

## Contents

Chairman's statement	2
Report by the board on directors' remuneration	4
Directors' report	5
Consolidated profit and loss account	8
Statement of total recognised gains and losses	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11
Accounting policies	12
Notes to the accounts	13
Corporate governance	24
Directors' responsibilities	25
Auditors' report	26
Notice of Annual General Meeting	27
Notes to the Notice of Annual General Meeting	28
Five year financial record and Financial diary	31

## Directors and Professional Advisers

### Directors

Frank Gerard Lumb, F.C.A.

*Chairman*

Kevin Francis Henry, F.C.A.

*Finance Director/Company Secretary*

Kevin Burley

*Managing Director – Hand Knitting and  
Machine Yarns Division*

Richard John Clark

*Managing Director – Floor Coverings Division*

Carolyn Jane Tobin

*Non-Executive Director*

Philip Howard

*Senior Independent Non-Executive Director*

### Registered Office

Flanshaw Lane,

Alverthorpe,

Wakefield,

West Yorkshire WF2 9ND

Registered in England No. 526657

### Registrars

IRG plc

Bourne House,

34 Beckenham Road,

Beckenham,

Kent BR3 4TU

### Auditors

PricewaterhouseCoopers

Benson House,

33 Wellington Street,

Leeds,

West Yorkshire LS1 4JP

### 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 1999 was £5,835,000 compared with £6,169,000 for the previous year, a reduction of 5%. Operating profit, which excludes profit on sale of property and interest payable, was £5,849,000, a 13% reduction on the comparative figure of £6,715,000.

Earnings per share decreased to 7.96p compared with 8.25p last year, a reduction of 4%.

The directors are recommending a final dividend of 3.80p the same as last year.

Underlying cash flow in the year has continued to be excellent. As a result of good management of working capital, cash generated from operations amounted to £10,032,000. This has enabled the company to meet, from internal resources, the cost of repurchasing 6,954,373 ordinary shares and of repurchasing and cancelling £200,000 of preference shares. The cost of these repurchases, in total, amounted to £4,370,000. The opportunity was also taken during the year to restructure the group's borrowings by the repayment of the long term bank loan from overdraft facilities at lower rates of interest. Total group borrowings at the year end were only £380,000 higher than last year at £4,544,000 and are now comprised entirely of short term overdrafts.

### **Floor coverings**

The floor coverings market has remained very competitive and further pressure on selling prices has been experienced. As a result UK sales reduced by 3% but with exports suffering from the continued strength of sterling and recording a decline of 20% the overall reduction for the year was 5%. There have been reductions in the cost of some raw materials, again because of the strength of sterling, but a reduction in margins combined with certain cost increases has resulted in a 10% reduction in operating profit from £5,469,000 to £4,910,000.

Both home and export sales forces have undergone significant change in the year and, with further strengthening to take place, increases in turnover are anticipated for the coming year. The investment in additional plant and machinery towards the end of the year will also have a beneficial impact on margins in the coming year.

### **Hand knitting and machine yarns**

The restructuring that took place last year has now started to pay dividends and, combined with action taken by the new management board during the year, this has returned the spinning division to profitability.

Sales of branded hand knitting yarns increased by approximately 10% in the year due to the success of particular fashion products. Combined with a decision to focus on higher margin machine yarns this resulted in an operating profit of £622,000 compared to last year's loss of £376,000.

Assets employed in this division have been reduced by a further £2.2 million and, with two long term tenants now on site, management are actively seeking occupiers for the remaining surplus production units at Wakefield.

### **Curtains and accessories**

Eversure had an extremely difficult twelve months and have suffered from the adverse market conditions affecting most companies in this sector. Turnover has declined by 27% and this has resulted in a loss of £906,000 compared to a profit of £499,000 last year. The introduction of a new integrated computer system presented unexpected problems in the second half of the year which was also affected by restructuring costs and consequential stock provisions. Internal rationalisation and market repositioning are now taking place and will put the company in a stronger position to face the challenges of the next twelve months.

## **SIRDAR PLC**

### **Hotel**

The hotel has continued to perform well during the year. In line with industry trends, there has been a modest decline in occupancy during the year but better room rates, combined with a significant increase in function business, have resulted in a 5% increase in turnover from £4,256,000 to £4,465,000. Operating profit improved by 6% from £1,414,000 to £1,503,000.

### **Personnel**

There were three changes in the composition of the board during the year.

Michael Binns retired at the end of October 1998, Philip Howard was appointed in January 1999 and Richard Clark was appointed in March 1999.

Michael spent 13 years with the group, originally at Hayfield and was on the group board as Sales & Marketing Director for 10 years. We thank him for his hard work on your behalf and wish him a long and happy retirement.

Philip is an engineer by training and was previously chief executive of BTR's Electric Motors Division and prior to that held the same position within Hawker Siddeley. He is currently a non-executive director of Yorkshire Group plc. He has been appointed chairman of the remuneration committee and the audit committee and is the nominated senior independent non-executive director.

Richard has been with Burmatex since 1967 and has been with the group since Sirdar acquired Burmatex in 1986. His appointment acknowledges the contribution Burmatex has made to the group in recent years and also reflects the changing focus of the group's activities.

Following these appointments, I now believe we have the appropriate board structure for the future.

Once again I would like to thank all the group's employees, on your behalf, for their hard work and determination in difficult circumstances.

