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COMPANIES HOUSE 04/12/97

Contents

Directors and Professional Advisers

Directors
Frank Gerard Lumb, F.C.A.
Chairman/Managing Director

Jean Margaret Tyrrell, O.B.E., LL.D.,D.L.
Non-Executive Director

Joseph Stuart
Non-Executive Director

Kevin Francis Henry, F.C.A.
Finance Director/Company Secretary

Michael Stephen Binns
Sales and Marketing Director

Kevin Burley
Production Director

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Registered in England No. 526657

Registrars
Independent Registrars Group
P. O. Box 25,
Beckenham,
Kent BR3 4TU

Auditors
Price Waterhouse
9 Bond Court,
Leeds,
West Yorkshire LS1 2SN

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

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

Stockbrokers
Kleinwort Benson Securities Limited
20 Fenchurch Street,
London EC3P 3DB

Chairman's Statement

The results and accounts

The profit before taxation for the year to 30th June 1997 was £5,252,000 compared with £5,907,000 for the previous year. The results for 1996 were after crediting an exceptional profit of £790,000 on the sale of property and plant. Without this item the 1997 results show a 3% increase over last year.

Earnings per share reduced from 7.80p to 6.92p but after adjusting for the £790,000 referred to above they increased from 6.56p to 6.92p.

The directors are recommending a final dividend of 3.70p per share, the same as last year.

Hand knitting and machine yarns

Sales of the Sirdar hand knitting brand increased during the year but this was offset by a reduction in sales of the Hayfield brand. Tilsa sales also increased but pressure on margins in this area, particularly due to the strength of sterling, resulted in an increased loss.

We are making determined efforts to improve margins and reduce staff costs and other overheads in this division and it is only through a successful profit improvement programme that the future of the hand knitting and machine yarns division will be assured.

Sirdar Data Systems recorded a small loss during the year and as it became apparent that this company was no longer viable it was sold for a nominal sum on 1st September 1997.

Other textile products

The floor coverings market remained very competitive with selling prices and margins under pressure. Sales were slightly down as was the profit for the year. Current trading conditions are a little better and this situation is expected to continue. Capital expenditure planned for the current year should result in increased efficiency and enable Burmatex and the Carpet Tile Company to take full advantage of the improvement in market conditions.

Sales of curtains and accessories continued to be difficult with the result that the profit from Eversure Textiles was about two thirds of the level of the previous year. However, significant progress has been made in reducing overheads which has put the company on a much more solid base. Eversure's new range has been well received and with a strong order book the results for next year should be much improved.

Hotels

This has been an excellent year for both hotels with each consolidating its position within its location. The trading situation was sufficiently strong for our partners and ourselves to consider a demerger and this came to fruition on 1st July 1997. On this date our partners took sole ownership of the Wakefield hotel whilst the Bradford hotel became wholly owned by Sirdar. The split of the assets and liabilities was made on the basis of a valuation carried out by Christie & Co.

As a result of the demerger, Acropolis Hotels Limited is now a wholly owned subsidiary of Sirdar PLC and its results, assets and liabilities will be incorporated into future accounts. The share of profit of associated company will be replaced by operating profit less interest payable and the investment in associated company will be replaced by fixed assets and current assets less bank borrowings. Overall, the demerger should have a beneficial impact on the group's results for the current year.

Personnel

Our staff have again responded well to the challenges and I thank them on your behalf for all their efforts.

The future

The last year has been challenging with continuing changes to the business. We are confident that these changes are producing a stronger and more profitable group and are pleased to report that the current trading position of each area of business is better than last year.

A key objective of the board is to enhance value for our shareholders and to this end we will continue to appraise investment or disposal opportunities and take whatever steps are necessary to improve the group's profitability.

F. G. LUMB
Chairman 11th September 1997

Report of the Remuneration Committee

The Remuneration Committee comprises the two non-executive directors, Mr. J. Stuart and Mrs. J. M. Tyrrell and the group chairman Mr. F. G. Lumb. The committee is chaired by Mr. J. Stuart. With the exception of the membership of the committee of Mr. F. G. Lumb its composition, responsibilities and operation comply with the best practice provisions in section A of the Annex to the Listing Rules of The London Stock Exchange. In implementing its policy, the committee has given full consideration to the best practice provisions set out in section B of the Annex to the Listing Rules.

