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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

Capita 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

Dresdner Kleinwort Benson
20 Fenchurch Street,
London EC3P 3DB

Chairman's Statement

Group results

Group operating profit for the year to 30th June 2000 was £6,049,000 compared with £5,849,000 for the previous year, an increase of 3%. These results include losses at Eversure Textiles to the date of disposal, which if excluded show profit from continuing activities has recorded an underlying increase of 8%.

Cash generated from operations amounted to £9,100,000, enabling the group to spend a further £1,151,000 on repurchasing ordinary shares and still reduce net borrowings by £2,861,000.

The loss on disposal of Eversure Textiles was £7,024,000, however this included an accounting adjustment of £4,662,000 relating to goodwill previously written off; after this exceptional loss on disposal and interest of £193,000 the group has reported a pre-tax loss of £1,168,000.

The loss per share was 6.19p compared to earnings last year of 7.96p. After adjusting for exceptional items, the adjusted earnings per share increased to 8.58p compared with 7.63p last year, an improvement of 12%.

The directors are recommending a final dividend of 3.85p, representing a small increase on last year's figure of 3.80p.

Strategic review

During the year the board undertook a strategic review of the group's operations with the conclusion that the group should focus its activities on the manufacture of floor covering products and also specialist yarns. The first steps in the implementation of this review were the acquisition of Clutson & Kemp, a yarn covering business, in March 2000 and the disposal of Eversure Textiles, the group's loss making curtains and accessories business in June 2000. The proposed acquisition of Ryalux represents a further significant step towards this strategy. Details of the proposed acquisition were included in the circular sent to shareholders recently.

Floor coverings

Despite a competitive floor coverings market and continued pressure on prices, Burmatex increased sales by 8% with the Carpet Tile Company brand performing particularly well. The operating profit of £5,348,000 reflects a satisfactory improvement of 9% in comparison with last year.

The pressure on margins and other cost increases, including a significant increase in contributions to the group pension scheme, have been mitigated by improvements in manufacturing and innovations in production, including in-line tile cutting. These changes have improved quality and reduced product lead times.

In addition, improved stock availability enabled the company to ensure prompt delivery and maintain customer loyalty, which in turn protected the company from the worst effects of competition from imports.

Hand knitting and machine yarns

Sales of hand knitting and machine yarns have increased marginally, in part due to the acquisition of Clutson & Kemp. This business has now been fully integrated into this division and has already made a modest contribution to profit in the year.

Hand knit sales reduced slightly, in line with the overall market, whereas machine yarn sales under the Tilsa brand increased due to additional business in Eire and North America.

Margins have improved due to control of raw material prices and other costs and this has resulted in a substantial increase in operating profit from £622,000 last year to £944,000 this year.

Hotel

The Cedar Court Hotel performed well during the year although, in common with much of the sector, trade over the Millennium period was a disappointment. Static sales in the second half meant overall turnover of £4,563,000 was up 2% from last year. The results of the hotel were adversely affected by additional depreciation of £165,000 which was required by a new accounting standard. Without this extra charge the current year operating profit would have been just 3% behind last year.

Curtains and accessories

Whilst turnover declined and the losses continued at Eversure Textiles (operating loss, before central group costs, of £1,239,000 in the period) an aggressive stock reduction programme meant that this business contributed £439,000 to the group's net cash inflow in the period up to its disposal for £550,000 in June 2000.

Personnel

Every year presents fresh challenges for the group's employees and, on your behalf, I would like to thank everybody for their hard work and commitment.

The future

Sales of floor coverings have started well in the new financial year. New products have been launched and, despite continuing competitive pressures, management anticipate further improvement in performance this year.

The spinning division has now stabilised and, despite the continuing rationalisation of the UK customer base, management are confident of further growth in machine yarn sales particularly in North America. The board approved capital investment in Clutson & Kemp and new machinery has now been commissioned which will increase both flexibility and capacity.

The hotel has also had a better start to the year and advance bookings are healthy.

The group is in a strong position and, with the exciting prospect of the proposed acquisition of Ryalux, the board considers the group is well placed to make progress in pursuit of its declared strategy.

F. G. LUMB
Chairman

14th September 2000

Report by the board on directors' remuneration

The board presents its report on directors' remuneration in accordance with the provisions of Schedule B of the Combined Code.

The remuneration committee comprises 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.

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 performance related bonus up to individually specified limits. These bonuses are principally linked to the results of either the group as a whole or the appropriate operating division. Details of the amounts payable for the year are shown in note 20 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. These appointments may also be terminated by the giving of six months notice by the director to the company.

