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SINCLAIR HORTICULTURE AND LEISURE p.l.c.

30TH JUNE 1986

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REPORT OF THE AUDITORS TO THE MEMBERS OF
SINCLAIR HORTICULTURE AND LEISURE p.l.c.

We have audited the Financial Statements on pages 4 to 15 in accordance with approved auditing standards.

In our opinion the Financial Statements, which have been prepared under the historical cost convention, as modified by the revaluation of Land and Buildings, give a true and fair view of the state of the Company's affairs at 30th June 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985

Old Colony House,
South King Street,
Manchester
M2 6PU

BEEVER AND STRUTHERS
Chartered Accountants

17th October 1986

SINCLAIR HORTICULTURE AND LEISURE p.l.c.REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and audited financial statements for the year ended 30th June, 1986.

Principal Activities

Producers of agricultural, horticultural and commercial grower products and general fertiliser merchants; and that of merchants of horticultural fertilisers and composts, packet seed producers and garden centre proprietors.

Financial Results

The profit and loss account for the year is set out on page 4. Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future

Dividends

The directors have declared and now recommend the following dividends in respect of the year ended 30 June 1986.

Ordinary dividends:

Interim of 21.57p per share, paid.	£110,000
	=====

Board of Directors

The names of the directors of the Company during the year, together with their holdings of shares in the Holding Company are given below

	<u>William Sinclair Holdings</u> <u>p.l.c.</u> <u>Ordinary Shares of 25p each</u>	
	<u>1986</u> <u>or date of</u> <u>resignation</u>	<u>1985</u> <u>or date of</u> <u>appointment</u>
T.H. Sinclair	402,847	408,514
P.J.F. Barton	5,009	3,780
E.A. Inchley	4,524	3,832
J.C. Coles (resigned 24th January 1986)	1,000	1,460
M.J. Smith	811	702
S.L. McCarthy	594	478
S W Cartwright (appointed 14th April 1986)	-	-
P.J. Williams (appointed 14th April 1986)	-	-
Shares non beneficially held by directors as trustees :-		
T.H. Sinclair and E.A. Inchley	96,312	114,904
T.H. Sinclair	514,366	509,116

The beneficial shareholdings of certain directors include shares which are also included in the totals of shares held as trustees as follows:-

T.H. Sinclair	170,310	170,746
E.A. Inchley	1,186	1,287

SINCLAIR HORTICULTURE AND LEISURE p.l.c.REPORT OF THE DIRECTORS (CONTINUED)Changes in Fixed Assets

The movements in fixed assets during the year are set out in note 7. At 31st March 1986, the freehold land and buildings were valued on a going concern basis by Simons and Co., Chartered Surveyors, of Boston, Lincolnshire and these valuations have been used in these accounts.

Political and Charitable Contributions

No political contributions were made and charitable contributions amounted to £90 (1985 £94).

Health and Safety at Work Act

The Health and Safety at Work Act is being complied with and the Safety Committee meets on a regular basis.

Disabled Persons

It is the company's policy to employ disabled persons wherever practicable. Such persons are offered the same training and career development opportunities as are available to all other members of staff.

Close Company Status

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

Auditors

The auditors, Messrs. Beever and Struthers, Chartered Accountants, Manchester, having expressed their willingness to continue in office, will be proposed for re-election under the provisions of section 384 of the Companies Act 1985.

By order of the Board,


S. CARTWRIGHT

14th October 1986

Secretary.

SINCLAIR HORTICULTURE AND LEISURE p l.c.PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1986

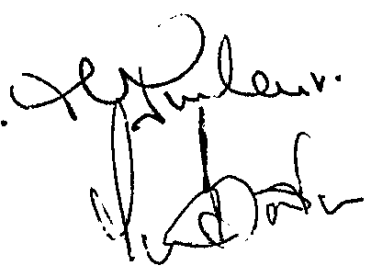
	Note	1986 £	1985 £
Turnover		<u>9,500,869</u>	<u>8,210,316</u>
Operating profit	1	<u>513,825</u>	<u>628,150</u>
Profit before interest and taxation		513,825	628,150
Bank and other interest	3	(39,934)	(108,137)
Profit on ordinary activities before taxation		<u>553,759</u>	<u>736,287</u>
Tax on profit on ordinary activities	4	251,806	(22,490)
Profit on ordinary activities after taxation		<u>301,953</u>	<u>758,777</u>
Extraordinary items less taxation	5	(40,613)	(1,046)
		<u>261,340</u>	<u>757,731</u>
Dividends paid and proposed	6	110,000	205,865
Transfer from associated companies re: surrender of losses		21,000	6,400
Retained profit for the year		<u><u>130,340</u></u>	<u><u>545,466</u></u>

