

**WILLIAM SINCLAIR
HORTICULTURE LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2004



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Company no 7633

WILLIAM SINCLAIR HORTICULTURE LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2004

Company registration number: 7633

Registered office: Firth Road
Lincoln
LN6 7AH

Directors: P J F Barton
P T Davenport
S D Harper
S Rowland
N F Uzzell

Secretary: S Rowland

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

WILLIAM SINCLAIR HORTICULTURE LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2004

INDEX	PAGE
Report of the directors	1 - 3
Report of the independent auditors	4 - 5
Principal accounting policies	6 - 7
Profit and loss account	8
Balance sheet	9
Other primary statements	10
Notes to the financial statements	11 - 21

WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2004.

Principal activity

The company's principal activity is that of the manufacture and distribution of a range of products for the retail and professional horticultural markets.

Business review

The company's results are shown in the profit and loss account on page 8.

An interim dividend of 49p per share was paid during the year. The directors recommend a final dividend of £1.53 per share.

Directors

The present membership of the Board is set out below. All served on the Board throughout the year.

R Barlow resigned from the Board on 10 October 2003 and F S Carrington resigned from the Board on 7 June 2004.

No director had any disclosable interest in the shares of the company during the year.

The interests of the directors and their families in the shares of the parent undertaking, William Sinclair Holdings plc, as at 1 July 2003 and 30 June 2004 were as follows:

	Ordinary shares of 25p each			
	30 June 2004		30 June 2003	
	Beneficial holding	Share options	Beneficial holding	Share options
P J F Barton				
P T Davenport				
S D Harper	-	15,000	-	15,000
S Rowland				
N F Uzzell	13,741	-	13,741	-

In addition to the above, N F Uzzell has a non-beneficial interest in nil shares (2003: 22,037 shares) arising from his role as trustee of an approved profit sharing scheme.

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee involvement

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and regular company circulars. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Charitable and political contributions

Donations to charitable organisations amounted to £360 (2003: £210).

Payment policy and practice

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Trade creditors at the year end amount to 59 days of average supplies for the year.

WILLIAM SINCLAIR HORTICULTURE LIMITED

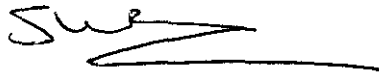
REPORT OF THE DIRECTORS

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



S Rowland
Secretary
17 December 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WILLIAM SINCLAIR HORTICULTURE LIMITED**

We have audited the financial statements of William Sinclair Horticulture Limited for the year ended 30 June 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet, note of historical cost profit and losses and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 1985. 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

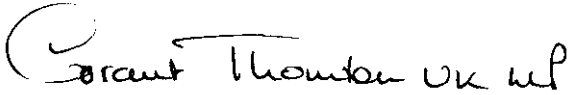
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WILLIAM SINCLAIR HORTICULTURE LIMITED (CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LEEDS
17 December 2004

WILLIAM SINCLAIR HORTICULTURE LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention with the exception of the revaluation of certain freehold and leasehold properties.

As a wholly owned subsidiary of William Sinclair Holdings plc, the company is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover, which excludes value added tax, is the value of goods supplied and services provided. Revenue is recognised at the time of supply of goods or provision of the services.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation, less residual value, of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives, as follows:

Freehold buildings	2%
Short leasehold land and buildings	Period of the lease
Plant and equipment	10% - 33%
Motor vehicles	20% - 33%

The carrying values of fixed assets are reviewed for impairment if circumstances indicate that those values may not be recoverable.

REVALUATION OF PROPERTIES

The company's freehold properties, with the exception of the peat mosses, and the site at Bolton Fell, Cumbria, which is part freehold and part leasehold, are subject to revaluation in accordance with Financial Reporting Standard No 15.

LEASING

Finance leases relating to the purchase of equipment, plant and vehicles have been capitalised and depreciated in accordance with the company's depreciation policy. The capital element of future lease payments is included in creditors as obligations under finance leases. Interest costs under finance leases are charged to the profit and loss account at a constant periodic rate of charge.

Operating lease rentals are charged to the profit and loss account over the lease term.

INVESTMENTS

Investments are included at cost less amounts written off.