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

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

14th September 2000

Directors' Report

Profit and dividends

The loss for the year after taxation was £2,944,000. An interim dividend of 1.90p per share was paid in May and the directors recommend a final dividend of 3.85p per share making a total for the year of 5.75p per share. After total dividends of £2,686,000 an amount of £5,630,000 has been deducted from reserves brought forward.

Principal activities

The principal activities of the group are the manufacture of specialist textile products including floor coverings, hand knitting yarns and machine knitting yarns. The curtains and accessories business was sold during the year. 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. The current non-executive directors are Mrs. C. J. Tobin and Mr. P. Howard. Mrs Tobin 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 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. 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. Mr. Henry joined the group in 1984 and is currently finance director and company secretary. Mrs. C. J. Tobin, who has a fixed term appointment which expires on 10th June 2001, also retires by rotation and, being eligible, offers herself 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 2000	1st July 1999	30th June 2000	1st July 1999
F. G. Lumb	205,918	160,918	85,000	130,000
K. F. Henry	53,918	53,918	80,000	80,000
K. Burley	213,568	61,068	60,000	221,500
R. J. Clark	313,901	293,901	20,000	20,000
C. J. Tobin	3,890,168	3,977,668	—	—
P. Howard	—	—	—	—

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 2000 and 14th September 2000.

Directors' Report

(continued)

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. This includes details of the purchase of 1,829,411 of the company's own ordinary shares and the issue of 212,500 ordinary shares in connection with the exercise of options granted under the Sirdar Executive Share Option Scheme. The purchase of own ordinary shares was part of a programme designed to improve earnings per share.

The Notice of Annual General Meeting on page 27 of this report and accounts includes two resolutions numbered 6 and 7 relating to the company's share capital and one resolution relating to the purchase by the company of its own shares which is resolution 8. 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 21 to the accounts.

Charitable and political contributions

Contributions to charitable institutions during the year amounted to £2,660. No political contributions were made.

Employees in the United Kingdom

The policy of the group for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position having regard to the maintenance of a safe working environment and 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.

Payments to suppliers

It is the group's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions and to abide by those terms. Trade creditors of the holding company at 30th June 2000 represented 53 days trade purchases.

SIRDAR PLC

Substantial shareholdings

At 14th September 2000, in addition to the interest of Mrs. C. J. Tobin noted above which amounts to 8.42%, the company had been notified of the following interests representing 3% or more of the company's ordinary share capital.

	Number held	%
Acorn Income Fund	2,858,475	6.18
Mr. & Mrs. G. A. Upsdell	2,843,690	6.15
Eaglet Investment Trust plc	2,667,411	5.77
BFS Small Companies Dividend Trust plc	2,255,000	4.88
Mrs. S. G. Ainslie	2,098,252	4.54
Post Office Staff Superannuation Scheme	1,580,000	3.42

The holding of Mr. and Mrs. G. A. Upsdell includes a non-beneficial interest in 862,500 ordinary shares in which Mrs. C. J. Tobin has a beneficial interest.

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 will maintain gearing at an appropriate 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 2000.

As the group's operations are located entirely in the UK and, as the majority of its trading transactions are denominated in sterling, the exposure to currency movements is relatively small. 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
14th September 2000

Consolidated Profit and Loss Account

year ended 30th June 2000

	Note	£000 Continuing	£000 Discontinued	2000 £000 Total	1999 £000
Turnover	1	41,082	6,498	47,580	48,679
Operating costs	2	33,761	7,770	41,531	42,830
Operating profit		<u>7,321</u>	<u>(1,272)</u>	6,049	5,849
Loss on disposal of business				(2,362)	–
Goodwill written back				(4,662)	–
Loss on disposal of discontinued operation	3			(7,024)	–
Profit on sale of property	3			–	206
Interest payable	4			(193)	(220)
(Loss)/profit before taxation				<u>(1,168)</u>	5,835
Taxation	5			1,776	1,602
(Loss)/profit for year	7			<u>(2,944)</u>	4,233
Dividends	8			2,686	2,736
Retained (loss)/profit for the year	16			<u>(5,630)</u>	<u>1,497</u>
(Loss)/earnings per share (Basic and fully diluted)	9			<u>(6.19)p</u>	<u>7.96p</u>
Adjusted earnings per share	9			<u>8.58p</u>	<u>7.63p</u>

There are no recognised gains or losses other than those disclosed in the consolidated profit and loss account.

