salary and fees.

The performance related bonus relates to the year ended 30th June 2005 and will be paid in September 2005. Non-executive directors do not participate in the performance related bonus scheme.

The year ended 30th June 2004 also included amounts relating to F. G. Lumb of £43,000 and P. Howard of £17,000.

Directors' interests*

Directors and their families have the following beneficial interests:

	Shares		Share options	
	30th June 2005[1]	1st July 2004	30th June 2005[1]	1st July 2004
R. B. Vernon	–	–	–	–
J. D. Verity	65,000	65,000	–	–
K. F. Henry	82,775	82,775	–	60,000
R. J. Clark	313,901	313,901	–	20,000
C. J. Tobin	3,802,668	3,802,668	–	–
S. R. Harrison	–	–	–	–

[1] Or date of leaving if earlier.

None of the directors paid for the award of options. All of the share options held by the directors under the Sirdar Executive Share Option Scheme were granted on 19th October 1994 at an exercise price of 98p. The last date on which they could be exercised was 18th October 2004, consequently all options lapsed during the year.

The market price of the company's shares at 30th June 2005 was 41.0p. The range of prices during the year ended 30th June 2005 was 29.0p to 48.5p.

There were no changes in directors' interests between 1st July 2005 and 15th September 2005. None of the directors has an interest in the share capital of subsidiary companies other than as a nominee of the company.

At 30th June 2005 Mr. J. D. Verity had an interest in the £1 nominal fixed rate unsecured C loan notes of £208,856 (2004: £238,856). None of the other directors had any interest in the loan notes during the year.

Directors' pension entitlement*

Mr. K. F. Henry is a member of the group's defined benefit pension scheme. The total accrued pension at 30th June 2005 was £52,000, and the gross increase in the accrued pension in the year was £2,000. The transfer value of the accrued pension at the year end was £683,000 (2004: £567,000). The transfer values have been calculated on the basis of actuarial advice in accordance with actuarial guidance note GN11. Mr. K. F. Henry made contributions in the year amounting to £4,000 and, therefore, the total change in the transfer value, less directors' contribution, during the year was £112,000.

Independent Auditors' Report

To the members of Sirdar PLC

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration Report ('the auditable parts').

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 are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the Remuneration Report.

Our responsibility is to audit the financial statements and the auditable parts of the Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable parts of the Remuneration Report have been 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only, the Chairman's Statement, the Group Chief Executive's Review, the Finance Report, the Directors' Report, the Corporate Governance statement and the unaudited parts of the Remuneration Report.

We review whether the Corporate Governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 and the auditable parts of the Remuneration Report. 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 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 and the auditable parts of the Remuneration Report 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 of the state of affairs of the company and the group at 30th June 2005 and of the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors

Benson House, 33 Wellington Street,
Leeds, LS1 4JP
15th September 2005

Consolidated Profit and Loss Account

year ended 30th June 2005

	Note	2005 £000	2004 £000
Turnover	1	71,422	68,770
Operating costs	2	(68,186)	(66,004)
Exceptional income/(costs)	3	452	(1,606)
Net operating costs	2	(67,734)	(67,610)
Operating profit	1	3,688	1,160
Net interest payable and similar charges	4	(690)	(783)
Profit before taxation		2,998	377
Taxation	5	(1,028)	147
Profit for the year		1,970	524
Dividends	8	(971)	(832)
Retained profit/(loss) for the year	18	999	(308)
Earnings per share (basic and diluted)	9	4.26p	1.13p

There were no recognised gains or losses in the year other than the profit/(loss) shown above.

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 retained profit/(loss) for the year stated above and their historical cost equivalents.