### **The future**

Sales of floor coverings have started to improve in the new financial year and, despite continuing pressure and competition in this area, management are confident that there will be an upturn in performance this year.

As a result of the action taken in recent years, the spinning operation now has a solid base for the future and, whilst the machine yarn market is still difficult, sales growth is being achieved in hand knitting and this should lead to further progress towards an adequate return from this division.

Sales of ready made curtains remain extremely difficult. The new year has started slowly but with a number of cost saving measures now implemented, management are optimistic that there will be an improvement in the results of this division this year.

The hotel has also had a good start to the new year and advance bookings are healthy. The current strong performance of the hotel is expected to continue.

Overall, the board believes that the group is well placed to meet the challenges of the next twelve months. This should lead to a better trading performance within each division and combined with the full benefits of the share buy back there should be a significant enhancement of earnings per share. The board intend to seek permission, at the Annual General Meeting, to renew the authority to buy back ordinary shares and will continue to review opportunities to exercise this authority if it is in the best interests of shareholders generally.

F. G. LUMB  
Chairman

16th September 1999

## Report by the board on directors' remuneration

With effect from 15th January 1999 the remuneration committee has comprised the two non-executive directors, Mr. P. Howard and Mrs. C. J. Tobin and the group chairman Mr. F. G. Lumb. The committee is chaired by Mr. Howard. With the exception of the membership of the committee of Mr. Lumb, its composition, responsibilities and operation complied with section A of the Best Practice Provisions annexed to the Listing Rules of The London Stock Exchange ("the Provisions"). In implementing its policy, the committee has given full consideration to Section B of the Provisions.

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.

In the year executive directors were entitled to a profit related bonus up to individually specified limits. These bonuses are linked to the results of either the group as a whole or the appropriate operating division. Details of the bonus payments made to directors in the year are shown in note 21 to the accounts.

With the exception of Mr. Lumb, executive directors have service contracts which entitle them to notice periods of two years in the case of Mr. Henry and Mr. Burley and twelve months in the case of Mr. Clark. The contracts of Mr. Henry and Mr. Burley 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.

Mr. Lumb, Mrs. Tobin and Mr. Howard have fixed term appointments. These expire on 30th April 2001, 10th June 2001 and 15th January 2002 respectively.

Details of the remuneration package of individual directors and information on share options are set out in note 21 to the accounts.

**P. HOWARD**  
Chairman of the Remuneration Committee  
on behalf of the board

16th September 1999

## Directors' Report

### Profit and dividends

The profit for the year after taxation was £4,233,000. An interim dividend of 1.85p per share was paid in May and the directors recommend a final dividend of 3.80p per share making a total for the year of 5.65p per share. After total dividends of £2,736,000 an amount of £1,497,000 has been transferred to reserves.

### Principal activities

The principal activities of the group are the manufacture of specialist textile products including floor coverings, hand knitting yarns, machine knitting yarns and curtains and accessories. In addition, the group operates a 4 star hotel. 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. Mr. M. S. Binns retired on 30th October 1998. The current non-executive directors are Mrs. C. J. Tobin and Mr. P. Howard. Mrs Tobin was appointed on 10th June 1998. She is a chartered accountant and holds an MBA. She has worked as a management consultant in London and as an investment banker in the USA. She is currently director of corporate finance at Clear Channel International. Mr. Howard was appointed on 15th January 1999. He is an engineer by training and was previously chief executive of BTR's Electric Motors Division and prior to that held the same position within Hawker Siddeley. He is currently a non-executive director of Yorkshire Group plc.

Mr. K. Burley, 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. Mr. Burley joined the group in 1972 and is currently managing director of the hand knitting and machine yarns division. Mr. R. J. Clark, who has a service contract which is terminable by the company on one years notice, and Mr. P. Howard, who has a fixed term appointment which expires on 15th January 2002, retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

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

	Shares		Share options	
	30th June 1999	1st July 1998 or date of appointment	30th June 1999	1st July 1998 or date of appointment
F. G. Lumb	160,918	160,918	130,000	170,000
K. F. Henry	53,918	53,918	80,000	120,000
K. Burley	61,068	61,068	221,500	221,500
R. J. Clark	293,901	293,901	20,000	20,000
C. J. Tobin	3,977,668	3,977,668	—	—
P. Howard	—	—	—	—

Further details of directors' share options are set out in Note 21 to the accounts.

# Directors' Report

(continued)

There were no changes in directors' interests between 1st July 1999 and 16th September 1999. 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 16 to the accounts. This includes details of the cancellation and repayment of the company's preference shares and the purchase of 6,954,373 of the company's own ordinary shares. The cancellation and repayment was carried out to simplify the company's capital structure and the purchase of own ordinary shares was designed to improve earnings per share.

The notice of annual general meeting on page 27 of this report and accounts 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 28 and 29.

## **Share option scheme**

Details of all options outstanding at the year end are set out in Note 22 to the accounts.

## **Charitable and political contributions**

Contributions to charitable institutions during the year amounted to £2,790. 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.

## **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. Trade creditors at 30th June 1999 represented 38 days trade purchases.

## SIRDAR PLC

### Substantial shareholdings

At 16th September 1999, in addition to the interest of Mrs. C. J. Tobin noted above which amounts to 8.31%, the company had been notified of the following interests representing 3% or more of the company's ordinary share capital.

