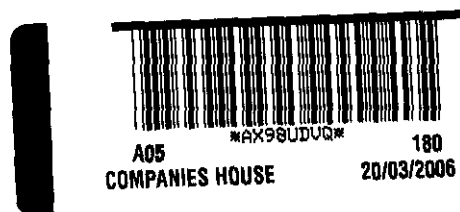


**WILLIAM SINCLAIR  
HORTICULTURE LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2005



Company no 7633

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 30 June 2005

---

Company registration number: 7633

Registered office: Firth Road  
Lincoln  
LN6 7AH

Directors: B P Burns  
P D Williams  
P T Davenport  
S D Harper

Secretary: P D Williams

Auditors: Ernst & Young LLP  
Registered Auditors  
Chartered Accountants  
Lowgate House  
Lowgate  
Hull  
HU1 1JJ

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 30 June 2005

---

<b>INDEX</b>	<b>PAGE</b>
<i>Report of the directors</i>	1 - 2
Report of the independent auditors	3 - 4
Principal accounting policies	5 - 7
<i>Primary statements</i>	8
Balance sheet	9
Notes to the financial statements	10 - 22

# 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 2005.

### 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 32.3p per share was paid during the year. The directors do not recommend a final dividend.

### Directors

The membership of the Board as at 30 June 2005 is set out below.

P J F Barton resigned from the Board on 26 April 2005, S Rowland resigned from the Board on 30 April 2005.

In addition, N F Uzzell resigned from the Board on 11 October 2005.

B P Burns was appointed to the Board on 1 February 2005 and P D Williams was appointed to the Board on 14 February 2005

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 2004 and 30 June 2005 were as follows:

	Ordinary shares of 25p each			
	30 June 2005		30 June 2004	
	Beneficial holding	Share options	Beneficial holding	Share options
S D Harper	-	15,000	-	15,000
N F Uzzell	13,741	-	13,741	-
B P Burns	Per parent undertaking's financial statements			
P D Williams	Per parent undertaking's financial statements			
P T Davenport	Per parent undertaking's financial statements			

### 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.

# WILLIAM SINCLAIR HORTICULTURE LIMITED

## REPORT OF THE DIRECTORS

---

### **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 £940 (2004: £360).

### **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.

### **Auditors**

Ernst & Young LLP were appointed auditors on 24 February 2005 to fill a casual vacancy, in accordance with Section 388(1) of the Companies Act 1985. Special notice pursuant to Section 388(3) having been given, a resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting.

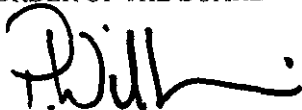
### **Directors' responsibilities for the financial statements**

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.

BY ORDER OF THE BOARD



P D Williams  
Secretary  
17 March 2006

**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 2005 which comprise the principal accounting policies, the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the note of historical cost profit and losses and notes 1 to 25. 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

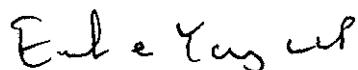
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditors

Hull

17 March 2006

# 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 and short leasehold properties are subject to revaluation in accordance with Financial Reporting Standard No 15. No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold properties.

### **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.



# WILLIAM SINCLAIR HORTICULTURE LIMITED

## PRINCIPAL ACCOUNTING POLICIES

---

### JOINT VENTURES

Entities in which the group holds an interest on a long term basis and are jointly controlled by the group are treated as joint ventures. In the Group financial statements joint ventures are accounted for under the gross equity method.

### 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 Taxation is recognised on all timing differences that have originated but have not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at 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.

## **WILLIAM SINCLAIR HORTICULTURE LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

---

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 pension scheme was closed to new entrants in 1996. The contributions of eligible employees and the Company are administered in funds independent from the company'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 operates a Group Personal Pension Plan. Contributions to the scheme are charged against the profit and loss accounts as they arise.

The Group complies with the transitional disclosure provisions of Financial Reporting Standard No 17.

#### **REINSTATEMENT PROVISIONS**

The cost of reinstating the Company's peat mosses are recognised as a liability as the peat is harvested. Provision is made as each site is worked and an obligation incurred. Where the effect of the time value of money is material the provision is discounted.