PRINCIPAL ACCOUNTING POLICIES

STOCKS

Stocks are stated at the lower of cost and net realisable value.

Cost comprises the direct cost of production and the attributable proportion of all overheads appropriate to location and condition. Stocks of harvested peat include the direct cost of production and overheads based on the long-run level of harvest activity. Net realisable value is the estimated selling price reduced by any costs of completion, marketing, selling and distribution.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCIES AND FORWARD CONTRACTS

All exchange gains or losses are included in the determination of profit for the year.

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The criteria for forward currency contracts are:

- the instrument must be related to a foreign currency asset or liability that is probable;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the company's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities or, where the instrument is used to hedge a committed, or probable, future transaction, are deferred until the transaction occurs.

CONTRIBUTIONS TO PENSION SCHEMES

The company participates in the group pension scheme operated by William Sinclair Holdings plc, which operates both a defined benefit pension scheme and a defined contribution pension scheme.

The defined benefit scheme was closed to new entrants in 1996. The contributions of eligible employees and employing companies are administered in funds independent from the group's assets. The scheme is funded on a going concern basis on the advice of external actuaries. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company.

The group also operated, during the year, a defined contribution pension scheme. This was replaced on 1 July 2004 by a Group Personal Pension Plan. Contributions to these schemes are charged against the profit and loss account as they arise.

REINSTATEMENT PROVISIONS

The cost of reinstating the company's peat mosses are recognised as a liability as the peat is harvested.

WILLIAM SINCLAIR HORTICULTURE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2004

	Note	2004 £'000	Restated 2003 £'000
Turnover	1	44,172	45,635
Operating charges	2	<u>(42,217)</u>	<u>(44,066)</u>
Operating profit		1,955	1,569
Exceptional item	3	<u>-</u>	<u>1,000</u>
Profit on ordinary activities before interest and taxation		1,955	2,569
Net interest	4	<u>(110)</u>	<u>(116)</u>
Profit on ordinary activities before taxation	1	1,845	2,453
Tax on profit on ordinary activities	6	<u>(567)</u>	<u>(345)</u>
Profit on ordinary activities after taxation		1,278	2,108
Dividends	7	<u>(1,029)</u>	<u>(994)</u>
Profit retained and transferred to reserves	18	<u>249</u>	<u>1,114</u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

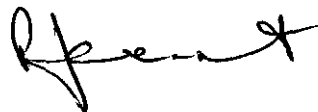
WILLIAM SINCLAIR HORTICULTURE LIMITED

BALANCE SHEET AT 30 JUNE 2004

	Note	2004 £'000	Restated 2003 £'000
Fixed assets			
Tangible assets	8	10,099	9,775
Investments	9	1,925	1,925
		<u>12,024</u>	<u>11,700</u>
Current assets			
Stocks	10	5,266	5,856
Debtors	11	9,690	10,519
Cash at bank and in hand		5,313	6,712
		<u>20,269</u>	<u>23,087</u>
Creditors: amounts falling due within one year	12	<u>(21,215)</u>	<u>(24,081)</u>
Net current assets		<u>(946)</u>	<u>(994)</u>
Total assets less current liabilities		11,078	10,706
Creditors: amounts falling due after more than one year	13	(4,631)	(4,451)
Provisions for liabilities and charges	15	<u>(809)</u>	<u>(866)</u>
		<u>5,638</u>	<u>5,389</u>
Capital and reserves			
Called up share capital	17	510	510
Capital reserve	18	125	125
General reserve	18	1,092	1,092
Revaluation reserve	18	1,614	1,614
Profit and loss account	18	2,297	2,048
Equity shareholders' funds	19	<u>5,638</u>	<u>5,389</u>

The financial statements were approved by the Board of Directors on 17 December 2004.