	Number held	%
Eaglet Investment Trust plc	3,483,475	7.28
Mr. & Mrs. G. A. Upsdell	3,021,190	6.32
Baring Asset Management	2,696,308	5.64
BFS Small Companies Dividend Trust plc	2,255,000	4.71
Mrs. S. G. Ainslie	2,098,252	4.39
Sun Life Group of Canada	2,036,990	4.26
Post Office Pension Scheme	1,580,000	3.30

### Year 2000 matters

The directors are aware of the various problems that can arise with computer systems and other date-aware microchip based equipment on the change to the next millennium. The group has appointed a Year 2000 manager to review the implications of this and to ensure that all appropriate issues are addressed. Two of the main trading companies have installed new, Year 2000 compliant, integrated computer systems and the other two companies have also taken appropriate action. The total cost of achieving Year 2000 compliance is difficult to estimate as compliance is often a by-product of other projects but annual costs are not significant and have been met out of normal operating and capital budgets.

### Treasury policy

The group's treasury policy seeks to ensure that adequate resources are available to the various operating divisions while 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 also endeavours to maintain gearing at a prudent level.

Currently all borrowings comprise bank overdrafts and other short term instruments such as acceptance credits. If appropriate, the group may fix a portion of its debt by the use of forward rate or 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. There were no such instruments in place at 30th June 1999.

As the group's operations are located entirely in the UK and, as the vast majority of its trading transactions are denominated in sterling, the exposure to currency movements is limited. Any significant exposures that do arise on individual trading transactions are covered by forward contracts.

### Auditors

PricewaterhouseCoopers have expressed their willingness to be re-appointed.

  
K. F. HENRY  
Company Secretary

Flanshaw Lane, Alverthorpe,  
Wakefield WF2 9ND  
16th September 1999

## Consolidated Profit and Loss Account

year ended 30th June 1999

	Note	1999 £000	1998 £000
<b>Turnover</b>	1	48,679	55,975
Operating costs	2	42,830	49,260
<b>Operating profit</b>		5,849	6,715
Profit on sale of property	3	206	—
Interest payable	4	(220)	(546)
<b>Profit before taxation</b>		5,835	6,169
Taxation	5	1,602	1,641
<b>Profit for year</b>	7	4,233	4,528
Dividends	8	2,736	3,107
<b>Retained profit for the year</b>	17	1,497	1,421
<b>Basic earnings per share</b>	9	7.96p	8.25p
<b>Diluted earnings per share</b>	9	7.96p	8.24p

Movements in reserves are set out in Note 17.

All the amounts shown in the consolidated profit & loss account relate to continuing activities.

## Statement of Total Recognised Gains and Losses

year ended 30th June 1999

	1999 £000	1998 £000
Profit for year	4,233	4,528
Deficit on revaluation	—	(348)
<b>Total recognised gains and losses relating to the year</b>	4,233	4,180

SIRDAR PLC

# Consolidated Balance Sheet

as at 30th June 1999

	Note	1999		1998	
		£000	£000	£000	£000
<b>Tangible fixed assets</b>	10		24,336		25,256
<b>Current assets</b>					
Stocks	12	12,436		13,803	
Debtors	13	9,142		10,840	
Cash at bank and in hand		239		95	
		<u>21,817</u>		<u>24,738</u>	
<b>Creditors (due within one year)</b>	14	<u>13,796</u>		<u>12,841</u>	
<b>Net current assets</b>			8,021		11,897
<b>Total assets less current liabilities</b>			<u>32,357</u>		<u>37,153</u>
<b>Creditors (due after one year)</b>	15		-		1,900
<b>Deferred tax</b>	6		773		796
			<u>31,584</u>		<u>34,457</u>
<b>Equity shareholders' funds</b>					
Called up ordinary share capital	16		11,960		13,698
Share premium account	17		421		421
Capital redemption reserve	17		1,938		-
Profit and loss account	17		<u>17,265</u>		<u>20,138</u>
			<u>31,584</u>		<u>34,257</u>
<b>Non-equity share capital</b>	16		-		200
			<u>31,584</u>		<u>34,457</u>

SIRDAR PLC

# Company Balance Sheet

as at 30th June 1999

	Note	1999		1998	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible	10		7,614		8,249
Investments	11		22,421		25,421
			<u>30,035</u>		<u>33,670</u>
<b>Current assets</b>					
Stocks	12	4,054		5,174	
Debtors	13	8,584		7,822	
Cash at bank and in hand		25		19	
			<u>12,663</u>	<u>13,015</u>	
<b>Creditors (due within one year)</b>	14		<u>17,615</u>	<u>13,542</u>	
<b>Net current liabilities</b>			<u>(4,952)</u>	<u>(527)</u>	
<b>Total assets less current liabilities</b>			25,083		33,143
<b>Deferred tax</b>	6		721		721
			<u>24,362</u>		<u>32,422</u>
<b>Equity shareholders' funds</b>					
Called up ordinary share capital	16		11,960		13,698
Share premium account	17		421		421
Capital redemption reserve	17		1,938		-
Merger reserve	17		6,902		6,902
Profit and loss account	17		3,141		11,201
			<u>24,362</u>		<u>32,222</u>
<b>Non-equity share capital</b>	16		-		200
			<u>24,362</u>		<u>32,422</u>

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



Approved by the board on 16th September 1999.