BALANCE SHEET AS AT 30TH JUNE 1986

	Note	1986 £	1985 £
Fixed assets			
Tangible assets	7	2,165,038	1,357,367
Investments	8	225	16,559
		<u>2,165,263</u>	<u>1,373,926</u>
Current assets			
Stocks	9	1,567,400	1,405,466
Debtors	10	3,517,804	2,519,307
Cash at bank and in hand		1,467	1,543,235
		<u>5,086,671</u>	<u>5,468,008</u>
Creditors: amounts falling due within one year	11	1,820,283	2,251,803
		<u>3,266,388</u>	<u>3,216,205</u>
Net current assets/(liabilities)			
		<u>5,431,651</u>	<u>4,590,131</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	11	201,751	86,218
		<u>5,229,900</u>	<u>4,503,913</u>
Provisions for liabilities and charges	13	(383,373)	(398,859)
		<u>4,846,527</u>	<u>4,105,054</u>
Capital and reserves			
Called-up share capital	15	510,000	510,000
Capital reserve	16	124,572	124,572
Revaluation reserve	16	593,830	-
General reserve	16	1,588,412	1,588,412
Profit and loss account	16	2,029,713	1,882,070
		<u>4,846,527</u>	<u>4,105,054</u>

Signed on behalf of the board

T.H.Sinclair.
P.J.Barton.



Date: 14th October 1986

SINCLAIR HORTICULTURE AND LEISURE p.l.c.
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH JUNE 1986

	1986		1985
	£	£	£
Source of funds			
Profit before taxation after extraordinary items		497,787	731,331
Adjustment for items not involving the movement of funds:			
Depreciation of tangible assets	180,153		111,165
Loss on disposal of tangible fixed assets	3,217		53
	-----	183,370	-----
			111,218
Total generated from operations		681,157	842,549
Funds from other sources			
Transfer of tangible assets to group companies	7,954		-
Proceeds from sale of fixed assets	5,865		-
	-----	13,819	-----
			-
Total sources of funds		694,976	842,549
Application of funds			
Purchase of tangible assets	391,792		274,370
Dividends paid	205,865		193,000
Tangible assets transferred from group companies	-		199,046
Transfer from associated companies in respect of surrender of losses	21,000		6,400
	-----	618,657	-----
			672,816
		76,319	169,733
		=====	=====
Increase/(Decrease) in working capital			
Increase/(Decrease) in stocks	161,934		595,018
Increase/(Decrease) in debtors	998,497		1,303,092
Increase/(Increase) in creditors excluding taxation and proposed dividends	476,349		(915,809)
	-----		-----
		1,636,780	982,301
Movement in net liquid funds:			
(Decrease) in bank and cash balances		(1,560,461)	(812,568)
		-----	-----
		76,319	169,733
		=====	=====

SINCLAIR HORTICULTURE AND LEISURE p.l.c.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1986

Accounting Policies

Accounting Convention

Freehold properties are included at cost or valuation. In all other respects the financial statements have been prepared under the historical cost convention.

Deferred Taxation

Deferred taxation is the estimated liability at the year end tax rate arising from the reduction of profit for taxation purposes by the application of capital allowances in advance of the corresponding charge for depreciation in the accounts, except where it was thought to be reasonably probable that no actual liability would arise in the foreseeable future. (see note 14).

Turnover

Turnover is the net amount receivable for goods and services supplied to customers during the year.

Depreciation

Depreciation is charged at fixed rates calculated to write-off the cost as reduced by investment grants of the various fixed assets over the period of their expected useful lives. The principal rates are: Freehold Buildings 2% on cost or valuation; Plant and Machinery 10% and 20% on cost; Motor Vehicles 30% on reducing basis.