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**PRIMARY STATEMENTS**

For the year ended 30 June 2005

**Profit and loss account**

	Note	2005 £'000	2004 £'000
Turnover	1	42,707	44,172
Operating charges	2	<u>(41,395)</u>	<u>(42,217)</u>
<b>Operating profit</b>		<b>1,312</b>	<b>1,955</b>
Income from joint ventures	3	<u>21</u>	<u>-</u>
<b>Profit on ordinary activities before interest and taxation</b>		<b>1,333</b>	<b>1,955</b>
Net interest	4	<u>(108)</u>	<u>(110)</u>
<b>Profit on ordinary activities before taxation</b>	1	<b>1,225</b>	<b>1,845</b>
Tax on profit on ordinary activities	6	<u>(385)</u>	<u>(567)</u>
<b>Profit on ordinary activities after taxation</b>		<b>840</b>	<b>1,278</b>
Dividends	7	<u>(165)</u>	<u>(1,029)</u>
<b>Profit retained and transferred to reserves</b>	18	<u><b>675</b></u>	<u><b>249</b></u>

**Statement of total recognised gains and losses**

	2005 £'000	2004 £'000
Profit for the financial year	840	1,278
Surplus on revaluation of land and buildings	<u>2,375</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u><b>3,215</b></u>	<u><b>1,278</b></u>

**Note of historical cost profits and losses**

	2005 £'000	2004 £'000
<b>Profit on ordinary activities before taxation</b>	<b>1,225</b>	<b>1,845</b>
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	<u>71</u>	<u>43</u>
Historical cost profit on ordinary activities before taxation	<u><b>1,296</b></u>	<u><b>1,888</b></u>

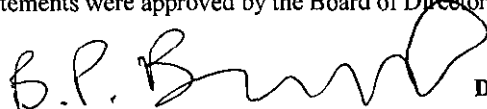
**WILLIAM SINCLAIR HORTICULTURE LIMITED**

BALANCE SHEET AT 30 JUNE 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Tangible assets	8	12,351	10,099
Investments	9	1,855	1,925
		<u>14,206</u>	<u>12,024</u>
<b>Current assets</b>			
Stocks	10	5,550	5,266
Debtors	11	12,707	9,690
Cash at bank and in hand		4,888	5,313
		<u>23,145</u>	<u>20,269</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(22,603)</u>	<u>(21,215)</u>
<b>Net current assets / (liabilities)</b>		<u>542</u>	<u>(946)</u>
<b>Total assets less current liabilities</b>		<b>14,748</b>	<b>11,078</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(5,329)</u>	<u>(4,631)</u>
<b>Provisions for liabilities and charges</b>	15	<u>(731)</u>	<u>(809)</u>
		<u>8,688</u>	<u>5,638</u>
<b>Capital and reserves</b>			
Called up share capital	17	510	510
Capital reserve	18	125	125
General reserve	18	1,092	1,092
Revaluation reserve	18	3,989	1,614
Profit and loss account	18	2,972	2,297
<b>Equity shareholders' funds</b>	19	<u>8,688</u>	<u>5,638</u>

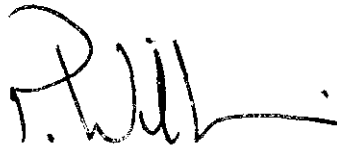
The financial statements were approved by the Board of Directors on 17 March 2006.

B P Burns



Director

P D Williams



Director

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

# WILLIAM SINCLAIR HORTICULTURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

### 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:

	2005 £'000	2004 £'000
United Kingdom	40,046	41,234
Europe	290	421
Middle and Far East	2,371	2,512
Other	-	5
	<u>42,707</u>	<u>44,172</u>

The profit on ordinary activities before taxation is stated after:

	2005 £'000	2004 £'000
Auditors' remuneration:		
Audit services	30	22
Non-audit services	3	23
Depreciation:		
Tangible fixed assets owned	1,003	1,210
Tangible fixed assets held under finance leases and hire purchase contracts	30	7
Hire of plant and machinery under operating leases	146	234
Other operating lease rentals	<u>258</u>	<u>257</u>

### 2 OPERATING CHARGES

	2005 £'000	2004 £'000
Change in stocks of finished goods	(285)	882
Raw materials and consumables	19,818	17,616
Staff costs	7,235	7,192
Depreciation	1,033	1,217
Income from joint arrangement	(21)	(40)
Other operating charges	<u>13,615</u>	<u>15,350</u>
	<u>41,395</u>	<u>42,217</u>

### 3 INCOME FROM JOINT VENTURES

The balance shown represents the dividend income received in the year from the Company's investment in joint ventures.