Consolidated Balance Sheet

as at 30th June 2005

		2005		2004	
	Note	£000	£000	£000	£000
Fixed assets					
Intangible	10		13,737		14,617
Tangible	11		15,694		16,421
			29,431		31,038
Current assets					
Stocks	13	17,344		16,853	
Debtors	14	15,638		14,694	
Cash at bank and in hand		485		614	
		33,467		32,161	
Creditors (due within one year)	15	(19,877)		(18,126)	
Net current assets			13,590		14,035
Total assets less current liabilities			43,021		45,073
Creditors (due after more than one year)	16		(3,733)		(6,772)
Deferred taxation	6		(3,247)		(3,259)
			36,041		35,042
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		21,581		20,582
			36,041		35,042

The financial statements on pages 21 to 43 were approved by the board of directors on the 15th September 2005 and were signed on its behalf by:

K. F. HENRY
Group Finance Director

Company Balance Sheet

as at 30th June 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Investments	12		58,000		58,000
Current assets					
Debtors	14	10,133		13,194	
Creditors (due within one year)	15	(11,494)		(23,847)	
Net current liabilities			(1,361)		(10,653)
Total assets less current liabilities			56,639		47,347
Creditors (due after more than one year)	16		(3,690)		(6,643)
Deferred taxation	6		(33)		(33)
			52,916		40,671
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		31,554		19,309
			52,916		40,671

The financial statements on pages 21 to 43 were approved by the board of directors on the 15th September 2005 and were signed on its behalf by:

K. F. HENRY
Group Finance Director

Consolidated Cash Flow Statement

year ended 30th June 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Net cash inflow from operating activities	23		5,995		5,823
Interest paid and similar charges			(720)		(754)
			5,275		5,069
Corporation tax paid			(122)		(1,994)
Capital expenditure					
Purchase of tangible fixed assets		(1,415)		(1,464)	
Sale of tangible fixed assets		340		429	
			(1,075)		(1,035)
Equity dividends paid			(879)		(2,127)
Cash inflow/(outflow) before financing			3,199		(87)
Financing					
Redemption of loan notes		(118)		(137)	
Repayment of bank loans		(2,921)		(2,827)	
			(3,039)		(2,964)
Increase/(decrease) in cash	24		160		(3,051)

A reconciliation of net cash flow to movement in net debt is set out in note 25.

Accounting Policies

General
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985. The following paragraphs summarise the more important of the group's accounting policies.

Consolidation
The consolidated financial statements are prepared in accordance with applicable accounting standards and comprise the financial statements of Sirdar PLC and all its subsidiaries. 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 Financial Reporting Standard 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.

Turnover
Turnover 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.

Fixed assets and depreciation
Tangible fixed assets are stated at cost.

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% per annum
Plant and equipment	10% per annum
Computer equipment	20% per annum
Motor vehicles	25% per annum

Accounting Policies

(continued)

Stocks

Stocks are stated at cost calculated on a FIFO basis or, if lower, at estimated net realisable value. Cost includes works overhead expenditure based on a normal level of activity.

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, Deferred Tax, 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 cost of providing retirement pensions and related benefits under the group's defined benefit scheme is charged to the profit and loss account over the period benefiting from the employees' services. Pension costs are assessed in accordance with the advice of a qualified actuary. 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 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/(loss)		Net operating assets	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Floor Coverings	56,162	54,605	1,614	3,143	35,807	38,098
Specialist Yarns	15,260	14,165	2,671	(1,414)	8,144	8,789
	71,422	68,770	4,285	1,729	43,951	46,887
Central group (costs)/assets			(597)	(569)	1,784	1,177
Total net operating assets					45,735	48,064
Operating profit			3,688	1,160		
Net interest payable and similar charges			(690)	(783)		
Profit before taxation			2,998	377		

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 £9,694,000 (2004: £13,022,000).

Analysis of turnover by destination	2005 £000	2004 £000
United Kingdom	62,047	56,957
Eire	2,532	2,838
Europe	2,988	3,286
North America	3,024	4,620
Rest of the World	831	1,069
	71,422	68,770

All turnover is generated by operations within the United Kingdom.

Notes to the Financial Statements

(continued)

2 OPERATING COSTS

	Excluding exceptional income 2005 £000	Exceptional income 2005 £000	Including exceptional income 2005 £000	Excluding exceptional costs 2004 £000	Exceptional costs 2004 £000	Including exceptional costs 2004 £000
Changes in stocks of finished goods and work in progress	(106)	–	(106)	739	–	739
Raw materials and consumables	34,196	(72)	34,124	31,236	434	31,670
Other external charges	14,272	(304)	13,968	12,768	380	13,148
Staff costs (note 21)	15,889	(76)	15,813	16,992	792	17,784
Depreciation	2,022	–	2,022	2,278	–	2,278
Goodwill amortisation	880	–	880	880	–	880
Foreign exchange differences	(318)	–	(318)	(135)	–	(135)
Other operating charges	1,351	–	1,351	1,246	–	1,246
	68,186	(452)	67,734	66,004	1,606	67,610

Other external charges include auditors' remuneration of £100,000 (2004: £96,000). The amount of auditors' remuneration charged in respect of work carried out in relation to the holding company was £7,000 (2004: £7,000).