P T Davenport



Director

S Rowland



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

WILLIAM SINCLAIR HORTICULTURE LIMITED

OTHER PRIMARY STATEMENTS

For the year ended 30 June 2004

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2004	Restated
	£'000	2003 £'000
Profit on ordinary activities before taxation	1,845	2,453
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	43	43
Historical cost profit on ordinary activities before taxation	<u>1,888</u>	<u>2,496</u>
Historical cost profit transferred to reserves	<u>292</u>	<u>1,157</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004	Restated
	£'000	2003 £'000
Profit for the financial year	<u>1,278</u>	<u>2,108</u>
Total recognised gains and losses relating to the year	<u>1,278</u>	<u>2,108</u>
Prior year adjustment (note 25)	<u>(1,178)</u>	
Total gains and losses recognised since the last financial statements	<u>100</u>	

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is attributable to the company's principal activity and arises as follows:

	2004 £'000	2003 £'000
United Kingdom	41,234	42,702
Europe	421	234
Middle and Far East	2,512	2,690
Other	5	9
	<u>44,172</u>	<u>45,635</u>

The profit on ordinary activities before taxation is stated after:

	2004 £'000	2003 £'000
Auditors' remuneration:		
Audit services	22	18
Non-audit services	23	12
Depreciation:		
Tangible fixed assets owned	1,210	1,182
Tangible fixed assets held under finance leases and hire purchase contracts	7	61
Hire of plant and machinery under operating leases	234	338
Other operating lease rentals	<u>257</u>	<u>218</u>

2 OPERATING CHARGES

	2004 £'000	Restated 2003 £'000
Change in stocks of finished goods	882	204
Raw materials and consumables	17,616	19,222
Staff costs	7,192	7,156
Depreciation	1,217	1,243
Income from joint arrangement	(40)	(40)
Other operating charges	<u>15,350</u>	<u>16,281</u>
	<u>42,217</u>	<u>44,066</u>

3 EXCEPTIONAL ITEM

In August 2002, the Boothby factory was extensively damaged by fire. The facility was rebuilt and the fire subject of an insurance claim. The results for the year include an exceptional profit of £Nil (2003: £1,000,000), arising from the insurance proceeds being in excess of the book value of the assets damaged by the fire.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4 NET INTEREST

	2004	2003
	£'000	£'000
On bank loans and overdrafts	9	15
Hire purchase interest	15	33
Interest payable to group undertakings	92	68
	116	116
Interest receivable	(6)	-
	110	116

5 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2004	2003
	£'000	£'000
Wages and salaries	6,157	6,245
Social security costs	585	546
Other pension costs	311	263
Other life and sickness insurance	139	102
	7,192	7,156

The average number of employees of the company during the year was:

	2004	2003
	Number	Number
Production	192	200
Administration	110	112
	302	312

Remuneration in respect of directors was as follows:

	2004	2003
	£'000	£'000
Emoluments	309	368
Pension contributions to money purchase pension schemes	5	5
	314	373

During the year 2 directors (2003: 3) participated in defined benefit pension schemes and 1 director (2003: 2) participated in money purchase pension schemes.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

DIRECTORS AND EMPLOYEES (CONTINUED)

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2004	2003
	£'000	£'000
Emoluments	<u>108</u>	<u>98</u>

The highest paid director's accrued pension at the year end was £14,000 (2003: £12,000).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2004	Restated 2003
	£'000	£'000
Corporation tax at 30% (2003: 30%)	414	115
Group relief	<u>207</u>	<u>332</u>
	621	447
Adjustment in respect of prior period	<u>13</u>	<u>(40)</u>
Total current tax	<u>634</u>	<u>407</u>
Origination and reversal of timing differences	<u>(67)</u>	<u>(62)</u>
Total deferred tax (note 15)	<u>(67)</u>	<u>(62)</u>
Tax on profit on ordinary activities	<u>567</u>	<u>345</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2003: 30%).
The differences are explained as follows:

	2004	Restated 2003
	£'000	£'000
Profit on ordinary activities before tax	<u>1,845</u>	<u>2,453</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	554	736
Effect of:		
Expenses not deductible for tax purposes, non-qualifying depreciation and other permanent differences	11	56
Depreciation for the period in excess of capital allowances	42	(328)
Other short-term timing differences	14	(17)
Adjustments to tax charge in respect of prior periods	<u>13</u>	<u>(40)</u>
Current tax charge for period	<u>634</u>	<u>407</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

7 DIVIDENDS

	2004	2003
	£'000	£'000
Interim dividend of 49p (2003: 49p) per share	249	249
Proposed final dividend of £1.53 (2003: £1.46) per share	780	745
	<u>1,029</u>	<u>994</u>