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

**4 NET INTEREST**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
On bank loans and overdrafts	9	9
Hire purchase interest	15	15
Interest payable to group undertakings	90	92
	<u>114</u>	<u>116</u>
Interest receivable	(6)	(6)
	<u>108</u>	<u>110</u>

**5 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Wages and salaries	6,153	6,157
Social security costs	596	585
Other pension costs	486	450
	<u>7,235</u>	<u>7,192</u>

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

	<b>2005</b>	2004
	<b>Number</b>	Number
Production	185	192
Administration	108	110
	<u>293</u>	<u>302</u>

Remuneration in respect of directors was as follows:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Emoluments	240	309
Pension contributions to money purchase pension schemes	5	5
	<u>245</u>	<u>314</u>

During the year 2 directors (2004: 2) participated in defined benefit pension schemes and 1 director (2004:1) participated in money purchase pension schemes.

**WILLIAM SINCLAIR HORTICULTURE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

**DIRECTORS AND EMPLOYEES (CONTINUED)**

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

	2005 £'000	2004 £'000
Emoluments	<u>102</u>	<u>108</u>

The highest paid director's accrued pension at the year end was £16,125 (2004: £14,000).

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge represents:

	2005 £'000	2004 £'000
Corporation tax at 30% (2004: 30%)	60	414
Group relief	<u>314</u>	<u>207</u>
	374	621
Adjustment in respect of prior period	<u>(36)</u>	<u>13</u>
Total current tax	<u>338</u>	<u>634</u>
Origination and reversal of timing differences	25	(67)
Adjustment in respect of prior period	<u>22</u>	<u>-</u>
Total deferred tax (note 15)	<u>47</u>	<u>(67)</u>
Tax on profit on ordinary activities	<u>385</u>	<u>567</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	<u>1,225</u>	<u>1,845</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	367	554
Effect of:		
Non qualifying depreciation, expenses not deductible for tax purposes and other permanent differences	27	11
Capital gains	11	-
Depreciation in excess of capital allowances	(17)	42
Dividends from joint ventures – non-taxable	(6)	-
Other short term differences	(8)	14
Adjustments to tax charge in respect of prior periods	<u>(36)</u>	<u>13</u>
Current tax charge for period	<u>338</u>	<u>634</u>

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. The total amount unprovided as at 30 June 2005 is £1,197k (2004 - £484k). Such tax would only become payable if

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

the properties were sold without it being possible to claim rollover relief. At 30 June 2005, it is not envisaged that any tax will become payable.

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would only become payable if the property were sold without it being possible to claim rollover relief.

As at 30 June 2005, the gains rolled over into replacement assets total £130k and resulting unprovided deferred tax is £39k. At 30 June 2005 it is not envisaged that any of the tax not provided will become payable.

**7 DIVIDENDS**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Interim dividend of 32.3p (2004: 49p) per share	<b>165</b>	249
Proposed final dividend of £nil (2004: £1.46) per share	-	780
	<b><u>165</u></b>	<u>1,029</u>

**8 TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £'000</b>	<b>Short leasehold land and buildings £'000</b>	<b>Plant and vehicles £'000</b>	<b>Total £'000</b>
Cost or valuation				
At 1 July 2004	4,312	2,110	15,950	22,372
Additions	60	-	854	914
Disposals	(5)	(40)	-	(45)
Revaluation at 30 June 2005	792	599	-	1,391
At 30 June 2005	<u>5,159</u>	<u>2,669</u>	<u>16,804</u>	<u>24,632</u>
Depreciation				
At 1 July 2004	217	695	11,361	12,273
Provided in the year	50	63	920	1,033
Disposals	-	(40)	-	(40)
Eliminated on revaluation	(267)	(718)	-	(985)
At 30 June 2005	<u>-</u>	<u>-</u>	<u>12,281</u>	<u>12,281</u>
Net book amount at 30 June 2005	<u><b>5,159</b></u>	<u><b>2,669</b></u>	<u><b>4,523</b></u>	<u><b>12,351</b></u>
Net book amount at 30 June 2004	<u>4,095</u>	<u>1,415</u>	<u>4,589</u>	<u>10,099</u>

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

	<b>Plant and equipment £'000</b>
Net book amount at 30 June 2005	<u>261</u>
Net book amount at 30 June 2004	<u>267</u>
Depreciation provided in the year	<u>30</u>



# WILLIAM SINCLAIR HORTICULTURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

### TANGIBLE FIXED ASSETS (CONTINUED)

Included within the cost or valuation of freehold property is an amount of £2,905,000 (2004: £2,856,000) relating to land which has not been depreciated.