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. Executive directors are entitled to a profit related bonus up to a maximum of 50% of salary although in recent years no bonuses have been payable. All components of remuneration are pensionable. Executive directors have service contracts with the company and are entitled to a notice period of two years. The contracts also provide for a sum to be paid, calculated in accordance with a predetermined formula, if contracts are terminated following a successful bid for the company. In view of the size of the company, and having considered common practice elsewhere, the committee considers both the notice period and the basis for pensionable earnings to be reasonable.

Details of the remuneration package of individual directors and information on share options are set out in Note 20 to the accounts.

J. STUART
Chairman of the Remuneration Committee 11th September 1997

Directors' Report

Profit and dividends

The profit for the year after taxation was £3,798,000. An interim dividend of 1.79p per share was paid in May and the directors recommend a final dividend of 3.70p per share making a total for the year of 5.49p per share. After total dividends of £3,029,000 an amount of £769,000 has been transferred to reserves brought forward.

Principal activities

The principal activity of the group is the manufacture of specialist textile products including hand knitting yarns, machine knitting yarns, ready made curtains and floorcoverings. Details of the activities of subsidiary companies are set out in Note 11 to the accounts.

The chairman's statement contains a review of the group's business, its position at the year end and likely future developments.

Directors and their interests

The present directors and their responsibilities are shown on page 1. The non-executive directors are Mrs. J. M. Tyrrell and Mr. J. Stuart. Mrs. J. M. Tyrrell joined the company in 1939 and was chairman from April 1961 until July 1993 when she became a non-executive director. Mr. J. Stuart joined Hayfield Textiles in 1942 and was appointed to the group board as production director in 1974. He became a non-executive director in January 1990.

Mr. K. F. Henry, who has a service contract which is terminable by the company on two years notice, retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors and their families in the company's issued ordinary share capital are shown below.

		Shares		Share options	
		30th June 1997	1st July 1996	30th June 1997	1st July 1996
F. G. Lumb		137,200	111,632	261,718	287,286
J. M. Tyrrell :	beneficial	850,000	850,000	–	–
	non beneficial	550,000	550,000	–	–
J. Stuart		65,984	65,984	–	–
K. F. Henry		53,918	53,918	171,718	236,718
M. S. Binns		55,568	30,000	191,718	267,286
K. Burley		41,068	41,068	238,218	238,218

Further details of directors' share options are set out in Note 20 to the accounts.

There were no changes in directors' interests between 1st July 1997 and 11th September 1997.

None of the directors has an interest in the share capital of subsidiary companies other than as nominee of the company.

Apart from service agreements, no contracts between the company and any of its directors existed at any time during the year. During the year the company purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 1985.

Share capital
The movements in share capital during the year are set out in Note 15 to the accounts. The notice of annual general meeting on page 23 includes two resolutions numbered 5 and 6 relating to the company's share capital. Further details are set out in the notes on page 24.

Share option schemes
Details of all options outstanding at the year end are set out in Note 21 to the accounts.

Charitable and political contributions
Contributions to charitable institutions during the year amounted to £2,247. No political contributions were made during the year.

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 the constraints of their disabilities.

The group continues its practice of keeping all its employees informed on matters affecting them.

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

Income and Corporation Taxes Act
So far as is known, the company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Substantial shareholdings
At 11th September 1997 the company had been notified of the following interests representing 3% or more of the company's ordinary share capital.

	Number held	%
Mr. & Mrs. G. A. Upsdell & Family	3,021,190	5.51
Mrs. C. J. Tobin	2,527,668	4.61
Baring Asset Management	2,525,000	4.61
Mrs. S. G. Ainslie	2,098,252	3.83
Sun Life Group of Canada	2,036,990	3.72
Aberforth Smaller Companies Trust	1,751,900	3.20

Going concern
After making enquiries, 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 accounts.

Payments to suppliers
It is the group's policy to settle and abide by the terms of payment with suppliers when agreeing each transaction or series of transactions.

Auditors
Price Waterhouse have expressed their willingness to be re-appointed.