Consolidated Balance Sheet

as at 30th June 2000

	Note	2000		1999	
		£000	£000	£000	£000
Tangible fixed assets	10		22,652		24,336
Current assets					
Stocks	12	9,935		12,436	
Debtors	13	8,119		9,142	
Cash at bank and in hand		314		239	
		<u>18,368</u>		<u>21,817</u>	
Creditors (due within one year)	14	<u>10,703</u>		<u>13,796</u>	
Net current assets			7,665		8,021
Total assets less current liabilities			30,317		32,357
Deferred tax	6		721		773
			<u>29,596</u>		<u>31,584</u>
Equity shareholders' funds					
Called up share capital	15		11,556		11,960
Share premium account	16		499		421
Capital redemption reserve	16		2,395		1,938
Profit and loss account	16		15,146		17,265
	17		<u>29,596</u>		<u>31,584</u>

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

Approved by the board on 14th September 2000.

Company Balance Sheet

as at 30th June 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible	10		7,520		7,614
Investments	11		18,521		22,421
			<u>26,041</u>		<u>30,035</u>
Current assets					
Stocks	12	4,570		4,054	
Debtors	13	12,908		8,584	
Cash at bank and in hand		111		25	
			<u>17,589</u>		<u>12,663</u>
Creditors (due within one year)	14		<u>17,774</u>		<u>17,615</u>
Net current liabilities			(185)		(4,952)
Total assets less current liabilities			<u>25,856</u>		<u>25,083</u>
Deferred tax	6		721		721
			<u>25,135</u>		<u>24,362</u>
Equity shareholders' funds					
Called up share capital	15		11,556		11,960
Share premium account	16		499		421
Capital redemption reserve	16		2,395		1,938
Merger reserve	16		6,902		6,902
Profit and loss account	16		3,783		3,141
			<u>25,135</u>		<u>24,362</u>

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



Approved by the board on 14th September 2000.

Consolidated Cash Flow Statement

year ended 30th June 2000

	Note	2000		1999	
		£000	£000	£000	£000
Net cash inflow from operating activities	22		9,100		10,032
Servicing of finance					
Interest paid		(193)		(258)	
Dividends paid on non-equity share capital		—	(193)	(6)	(264)
Corporation tax paid			(1,220)		(2,187)
Capital expenditure					
Purchase of tangible fixed assets		(1,062)		(1,181)	
Sale of tangible fixed assets		198	(864)	728	(453)
Acquisitions and disposals					
Acquisition of business	23	(262)		—	
Disposal of subsidiary undertaking	24	44	(218)	—	—
Equity dividends paid			(2,724)		(2,994)
			3,881		4,134
Financing					
Issue of share capital		131		—	
Repurchase of share capital		(1,151)		(4,370)	
Repayment of bank loan		—	(1,020)	(2,600)	(6,970)
Increase/(decrease) in cash	25		2,861		(2,836)

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

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 effective date of their acquisition to the effective date of their sale.

Goodwill

Prior to 1st July 1999, goodwill, being the amount by which the consideration for new group and associated undertakings differs from the fair value of net assets acquired, was set against reserves in the year in which it arose. From 1st July 1999, goodwill arising on acquisitions is 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. The reported profit or loss on sale of a business includes any goodwill previously written off directly to reserves.

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

Following the introduction of FRS 15 'Tangible Fixed Assets', the group has commenced the depreciation of long leasehold hotel buildings. Previously no depreciation was charged on the grounds that the directors considered the life of the property to be so long and the residual value so high that any depreciation would not be material.

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.

Deferred taxation

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

Analysis of results by class of business	Turnover		Operating profit/(loss) before central group costs		Net operating assets	
	2000	1999	2000	1999	2000	1999
	£000	£000	£000	£000	£000	£000
Floor coverings	22,023	20,455	5,348	4,910	8,416	8,757
Hand knitting and machine yarns	14,496	14,170	944	622	13,034	12,649
Hotel	4,563	4,465	1,299	1,503	9,424	9,876
Continuing operations	41,082	39,090	7,591	7,035	30,874	31,282
Curtains and accessories (discontinued)	6,498	9,589	(1,239)	(906)	–	4,846
	<u>47,580</u>	<u>48,679</u>	<u>6,352</u>	<u>6,129</u>	<u>30,874</u>	<u>36,128</u>
Central group costs			(303)	(280)		
Operating profit			6,049	5,849		
Loss on disposal of subsidiary			(7,024)	–		
Profit on sale of property (by the hand knitting and machine yarns division)			–	206		
			(975)	6,055		
Net interest			(193)	(220)		
			<u>(1,168)</u>	<u>5,835</u>		

The results of the hand knitting and machine yarns division include turnover of £538,000 and operating profit of £28,000 relating to the acquisition of Clutsom & Kemp.

Net operating assets are stated excluding inter-company financing and are derived from the balance sheet total by excluding bank borrowings totalling £1,758,000 (1999: £4,544,000) and excluding deferred consideration of £480,000 receivable on the disposal of Eversure Textiles Limited.