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

	Freehold land and buildings		Short leasehold land and buildings	
	2005 £	2004 £	2005 £	2004 £
At cost	-	976	-	1,027
At valuation 31 March 2002	-	3,336	-	1,083
At valuation 30 June 2005	<b>5,159</b>		<b>2,669</b>	
	<b>5,159</b>	<b>4,312</b>	<b>2,669</b>	<b>2,110</b>

All the company's freehold and leasehold properties were valued by NAI Fuller Peiser, Property Consultants and Chartered Surveyors, on 30 June 2005. The site at Bolton Fell and the Group's peat mosses in Scotland were valued as specialised operational properties on the basis of depreciated replacement cost. The remaining properties were valued on an existing use basis. No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold properties.

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 £'000	Short leasehold land and buildings £'000
Cost	4,707	1,829
Accumulated depreciation	(768)	(877)
Net book amount at 30 June 2005	<b>3,939</b>	<b>952</b>
Net book amount at 30 June 2004	<b>3,986</b>	<b>1,089</b>

### 9 FIXED ASSET INVESTMENTS

	Investment in group undertakings £'000	Interests in joint ventures £'000	Total £'000
Cost			
At 1 July 2004	600	1,325	1,925
Diminution in value	-	(70)	(70)
At 30 June 2005	<b>600</b>	<b>1,255</b>	<b>1,855</b>

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

**FIXED ASSET INVESTMENTS (CONTINUED)**

At 30 June 2005, the company held 20% or more of the allotted share capital of the following:

	Class of share capital held	Proportion held	Nature of business		
<b>Subsidiary undertaking</b>					
Boothby and Penicuik Peat Company Limited	Ordinary	100%	Dormant		
	Class of share capital held	Proportion held	Nature of business	Aggregate of capital and reserves £'000	Profit/(loss) for financial year £'000
<b>Joint ventures</b>					
Bark Products (Scotland) Limited	Ordinary	50%	Pulverised bark processor	356	62
Freeland Horticulture Limited	Ordinary	50%	Supply of green waste	690	284
Ou Alutaguse Turvas	Ordinary	50%	Supply of peat	68	(38)

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 2004.

**10 STOCKS**

	2005 £'000	2004 £'000
Raw materials and consumables	2,312	2,942
Finished goods and goods for resale	3,238	2,319
	<u>5,550</u>	<u>5,266</u>

**11 DEBTORS**

	2005 £'000	2004 £'000
Trade debtors	10,836	6,599
Amounts owed by group undertakings	446	2,406
Other debtors	286	-
Corporation tax recoverable	421	402
Prepayments and accrued income	718	283
	<u>12,707</u>	<u>9,690</u>

# WILLIAM SINCLAIR HORTICULTURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

### 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Bank overdrafts	897	160
Trade creditors	6,997	6,127
Amounts owed to group undertakings	10,721	9,916
Amounts owed to joint ventures	-	769
Amounts owed to joint arrangement	-	55
Other taxation and social security	1,107	460
Proposed dividends	-	780
Other creditors	161	122
Accruals and deferred income	2,673	2,779
Obligations under finance leases and hire purchase contracts	47	47
	<u>22,603</u>	<u>21,215</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

	2005 £'000	2004 £'000
Amounts owed to group undertakings	5,171	4,451
Obligations under finance leases and hire purchase contracts	158	180
	<u>5,329</u>	<u>4,631</u>

### 14 BORROWINGS

Finance lease and hire purchase borrowings are repayable as follows:

	2005 £'000	2004 £'000
Within one year	47	47
Two to five years	158	180
	<u>205</u>	<u>227</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 2005

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred taxation (note 16) £'000</b>	<b>Other provisions £'000</b>	<b>Total £'000</b>
At 1 July 2004	538	271	809
Additions	47	10	10
Utilised/released		(135)	(88)
At 30 June 2005	<u>585</u>	<u>146</u>	<u>731</u>

Other provisions include a moss reinstatement provision. The reinstatement provision is built up as peat is extracted. It is expected that the costs of reinstatement will have been incurred within 12 years of the balance sheet date. The costs are discounted to take account of the time value of money.