K. F. Henry
Company Secretary

Flanshaw Lane, Alverthorpe
Wakefield, WF2 9ND
11th September 1997

Consolidated Profit and Loss Account

year ended 30th June 1997

	Note	1997 £000	1996 £000
Turnover	1	52,584	56,002
Operating costs	2	47,760	50,581
Operating profit		4,824	5,421
Profit on sale of property and plant	3	–	790
Share of profit of associated company		717	149
Interest payable	4	(289)	(453)
Profit before taxation		5,252	5,907
Taxation	5	1,454	1,674
Profit for year	7	3,798	4,233
Dividends	8	3,029	3,003
Amount transferred to reserves	16	769	1,230
Earnings per share	9	6.92p	7.80p
Adjusted earnings per share	9	6.92p	6.56p

Movements in reserves are set out in Note 16.

All recognised gains and losses are accounted for in the profit and loss account.

Consolidated Balance Sheet

as at 30th June 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
Fixed assets					
Tangible	10		15,558		15,978
Investment	11		7,034		5,892
			22,592		21,870
Current assets					
Stocks	12	15,793		16,240	
Debtors	13	11,430		12,145	
Cash at bank and in hand		107		56	
		27,330		28,441	
Creditors (due within one year)	14	15,743		17,022	
Net current assets			11,587		11,419
Total assets less current liabilities			34,179		33,289
Deferred tax	6		803		816
			33,376		32,473
Equity shareholders' funds					
Called up ordinary share capital	15		13,695		13,619
Share premium account	16		416		358
Revaluation reserve	16		2,723		2,723
Profit and loss account	16		16,342		15,573
			33,176		32,273
Non-equity share capital	15		200		200
			33,376		32,473

Balance Sheet

as at 30th June 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
Fixed assets					
Tangible	10		8,800		9,193
Investments	11		26,666		26,906
			35,466		36,099
Current assets					
Stocks	12	6,319		5,936	
Debtors	13	14,757		14,365	
Cash at bank and in hand		30		18	
		21,106		20,319	
Creditors (due within one year)	14	21,664		18,922	
Net current (liabilities)/assets			(558)		1,397
Total assets less current liabilities			34,908		37,496
Deferred tax	6		721		721
			34,187		36,775
Equity shareholders' funds					
Called up ordinary share capital	15		13,695		13,619
Share premium account	16		416		358
Merger reserve	16		6,902		6,902
Profit and loss account	16		12,974		15,696
			33,987		36,575
Non-equity share capital	15		200		200
			34,187		36,775

F. G. LUMB } Directors
K. F. HENRY }

Approved by the board on 11th September 1997.

Consolidated Cash Flow Statement

year ended 30th June 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
Net cash inflow from operating activities	22		6,089		8,465
Servicing of finance					
Interest paid		(302)		(423)	
Dividends paid on non-equity share capital		(11)	(313)	(11)	(434)
Corporation tax paid			(1,913)		(1,159)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,348)		(1,574)	
Sale of tangible fixed assets		503		2,675	
Loan to associated company		(510)	(1,355)	(509)	592
Equity dividends paid			(3,007)		(2,971)
Issue of share capital			134		275
(Decrease)/increase in cash	23		(365)		4,768

A reconciliation of net cash flow to movement in net debt is set out in Note 23.

The comparative figures for the year ended 30th June 1996 have been restated to comply with F.R.S.1 (revised) – “Cash Flow Statements”.

Accounting Policies

The following paragraphs summarise the more important of the group's accounting policies.

Consolidation

The consolidated accounts are prepared in accordance with applicable accounting standards. The accounts have been prepared using the historical cost convention and comprise the accounts of Sirdar PLC and its subsidiaries, together with the group's share of the results and net assets of the associated company. The results of subsidiaries are included from the dates of acquisition.

Turnover

Turnover comprises the invoice value, after discounts and excluding value added tax, of goods supplied to customers. Transactions between members of the group are excluded.

Fixed assets and depreciation

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

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

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

Stocks

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

Taxation

Advance corporation tax in respect of dividends for the year is written off in the profit and loss account unless it can be recovered against mainstream corporation tax in the current or following year.