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the United Kingdom amounted to £96,000 (2004: £69,000), comprising taxation services £36,000, actuarial advice £27,000, corporate restructuring services £25,000 and other services £8,000.

3 EXCEPTIONAL ITEMS

Exceptional operating (income)/charges

	2005 £000	2004 £000
Raw materials and consumables	(72)	434
Other external charges	(239)	380
Staff costs	(76)	792
Settlement of legal action	(250)	–
Profit on sale of fixed assets	(332)	–
Fizz recall costs	517	–
	(452)	1,606

3 EXCEPTIONAL ITEMS (continued)

The exceptional cost in the year relates to the recall of the fashion hand knitting yarn, Fizz. The cost includes the write off of stock on hand and stock held at retailers, an estimate of the cost of recalling product already sold by retailers and other associated costs.

The exceptional income in the year relates to settlement following legal action for breach of contract against former directors, profit on the sale of fixed assets associated with the decision to cease manufacturing and the release of provisions associated with the reorganisation of the Specialist Yarns division.

The exceptional costs incurred in the year ended 30th June 2004 related principally to redundancies, stock write downs and provisions for additional charges associated with the reorganisation of the Specialist Yarns division.

4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £000	2004 £000
Bank loans	522	608
Bank overdrafts	142	142
Loan notes	19	24
Bank guarantee	7	9
	690	783

5 TAXATION

	2005 £000	2004 £000
Based on the profit for the year at 30%		
Corporation tax		
– Current year	1,150	366
– Prior year	(110)	(535)
Total current tax	1,040	(169)
Deferred tax		
– Current year	54	54
– Prior year	(66)	(32)
Total deferred tax	(12)	22
Tax on profit on ordinary activities	1,028	(147)

Notes to the Financial Statements

(continued)

5 TAXATION (continued)

The tax charge in the year ended 30th June 2005 and the tax credit in the prior year differ from the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	2,998	377
Profit on ordinary activities before tax multiplied by standard rate of corporation tax of 30%	899	113
Effects of:		
Amortisation of goodwill	264	264
Other permanent differences	41	43
Adjustments to tax charge in respect of prior periods	(110)	(535)
Other timing differences	(123)	(150)
Depreciation for the period in excess of capital allowances	69	96
Current corporation tax charge/(credit) for the period	1,040	(169)

There are no other factors other than the effect of no tax allowance for amortisation of goodwill which are expected to affect future charges.

6 DEFERRED TAXATION

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
At 1st July	3,259	33	3,237	33
Movement	(12)	–	22	–
At 30th June	3,247	33	3,259	33
An analysis of the balance as at 30th June is as follows:				
Accelerated capital allowances	2,221	–	2,320	–
Pensions asset	1,017	33	930	33
Other timing differences	9	–	9	–
	3,247	33	3,259	33

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 £13,216,000 (2004: £1,544,000).

8 DIVIDENDS

	2005 £000	2004 £000
Interim – 0.70p per share (2004: 0.60p)	324	277
Proposed final – 1.40p per share (2004: 1.20p)	647	555
	971	832

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of £1,970,000 (2004: £524,000) and on 46,242,455 (2004: 46,242,455) ordinary shares, being the weighted average number in issue during the year.

Adjusted earnings per share, as set out below, is calculated after excluding exceptional items of £316,000, net of tax, consisting of the cost of the product recall of the fashion hand knitting yarn Fizz, offset by a settlement following legal action for breach of contract against former directors, profit on the sale of fixed assets associated with the decision to cease manufacturing and the release of provisions associated with the reorganisation of the Specialist Yarns division.