**16 DEFERRED TAXATION**

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

	<b>Amount provided</b>	
	<b>2005 £'000</b>	<b>2004 £'000</b>
Accelerated capital allowances	603	577
Short-term timing differences	(18)	(39)
	<u>585</u>	<u>538</u>

**17 SHARE CAPITAL**

	<b>2005 £'000</b>	<b>2004 £'000</b>
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**

	<b>Capital reserve £'000</b>	<b>General reserve £'000</b>	<b>Revaluation reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 July 2004 as previously reported	125	1,092	1,614	2,297	5,128
Profit for the year	-	-	2,375	675	3,050
At 30 June 2005	<u>125</u>	<u>1,092</u>	<u>3,989</u>	<u>2,972</u>	<u>8,178</u>

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

**19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Profit for the financial year	<b>840</b>	1,278
Dividends	<b>(165)</b>	<b>(1,029)</b>
Revaluation of properties	<b>2,375</b>	-
Net increase in shareholder's funds	<b>3,050</b>	249
Shareholders' funds at 1 July 2004	<b>5,638</b>	5,389
Shareholders' funds at 30 June 2005	<b>8,688</b>	5,638

**20 CAPITAL COMMITMENTS**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Contracted but not provided for	<b>534</b>	45

**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 Revenue & Customs for a maximum amount of £200,000.

**22 LEASING COMMITMENTS**

	<b>2005</b>		2004	
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>buildings</b>	<b>£'000</b>	<b>buildings</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	<b>42</b>	<b>8</b>	17	24
Between two and five years	<b>99</b>	<b>138</b>	90	144
In five years or more	<b>117</b>	<b>-</b>	117	-
	<b>258</b>	<b>146</b>	224	168

# WILLIAM SINCLAIR HORTICULTURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

### 23 PENSIONS

Implementation of Financial Reporting standard No 17 ("FRS 17") was intended to be mandatory for companies with accounting periods ending on or after 22 June 2003. However, full implementation has been deferred until accounting periods commencing on or after 1 January 2005.

The group continues to comply with the transitional disclosure provisions of FRS 17.

#### SSAP 24 disclosure

The Company is the principal employer for the William Sinclair Group pension scheme. The Group operates a pension scheme which provides benefits on a defined benefit basis. This was closed to new members on 18 November 1996. The assets of the scheme are held separately from those of the Group. The Group's contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit credit method.

Until 30 June 2004 the Group operated a defined contribution section of the pension scheme for employees who joined after 18 November 1996. On 30 June 2004 this section was closed and replaced by a Group Personal Pension Plan. Members' assets held under the defined contribution section on 30 June 2004 were secured in insurance policies in the members' own names. Company contributions are made to the Group Personal Pension Plan on the basis of a pre-defined scale related to the employees' contributions.

The most recent actuarial valuation of the defined benefit scheme was at 6 April 2004. The assumptions which have the most significant effect on the results of the valuation are as follows – investment returns pre retirement of 8.0%pa and post retirement of 6.6%pa, salary increases of 3.9%pa and future pension increases of 2.7%pa. The valuation shows the market value of the assets of the defined benefit element of the scheme was £13.5m. The actuarial value of those assets on a going concern basis represented 86% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuarial valuation also considered the funding of the defined benefit element of the scheme on the Minimum Funding Requirement (MFR) basis as laid down by the pensions Act 1995. This indicated a solvency ratio of 82% after accounting for statutory expenses of 4% of the liability.

The results of the actuarial valuation have increased the Company's contributions rate to the scheme by 1.7% to 12.3% per annum from 6 April 2005. In addition, the contributions to the scheme to satisfy the current MFR funding requirements, in excess of those required on an actuarial basis will be included in the balance sheet, under SSAP 24, as a debtor. At 30 June 2005 this totalled to £94,365.

The Group's contributions to this pension scheme during the financial year totalled £398,936 (2004 - £310,000).