Analysis of turnover by destination	2000 £000	1999 £000
United Kingdom	42,170	44,402
Eire	844	678
Europe	2,021	1,702
Asia	412	364
North America	1,749	1,055
Australasia	157	157
Rest of the World	227	321
	<u>47,580</u>	<u>48,679</u>

Notes to the Accounts

(continued)

2 OPERATING COSTS	2000		1999	
	£000	£000	£000	£000
	Continuing	Discontinued	Total	
Changes in stocks of finished goods and work in progress	(637)	820	183	736
Raw materials and consumables	15,124	3,238	18,362	18,374
Other external charges	6,481	1,145	7,626	7,895
Staff costs (Note 19)	10,615	2,066	12,681	13,059
Depreciation	1,714	209	1,923	1,835
Other operating charges	464	292	756	931
	<u>33,761</u>	<u>7,770</u>	<u>41,531</u>	<u>42,830</u>

Other external charges include auditors' remuneration of £55,000 (1999: £68,000). The amount of auditors' remuneration charged in respect of work carried out in relation to the holding company was £28,000 (1999: £26,000).

Fees for other services provided by the auditors amounted to £18,000 (1999: £13,000) and comprised taxation advice.

3 EXCEPTIONAL ITEMS

The loss on disposal of discontinued operations relates to the sale of Eversure Textiles Limited in June 2000 for a consideration of £550,000 which is payable in cash.

The profit on sale of property in the year ended 30th June 1999 relates to the disposal of a warehouse by the hand knitting and machine yarns division.

4 INTEREST PAYABLE	2000		1999	
	£000		£000	
Bank overdrafts	(194)	(139)		
Bank loan	–	(89)		
Interest receivable	1	8		
	<u>(193)</u>	<u>(220)</u>		

5 TAXATION

Based on the profit for the year at 30% (1999: 30.75%)

Corporation tax:

Current year	1,806	1,718
Prior year	(30)	(93)
Deferred tax	–	(23)
	<u>1,776</u>	<u>1,602</u>

SIRDAR PLC

6 DEFERRED TAXATION

	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Full potential liability				
Accelerated capital allowances	<u>3,196</u>	<u>1,660</u>	<u>3,082</u>	<u>1,650</u>
Amount provided				
At 1st July 1999	773	721	796	721
Credit in year	–	–	(23)	–
Disposal	(52)	–	–	–
At 30th June 2000	<u>721</u>	<u>721</u>	<u>773</u>	<u>721</u>

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 amount dealt with in the accounts of the holding company is a profit of £4,479,000 (1999: loss of £954,000).

8 DIVIDENDS

	2000 £000	1999 £000
Preference	–	6
Ordinary:		
Interim paid – 1.90p (1999: 1.85p)	906	912
Final proposed – 3.85p (1999: 3.80p)	1,780	1,818
	<u>2,686</u>	<u>2,736</u>

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on losses of £2,944,000 (1999: earnings of £4,233,000 less preference dividends) and on 47,565,240 (1999: 53,079,935) ordinary shares, being the weighted average number in issue during the year.

In view of the significance of the exceptional items, the directors consider it appropriate to disclose earnings per share on an adjusted basis. The calculation of adjusted earnings is set out below.

	2000 £000	1999 £000
(Loss)/profit for year	(2,944)	4,233
Loss on disposal of subsidiary	7,024	–
Profit on sale of property (net of tax)	–	(176)
Adjusted earnings	<u>4,080</u>	<u>4,057</u>

There is no material dilution caused by share options.

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
Group				
Cost				
At 1st July 1999	12,973	9,791	25,547	48,311
Acquisition	–	–	374	374
Additions	–	43	712	755
Disposals	–	–	(1,558)	(1,558)
Disposal of subsidiary	(432)	–	(2,569)	(3,001)
At 30th June 2000	<u>12,541</u>	<u>9,834</u>	<u>22,506</u>	<u>44,881</u>
Depreciation				
At 1st July 1999	3,762	–	20,213	23,975
Charge for year	254	165	1,504	1,923
Disposals	–	–	(1,375)	(1,375)
Disposal of subsidiary	(260)	–	(2,034)	(2,294)
At 30th June 2000	<u>3,756</u>	<u>165</u>	<u>18,308</u>	<u>22,229</u>
Net book amounts				
At 30th June 2000	<u>8,785</u>	<u>9,669</u>	<u>4,198</u>	<u>22,652</u>
At 30th June 1999	<u>9,211</u>	<u>9,791</u>	<u>5,334</u>	<u>24,336</u>
Company				
Cost				
At 1st July 1999	8,748	–	14,122	22,870
Acquisition	–	–	374	374
Additions	–	–	274	274
Disposals	–	–	(1,249)	(1,249)
At 30th June 2000	<u>8,748</u>	<u>–</u>	<u>13,521</u>	<u>22,269</u>
Depreciation				
At 1st July 1999	2,781	–	12,475	15,256
Charge for year	174	–	456	630
Disposals	–	–	(1,137)	(1,137)
At 30th June 2000	<u>2,955</u>	<u>–</u>	<u>11,794</u>	<u>14,749</u>
Net book amounts				
At 30th June 2000	<u>5,793</u>	<u>–</u>	<u>1,727</u>	<u>7,520</u>
At 30th June 1999	<u>5,967</u>	<u>–</u>	<u>1,647</u>	<u>7,614</u>
Capital commitments				
		2000 £000		1999 £000
Group		353		40
Company		<u>335</u>		<u>10</u>