Stocks on hand

Stocks have been valued on a basis consistent with previous years, namely the lower of direct cost and net realisable value. Direct cost includes factory overheads.

Research and Development

Expenditure on research and development is written-off in the year in which it is incurred.

SINCLAIR HORTICULTURE AND LEISURE p.l.c.NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH JUNE 1986

	Notes	1986	1985
		£	£
1. Operating Profit			
(a) Operating profit is stated after charging (or crediting):-			
Change in stocks of finished goods and work in progress		(423,719)	11,052
Other operating income		-	(404,843)
Raw materials and consumables		5,282,797	5,145,173
Staff costs	2	1,362,781	1,031,928
Depreciation	7	180,153	111,165
Other operating charges		2,585,032	1,687,691
		<u>8,987,044</u>	<u>7,582,166</u>
(b) Other operating charges include:-			
Auditors' remuneration		10,000	6,500
Hire of plant and machinery		73,087	75,433
Motor vehicle leasing		86,310	39,225
Profit/(Loss) on sale of fixed assets		3,217	53
Research and Development		849	139
		=====	=====
2. Staff costs			
(a) Wages and salaries		1,207,331	905,629
Social security costs		88,189	78,060
Other pension, life insurance and sickness insurance costs		57,153	40,365
Employees' profit sharing scheme		10,108	7,874
		<u>1,362,781</u>	<u>1,031,928</u>

SINCLAIR HORTICULTURE AND LEISURE p.l.c.NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH JUNE 1986

	Note	1986	1985
		No.	No.
2. Staff costs (cont)			
The average weekly number of employees during the year was made up as follows:-		155 =====	118 =====
		1986	1985
		£	£
(b) Directors' remuneration included in staff costs			
Fees		-	-
Other emoluments		47,133	26,730
Pension and life insurance contributions		4,092	1,476
		-----	-----
		51,225	28,206
		-----	-----
An analysis of the directors' remuneration, excluding pension contributions was:-			
Chairman		-	-
Highest paid director		15,091 =====	9,660 =====
Other directors			
£Nil	-	£5,000	3
£5,001	-	£10,000	1
£10,001	-	£15,000	2
		=====	=====

SINCLAIR HORTICULTURE AND LEISURE p.l.c.NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH JUNE 1986

	1986	1985
	£	£
3. Bank and other interest		
(a) Interest receivable	(80,148)	(195,214)
(b) Interest payable on:		
Bank loans and overdrafts and other loans wholly repayable within five years.	40,214	87,077
	<hr/>	<hr/>
	(39,934)	(108,137)
	<hr/>	<hr/>
4. Tax on profit on ordinary activities		
Based on the profit for the year:		
Corporation tax at 35% / 40%	217,110	234,510
Deferred taxation	39,000	52,000
	<hr/>	<hr/>
	256,110	286,510
Prior Year : Corporation tax adjustment	(4,304)	-
Deferred taxation	-	(309,000)
	<hr/>	<hr/>
	251,806	(22,490)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1986

	1986	1985
	£	£
5. Extraordinary Items		
Extraordinary charges:		
Termination payment to former director	23,000	-
Termination payments to former employees less refunds	14,003	8,938
Loss on disposal of associated company	16,334	-
Loss on disposal of former subsidiary	1,028	-
Re-location expenses	1,607	-
(Gain)/Loss on disposal of interest in subsidiary company	-	(3,982)
	-----	-----
Taxation on the above	55,972	4,956
	15,359	3,910
	-----	-----
	40,613	1,046
	-----	-----
6. Dividends		
Ordinary		
Paid		
Interim 21.57p per share (1985-21.57p per share)	110,000	110,000
Proposed		
Final nil p per share (1985 Final 18.80p per share)	-	95,865
	-----	-----
	110,000	205,865
	-----	-----