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 July 2003	3,462	2,110	15,534	117	21,223
Additions	850	-	683	29	1,562
Disposals	-	-	(405)	(8)	(413)
At 30 June 2004	<u>4,312</u>	<u>2,110</u>	<u>15,812</u>	<u>138</u>	<u>22,372</u>
Depreciation					
At 1 July 2003	166	605	10,567	110	11,448
Provided in the year	51	90	1,064	12	1,217
Disposals	-	-	(384)	(8)	(392)
At 30 June 2004	<u>217</u>	<u>695</u>	<u>11,247</u>	<u>114</u>	<u>12,273</u>
Net book amount at 30 June 2004	<u>4,095</u>	<u>1,415</u>	<u>4,565</u>	<u>24</u>	<u>10,099</u>
Net book amount at 30 June 2003	<u>3,296</u>	<u>1,505</u>	<u>4,967</u>	<u>7</u>	<u>9,775</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Plant and equipment £'000
Net book amount at 30 June 2004	<u>267</u>
Net book amount at 30 June 2003	<u>417</u>
Depreciation provided in the year	<u>7</u>

Included within the cost or valuation of freehold property is an amount of £2,856,000 (2003: £2,006,000) relating to land which has not been depreciated.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

TANGIBLE FIXED ASSETS (CONTINUED)

The figures stated above for cost or valuation include valuations as follows:

	Freehold land and buildings		Short leasehold land and buildings	
	2004	2003	2004	2003
	£	£	£	£
At cost	976	126	1,027	1,027
At valuation: 31 March 2002	<u>3,336</u>	<u>3,336</u>	<u>1,083</u>	<u>1,083</u>
	<u>4,312</u>	<u>3,462</u>	<u>2,110</u>	<u>2,110</u>

With the exception of the site at Bolton Fell, Cumbria, which is part freehold and part leasehold, and also the peat mosses, freehold land and buildings were revalued on 31 March 2002 by Messrs Fuller Peiser, Chartered Surveyors. The basis of the valuation used was existing use. The site at Bolton Fell was revalued on 31 March 2002 Messrs Fuller Peiser, Chartered Surveyors. The basis of valuation used for this specialised operational property was depreciated replacement cost.

No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold property.

If land and buildings has not been revalued, they would have been included on the historical cost basis at the following amounts:

	Freehold land and buildings	Short leasehold land and buildings
	£'000	£'000
Cost	3,440	842
Accumulated depreciation	<u>(691)</u>	<u>(518)</u>
Net book amount at 30 June 2004	<u>2,749</u>	<u>324</u>
Net book amount at 30 June 2003	<u>2,783</u>	<u>387</u>

9 FIXED ASSET INVESTMENTS

	Investment in group undertakings	Interests in joint ventures	Other investments	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2003 and at 30 June 2004	<u>600</u>	<u>1,221</u>	<u>104</u>	<u>1,925</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

FIXED ASSET INVESTMENTS (CONTINUED)

At 30 June 2004, the company held 20% or more of the allotted share capital of the following:

	Class of share capital held	Proportion held	Nature of business	Aggregate of capital and reserves £'000	Profit/(loss) for financial year £'000
Subsidiary undertaking					
Boothby and Penicuik Peat Company Limited	Ordinary	100%	Dormant	600	-
Joint ventures					
Bark Products (Scotland) Limited	Ordinary	50%	Pulverised bark processor	300	57
Freeland Horticulture Limited	Ordinary	50%	Supply of green waste	341	137
Other investments					
Ou Alutaguse Turvas	Ordinary	50%	Supply of peat	147	40

Ou Alutaguse Turvas is incorporated in Estonia. The company has a financial year end of 31 December, therefore the information stated above is in respect of the year ended 31 December 2003. Whilst this investment represents a joint venture within the meaning of FRS 9, it continues to be accounted for as a trade investment on the grounds of immateriality.