SIRDAR PLC

11 INVESTMENTS	2000 £000	1999 £000
Shares in group companies		
At 1st July 1999	22,421	25,421
Provision	–	(3,000)
Disposal in the year	(6,900)	–
Add back amount provided in earlier year	3,000	–
At 30th June 2000	<u>18,521</u>	<u>22,421</u>

Group companies

The company's trading subsidiaries, both of which are wholly owned, registered in England and operate in the United Kingdom, are as follows:

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

Acropolis Hotels Limited – Hoteliers.

12 STOCKS	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Raw materials and consumables	2,835	980	3,736	744
Work in progress	871	549	1,180	929
Finished goods	6,229	3,041	7,520	2,381
	<u>9,935</u>	<u>4,570</u>	<u>12,436</u>	<u>4,054</u>

13 DEBTORS

Trade debtors	7,101	3,623	7,772	3,342
Amounts owed by group companies	–	8,419	–	4,227
Advance corporation tax	–	–	949	949
Other debtors and prepayments	1,018	866	421	66
	<u>8,119</u>	<u>12,908</u>	<u>9,142</u>	<u>8,584</u>

Other debtors and prepayments for the group and the company include an amount of £480,000 relating to deferred consideration receivable consequent on the disposal of Eversure Textiles Limited. This amount is receivable on or before 8th December 2000 and is secured on the freehold and leasehold land and buildings of Eversure Textiles Limited.

Other debtors and prepayments also include prepaid pension costs of £118,000 (1999: nil) for the group and £60,000 (1999: nil) for the company.

Notes to the Accounts

(continued)

14 CREDITORS (due within one year)	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Bank overdrafts	1,758	12,611	4,544	13,108
Trade creditors	3,566	1,344	3,244	826
Amounts owed to group companies	–	890	–	898
Corporation tax	1,349	91	1,749	15
Social security and other taxes	721	297	973	335
Accruals and other creditors	1,529	761	1,468	615
Proposed dividend	1,780	1,780	1,818	1,818
	<u>10,703</u>	<u>17,774</u>	<u>13,796</u>	<u>17,615</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 CALLED UP SHARE CAPITAL	2000		1999	
	Number	£000	Number	£000
Authorised				
Ordinary shares of 25p each	72,000,000	<u>18,000</u>	72,000,000	<u>18,000</u>
Allotted and fully paid				
Ordinary shares of 25p each	46,222,455	<u>11,556</u>	47,839,366	<u>11,960</u>
Movements in allotted and fully paid ordinary shares were:				
	2000		1999	
	Number	£000	Number	£000
At 1st July 1999	47,839,366	11,960	54,793,739	13,698
Shares purchased during the year	(1,829,411)	(457)	(6,954,373)	(1,738)
Shares allotted during the year	212,500	53	–	–
At 30th June 2000	<u>46,222,455</u>	<u>11,556</u>	<u>47,839,366</u>	<u>11,960</u>

At an extraordinary general meeting held on 27th May 1999 the company was authorised to purchase up to 14.99% of the then issued share capital. Pursuant to that authority 200,000 shares were purchased at a price of 75p on 16th September 1999. At the annual general meeting held on 5th November 1999 the company was authorised to purchase up to 10% of the then issued share capital. Pursuant to that authority a further 1,629,411 shares were purchased at an average price of 61p. During the year a total of 212,500 ordinary shares of 25p each were allotted as a result of the exercise of options under the Sirdar Executive Share Option Scheme. The total cash consideration amounted to £131,000.