Adjusted earnings per share for the year ended 30th June 2004 is calculated after excluding exceptional costs of £1,124,000, net of tax, incurred during the reorganisation of the Specialist Yarns division. The adjusted earnings per share is presented in order to demonstrate the underlying performance of the group.

	2005		2004	
	Earnings £000	Earnings per share pence	Earnings £000	Earnings per share pence
Earnings and basic earnings per share	1,970	4.26	524	1.13
Exceptional item	(316)	(0.68)	1,124	2.43
Adjusted earnings and basic earnings per share	1,654	3.58	1,648	3.56

There is no dilution caused by share options.

Notes to the Financial Statements

(continued)

10 INTANGIBLE FIXED ASSETS

	2005	2004
Group	£000	£000
Cost		
At 30th June 2005 and 1st July 2004	17,609	17,609
Amortisation		
At 1st July	2,992	2,112
Charge for year	880	880
At 30th June	3,872	2,992
Net book amount		
At 30th June	13,737	14,617

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant and equipment	Total
Group	£000	£000	£000
Cost			
At 1st July 2004	15,598	28,809	44,407
Additions	4	1,458	1,462
Disposals	–	(3,456)	(3,456)
At 30th June 2005	15,602	26,811	42,413
Depreciation			
At 1st July 2004	4,902	23,084	27,986
Charge for year	302	1,720	2,022
Disposals	–	(3,289)	(3,289)
At 30th June 2005	5,204	21,515	26,719
Net book amounts			
At 30th June 2005	10,398	5,296	15,694
At 30th June 2004	10,696	5,725	16,421

Computer equipment and motor vehicles are not considered material and are included in plant and equipment.

Capital commitments

	2005	2004
	£000	£000
Group	546	379
Company	–	–

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

12 INVESTMENTS

	2005 Company £000	2004 Company £000
Shares in group companies		
At 30th June 2005 and 1st July 2004	58,000	58,000

Investments in group undertakings are stated at cost. Details of the company's principal subsidiaries are set out on page 43.

13 STOCKS

	2005 Group £000	2005 Company £000	2004 Group £000	2004 Company £000
Raw materials and consumables	4,793	–	4,408	–
Work in progress	1,371	–	986	–
Finished goods	11,180	–	11,459	–
	17,344	–	16,853	–

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 DEBTORS

	2005 Group £000	2005 Company £000	2004 Group £000	2004 Company £000
Trade debtors	10,374	–	9,427	–
Amounts owed by group companies	–	8,331	–	12,262
Corporation tax	310	1,684	1,228	800
Other debtors and prepayments	4,954	118	4,039	132
	15,638	10,133	14,694	13,194

Other debtors and prepayments include prepaid pension contributions of £3,390,000 (2004: £3,101,000) for the group and £110,000 (2004: £110,000) for the company.

Notes to the Financial Statements

(continued)

15 CREDITORS (due within one year)

	2005 Group £000	2005 Company £000	2004 Group £000	2004 Company £000
Bank overdraft	2,923	7,410	3,212	19,983
Bank loans (note 16)	3,038	2,952	3,038	2,952
Trade creditors	8,840	–	7,478	–
Amounts owed to group companies	–	388	–	203
Social security and other taxes	1,378	–	1,045	–
Accruals and other creditors	3,051	97	2,798	154
Proposed dividend	647	647	555	555
	19,877	11,494	18,126	23,847

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

16 CREDITORS (due after more than one year)

	2005 Group £000	2005 Company £000	2004 Group £000	2004 Company £000
Bank loans	3,339	3,296	6,260	6,131
Loan notes	394	394	512	512
	3,733	3,690	6,772	6,643

The principal bank loan is repayable by October 2007 in accordance with the maturity profile detailed in note 26.

Loan notes redeemed in the year amounted to £118,000 (2004: £137,000). 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 4.00%.

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

	2005 Number	2005 £000	2004 Number	2004 £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 2004	504	2,395	–	20,582
Profit for the year	–	–	–	999
At 30th June 2005	504	2,395	–	21,581
Company				
At 1st July 2004	504	2,395	6,902	19,309
Profit for the year	–	–	–	12,245
At 30th June 2005	504	2,395	6,902	31,554

Profit and loss account reserves carried forward for the company include an amount of £4,714,000 (2004: £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 (2004: £13,944,000) has been previously written off to group reserves.