10 STOCKS

	2004 £'000	2003 £'000
Raw materials and consumables	2,942	2,655
Finished goods and goods for resale	2,319	3,201
	5,266	5,856

11 DEBTORS

	2004 £'000	Restated 2003 £'000
Trade debtors	6,599	7,308
Amounts owed by group undertakings	2,406	1,732
Other debtors	-	429
Corporation tax recoverable	402	496
Prepayments and accrued income	283	554
	9,690	10,519

· WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	Restated
	£'000	2003
		£'000
Bank overdrafts	160	224
Trade creditors	6,127	8,002
Amounts owed to group undertakings	9,916	9,686
Amounts owed to joint ventures	769	513
Amounts owed to joint arrangement	55	163
Other taxation and social security	460	992
Proposed dividends	780	745
Other creditors	122	680
Accruals and deferred income	2,779	2,950
Obligations under finance leases and hire purchase contracts	47	126
	<u>21,215</u>	<u>24,081</u>

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004	2003
	£'000	£'000
Amounts owed to group undertakings	4,451	4,451
Obligations under finance leases and hire purchase contracts	180	-
	<u>4,631</u>	<u>4,451</u>

14 BORROWINGS

Finance lease and hire purchase borrowings are repayable as follows:

	2004	2003
	£'000	£'000
Within one year	47	126
Two to five years	180	-
	<u>227</u>	<u>126</u>

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (note 16) £'000	Provisions against worked out peat mosses £'000	Total £'000
At 1 July 2003	605	261	866
Charged to profit and loss account	(67)	10	(57)
At 30 June 2004	<u>538</u>	<u>271</u>	<u>809</u>

16 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

	Amount provided 2004 £'000	2003 £'000
Accelerated capital allowances	577	632
Short-term timing differences	(39)	(27)
	<u>538</u>	<u>605</u>

17 SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised		
630,000 ordinary shares of £1 each	<u>630</u>	<u>630</u>
Allotted, called up and fully paid		
510,000 ordinary shares of £1 each	<u>510</u>	<u>510</u>

18 RESERVES

	Capital reserve £'000	General reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2003 as previously reported	125	1,092	1,614	3,226	6,057
Prior year adjustment (note 25)	-	-	-	(1,178)	(1,178)
At 1 July 2003 as restated	<u>125</u>	<u>1,092</u>	<u>1,164</u>	<u>2,048</u>	<u>4,879</u>
Profit for the year	-	-	-	249	249
At 30 June 2004	<u>125</u>	<u>1,092</u>	<u>1,614</u>	<u>2,297</u>	<u>5,128</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	Restated 2003
	£'000	£'000
Profit for the financial year	1,278	2,108
Dividends	(1,029)	(994)
Net increase in shareholder's funds	249	1,114
Shareholders' funds at 1 July 2003 (originally £6,567,000 before deducting prior year adjustment of £1,178,000)	5,389	4,275
Shareholders' funds at 30 June 2004	5,638	5,389

20 CAPITAL COMMITMENTS

	2004	2003
	£'000	£'000
Contracted but not provided for	45	65

21 CONTINGENT LIABILITIES

The company is party to an omnibus guarantee and set off agreement in respect of its own and all other group companies' bank accounts.

The company has provided a duty deferment guarantee H M Customs & Excise for a maximum amount of £200,000.

22 LEASING COMMITMENTS

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	17	24	32	53
Between two and five years	90	144	27	206
In two years or more	117	-	107	-
	224	168	166	259

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

23 PENSIONS

The company participates in the group pension scheme operated by William Sinclair Holdings plc, details of which are given in that company's financial statements. For all eligible employees who joined the scheme prior to 18 November 1996, benefits are based on final pensionable pay (defined benefit basis). For eligible employees who joined the scheme after that date, benefits are based on contributions made (defined contribution basis). The assets of the scheme are administered by trustees in a fund independent from those of the group.

Defined Contribution

Contributions are set by the principal employer.

Defined benefit

Pension costs are assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The most recent actuarial valuation of the defined benefit element of the scheme was at 6 April 2001. The assumptions which have the most significant effect on the results of the valuation are as follows - investment returns 8.0% pa, salary increases 5.5% pa and the future pension increases 3.5% pa. The valuation shows the market value of the assets of the defined benefit element of the scheme was £14.5m. The actuarial value of those assets on a going concern basis represented 106% of the benefits which had accrued to members after allowing for expected future increases in earnings.