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16 RESERVES

Group	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000
At 1st July 1999	421	1,938	–	17,265
Loss for year	–	–	–	(5,630)
Goodwill written back	–	–	–	4,662
Premium on shares issued	78	–	–	–
Purchase of own shares	–	457	–	(1,151)
At 30th June 2000	<u>499</u>	<u>2,395</u>	<u>–</u>	<u>15,146</u>
Company				
At 1st July 1999	421	1,938	6,902	3,141
Profit for year	–	–	–	1,793
Premium on shares issued	78	–	–	–
Purchase of own shares	–	457	–	(1,151)
At 30th June 2000	<u>499</u>	<u>2,395</u>	<u>6,902</u>	<u>3,783</u>

The cumulative amount of goodwill written off in the consolidated accounts is £13,944,000 (1999: £18,606,000).

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £000	1999 £000
(Loss)/profit for year	(2,944)	4,233
Dividends	(2,686)	(2,736)
	<u>(5,630)</u>	<u>1,497</u>
New share capital subscribed	131	–
Purchase of own shares	(1,151)	(4,370)
Goodwill written back	4,662	–
	<u>(1,988)</u>	<u>(2,873)</u>
Net reduction in shareholders' funds		
Opening shareholders' funds	31,584	34,457
	<u>29,596</u>	<u>31,584</u>

Notes to the Accounts

(continued)

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 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 1999, adopted the projected unit method. The long term assumptions were that the annual rate of return on investments would be 6.5%, that annual increases in earnings would be 4.0% and that annual increases in pensions would be 3.0%. The actuarial value of the assets in the scheme represented 92% 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.

As the level of funding had reduced from the date of the previous actuarial valuation, the level of the employer's contributions payable was increased with effect from 1st July 1999. In accordance with accounting standards the actuarial deficit is being spread for accounts purposes over the estimated remaining working lives of employees. In addition the actuary advised that the increased level of contributions would allow the deficit, calculated on the Minimum Funding Requirement basis, to be eliminated over the four to seven year statutory period.

The market value of the scheme's assets at the valuation date was £25,700,000.

19 EMPLOYEES	2000	1999
	£000	£000
Staff costs:		
Wages and salaries	11,141	11,630
Social security costs	865	938
Other pension costs	675	491
	<u>12,681</u>	<u>13,059</u>
	Number	Number
Average number of employees principally in the United Kingdom	<u>792</u>	<u>867</u>

20 DIRECTORS

Remuneration

Emoluments of the directors were as follows:

	Salary £000	Performance related bonus £000	Other benefits £000	2000 Total £000	1999 Total £000
F. G. Lumb (Chairman)	41	10	9	60	41
K. F. Henry	88	15	12	115	98
K. Burley	88	15	25	128	98
C. J. Tobin	18	–	–	18	18
P. Howard (appointed 15th January 1999)	18	–	–	18	8
R. J. Clark (appointed 11th March 1999)	87	41	6	134	40
M. S. Binns (retired 30th October 1998)	–	–	–	–	31
	<u>340</u>	<u>81</u>	<u>52</u>	<u>473</u>	<u>334</u>

Other benefits include taxable benefits in kind and gains in respect of share options exercised in the year.

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 2000 £000	Accrued annual pension at 30th June 1999 £000
K. F. Henry	3	30	34	31
K. Burley	1	8	44	43
R. J. Clark	3	54	52	49

The accrued annual pension shown is that which would be paid annually from normal retirement age based on service to 30th June 2000.

The increase in accrued pension in the year excludes any increase for inflation and is net of the member's contributions in the year.

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

Notes to the Accounts

(continued)

20 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 2000	Last date for exercise
			As at 1st July 1999	Exercised	Lapsed		
F. G. Lumb	26th Apr 1990	64p	25,000	(25,000)	-	-	
	26th Apr 1991	50p	20,000	(20,000)	-	-	
	19th Oct 1994	98p	85,000	-	-	85,000	18th Oct 2004
K. F. Henry	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)	-	
	11th Apr 1990	65p	132,500	(132,500)	-	-	
	26th Apr 1991	50p	20,000	(20,000)	-	-	
	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 2000 was 59p.

The range during the financial year was 58p to 84p.

The market price at the dates of exercise by Mr. F. G. Lumb and Mr. K. Burley was 77p.

21 SHARE OPTION SCHEME

Share options outstanding under the Sirdar Executive Share Option Scheme at 30th June 2000:

Date of grant	Number of shares	Option price	Normally exercisable
26th Apr 1991	20,000	50p	1994 to 2001
8th Apr 1992	4,000	80p	1995 to 2002
19th Oct 1994	363,000	98p	1997 to 2004

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

	2000 £000	1999 £000
Operating profit	6,049	5,849
Depreciation	1,923	1,835
Profit on sale of tangible fixed assets	(108)	(177)
Decrease in stocks	545	1,367
(Increase)/decrease in debtors	(323)	1,367
Increase/(decrease) in creditors	1,014	(209)
Net cash inflow from operating activities	9,100	10,032

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23 ACQUISITION OF BUSINESS

On 30th March 2000 the group acquired the business of Clutsom & Kemp from Sherwood Group plc. The fair value of the assets acquired was as follows:

	£000
Tangible fixed assets	374
Stocks	191
Debtors	57
Creditors	(360)
	<u>262</u>
Cost including expenses of £12,000 (satisfied in cash)	(262)
	<u> </u>
Goodwill	-
	<u> </u>

The amounts shown above reflect a preliminary assessment of the fair value of assets acquired. The book value of tangible fixed assets acquired was £612,000. An adjustment to the carrying value of tangible fixed assets, amounting to £238,000, has been made to reflect the current operational value of the assets.

24 DISPOSAL OF SUBSIDIARY UNDERTAKING

On 8th June 2000 the group disposed of its interest in the share capital of Eversure Textiles Limited.

	£000
Net assets disposed of comprised:	
Tangible fixed assets	707
Stocks	2,147
Debtors	1,082
Creditors	(998)
Deferred tax	(52)
	<u>2,886</u>
Goodwill previously written off to reserves	4,662
	<u>7,548</u>
Loss on disposal	(7,024)
	<u>524</u>
Proceeds of disposal (net of expenses of £26,000)	524
Satisfied by:	
Cash	44
Deferred consideration	480
	<u>524</u>

Due to an aggressive stock liquidation programme prior to disposal, the business sold during the year contributed £439,000 to the group's net cash inflows from operating activities. The business also received £275,000 in respect of taxation and incurred capital expenditure of £80,000.

25 ANALYSIS OF CHANGES IN NET DEBT

	2000 £000	Cash flows £000	1999 £000
Cash at bank and in hand	314	75	239
Bank overdrafts	(1,758)	2,786	(4,544)
Total net debt	<u>(1,444)</u>	<u>2,861</u>	<u>(4,305)</u>

Corporate Governance

Introduction

The directors are committed to a high standard of corporate governance throughout the group. The company is required to comply with the Principles of Good Governance and Code of Best Practice which are incorporated in the Listing Rules of the UK Listing Authority.

Compliance

The company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 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 executive directors of the business. Mr. Lumb's remuneration package is determined by the non-executive members of the remuneration committee.
4. Under Code Provision D.3.1 the audit committee should consist exclusively of non-executive directors the majority of whom are independent. However, at Sirdar PLC the audit committee consists of the senior independent non-executive director, Mr. P. Howard, the other non-executive director, Mrs. Tobin and the executive chairman, Mr. Lumb. 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 position 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 Code provision D.2.1. The directors have taken advantage of the transitional dispensation allowed by the Financial Services Authority in respect of their requirements relating to internal control as reflected in the September 1999 guidance "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance). The directors do intend to implement these recommendations during the current financial year, and by no later than December 2000.

In line with the transitional dispensation, the directors will continue to review and report on the effectiveness of the group's systems 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 audit committee is chaired by 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 during the year and 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

PRICEWATERHOUSECOOPERS 

We have audited the accounts on pages 8 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 25, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 accounts.

We review whether the statement on pages 24 and 25 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

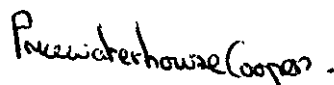
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 30th June 2000 and of the loss 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

Leeds
14th September 2000

Notice of Annual General Meeting

Notice is hereby given that the forty-seventh annual general meeting of the company will be held at the Cedar Court Hotel, Bradford, on Wednesday 1st November 2000, at 12 noon for the following purposes:

Ordinary Business

1. To receive the accounts for the year ended 30th June 2000 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-elect Mrs. C. J. Tobin as a director of the company.
5. 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 6 as an ordinary resolution and as to resolutions 7 and 8 as special resolutions.

Ordinary Resolution

6. 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 £3,851,871 provided that this authority shall expire on 31st January 2002 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

7. 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 £577,781; and shall expire on 31st January 2002 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.
8. That, the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on The London Stock Exchange plc ("the London Stock Exchange") of ordinary shares of 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 4,622,245 (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 31st January 2002; 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.

K. F. HENRY
Company Secretary
2nd October 2000

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

Notes to the Notice of Annual General Meeting

Any member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, upon a poll, vote on his behalf. A proxy need not be a member of the company. A proxy card is enclosed with this report and to be valid must reach the office of the Registrars to the company, Capita 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 30th October 2000 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 30th October 2000 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 23rd November 2000.

