Regulatory Announcement

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Sirdar PLC

Preliminary results for the year ended 30 June 2007

Operating Review

Introduction

Over the last twelve months we have continued with the restructuring of the residential floor coverings operation, as detailed in previous announcements, and the implementation of the strategy to focus on floor coverings, announced in March 2007. We believe that the effect of these changes will be to position the business to have a sustainable future and be better placed to achieve profitable growth in a substantial market.

As part of the implementation of this strategy, we stated our intention to review our property portfolio and to sell the Specialist Yarns division. The first stage in this process was completed at the end of July 2007 with the completion of the sale of Bective Mills, Wakefield and Ensor Mill, Rochdale for gross proceeds of £16.25m, which was significantly in excess of the book value. This disposal, which will be reflected in the financial statements for the year ending 30 June 2008, provides scope to amend the way that the business is financed in the future.

The results

Turnover for the year was £65.3m (2006: £74.8m). This represents a reduction of 13% due to a decline in the sales of fashion hand knitting yarns and residential carpets. Operating profit before exceptional costs was £1.5m (2006: £5.3m). After exceptional costs of £0.9m (2006: nil) associated with the reorganisation of the residential floor coverings operation, operating profit was £0.6m (2006: £5.3m). The group also recorded an exceptional profit on sale of fixed assets of £0.2m (2006: nil). Interest charges reduced to £0.5m (2006: £0.6m) and other finance costs reduced to £0.3m (2006: £0.6m). After interest charges and finance costs the result was a loss on ordinary activities before taxation of £0.1m (2006: profit £4.1m).

Net cash inflow from operating activities in the year amounted to £4.5m (2006: £7.6m), driven by an aggressive stock reduction programme. This enabled the group to fund the reorganisation of the residential floor coverings operation, including a significant increase in capital expenditure, and still reduce net debt by £0.2m to £5.2m (2006: £5.4m).

Earnings and dividends per share

Basic loss per share amounted to 0.89p (2006: basic earning per share 5.65p). Adjusted earnings per share, after eliminating the effect of the exceptional items, amounted to 0.24p (2006: 5.65p).

An interim dividend of 0.80p per share was paid in May 2007 and the proposed final dividend is 1.60p per share. This gives an unchanged total dividend of 2.40p per share for the year.

Key performance indicators

As part of its internal financial control procedures the board monitors certain financial ratios. For the year to 30 June 2007 sales per employee amounted to £107,000 (2006: £110,000), operating return on sales was 2.3% (2006: 7.1%), return on average net operating assets was 3.8% (2006: 12.5%) and working capital to sales percentage was 18.2% (2006: 20.5%). The first three of these performance indicators reduced as a consequence of the challenging market conditions. However, the working capital ratio benefited from the success of the stock reduction programme.

Floor Coverings division

Turnover reduced to £50.3m (2006: £56.2m), delivering an underlying operating profit of £1.8m (2006: £2.9m). After exceptional costs of £0.9m (2006: nil) associated with the reorganisation of the residential floor coverings operation and goodwill of £0.9m (2006: £0.9m) the operating result was a loss of £40,000 (2006: profit £2.1m). Modest growth was achieved by Burmatex in the commercial sector of the market but the residential sector was more difficult and Ryalux experienced a decline in sales.

The restructuring programme within the residential operation moved closer to completion. The site at Wakefield now has tufting and backing facilities operational with a small batch dye house due to come on stream in the near future. The Rochdale site was sold at the end of July 2007 and, although we have a licence to remain in occupation until 31 January 2008, activity at this site is gradually being scaled back with a view to ceasing manufacturing on site by the end of September 2007. The restructuring of the residential operation remains on target to be concluded by the original deadline of the end of December 2007.

In June 2007, we started the process of amalgamating the two floor coverings businesses, Burmatex and Ryalux, into one operation which will form the heart of the business in the future. A number of management appointments were announced on 1 August 2007 and key personnel are now working on an integration and amalgamation programme. When complete, we expect benefits to arise from the exploitation of additional sales opportunities, a greater focus on new product development and further cost savings.

Specialist Yarns division

Turnover reduced to £15.0m (2006: £18.6m) and delivered an operating profit of £1.0m (2006: £3.7m). As reported previously, sales of hand knitting yarns were more difficult than in the previous two years as the buoyant market conditions for fancy yarns came to an end. However, the focus on the development of innovative high performance products enabled sales of the Tilsatec range of technical products to continue to grow.

Management and personnel

We would like thank the divisional directors, senior management and all our team members throughout the group for their ongoing commitment and support during a challenging period.

Current trading and future prospects

In spite of the highly competitive conditions in the markets in which we operate, it is encouraging to report that sales in both divisions are currently running ahead of the same period last year.

Trends in hand knitting are difficult to predict and subject to fluctuations caused by changes in fashion although Tilsatec continues to offer opportunity for sustainable growth in the future. Floor coverings remains a challenging marketplace but we believe that the planned amalgamation of the two businesses will deliver profitable growth over time.

In summary, the group is currently undergoing a period of significant transformation in order to become a highly focussed, lower cost, marketing-led business which majors on the strengths of its brands and people and which promotes an innovative culture. Our vision for the future remains clear and we are pursuing our strategy with vigour and determination in order to compete effectively in the years ahead.

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These preliminary financial statements, which have been prepared on a basis consistent with the previous year, do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The information for the year ended 30 June 2007 is an extract from the group's statutory financial statements on which the company's auditor, Grant Thornton UK LLP, has given an unqualified opinion in accordance with Section 235 of the Companies Act 1985, and which are to be delivered to the Registrar of Companies.

The announcement has been agreed with the company's auditor for release.

Consolidated Profit and Loss Account
year ended 30 June 2007

	2007 £000	2006 £000
Turnover	65,330	74,811
Operating costs before exceptional items	(63,838)	(69,490)
Exceptional costs	(937)	-
Net operating costs	(64,775)	(69,490)
Operating profit	555	5,321
Exceptional profit on sale of fixed assets	190	-
Net interest payable and similar charges	(527)	(609)
Other finance costs	(310)	(590)
(Loss) / profit on ordinary activities before taxation	(92)	4,122
Taxation	(319)	(1,509)
(Loss) / profit for the year	(411)	2,613
(Loss) / earnings per share (basic and diluted)	(0.89)p	5.65p

Statement of Total Recognised Gains and Losses
year ended 30 June 2007

	2007 £000	2006 £000
(Loss) / profit attributable to shareholders of the group	(411)	2,613
Actuarial gains recognised in the pension scheme, net of deferred taxation	2,534	2,814

Total recognised gains relating to the year	2,123	5,427

Consolidated Balance Sheet
as at 30 June 2007

	2007		2006	
	£000	£000	£000	£000
Fixed assets				
Intangible		11,976		12,857
Tangible		15,729		15,107
		27,705		27,964
Current assets				
Stocks	13,312		16,517	
Debtors	10,682		10,416	
Cash at bank and in hand	176		537	
	24,170		27,470	
Creditors (amounts falling due within one year)	(17,243)		(17,399)	
Net current assets		6,927		10,071
Total assets less current liabilities		34,632		38,035
Creditors (amounts falling due after more than one year)		-		(739)
Deferred taxation		(2,104)		(2,071)
Net assets excluding pension deficit		32,528		35,225
Net pension deficit		(5,880)		(9,590)
		26,648		25,635
Shareholders' funds				
Called up share capital		11,561		11,561
Share premium account		504		504
Capital redemption reserve		2,395		2,395
Profit and loss account		12,188		11,175
		26,648		25,635

Consolidated Cash Flow Statement
year ended 30 June 2007

	2007		2006	
	£000	£000	£000	£000
Net cash inflow from operating activities		4,482		7,584
Interest paid and similar charges		(602)		(654)
		3,880		6,930
Corporation tax paid		(635)		(1,121)
Capital expenditure				
Purchase of tangible fixed assets	(2,574)		(1,227)	
Sale of tangible fixed assets	658		207	
		(1,916)		(1,020)
Equity dividends paid		(1,110)		(1,017)
Cash inflow before financing		219		3,772
Financing				
Redemption of loan notes	(80)		(226)	
Increase / (decrease) in bank loans	86		(2,811)	
		6		(3,037)
Increase in cash		225		735

Notes

If approved, the final dividend will be paid on 20 November 2007 to those shareholders on the register of members on 26 October 2007.

In accordance with Rule 20 of the AIM Rules, Sirdar confirms that the annual report and accounts for the year ended 30 June 2007 will be posted to shareholders and will be available to view on the Company's website at www.sirdarplc.co.uk.

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