No provision is made for deferred taxation unless there is a reasonable probability of payment in the foreseeable future.

Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from the employees' services.

Notes to the Accounts

1 SEGMENTAL INFORMATION

	1997 £000	1996 £000
Analysis of turnover by destination		
United Kingdom	46,006	49,738
Eire	999	1,027
Europe	2,543	2,512
Asia	1,203	1,118
North America	1,027	800
Australasia	338	289
Rest of the World	468	518
	52,584	56,002

Analysis of results by class of business

	Hand knitting and machine yarns		Other textile products		Total	
	1997 £000	1996 £000	1997 £000	1996 £000	1997 £000	1996 £000
Turnover	18,948	18,828	33,636	37,174	52,584	56,002
Operating profit/(loss) before central group costs	(531)	(216)	5,654	5,929	5,123	5,713
Profit on sale of property and plant	–	790	–	–	–	790
	(531)	574	5,654	5,929	5,123	6,503
Central group costs					(299)	(292)
Operating profit					4,824	6,211
Net interest					(289)	(453)
					4,535	5,758
Share of profit of associated company					717	149
					5,252	5,907
Net operating assets	17,374	16,610	14,195	14,782	31,569	31,392
Group borrowings					(5,227)	(4,811)
					26,342	26,581
Group share of net assets of associated company					7,034	5,892
					33,376	32,473

Net operating assets are stated excluding inter-company financing.

Central group costs, previously charged before arriving at the operating result for each class of business, have now been shown separately. The analysis for 1996 has been restated accordingly.

Notes to the Accounts
(continued)

2 OPERATING COSTS

	1997 £000	1996 £000
Changes in stocks of finished goods and work in progress	102	922
Raw materials and consumables	23,283	24,800
Other external charges	7,970	8,077
Staff costs (Note 19)	13,706	13,906
Depreciation	1,680	1,838
Other operating charges	1,019	1,038
	47,760	50,581

Other external charges include auditors' remuneration of £64,000 (1996: £64,000). The amount of auditors' remuneration charged in respect of work carried out in relation to the holding company was £22,000 (1996: £21,000).

Fees for other services provided by Price Waterhouse amounted to £43,000 (1996: £18,000)

3 PROFIT ON SALE OF PROPERTY AND PLANT

The profit on sale of property and plant for the year to 30th June 1996 relates to the disposal of assets following the decision to reorganise the hand knitting operation announced in April 1995.

4 INTEREST PAYABLE

	1997 £000	1996 £000
Bank overdraft interest payable	(362)	(473)
Interest receivable	73	20
	(289)	(453)

5 TAXATION

Based on the profit for the year at 32.5%		
Corporation tax:		
Group	1,438	2,317
Associated company	85	(233)
Prior year items	(56)	(296)
Deferred tax	(13)	(114)
	1,454	1,674

6 DEFERRED TAXATION

	1997		1996	
	Group	Company	Group	Company
	£000	£000	£000	£000
Full potential liability				
Accelerated capital allowances	2,367	1,800	2,596	1,956
Amount provided				
At 1st July 1996	816	721	930	721
Movement in year	(13)	–	(114)	–
At 30th June 1997	803	721	816	721

7 PROFIT FOR 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 profit dealt with in the accounts of the holding company amounts to £307,000 (1996: £3,065,000).

8 DIVIDENDS

	1997	1996
	£000	£000
Preference	11	11
Ordinary:-		
Interim – 1.79p (1996: 1.79p)	991	976
Proposed final – 3.70p (1996: 3.70p)	2,027	2,016
	3,029	3,003

9 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of £3,798,000 (1996: £4,233,000) less preference dividends and on 54,740,556 (1996: 54,142,660) ordinary shares, being the weighted average number in issue during the year.