#### Transitional FRS 17 disclosures

The defined benefit element of the scheme was valued, using the basis prescribed by FRS 17, on 30 June 2005. The disclosures required under FRS 17 are as follows:

Principal assumptions	2005	2004	2003
	%	%	%
Investment returns	7.48	7.48	7.13
Discount rate	5.72	5.72	5.29
Salary increases	2.96	2.96	2.31
Inflation	2.96	2.96	2.31
Pension increases	2.71	2.71	2.00

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

**23 PENSIONS (continued)**

The following amounts would be recognised in the financial statements if FRS 17 were adopted in full:

<b>Balance sheet</b>	<b>2005</b>	<b>2004</b>		
	<b>£'000</b>	<b>£'000</b>		
Total market value of assets	<b>16,001</b>	13,584		
Present value of scheme liabilities	<b>(23,232)</b>	(20,093)		
Deficit in the scheme	<b>(7,231)</b>	(6,509)		
Related deferred tax asset	<b>2,169</b>	1,953		
Net pension liability	<b>(5,062)</b>	(4,556)		
	<b>2005</b>	<b>2004</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Analysis of the amount charged to operating profit</b>				
Current service cost	<b>352</b>	334		
Past service cost	-	-		
Total operating charge	<b>352</b>	334		
	<b>2005</b>	<b>2004</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Analysis of the amount credit to other finance income</b>				
Expected return on pension scheme assets	<b>1,019</b>	852		
Interest on pension scheme liabilities	<b>(1,156)</b>	(988)		
Net finance charge	<b>(137)</b>	(136)		
	<b>2005</b>	<b>2004</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Projected balance sheet at the end of the year</b>				
Total market value of assets	<b>14,685</b>	12,733		
Present value of scheme liabilities	<b>(21,095)</b>	(19,395)		
Deficit in the scheme	<b>(6,410)</b>	(6,662)		
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	<b>1,316</b>	851	(1,923)	(2,688)
Experience gains and losses arising on the scheme liabilities	<b>510</b>	(281)	275	(176)
Changes in assumptions underlying the present value of the scheme liabilities	<b>(2,647)</b>	(417)	(890)	(160)
Actuarial (loss) / gain in STRGL	<b>(821)</b>	153	(2,538)	(3,024)

**WILLIAM SINCLAIR HORTICULTURE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

**23 PENSIONS (continued)**

The history of experience gains and losses has been:

	<b>2005</b>	2004	2003
Difference between expected and actual return on scheme assets:			
Amounts (£'000)	<b>1,316</b>	851	(1,923)
Percentage of scheme assets	<b>8.2%</b>	6.3%	16.0%
Experience gains and losses in scheme liabilities:			
Amounts (£'000)	<b>510</b>	(281)	275
Percentage of present value of scheme liabilities	<b>2.2%</b>	1.4%	1.5%
Total actuarial gains and losses:			
Amounts (£'000)	<b>(2,647)</b>	153	(2,538)
Percentage of present value of scheme liabilities	<b>11.4%</b>	0.8%	13.7%
<b>Movement in deficit during the year</b>		<b>2005</b>	2004
		<b>£'000</b>	£'000
Deficit in scheme at the beginning of the year		<b>(6,509)</b>	(6,587)
Movement in year:			
Current service cost		<b>(352)</b>	(334)
Contributions		<b>588</b>	395
Other finance income		<b>(137)</b>	(136)
Actuarial gain/(loss)		<b>(821)</b>	153
Deficit in scheme at end of the year		<b>(7,231)</b>	(6,509)

The scheme assets were invested as follows:

	<b>2005</b>	2004	2003
	<b>£'000</b>	£'000	£'000
Newton Exempt Fund	<b>8,180</b>	7,160	6,075
Newton Exempt Intrepid Fund	-	-	847
Legal & General Investment Management	<b>7,741</b>	6,350	-
Britannic Investment Managers Limited	-	-	4,892
Trustees Bank account	<b>80</b>	74	175
Total assets at 30 June 2005	<b>16,001</b>	13,584	11,989



# WILLIAM SINCLAIR HORTICULTURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

---

### 23 PENSIONS (continued)

Of assets held, £12.2m (2004 - £10.4m) was held in UK and overseas equities and property, £3.8m (2004 - £3.1m) was held in bonds, with the balance held in cash. The expected returns on assets for each broad class at the start and end of the accounting period are as follows:

	2005	2004	2003
	%	%	%
Classes:			
Equities and property	7.61	8.12	7.72
Bonds	4.61	5.40	4.53
Others	4.00	4.00	4.53
Composite return	6.90	7.48	7.13

The liabilities were valued as at 30 June 2005 and 2004 using the projected unit method.

### 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 D Williams, P T Davenport are directors of each of Bark Products (Scotland) Limited and Freeland Horticulture Limited.

### 25 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.