# Consolidated Cash Flow Statement

year ended 30th June 1999

	Note	1999		1998	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	23		10,032		10,151
<b>Servicing of finance</b>					
Interest paid		(258)		(492)	
Dividends paid on non-equity share capital		(6)	(264)	(11)	(503)
<b>Corporation tax paid</b>			(2,187)		(1,318)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(1,181)		(947)	
Sale of tangible fixed assets		728		267	
			(453)		(680)
<b>Acquisitions and disposals</b>					
Acquisition of subsidiary undertaking		-		(289)	
Disposal of subsidiary undertaking		-		23	(266)
<b>Equity dividends paid</b>			(2,994)		(3,041)
<b>Financing</b>					
Issue of share capital		-		8	
Repurchase of share capital		(4,370)		-	
Repayment of bank loan		(2,600)	(6,970)	(700)	(692)
<b>(Decrease)/increase in cash</b>	24		<u>(2,836)</u>	<u>(700)</u>	<u>3,651</u>

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

# 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. The results of subsidiaries are included from the dates of acquisition.

## Goodwill

In prior years, 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 introduction of Financial Reporting Standard 10 "Goodwill and Intangible Assets", goodwill arising on future acquisitions will be carried as an asset in the balance sheet and amortised as appropriate in equal instalments over its estimated useful life, being a period not exceeding 20 years.

There were no acquisitions made in the current period. It is not intended to reinstate, as an asset, amounts previously written off to reserves. The reported profit or loss on any future sales of a business will include any goodwill previously written off.

## 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%

The group intends to maintain the long leasehold hotel in a state of sound repair and to extend and improve it as and when required. The directors, therefore, consider that the life of the property is so long and the residual value so high that the depreciation is not significant. Any permanent diminution in the value of the property will be charged to the profit and loss account.

## 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

	1999 £000	1998 £000
<b>Analysis of turnover by destination</b>		
United Kingdom	44,402	50,595
Eire	678	890
Europe	1,702	1,988
Asia	364	736
North America	1,055	1,149
Australasia	157	208
Rest of the World	321	409
	<u>48,679</u>	<u>55,975</u>

## Analysis of results by class of business

	Turnover		Operating profit/(loss) before central group costs		Net operating assets	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000
Floor coverings	20,455	21,600	4,910	5,469	8,757	8,288
Hand knitting and machine yarns	14,170	16,986	622	(376)	12,649	14,847
Curtains and accessories	9,589	13,133	(906)	499	4,846	5,419
Hotel	4,465	4,256	1,503	1,414	9,876	10,067
	<u>48,679</u>	<u>55,975</u>	<u>6,129</u>	<u>7,006</u>	<u>36,128</u>	<u>38,621</u>
Central group costs			(280)	(291)		
Operating profit			5,849	6,715		
Profit on sale of property (by the hand knitting and machine yarns division)			206	—		
			<u>6,055</u>	<u>6,715</u>		
Interest payable			(220)	(546)		
			<u>5,835</u>	<u>6,169</u>		

Net operating assets are stated excluding inter-company financing and are derived from the consolidated balance sheet total by excluding bank borrowings totalling £4,544,000 (1998: £4,164,000).

## Notes to the Accounts

(continued)

2 OPERATING COSTS	1999 £000	1998 £000
Changes in stocks of finished goods and work in progress	736	1,183
Raw materials and consumables	18,374	23,539
Other external charges	7,895	7,829
Staff costs (Note 20)	13,059	13,700
Depreciation	1,835	1,937
Other operating charges	931	1,072
	<u>42,830</u>	<u>49,260</u>

Other external charges include auditors' remuneration of £68,000 (1998: £62,000). The amount of auditors' remuneration charged in respect of work carried out in relation to the holding company was £26,000 (1998: £20,000).

Fees for other services provided by the auditors amounted to £13,000 (1998: £18,000) and comprised taxation advice.

## 3 PROFIT ON SALE OF PROPERTY

The profit on sale of property relates to the disposal of a warehouse by the hand knitting and machine yarns division.

4 INTEREST PAYABLE	1999 £000	1998 £000
Bank overdrafts	(139)	(312)
Bank loan	(89)	(240)
Interest receivable	8	6
	<u>(220)</u>	<u>(546)</u>

## 5 TAXATION

Based on the profit for the year at 30.75% (1998: 31%)

Corporation tax:

Current year	1,718	1,759
Prior year	(93)	(111)
Deferred tax	(23)	(7)
	<u>1,602</u>	<u>1,641</u>

The tax charge for the current year has been reduced by £66,000 in respect of the excess of capital allowances over related depreciation.

## SIRDAR PLC

### 6 DEFERRED TAXATION

	1999		1998	
	Group £000	Company £000	Group £000	Company £000
<b>Full potential liability</b>				
Accelerated capital allowances	<u>3,082</u>	<u>1,650</u>	<u>3,177</u>	<u>1,750</u>
<b>Amount provided</b>				
At 1st July 1998	796	721	803	721
Movement in year	(23)	-	(7)	-
At 30th June 1999	<u>773</u>	<u>721</u>	<u>796</u>	<u>721</u>

### 7 PROFIT FOR YEAR

Sirdar PLC has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The amount dealt with in the accounts of the holding company is a loss of £954,000 (1998: Profit of £1,334,000).