The calculation of adjusted earnings per share is based on the results before profit on sale of property and plant (net of tax) as follows:

	1997	1996
	p	p
Earnings per share	6.92	7.80
Profit on sale of property and plant	–	(1.24)
Adjusted earnings per share	6.92	6.56

Notes to the Accounts
(continued)

10 TANGIBLE FIXED ASSETS

	Group		Company	
	Freehold land and buildings £000	Plant and equipment £000	Freehold land and buildings £000	Plant and equipment £000
Cost				
At 1st July 1996	12,957	25,228	8,747	16,391
Additions	5	1,359	5	405
Disposals	–	(1,128)	–	(700)
At 30th June 1997	12,962	25,459	8,752	16,096
Depreciation				
At 1st July 1996	3,000	19,207	2,264	13,681
Charge for year	256	1,424	174	605
Disposals	–	(1,024)	–	(676)
At 30th June 1997	3,256	19,607	2,438	13,610
Net book amounts				
At 30th June 1997	9,706	5,852	6,314	2,486
At 30th June 1996	9,957	6,021	6,483	2,710

Capital commitments	1997 £000	1996 £000
Group	436	795
Company	135	197

11 INVESTMENTS

	Shares in group companies £000	Shares in associated company £000	Loans to associated company £000	Reserves of associated company £000	Total £000
Group					
At 1st July 1996	–	270	734	4,888	5,892
Share of retained profit	–	–	–	632	632
Added during year	–	–	510	–	510
At 30th June 1997	–	270	1,244	5,520	7,034
Company					
At 1st July 1996	25,902	270	734	–	26,906
Added during year	–	–	510	–	510
Provision	(750)	–	–	–	(750)
At 30th June 1997	25,152	270	1,244	–	26,666

Group companies
The company's trading subsidiaries, all of which are wholly owned, registered in England and operate in the United Kingdom, are as follows:
Hayfield Textiles Limited – Manufacturers and distributors of hand knitting yarns.
Eversure Textiles Limited – Manufacturers of ready made curtains.
Burmatex Limited – Manufacturers of fibre bonded carpet and loose lay carpet tiles.
Sirdar Data Systems Limited – Data processing services and the supply and installation of business computer systems. This company was sold, on 1st September 1997, for a consideration approximating to net asset value.
Associated company
As at 30th June 1997 the company owned 50% of the ordinary share capital of Acropolis Hotels Limited, a company which operated in the United Kingdom as hoteliers with two 4 star hotels, one in Wakefield and one in Bradford. With effect from 1st July 1997 this operation has been demerged into two separate companies. Sirdar PLC now owns 100% of Acropolis Hotels Limited and this company now operates only the Bradford hotel. The effect on the consolidated balance sheet is that the investment of £7,034,000 is replaced by fixed assets of £10,600,000, current assets of £24,000 and borrowings of £3,590,000. The demerger will be reflected in the consolidated accounts for the year ending 30th June 1998.

12 STOCKS

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Raw materials and consumables	5,174	1,365	5,519	1,169
Work in progress	1,838	1,605	2,332	1,900
Finished goods	8,781	3,349	8,389	2,867
	15,793	6,319	16,240	5,936

Notes to the Accounts
(continued)

13 DEBTORS

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	9,727	4,796	10,278	4,254
Other debtors and prepayments	442	228	618	258
Advance corporation tax	1,261	1,261	1,249	1,249
Amounts owed by group companies	–	8,472	–	8,604
	11,430	14,757	12,145	14,365

Advance corporation tax includes £507,000 (1996: £504,000) recoverable after more than one year.

14 CREDITORS

Bank overdrafts	5,227	17,069	4,811	13,771
Trade creditors	3,581	1,036	4,312	1,262
Corporation tax	2,380	306	2,899	332
Social security and other taxes	994	397	1,090	482
Accruals and other creditors	1,534	829	1,894	849
Proposed dividend	2,027	2,027	2,016	2,016
Amounts owed to group companies	–	–	–	210
	15,743	21,664	17,022	18,922

15 CALLED UP SHARE CAPITAL

	1997		1996	
	Number	£000	Number	£000
Authorised				
Ordinary shares of 25p each	72,000,000	18,000	72,000,000	18,000
7½% Cumulative preference shares of £1 each (now 5¼% plus tax credit)	200,000	200	200,000	200
		18,200		18,200
Allotted and fully paid				
Ordinary shares of 25p each	54,782,021	13,695	54,476,048	13,619
7½% Cumulative preference shares of £1 each (now 5¼% plus tax credit)	200,000	200	200,000	200
		13,895		13,819

During the year 305,973 ordinary shares of 25p each were allotted as a result of the exercise of options under the savings related share option scheme. The total cash consideration received amounted to £134,000.