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
Group		
Profit for the year	1,970	524
Dividends	(971)	(832)
Net increase/(reduction) in shareholders' funds	999	(308)
Opening equity shareholders' funds	35,042	35,350
Closing equity shareholders' funds	36,041	35,042
Company		
Profit for the year	13,216	1,544
Dividends	(971)	(832)
Net increase in shareholders' funds	12,245	712
Opening equity shareholders' funds	40,671	39,959
Closing equity shareholders' funds	52,916	40,671

Notes to the Financial Statements

(continued)

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 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. It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of the employer's contributions.

These contributions, together with the specified contributions payable by employees and 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 2003, adopted the projected unit method. The long term assumptions were that the annual rate of return on investments would be 6.10%, that annual increases in earnings would be 3.50% and that annual increases in pensions would be 2.50% for service after 5th April 1997. The actuarial value of the assets in the scheme represented 61% 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. The defined benefit scheme is now closed to new entrants and accrual of salary related benefits ceased from 28th February 2005, being replaced by a money purchase arrangement from 1st March 2005.

The level of the employer's contributions was increased with effect from 1st July 2003. In accordance with accounting standards the actuarial deficit is being spread, for accounting purposes, over the estimated remaining working lives of employees. In addition, the actuary advised that the increased level of contributions would allow for the deficit, calculated on the Minimum Funding Requirement basis, to be eliminated by 2012.

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 £217,000 (2004: £168,000). The cost of defined benefit contributions made in the year was £1,557,000 (2004: £2,088,000).

(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 2003 was updated to 30th June 2005 by a qualified actuary. The major assumptions used by the actuary as at that date were:

	2005 %	2004 %	2003 %
Discount rate	5.00	5.80	5.30
Inflation rate	2.70	3.00	2.50
Rate of increase in pensionable salaries	3.45	3.75	3.25
Rate of increase in pensions in payment for post 1997 benefits	2.70	3.00	2.50
Rate of increase in pensions in payment for pre 1997 benefits	5.00	5.00	5.00

20 PENSION COMMITMENTS (continued)

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

	2005		2004		2003	
	Expected long-term rate of return on assets	Value	Expected long-term rate of return on assets	Value	Expected long-term rate of return on assets	Value
	%	£000	%	£000	%	£000
Equities	7.25	18,800	7.25	16,400	7.25	13,900
Bonds	4.60	7,500	5.40	7,500	4.90	7,200
Other	4.50	2,500	4.25	1,300	4.25	1,200
		28,800		25,200		22,300

The following amounts were measured at 30th June 2005, 30th June 2004 and 30th June 2003 in accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits.

	2005	2004	2003
	£000	£000	£000
Total market value of assets	28,800	25,200	22,300
Present value of scheme liabilities	(47,500)	(40,500)	(41,100)
Deficit in the scheme	(18,700)	(15,300)	(18,800)
Related deferred tax asset	5,610	4,590	5,640
Net FRS 17 pension liability	(13,090)	(10,710)	(13,160)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30th June 2005, 30th June 2004 and 30th June 2003 would have been as follows:

Net assets	2005	2004	2003
	£000	£000	£000
Net assets excluding pensions liability	36,041	35,042	35,350
SSAP 24 pension prepayment	(2,373)	(2,171)	(1,820)
FRS 17 pension liability	(13,090)	(10,710)	(13,160)
Net assets including pensions liability	20,578	22,161	20,370
Profit and loss account			
Profit and loss account excluding pensions liability	21,581	20,582	20,890
SSAP 24 pension prepayment	(2,373)	(2,171)	(1,820)
FRS 17 pension liability	(13,090)	(10,710)	(13,160)
Profit and loss account including pensions liability	6,118	7,701	5,910

The following amounts would have been recognised in the performance statements in the years to 30th June 2005 and 30th June 2004 under the requirements of Financial Reporting Standard 17, Retirement Benefits.

Notes to the Financial Statements

(continued)

20 PENSION COMMITMENTS (continued)

	2005 £000	2004 £000
Operating profit		
Current service cost	(260)	(530)
Past service cost	–	–
Curtailment	–	100
Total operating charge	(260)	(430)
Other financial income		
Expected return on pension scheme assets	1,650	1,410
Interest on pension scheme liabilities	(2,350)	(2,180)
Net expense	(700)	(770)
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	1,870	700
Experience gains and losses arising on the scheme liabilities	60	–
Changes in assumptions underlying the present value of the scheme liabilities	(6,360)	1,540
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(4,430)	2,240
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(15,300)	(18,800)
Movement in year:		
Current service cost	(260)	(530)
Contributions	1,990	2,460
Curtailment	–	100
Past service cost	–	–
Other net financial expense	(700)	(770)
Actuarial (loss)/gain	(4,430)	2,240
Deficit in scheme at end of the year	(18,700)	(15,300)
Details of experience gains and losses for the year		
Difference between the expected and actual return on scheme assets (£000)	1,870	700
Percentage of scheme assets	6.5%	2.8%
Experience gains and losses on scheme liabilities (£000)	60	–
Percentage of the present value of the scheme liabilities	0.1%	0.0%
Total amount recognised in statement of total recognised gains and losses (£000)	(4,430)	2,240
Percentage of the present value of the scheme liabilities	(9.3%)	5.5%

21 EMPLOYEES

	2005 £000	2004 £000
Staff costs:		
Wages and salaries	12,860	14,329
Social security costs	1,179	1,199
Other pension costs	1,774	2,256
	15,813	17,784

	Number	Number
The average number of employees (including executive directors) principally in the United Kingdom were:		
Sales and marketing	142	157
Administration	94	110
Manufacturing and operations	421	480
	657	747

Details of directors' emoluments and interests are set out in the audited parts of the Remuneration Report on pages 16 to 19.

22 SHARE OPTION SCHEME

At 30th June 2005 there were nil (2004: 260,000) share options outstanding under the Sirdar Executive Share Option Scheme.

During the year ended 30th June 2005, 260,000 (2004: 6,000) share options lapsed.

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

	2005 £000	2004 £000
Operating profit	3,688	1,160
Depreciation	2,022	2,278
Goodwill amortisation	880	880
Profit on sale of tangible fixed assets	(357)	(286)
(Increase)/decrease in stocks	(491)	1,038
Increase in debtors	(1,625)	(418)
Increase in creditors	1,878	1,171
Net cash inflow from operating activities	5,995	5,823

Net operational exceptional cash inflows amounted to £350,000 (2004: outflow £605,000).

Notes to the Financial Statements

(continued)

24 ANALYSIS OF CHANGES IN NET DEBT

	2005 £000	Cash flows £000	Loan note redemption £000	2004 £000
Cash at bank	485	(129)	–	614
Bank overdrafts	(2,923)	289	–	(3,212)
	(2,438)	160	–	(2,598)
Loan notes	(394)	–	118	(512)
Bank loans	(6,377)	2,921	–	(9,298)
Total net debt	(9,209)	3,081	118	(12,408)

25 RECONCILIATION OF MOVEMENT IN NET DEBT

	2005 £000	2004 £000
Increase/(decrease) in cash	160	(3,051)
Redemption of loan notes	118	137
Repayment of bank loans	2,921	2,827
Movement in net debt	3,199	(87)
Net debt at start of year	(12,408)	(12,321)
Net debt at end of year	(9,209)	(12,408)

26 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 instruments is set out in the Directors' Report on page 10.

Financial assets
The financial assets of the group at 30th June 2005 were cash deposits totalling £485,000 (2004: £614,000). This represents amounts held with foreign financial institutions to cover exposure to currency fluctuations and does not attract interest.

26 FINANCIAL INSTRUMENTS (continued)

Financial liabilities

The interest rate profile of the group's financial liabilities at 30th June 2005, all of which were denominated in sterling, was as follows:

	Fixed rates £000	Floating rates £000	2005 Total £000	Fixed rates £000	Floating rates £000	2004 Total £000
Bank loans	–	6,377	6,377	–	9,298	9,298
Loan notes	394	–	394	512	–	512
	394	6,377	6,771	512	9,298	9,810

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 2005 was as follows:

	Bank loans £000	Loan notes £000	2005 Total £000	Bank loans £000	Loan notes £000	2004 Total £000
In one year or less, or on demand	3,038	–	3,038	3,038	–	3,038
In more than one year but not more than two	2,995	–	2,995	3,038	–	3,038
In more than two years but not more than five	344	394	738	3,222	512	3,734
	6,377	394	6,771	9,298	512	9,810

The loan note holders are entitled to request redemption on not less than 30 days notice on 30th April and 31st October in each calendar year.

Borrowing facilities

The group had undrawn uncommitted borrowing facilities available at 30th June 2005 of £2,077,000 (2004: £1,788,000) 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 2005 of £394,000 (2004: £512,000) 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.

Notes to the Financial Statements

(continued)

26 FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and liabilities
The estimated differences between the amounts at which the group's financial assets and liabilities are included in the accounts and their fair values are not material.

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	EU currencies £000	Total £000
30th June 2005	411	711	1,122
30th June 2004	200	1,153	1,353

Principal Subsidiaries

The group's principal subsidiary undertakings at 30th June 2005, all of which were wholly owned by the company or its subsidiary undertakings and all of which operate and are incorporated 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 Dyeing Limited	Yarn dyeing
William Pownall and Sons Limited	Manufacturing and distribution of carpet
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	Distribution of carpet
Oxford Spinning Limited	Manufacturing of carpet yarns
Carpet Tile Company Limited	Non trading
Hayfield Textiles Limited	Non trading
Tilsa Yarns Limited	Non trading

*Directly held

Five Year Financial Record

	2005 **£000**	2004 £000	2003 £000	2002 £000	2001 £000
Turnover	**71,422**	68,770	69,900	65,143	65,583
Operating profit	**3,688**	1,160	5,406	4,928	9,686
Profit before taxation	**2,998**	377	4,820	9,111	8,483
Profit for the year	**1,970**	524	3,050	7,563	5,931
Ordinary dividend	**971**	832	2,775	2,775	2,775
Dividend cover	**2.0**	0.6	1.1	2.7	2.1
Earnings per share	**4.26p**	1.13p	6.60p	16.36p	12.83p
Adjusted earnings per share	**3.58p**	3.56p	6.60p	5.47p	12.83p
Dividend per share	**2.10p**	1.80p	6.00p	6.00p	6.00p

Adjusted earnings per share is calculated after excluding exceptional items. In the year ended 30th June 2005 adjustments were made for the settlement of legal action, the profit on sale of fixed assets and the release of provisions associated with the restructuring of the Specialist Yarns division. These were offset by the exclusion of costs incurred during the product recall. Adjustments were made in the year ended 30th June 2004 for exceptional costs incurred during the reorganisation of the Specialist Yarns division. Adjustments were made in the year ended 30th June 2002 for the profit on disposal of a subsidiary.

Profit after taxation, dividend cover, earnings per share and adjusted earnings per share for the year ended 30th June 2001 have been restated to accord with the analysis adopted at 30th June 2002 following the adoption of Financial Reporting Standard 19, Deferred Tax, with effect from 1st July 2001.

Notice of Annual General Meeting

Notice is hereby given that the fifty-second annual general meeting of the company will be held at the Cedar Court Hotel, Wakefield, on Tuesday 8th November 2005, at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 30th June 2005 together with the reports of the directors and auditors thereon.
2. To approve the Remuneration Report for the year ended 30th June 2005 contained in the company's financial statements.
3. To declare a final dividend.
4. To re-elect Mrs. C. J. Tobin as a director of the company.
5. To re-appoint PricewaterhouseCoopers LLP as auditors of the company.
6. To authorise the directors to fix the remuneration of the auditors.

Special Business

As special business to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution 7 as an ordinary resolution and as to resolutions 8 and 9 as special resolutions.

Ordinary Resolution

7. 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

8. That, subject to the passing of the ordinary resolution numbered 7 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)

Special Resolutions (continued)

9. 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 Daily Official List 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

I. L. STEAD
Company Secretary
26th September 2005

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

Notes to the Notice of the 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.

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.

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 (Saturdays and 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 6th November 2005 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 6th November 2005 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 21st November 2005.

Explanatory notes on special business
The Notice of Annual General Meeting includes two resolutions relating to the company's share capital, which are resolutions 7 and 8, and one resolution relating to the purchase by the company of its own shares which is resolution 9.