### 8 DIVIDENDS

	1999 £000	1998 £000
Preference	6	11
Ordinary:-		
Interim – 1.85p (1998: 1.85p)	912	1,014
Proposed final – 3.80p (1998: 3.80p)	1,818	2,082
	<u>2,736</u>	<u>3,107</u>

### 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of £4,233,000 (1998: £4,528,000) less preference dividends and on 53,079,935 (1998: 54,790,336) ordinary shares, being the weighted average number in issue during the year.

Diluted earnings per share are calculated after the effect of dilutive share options of 60,000 shares (1998: 69,000).

## Notes to the Accounts

(continued)

## 10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant and equipment £000	Total £000
<b>Group</b>				
<b>Cost</b>				
At 1st July 1998	12,960	9,705	26,520	49,185
Additions	17	86	1,154	1,257
Disposals	(4)	—	(2,127)	(2,131)
At 30th June 1999	<u>12,973</u>	<u>9,791</u>	<u>25,547</u>	<u>48,311</u>
<b>Depreciation</b>				
At 1st July 1998	3,511	—	20,418	23,929
Charge for year	255	—	1,580	1,835
Disposals	(4)	—	(1,785)	(1,789)
At 30th June 1999	<u>3,762</u>	<u>—</u>	<u>20,213</u>	<u>23,975</u>
<b>Net book amounts</b>				
At 30th June 1999	<u>9,211</u>	<u>9,791</u>	<u>5,334</u>	<u>24,336</u>
At 30th June 1998	<u>9,449</u>	<u>9,705</u>	<u>6,102</u>	<u>25,256</u>
<b>Company</b>				
<b>Cost</b>				
At 1st July 1998	8,751	—	15,402	24,153
Additions	—	—	245	245
Disposals	(3)	—	(1,525)	(1,528)
At 30th June 1999	<u>8,748</u>	<u>—</u>	<u>14,122</u>	<u>22,870</u>
<b>Depreciation</b>				
At 1st July 1998	2,611	—	13,293	15,904
Charge for year	173	—	438	611
Disposals	(3)	—	(1,256)	(1,259)
At 30th June 1999	<u>2,781</u>	<u>—</u>	<u>12,475</u>	<u>15,256</u>
<b>Net book amounts</b>				
At 30th June 1999	<u>5,967</u>	<u>—</u>	<u>1,647</u>	<u>7,614</u>
At 30th June 1998	<u>6,140</u>	<u>—</u>	<u>2,109</u>	<u>8,249</u>
<b>Capital commitments</b>				
		1999		1998
		£000		£000
Group		40		303
Company		10		22

## SIRDAR PLC

<b>11 INVESTMENTS</b>	1999	1998
	£000	£000
<b>Shares in group companies</b>		
At 1st July 1998	25,421	25,152
Movement during year	(3,000)	269
At 30th June 1999	<u>22,421</u>	<u>25,421</u>

### 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:

Eversure Textiles Limited – Manufacturers of curtains and accessories.

Burmatex Limited – Manufacturers of fibre bonded carpet and loose lay carpet tiles.

Acropolis Hotels Limited – Hoteliers.

<b>12 STOCKS</b>	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Raw materials and consumables	3,736	744	4,367	1,282
Work in progress	1,180	929	1,501	1,153
Finished goods	7,520	2,381	7,935	2,739
	<u>12,436</u>	<u>4,054</u>	<u>13,803</u>	<u>5,174</u>

### 13 DEBTORS

Trade debtors	7,772	3,342	9,100	3,840
Amounts owed by group companies	–	4,227	–	2,558
Advance corporation tax	949	949	1,286	1,286
Other debtors and prepayments	421	66	454	138
	<u>9,142</u>	<u>8,584</u>	<u>10,840</u>	<u>7,822</u>

## Notes to the Accounts

(continued)

14 CREDITORS (due within one year)	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Bank overdrafts	4,544	13,108	1,564	8,597
Bank loan	—	—	700	—
Trade creditors	3,244	826	2,958	792
Amounts owed to group companies	—	898	—	516
Corporation tax	1,749	15	2,649	435
Social security and other taxes	973	335	1,161	395
Accruals and other creditors	1,468	615	1,727	725
Proposed dividend	1,818	1,818	2,082	2,082
	<u>13,796</u>	<u>17,615</u>	<u>12,841</u>	<u>13,542</u>

All borrowings are denominated in sterling, are unsecured and are at variable rates of interest. There is no difference between the fair values and book values of the group's financial assets and liabilities which include bank borrowings and exclude other short term assets and liabilities. The group had no undrawn committed borrowings at the year end.