16 RESERVES

	Group			Company		
	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Share premium account £000	Merger reserve £000	Profit and loss account £000
At 1st July 1996	358	2,723	15,573	358	6,902	15,696
Transfer to/(from) profit and loss account	–	–	769	–	–	(2,722)
Premium on shares issued	58	–	–	58	–	–
At 30th June 1997	416	2,723	16,342	416	6,902	12,974

The cumulative amount of goodwill written off in the consolidated accounts is £18,606,000 (1996: £18,606,000).

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £000	1996 £000
Profit for year	3,798	4,233
Dividends	(3,029)	(3,003)
	769	1,230
New share capital subscribed	134	275
Net addition to shareholders' funds	903	1,505
Opening shareholders' funds	32,473	30,968
Closing shareholders' funds	33,376	32,473

18 PENSION COMMITMENTS

The group operates a pension scheme for 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 rates of the employer's contributions. These contributions, together with the specified contributions payable by employees and proceeds from the scheme's assets, are sufficient to fund the benefits payable under the scheme.

The latest actuarial valuation of the scheme, which was undertaken as at 1st July 1996, adopted the projected unit method. The long term assumptions were that the annual rate of return on investments would be 10%, that annual increases in earnings would be 7½% and that annual increases in pensions would be 5%. The actuarial value of the assets in the scheme represented 96% 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 (using the projected unit method). As the level of funding had increased from 83% at the date of the last actuarial valuation, the level of the employer's contributions was reduced with effect from 1st July 1996 to reflect this. The actuary has advised that the current level of contributions will allow the remaining deficit to be spread over the average remaining service lifetime of current employees in each category. The market value of the scheme's assets at the valuation date was £17,783,000.

Notes to the Accounts
(continued)

19 EMPLOYEES

	1997 £000	1996 £000
Staff costs:		
Wages and salaries	12,012	12,163
Social security costs	1,007	1,028
Other pension costs	687	715
	13,706	13,906
	Number	Number
Average number of employees principally in the United Kingdom	948	979

20 DIRECTORS

Remuneration
Emoluments of the directors were as follows:

	1997			1996
	Salary £000	Taxable benefits £000	Total £000	Total £000
F. G. Lumb*	119	14	133	129
J. M. Tyrrell	13	1	14	14
J. Stuart	14	–	14	13
K. F. Henry	85	7	92	87
M. S. Binns	82	7	89	85
K. Burley	82	10	92	85
	395	39	434	413

*Chairman and highest paid director.

The company made contributions to a defined benefit pension scheme in respect of four directors.

At 30th June 1997 the accrued pension in respect of the highest paid director was an annual pension of £82,000 (1996: £74,000). No lump sum is payable unless part of this pension is commuted for cash.

No part of the directors' emoluments was performance related.

Details of the service contracts of executive directors are set out in the report of the remuneration committee on page 3.

The non-executive directors have fixed term appointments which expire on 30th June 1998.

20 DIRECTORS (continued)

Share options

Options held by the directors during the year were:

	Date of grant	Exercise price p	Number of options: As at 1st July 1996	Granted	Exercised	Lapsed	As at 30th June 1997	Last date for exercise
F. G. Lumb								
Executive	21st Oct 1987	131	80,000	–	–	–	80,000	20th Oct 1997
	12th Apr 1989	105	40,000	–	–	–	40,000	11th Apr 1999
	26th Apr 1990	64	25,000	–	–	–	25,000	25th Apr 2000
	26th Apr 1991	50	20,000	–	–	–	20,000	25th Apr 2001
	19th Oct 1994	98	85,000	–	–	–	85,000	18th Oct 2004
Savings	10th Apr 1991	44	25,568	–	(25,568)	–	–	
	6th May 1992	64	11,718	–	–	–	11,718	31st Dec 1997
K. F. Henry								
Executive	14th Apr 1987	135	65,000	–	–	(65,000)	–	
	21st Oct 1987	131	40,000	–	–	–	40,000	20th Oct 1997
	12th Apr 1989	105	40,000	–	–	–	40,000	11th Apr 1999
	26th Apr 1991	50	20,000	–	–	–	20,000	25th Apr 2001
	19th Oct 1994	98	60,000	–	–	–	60,000	18th Oct 2004
Savings	6th May 1992	64	11,718	–	–	–	11,718	31st Dec 1997
M. S. Binns								
Executive	16th Oct 1986	140	50,000	–	–	(50,000)	–	
	25th Oct 1989	95	105,000	–	–	–	105,000	24th Oct 1999
	26th Apr 1990	64	15,000	–	–	–	15,000	25th Apr 2000
	19th Oct 1994	98	60,000	–	–	–	60,000	18th Oct 2004
Savings	10th Apr 1991	44	25,568	–	(25,568)	–	–	
	6th May 1992	64	11,718	–	–	–	11,718	31st Dec 1997
K. Burley								
Executive	21st Oct 1987	131	5,000	–	–	–	5,000	20th Oct 1997
	25th Oct 1989	95	9,000	–	–	–	9,000	24th Oct 1999
	11th Apr 1990	65	132,500	–	–	–	132,500	10th Apr 2000
	26th Apr 1991	50	20,000	–	–	–	20,000	25th Apr 2001
	19th Oct 1994	98	60,000	–	–	–	60,000	18th Oct 2004
Savings	6th May 1992	64	11,718	–	–	–	11,718	31st Dec 1997

The market price of the company's ordinary shares at 30th June 1997 was 59p.
The range during the financial year was 59p to 83p. The market price at the dates of exercise by Mr. F. G. Lumb and Mr. M. S. Binns was 78p.

Notes to the Accounts
(continued)

21 SHARE OPTION SCHEMES

Share options outstanding at 30th June 1997:

	Date of grant	Number of shares	Option price p	Normally exercisable
Executive scheme	21st Oct 1987	157,500	131	1990 to 1997
	26th Apr 1988	27,200	100	1991 to 1998
	26th Oct 1988	12,500	118	1991 to 1998
	12th Apr 1989	88,000	105	1992 to 1999
	25th Oct 1989	120,000	95	1992 to 1999
	11th Apr 1990	137,500	65	1993 to 2000
	26th Apr 1990	40,000	64	1993 to 2000
	26th Apr 1991	69,000	50	1994 to 2001
	8th Apr 1992	35,000	80	1995 to 2002
	26th Apr 1994	20,000	128	1997 to 2004
	19th Oct 1994	521,000	98	1997 to 2004
Savings related scheme	6th May 1992	178,577	64	1997

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

	1997 £000	1996 £000
Operating profit	4,824	5,421
Depreciation	1,680	1,838
Profit on sale of tangible fixed assets	(123)	(177)
Decrease in stocks	447	811
Decrease in debtors	463	1,373
Decrease in creditors	(1,202)	(801)
Net cash inflow from operating activities	6,089	8,465

23 ANALYSIS OF NET DEBT

	1997 £000	Cash flows £000	1996 £000
Cash at bank and in hand	107	51	56
Bank overdrafts	(5,227)	(416)	(4,811)
Total	(5,120)	(365)	(4,755)

Corporate Governance

Introduction
The report of the Committee on The Financial Aspects of Corporate Governance issued on 1st December 1992 contains a 19 point Code of Best Practice. The Stock Exchange requires listed companies to include a statement in their annual report regarding compliance with the code and to explain any areas of non-compliance.

Compliance
The board considers that the company complies with the recommendations set out in the code with the exception of certain recommendations relating to the role of non-executive directors. At present, the company has two non-executive directors, both of whom were previously long serving executive directors with the group. We believe that, in a company of our size, two non-executives out of a board of six members is the correct proportion. Both directors have substantial experience of the group and our industry. The fees of the non-executive directors reflect the time they commit to the group.

Board committees
The remuneration committee consists of the two non-executive directors and the group chairman. The report of this committee is set out on page 3. The group does not have a formal audit committee. However, at the conclusion of the annual audit, the auditors discuss the results of their work with the full board.

Internal financial control
The directors acknowledge their responsibility for the group's systems of internal financial control. The group maintains systems of internal financial 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. The directors have reviewed the effectiveness of the systems of internal financial control.