Explanatory notes on special business

The Notice of Annual General Meeting includes two resolutions relating to the company's share capital, which are resolutions 6 and 7, and one resolution relating to the purchase by the company of its own shares which is resolution 8.

Resolution 6 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 6 gives the directors authority, until the earlier of 31st January 2002 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 6 is passed the amount of authorised ordinary share capital available for issue by the directors generally would be £3,755,121, 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 5th November 1999, 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 7 Share capital - Dis-application 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 7 is to give the directors authority, until the earlier of 31st January 2002 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 £577,781 representing 5 per cent. of the present issued and allotted ordinary share capital of the company.

Resolution 8 General authority for the company to purchase its own ordinary shares

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

Your board has no immediate plans for the company to make purchases of its own ordinary shares if the proposed new general authority becomes effective but would like to be able to act quickly if circumstances arise in which they consider such purchases by the company of its own ordinary shares to be desirable. Accordingly, it is proposed that the board be given a new general authority to purchase the company's ordinary shares on the terms contained in resolution 8 in the Notice of Annual General Meeting.

SIRDAR PLC

The proposed new general authority will be limited, by the terms of resolution 8 in the Notice of Annual General Meeting, to purchases of up to 4,622,245 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 UK Listing Authority 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 UK Listing Authority prevent the company from purchasing its own shares during the period of two months before the announcement of its half-year or full-year results (or, if shorter, the period from the end of the company's relevant financial period up to and including the time of the relevant announcement) or at any other time when the directors are in a possession of unpublished price sensitive information in relation to the company's shares.

The new general authority set out in resolution 8 in the Notice of Annual General Meeting will expire on the date of the next annual general meeting of the company or, if earlier, 31st January 2002. 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 6, 7 and 8 all comply with institutional investment committee guidelines.

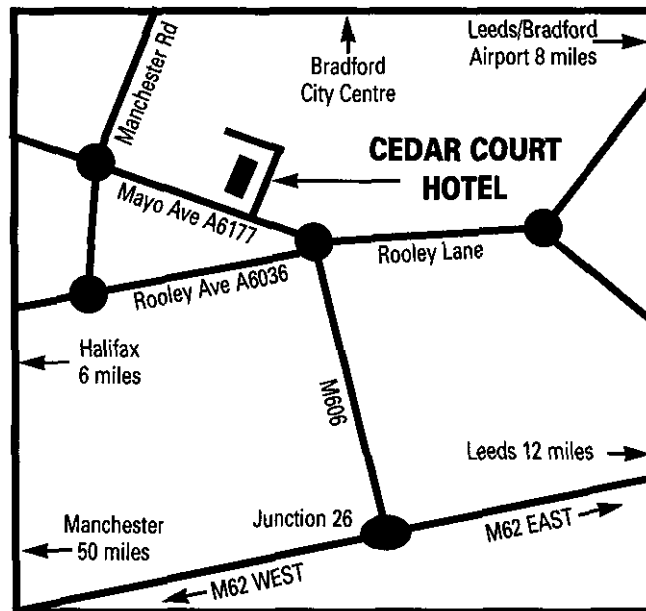
Recommendation

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

	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
Turnover	47,580	48,679	55,975	52,584	56,002
Operating profit	6,049	5,849	6,715	5,914	5,788
(Loss)/profit before taxation	(1,168)	5,835	6,169	5,252	5,907
(Loss)/profit after taxation	(2,944)	4,233	4,528	3,798	4,233
Ordinary dividend	2,686	2,730	3,096	3,018	2,992
Dividend cover	(1.1)	1.6	1.5	1.3	1.4
(Loss)/earnings per share	(6.19)p	7.96p	8.25p	6.92p	7.80p
Adjusted earnings per share	8.58p	7.63p	8.25p	6.92p	6.56p
Dividend per share	5.75p	5.65p	5.65p	5.49p	5.49p

Operating profit in the year ended 30th June 1997 and the year ended 30th June 1996 has been restated to include the group's share of the operating profit of Acropolis Hotels Limited which was previously reported within the share of profits of associated company.

Adjusted earnings per share is calculated after excluding the loss on disposal of a subsidiary in the year ended 30th June 2000, after excluding the profit on sale of property in the year ended 30th June 1999 and after excluding net exceptional reorganisation costs in the year ended 30th June 1996.

Financial Diary

Year end	30th June 2000
Annual general meeting	1st November 2000
Final ordinary dividend payable	27th November 2000
To members registered on	3rd November 2000
Ex-dividend date	30th October 2000
Interim statement	March 2001
Interim dividend payable	May 2001