15 CREDITORS (due after one year)	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Bank loan due between two and five years	—	—	1,900	—
	<u>—</u>	<u>—</u>	<u>1,900</u>	<u>—</u>

16 CALLED UP SHARE CAPITAL	1999		1998	
	Number	£000	Number	£000
<b>Authorised</b>				
Ordinary shares of 25p each	72,000,000	18,000	72,000,000	18,000
7½% Cumulative preference shares of £1 each	—	—	200,000	200
		<u>18,000</u>		<u>18,200</u>
<b>Allotted and fully paid</b>				
Ordinary shares of 25p each	47,839,366	11,960	54,793,739	13,698
7½% Cumulative preference shares of £1 each	—	—	200,000	200
		<u>11,960</u>		<u>13,898</u>

At the extraordinary general meeting and separate class meetings of the holders of preference shares and ordinary shares held on 20th November 1998 the company was authorised to cancel and repay its preference shares, subject to Court approval, and to purchase up to 10% of its own ordinary shares. Following the receipt of Court approval in January 1999, the preference shares were cancelled and repaid, at a price of £1.35 per share and the full 10% of the ordinary share capital, equating to 5,479,373 ordinary shares, was purchased at a price of 54p per share (excluding expenses) in March 1999. At a separate extraordinary general meeting held on 27th May 1999 the company was authorised to purchase up to 14.99% of the then issued share capital. Subsequently a further 1,475,000 ordinary shares were purchased at an average price (excluding expenses) of 66p.

## SIRDAR PLC

### 17 RESERVES

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000
<b>Group</b>				
At 1st July 1998	421	–	–	20,138
Retained profit	–	–	–	1,497
Purchase of own shares	–	1,938	–	(4,370)
	<u>421</u>	<u>1,938</u>	<u>–</u>	<u>17,265</u>
At 30th June 1999	<u>421</u>	<u>1,938</u>	<u>–</u>	<u>17,265</u>
<b>Company</b>				
At 1st July 1998	421	–	6,902	11,201
Loss for year	–	–	–	(3,690)
Purchase of own shares	–	1,938	–	(4,370)
	<u>421</u>	<u>1,938</u>	<u>6,902</u>	<u>3,141</u>
At 30th June 1999	<u>421</u>	<u>1,938</u>	<u>6,902</u>	<u>3,141</u>

The cumulative amount of goodwill written off in the consolidated accounts is £18,606,000 (1998: £18,606,000).

### 18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit for year	4,233	4,528
Dividends	(2,736)	(3,107)
Revaluation	–	(348)
	<u>1,497</u>	<u>1,073</u>
New share capital subscribed	–	8
Repurchase of share capital	(4,370)	–
	<u>(2,873)</u>	<u>1,081</u>
Net (reduction from)/addition to shareholders' funds	(2,873)	1,081
Opening shareholders' funds	34,457	33,376
	<u>31,584</u>	<u>34,457</u>
Closing shareholders' funds	<u>31,584</u>	<u>34,457</u>

# Notes to the Accounts

(continued)

## 19 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 rate 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 7.5% 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 previous actuarial valuation the level of the employer's contributions was reduced with effect from 1st July 1996 to reflect this. The actuary advised that the current level of contributions would 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.

A valuation at 1st July 1999 is being prepared.

<b>20 EMPLOYEES</b>	1999	1998
	£000	£000
Staff costs:		
Wages and salaries	11,630	12,077
Social security costs	938	958
Other pension costs	491	665
	<u>13,059</u>	<u>13,700</u>
	Number	Number
Average number of employees principally in the United Kingdom	<u>867</u>	<u>962</u>

## SIRDAR PLC

### 21 DIRECTORS

#### Remuneration

Emoluments of the directors were as follows:

	1999			1998	
	Salary £000	Performance related bonus £000	Taxable benefits £000	Total £000	Total £000
F. G. Lumb (Chairman)	40	–	1	41	124
K. F. Henry	86	–	12	98	97
M. S. Binns (retired 30th October 1998)	28	–	3	31	93
K. Burley	86	–	12	98	97
C. J. Tobin (appointed 10th June 1998)	18	–	–	18	1
P. Howard (appointed 15th January 1999)	8	–	–	8	–
R. J. Clark (appointed 11th March 1999)	26	11	3	40	–
J. M. Tyrrell (retired 30th June 1998)	–	–	–	–	14
J. Stuart (retired 30th June 1998)	–	–	–	–	14
	<u>292</u>	<u>11</u>	<u>31</u>	<u>334</u>	<u>440</u>

Details of the service contracts of directors are set out in the report by the board on directors' remuneration on page 4.

Details of the pension benefits earned by the directors under the group's pension scheme are as follows:-

	Increase in accrued pension in the year £000	Transfer value of increase £000	Accrued annual pension at 30th June 1999 £000	Accrued annual pension at 30th June 1998 £000
K. F. Henry	2	19	31	29
K. Burley	1	12	43	40
R. J. Clark	1	8	49	48

The accrued annual pension shown is that which would have been paid annually from normal retirement age based on service to 30th June 1999. In the case of Mr. R. J. Clark the comparative figure is as at the date he was appointed to the board. The increase in accrued pension in the year excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with actuarial guidance note GN11.

## Notes to the Accounts

(continued)

## 21 DIRECTORS (continued)

## Share options

Options held by the directors under the Sirdar Executive Share Option Scheme during the year were:

	Date of grant	Exercise price	Number of options				As at 30th June 1999	Last date for exercise
			As at 1st July 1998	Granted	Exercised	Lapsed		
F. G. Lumb	12th Apr 1989	105p	40,000	-	-	(40,000)	-	
	26th Apr 1990	64p	25,000	-	-	-	25,000	25th Apr 2000
	26th Apr 1991	50p	20,000	-	-	-	20,000	25th Apr 2001
	19th Oct 1994	98p	85,000	-	-	-	85,000	18th Oct 2004
K. F. Henry	12th Apr 1989	105p	40,000	-	-	(40,000)	-	
	26th Apr 1991	50p	20,000	-	-	-	20,000	25th Apr 2001
	19th Oct 1994	98p	60,000	-	-	-	60,000	18th Oct 2004
K. Burley	25th Oct 1989	95p	9,000	-	-	-	9,000	24th Oct 1999
	11th Apr 1990	65p	132,500	-	-	-	132,500	10th Apr 2000
	26th Apr 1991	50p	20,000	-	-	-	20,000	25th Apr 2001
	19th Oct 1994	98p	60,000	-	-	-	60,000	18th Oct 2004
R. J. Clark	19th Oct 1994	98p	20,000	-	-	-	20,000	18th Oct 2004

The market price of the company's ordinary shares at 30th June 1999 was 76p.

The range during the financial year was 46p to 76p.

## 22 SHARE OPTION SCHEME

Share options outstanding under the Sirdar Executive Share Option Scheme at 30th June 1999:

Date of grant	Number of shares	Option price	Normally exercisable
25th Oct 1989	120,000	95p	1992 to 1999
11th Apr 1990	137,500	65p	1993 to 2000
26th Apr 1990	40,000	64p	1993 to 2000
26th Apr 1991	60,000	50p	1994 to 2001
8th Apr 1992	31,000	80p	1995 to 2002
19th Oct 1994	451,000	98p	1997 to 2004

## SIRDAR PLC

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

	1999 £000	1998 £000
Operating profit	5,849	6,715
Depreciation	1,835	1,937
Profit on sale of tangible fixed assets	(177)	(205)
Decrease in stocks	1,367	2,039
Decrease in debtors	1,367	922
Decrease in creditors	(209)	(1,257)
<b>Net cash inflow from operating activities</b>	<u>10,032</u>	<u>10,151</u>

### 24 ANALYSIS OF NET DEBT

	1999 £000	Cash flows £000	1998 £000
Cash at bank and in hand	239	144	95
Bank overdrafts	(4,544)	(2,980)	(1,564)
	<u>(4,305)</u>	<u>(2,836)</u>	<u>(1,469)</u>
Bank loan due within one year	--	700	(700)
Bank loan due after one year	--	1,900	(1,900)
<b>Total net debt</b>	<u>(4,305)</u>	<u>(236)</u>	<u>(4,069)</u>

# Corporate Governance

## **Introduction**

In June 1998 the Hampel Committee published the Combined Code ("the Code") on corporate governance. This combines the Cadbury Report on corporate governance, the Greenbury Report on directors' remuneration and new requirements arising from the findings of the Hampel Committee.

## **Compliance**

The company has complied throughout the year with the Best Practice Provisions of the Code except for the following matters:

1. Under Code provision A.3.2 the majority of non-executive directors should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. At present the company has two non-executive directors, one of whom, Mrs. C. J. Tobin has a substantial shareholding in the company.
2. Under Code provision A.5.1 the company should establish a nomination committee to make recommendations to the board on all new board appointments. At Sirdar PLC all such potential appointments are considered by the whole of the existing board. In view of this and the size of the company, it is not considered necessary to form a separate nomination committee.
3. Under Code provision B.2.2 the remuneration committee should consist exclusively of non-executive directors. However, at Sirdar PLC the remuneration committee includes the executive chairman, Mr. F. G. Lumb. The board believes that Mr. Lumb plays an important role in assisting the non-executive directors' understanding of the contributions made by the directors of the business. Mr. Lumb's remuneration package is determined by the non-executive members of the remuneration committee.
4. The company did not comply with Code provision A.2.1 which requires that a senior independent non-executive director be appointed throughout the financial year. Mr. P. Howard was not appointed as the senior independent non-executive director until 15th January 1999.
5. The company did not comply with Code provision C.2.1 in that the level of proxies lodged on each resolution, and the balance for and against the resolution, was not indicated at the Annual General Meeting. It is intended that this will be done at future Annual General Meetings.
6. The company did not comply with Code provision D.3.1 in that it did not have an audit committee until 15th January 1999 and from that date membership of that committee has consisted of the independent non-executive director, Mr. Howard, the other non-executive director, Mrs. Tobin and the executive chairman, Mr. Lumb, rather than consisting of all non-executive directors the majority of whom are independent. However, the board considers that the membership of the committee is appropriate in view of the company's size and the composition of the board.

In addition to the above, Code provision A.2.1 requires that where the board have decided to combine the posts of chairman and chief executive officer this decision should be justified. As executive chairman, Mr. Lumb is responsible for running both the board of directors and the company's business. In view of the appointment of Mr. Howard as senior independent non-executive director, the overall composition of the group board and the fact that each major operating division of the group has its own managing director, this situation is considered appropriate.

## **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 Combined Code provision D.2.1. The directors will report on this review next year, after the guidance from the Turnbull committee has been issued. In the meantime, as allowed by The London Stock Exchange, the directors continue to report on their review of internal financial control.

## SIRDAR PLC

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.

### **Audit committee**

The company established an audit committee on 15th January 1999 under the chairmanship of the senior independent non-executive director, Mr. P. Howard. The other members of the committee are the other non-executive director, Mrs. C. J. Tobin and the executive chairman, Mr. F. G. Lumb. This committee meets at the conclusion of the annual audit to discuss with the auditors the results of their audit work.

### **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.

## 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 company and 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 8 to 23 which have been prepared under the historical cost convention and the accounting policies set out on page 12.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 25, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of The London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 or the Listing Rules 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.

We review whether the statement on pages 24 and 25 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or the group's corporate governance procedures or their internal controls.

## 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. 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 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 1999 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.

PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written over the printed name of the firm.

Leeds  
16th September 1999

# Notice of Annual General Meeting

**Notice is hereby given** that the forty-sixth annual general meeting of the company will be held at the Cedar Court Hotel, Bradford, on Friday 5th November 1999, at 12 noon for the following purposes:

**Ordinary Business**

1. To receive the accounts for the year ended 30th June 1999 together with the reports of the directors and auditors thereon.
2. To declare a final dividend.
3. To re-elect Mr. K. Burley as a director of the company.
4. To re-elect Mr. P. Howard as a director of the company.
5. To re-elect Mr. R. J. Clark as a director of the company.
6. To re-appoint PricewaterhouseCoopers 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 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 £3,969,947 provided that this authority shall expire on 5th February 2001 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 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 £595,492; and shall expire on 5th February 2001 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.
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 Limited ("The London Stock Exchange") of ordinary shares of 25 pence 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 4,763,936 (representing approximately 10 per cent. of the company's issued share capital);
  - (b) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 25 pence per share;
  - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than 5 per cent. 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 at the conclusion of the next annual general meeting of the company or, if earlier, on 5th February 2001; 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.

# Notes to the Notice of Annual General Meeting

Any member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and upon a poll vote on his behalf. A proxy need not be a member of the company. A proxy card is enclosed with this report and to be valid must reach the office of the Registrars to the company, IRG plc, 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.

The company pursuant to Regulation 34, of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the company as at 6.30p.m. on 3rd November 1999 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 6.30p.m. on 3rd November 1999 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 25th November 1999.

## **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 5th February 2001 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 £3,760,072, representing approximately 32 per cent. 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 22nd October 1998, 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 executive share option scheme.

### **Resolution 8 Share capital - Disapplication of pre-emption rights**

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 8 is to give the directors authority, until the earlier of 5th February 2001 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 aggregate nominal value of £595,492 representing 5 per cent. of the present issued and allotted ordinary share capital of the company.

### **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 Limited ("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.

## SIRDAR PLC

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 4,763,936 ordinary shares, representing approximately 10 per cent. of the current issued share capital of the company. The minimum price per ordinary share payable by the company (exclusive of expenses) will be 25 pence, 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 per cent. 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 carefully consider 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 new general authority the Board is not indicating any commitment to buy back ordinary shares. Shareholders should not, therefore assume that any purchases will take place.

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

The new general authority set out in resolution 9 in the Notice of Annual General meeting will expire on the date of the next annual general meeting of the company or, if earlier, 5th February 2001. However, in order to maintain your Board's flexibility of action, it is envisaged that this new 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 7.30a.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 accounts 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.

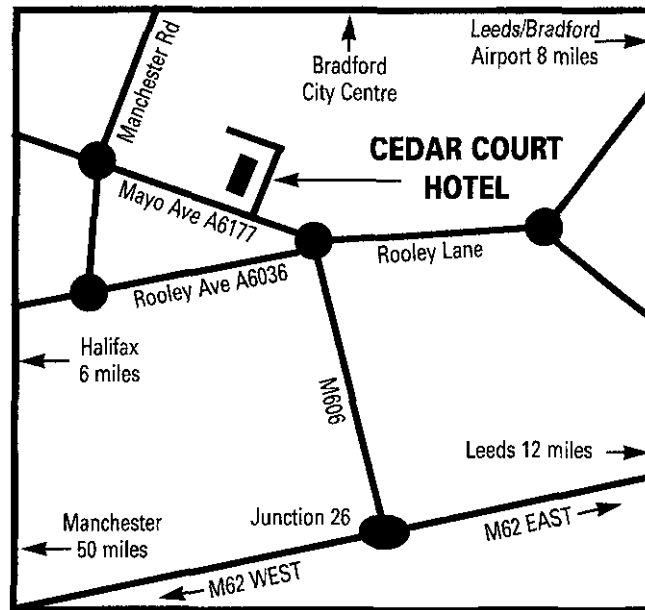
### **Recommendation**

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 Bradford, as last year. The 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.



## Five Year Financial Record

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Turnover	48,679	55,975	52,584	56,002	60,462
Profit before taxation	5,835	6,169	5,252	5,907	3,209
Profit after taxation	4,233	4,528	3,798	4,233	2,009
Ordinary dividend	2,730	3,096	3,018	2,992	2,961
Dividend cover	1.6	1.5	1.3	1.4	0.7
Earnings per share	7.96p	8.25p	6.92p	7.80p	3.71p
Adjusted earnings per share	7.96p	8.25p	6.92p	6.56p	6.87p
Dividend per share	5.65p	5.65p	5.49p	5.49p	5.49p

Adjusted earnings per share is calculated after excluding net exceptional reorganisation costs (net of tax) in the years ended 30th June 1995 and 30th June 1996.

## Financial Diary

Year end	30th June 1999
Annual general meeting	5th November 1999
Final ordinary dividend payable	29th November 1999
To members registered on	5th November 1999
Interim statement	March 2000
Interim dividend payable	May 2000