Auditors' Report

To the directors of Sirdar PLC on corporate governance matters

In addition to our audit of the financial statements, we have reviewed your statements above concerning the group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the Stock Exchange and on page 5 regarding the adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

Basis of opinion
We carried out our review having regard to the Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the group's system of internal financial control or corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion
In our opinion your statements on going concern on page 5 and on internal financial control above have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the group and examination of relevant documents, your statement on corporate governance above appropriately reflects the group's compliance with the other aspects of the code specified for our review by Listing Rule 12.43(j).

PRICE WATERHOUSE Price Waterhouse
Chartered Accountants

Leeds
11th September 1997

Directors' Responsibilities

In respect of the preparation of the financial statements

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

In preparing these financial statements the directors are required to select appropriate accounting policies and apply them consistently, make judgements and estimates that are reasonable and prudent and state whether applicable accounting standards have been followed. The directors are also required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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 group and for ensuring that steps are taken with a view to preventing and detecting fraud and other irregularities.

Auditors' Report

To the members of Sirdar PLC

We have audited the financial statements on pages 6 to 20 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities set out above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board.

An audit includes the examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30th June 1997 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

Price Waterhouse

Leeds
11th September 1997

Notice of Annual General Meeting

Notice is hereby given that the forty-fourth annual general meeting of the company will be held at the Cedar Court Hotel, Bradford, on Thursday 23rd October 1997, at 12 noon for the following purposes:

Ordinary Business

1. To approve and adopt the accounts for the year ended 30th June 1997 together with the reports of the directors and auditors thereon.
2. To declare a final dividend.
3. To re-elect Mr. K. F. Henry as a director of the company.
4. To re-appoint Price Waterhouse as auditors and to authorise the directors to fix their remuneration.

Special Business

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

Ordinary Resolution

5. That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount equal to the lesser of the unissued authorised ordinary share capital and £4,565,168 provided that this authority shall expire on 23rd January 1999 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 Resolution

6. That, subject to the passing of the above ordinary resolution, 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 the above 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 £684,775;

   and shall expire on 23rd January 1999 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.

K. F. HENRY
Company Secretary
26th September 1997

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

This notice is sent to preference shareholders for information only. Only the holders of ordinary shares are entitled to attend the 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, Independent Registrars Group, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the start of the meeting.
The register of directors' share interests and copies of directors' service contracts will be available for inspection at the registered office of the company during usual business hours on any weekday (Saturdays and public and bank holidays excluded) from the date of this 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.

Warrants for the ordinary dividend, if approved, will be posted on 20th November 1997.

Notes to the Notice of the Annual General Meeting

Directors' authorities in relation to shares
The Notice of Annual General Meeting includes two resolutions relating to the company's share capital, which are resolutions 5 and 6.

Under Section 80 of the Companies Act 1985 the directors are not allowed to allot shares unless they are authorised to do so by the company's shareholders. Resolution 5 gives the directors authority, until the earlier of 23rd January 1999 and the date of the next annual general meeting of the company, to allot shares under Section 80 of the Companies Act 1985. If resolution 5 is passed the amount of authorised ordinary share capital available for issue by the directors generally would be £3,952,926, representing approximately 29% 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 30th October 1996, should be maintained in order to preserve maximum flexibility for the future. The directors have no present intention of issuing further shares other than under the company's savings related and executive share option schemes.

Section 89 of the Companies Act 1985 gives all shareholders the right to participate on a *pro rata* basis in all issues of equity shares for cash unless they agree that this right should be excluded. The effect of resolution 6 is to give the directors authority, until the earlier of 23rd January 1999 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 shares for cash otherwise than by issue *pro rata* to existing shareholders up to an aggregate nominal value of £684,775 representing 5% of the present issued and allotted ordinary share capital of the company.

Both resolutions 5 and 6 comply with institutional investment committee guidelines.

Recommendation
Your directors consider that the resolutions being put to the ordinary 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 Bradford as last year. The Bradford hotel is situated at the northern end of the M606 motorway which is off junction 26 of the M62 motorway.

A map of the area indicating the location of the hotel is shown below. Should you need to telephone for directions the telephone number of the hotel is 01274-406606.