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1986

7. Tangible Assets

	Land and Buildings	Plant and Machinery	Motor Vehicles	Total
	£	£	£	£
Cost or valuation				
At 30.6.85	588,311	1,082,331	36,518	1,707,160
Additions	218,945	146,907	25,940	391,792
Transfers from group company	-	-	(10,605)	(10,605)
Disposals	807,256	1,229,238	51,853	2,088,347
Surplus on revaluation	-	-	(16,218)	(16,218)
	597,967	-	-	597,967
At 30.6.86	1,405,223	1,229,238	35,635	2,670,096
Depreciation				
At 30.6.85	8,471	329,353	11,969	349,793
Provided in year	11,630	160,671	7,852	180,153
On disposals	20,101	490,024	19,821	529,946
Transfer to group companies	-	-	(7,136)	(7,136)
Revaluation reserve	(15,101)	-	(2,651)	(2,651)
	-	-	-	(15,101)
At 30.6.86	5,000	490,024	10,034	505,058
Net book value				
At 30.6.85	579,840	752,978	24,549	1,357,367
Net book value	=====	=====	=====	=====
At 30.6.86	1,400,223	739,214	25,601	2,165,038
	=====	=====	=====	=====

8. Investments

	1986	1985
	£	£
(a) Shares in group companies at cost	225	225
(b) Shares in related companies : unlisted shares at cost	-	16,334
	225	16,559

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1986

	Notes	1986	1985
		£	£
9. Stocks			
Raw materials and consumables		867,409	1,129,194
Finished goods and goods for resale		699,991	276,272
Total stocks at historical cost		<u>1,567,400</u>	<u>1,405,466</u>
10. Debtors			
Amounts falling due within one year:			
Trade debtors		2,042,746	2,234,468
Amounts owed by holding company		1,212,935	-
Amounts owed by group companies		92,909	90,238
Other debtors		4,813	4,670
Prepayments and accrued income		164,401	189,931
		<u>3,517,804</u>	<u>2,519,307</u>
11. Creditors: amounts falling due within one year			
Trade creditors		1,242,272	1,448,274
Bank overdraft		18,693	-
Amounts to holding company		-	175,507
Amounts owed to group companies		202,061	207,635
Other creditors including taxation and social security	12	200,241	165,871
Accruals and deferred income		157,016	158,651
Proposed dividends		-	95,865
		<u>1,820,283</u>	<u>2,251,803</u>
Creditors: amounts falling due after more than one year			
Corporation Tax on profits of year due 1.1.88		201,751	86,218
		=====	=====

SINCLAIR HORTICULTURE AND LEISURE p.l.c.NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH JUNE 1986

	Notes	1986	1985
		£	£
12. Other creditors including taxation and social security comprises			
Taxation		72,059	1,372
Social security		29,279	33,406
Other		98,903	131,093
		<hr/>	<hr/>
		200,241	165,871
		<hr/>	<hr/>
13. Provisions for liabilities and charges			
Taxation including deferred taxation 14		102,000	63,000
Other provisions:			
Bad debts		107,784	145,259
Others		173,589	190,600
		<hr/>	<hr/>
		383,373	398,859
		<hr/>	<hr/>

14. Deferred Taxation

Deferred taxation provided in the accounts and the potential amounts, including the amounts for which provision has been made, are as follows:-

	1986		1985	
	Potential Liability	Provision	Potential Liability	Provision
	£	£	£	£
Accelerated capital allowances	366,000	102,000	372,000	63,000
Revaluation of land and buildings	179,000	-	-	-
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	545,000	102,000	372,000	63,000
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SINCLAIR HORTICULTURE AND LEISURE p.l.c.NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH JUNE 1986

	Notes	1986	1985	
		£	£	
15. Called up share capital				
Authorised:				
630,000 Ordinary Shares of £1 each		630,000 *****	630,000 *****	
Issued:				
510,000 Ordinary shares of £1 each fully paid		510,000 *****	510,000 *****	
16. Reserves				
	Capital Reserve	Revaluation Reserve	General Reserve	Profit and Loss Account
	£	£	£	£
At beginning of year	124,572	-	1,588,412	1,882,070
Arising on revaluation	-	593,830	-	17,303
Retained Profit	-	-	-	130,340
At 30.6.86.	<u>124,572</u>	<u>593,830</u>	<u>1,588,412</u>	<u>2,029,713</u>
17. Capital commitments		1986	1985	
Contracted		£ Nil *****	£ Nil *****	
Authorised by the directors but not contracted for		£152,000 *****	£207,000 *****	

18. The company's ultimate holding company is William Sinclair Holdings p.l.c. registered in England.