Resolution 7 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 7 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 7 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 2nd November 2004, should be maintained in order to preserve maximum flexibility for the future. The directors have no present intention of issuing further shares.

Resolution 8 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 8 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 the Annual General Meeting

(continued)

Resolution 9 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 9 in the Notice of Annual General Meeting.

The proposed new general authority will be limited, by the terms of resolution 9 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 Daily Official List 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 United Kingdom Listing Authority 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.

The general authority set out in resolution 9 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 7, 8 and 9 all comply with institutional investment committee guidelines.

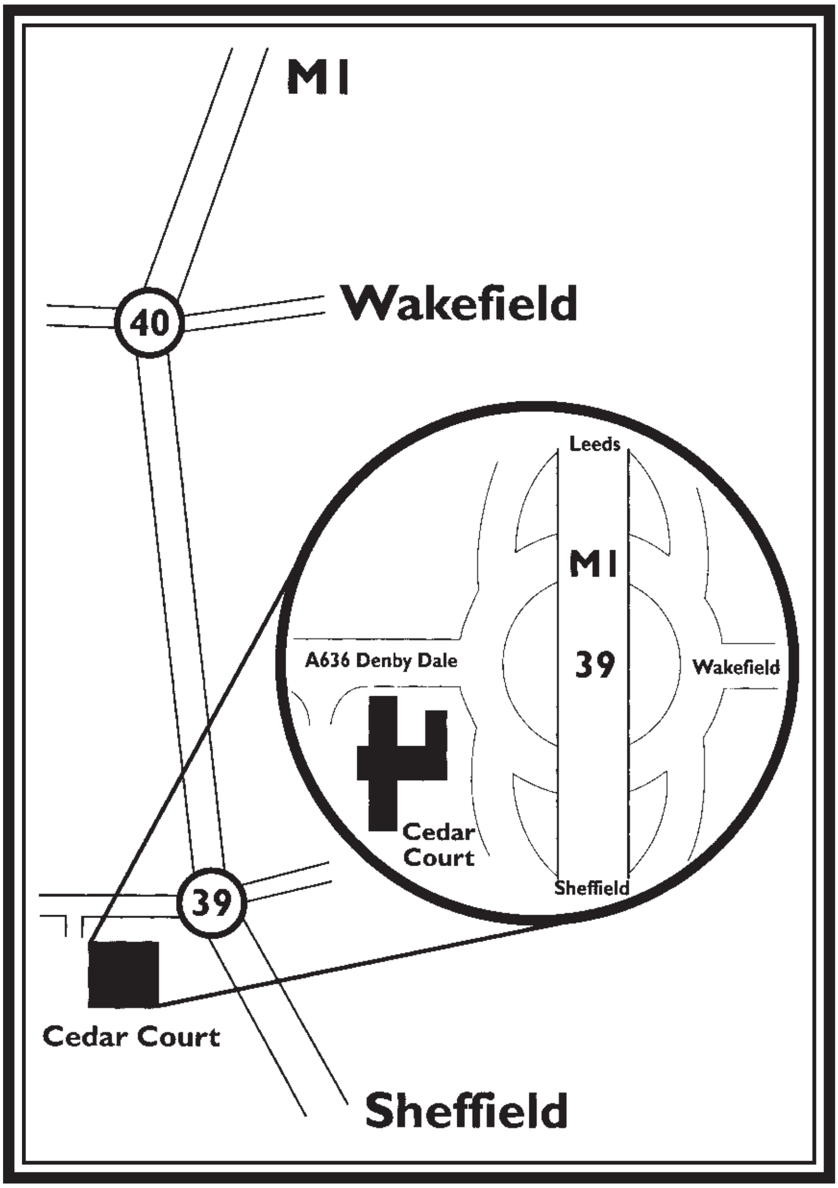
Recommendation

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.

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.



Financial Diary

Year end	30th June 2005
Annual general meeting	8th November 2005
Final ordinary dividend payable	22nd November 2005
To members registered on	28th October 2005
Ex-dividend date	26th October 2005
Interim statement	March 2006
Interim dividend payable	May 2006

SIRDAR