24 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

As a wholly-owned subsidiary of William Sinclair Holdings plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by William Sinclair Holdings plc on the grounds that consolidated accounts are publicly available.

During the year, the company traded on a normal commercial basis with Bark Products (Scotland) Limited, Freehold Horticulture Limited and Ou Alutaguse Turvas, all of which are 50% owned by the company. P T Davenport and S Rowland are directors of each of Bark Products (Scotland) Limited and Freeland Horticulture Limited.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

Details of transactions undertaken during the year and amounts outstanding at the year-end are as follows:

	2004		2003
	Amounts		Amounts
	receivable		receivable
Sales to/	from/	Sales to/	from/
(purchases	(payable	(purchases	(payable to)
from)	to) related	from)	related
related	party	related	party
party	party	party	party
£	£	£	£
Bark Products (Scotland) Limited			
Purchase of materials	(599)	(639)	(459)
Management charges receivable	35	35	95
Freeland Horticulture Limited			
Purchase of materials	(739)	(277)	(222)
Management charges receivable	10	-	-
Ou Alutaguse Turvas			
Purchase of materials	(24)	-	(12)

25 PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to inappropriate accounting entries within accruals. At 30 June 2002 and 30 June 2003, the cumulative impact, net of taxation, was £628,000 and £1,178,000 respectively.

26 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company is its parent company William Sinclair Holdings plc.

The directors consider that there is no ultimate controlling related party.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by William Sinclair Holdings plc. Copies of the group accounts can be obtained from Firth Road, Lincoln, LN6 7AH.

WILLIAM SINCLAIR HORTICULTURE LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2004

	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Sales (less returns and allowances)		44,172		45,635
Less:				
Carriage outward	8,720		8,714	
Discounts allowed	264		298	
Retrospective rebates	1,188		1,295	
		<u>(10,172)</u>		<u>(10,307)</u>
		34,000		35,328
Cost of sales				
Opening stock	5,856		5,728	
Purchases	18,163		20,648	
	<u>24,019</u>		<u>26,376</u>	
Closing stock	(5,304)		(5,856)	
		<u>(18,715)</u>		<u>(20,520)</u>
		15,285		14,808
Direct overheads		<u>(4,432)</u>		<u>(4,495)</u>
Gross profit		10,853		10,313
Sundry income		135		3
Interest				
Interest payable	135		132	
Interest receivable	(25)		(16)	
		<u>(110)</u>		<u>(116)</u>
		10,878		10,200
Overheads				
Establishment expenses	517		521	
Administration expenses	8,383		8,132	
Other operating expenses	133		62	
		<u>9,033</u>		<u>(8,715)</u>
		1,845		1,485
Exceptional profit on disposal		<u>-</u>		<u>968</u>
Profit on ordinary activities before taxation		<u>1,845</u>		<u>2,453</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 2004

	2004 £'000	2003 £'000
Direct overheads		
Wages	2,678	2,704
National insurance	238	225
Repairs and maintenance	777	803
Heat, light and power	431	386
Waste disposal	81	80
Machinery hire	227	297
	<u>4,432</u>	<u>4,495</u>
Establishment expenses		
Rent, rates and water	499	503
Light and heat	18	18
	<u>517</u>	<u>521</u>
Administration expenses		
Wages	1,031	990
Salaries	2,448	2,551
National insurance	347	322
Pension premium and life assurance	450	365
Staff welfare	79	87
Insurance	941	571
Repairs and renewals	80	100
Motor expenses	286	222
Leasing	126	199
Travel and entertaining	151	152
Telephone and telex	144	147
Printing and stationery	64	78
Postage	25	30
Computer expenses	182	183
Subscriptions	27	19
Audit and professional	107	114
Advertising and promotional costs	349	422
Shows and exhibitions	76	96
Depreciation	1,217	1,243
Asset disposal	5	(8)
Complaints	7	56
Sundries	241	193
	<u>8,383</u>	<u>8,132</u>
Other operating expenses		
Bank charges	17	11
Agents commission	44	45
Royalties	85	77
Provisions in respect of worked out peat moss	10	15
Management charges	(33)	(86)
Bad debts	10	-
	<u>133</u>	<u>62</u>

THIS PAGE DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS