

## WILLIAM SINCLAIR HOLDINGS plc

### PRELIMINARY STATEMENT OF REVISED RESULTS FOR THE YEAR ENDED 30 JUNE 2004 SUMMARY OF RESULTS UPDATE ON TRADING FOR THE CURRENT YEAR

	Year ended 30 June 2004	Restated Year ended 30 June 2003
	£m	£m
• Turnover - Group	44.17	51.34
- Continuing Business	44.17	45.26
• Profit after Interest and before Taxation and Exceptional Charges - Group	1.15	1.63
- Continuing Business*	1.15	0.72
• Profit/(Loss) Before Taxation	1.15	(10.60)
• Earnings Per Share before Exceptional Charges for Continuing Group	4.9p	2.30p
• Earnings Per Share before Exceptional Charges	4.9p	5.2p
• Earnings/(Loss) Per Share	4.9p	(50.3)p
• Dividend Per Share	3.75p	6.00p

\* on a proforma basis

#### CHAIRMAN'S STATEMENT

As announced on 25 October 2004, the Company had, as a result of its own internal review, identified certain accounting irregularities within its Horticultural business.

The details of the findings are reported later in my statement. However the main points arising out of the investigation are:

- i) The net assets of the Group are reduced by £1.3m after tax.
- ii) Cumulatively to 30 June 2002 the impact was £628,000 after tax. In the year ending 30 June 2003 the reduction was £550,000 after tax. In addition for the year ended 30 June 2004 the investigation revealed that profits had been overstated by £179,000 after tax.  
Having established the cumulative position at the 30 June 2002, the Board has taken the view that it would not be an appropriate use of Company resources in terms of both time and cost to investigate prior years. However, it is likely that irregularities were present in the years prior to the year ending 30 June 2002. The financial impact of any irregularities in earlier years is covered within the cumulative figure of £628,000, after tax, referred to above.
- iii) There was no effect on the cash position

Following the sale of the business and assets of Sinclair Animal and Household Care Limited ("SAHC") in November 2002, the results for the year to June 2004 reflect solely the activity of the Horticultural business.

The performance of the Group for the year ended 30 June 2004 did not meet our original expectations and following the poor spring weather, the Board issued a trading

statement on 7 June 2004. However, despite these difficult trading conditions the continuing Group's performance was, on a restated basis, ahead of the previous year.

On a turnover of £44.2m (2003 £51.3m), profits after interest but before exceptional items and taxation were £1.15m (restated 2003 £1.63m). The results for the comparative period include those of SAHC for the period prior to disposal. The comparative restated results for the continuing Group, on a pro forma basis, were a turnover of £45.3m and a profit after interest but before tax and exceptional items of £0.72m

There are no exceptional items for the year ended 30 June 2004.

The on going review of the central cost structure announced at the time of the disposal of SAHC resulted in further cost reductions. Whilst not separately disclosed central costs are now 55% of the level they were prior to the disposal of SAHC.

During the year we have continued to place emphasis on working capital management. Stock levels have reduced despite the higher peat stocks following the good harvest last summer. Unfortunately the later phasing of sales, and the realignment of creditors from the unusually high position at last year end, has impacted upon year end net cash which was £1.1m below last year. Following the year end the net cash position for the end of July and August was better than the same period last year.

Earnings per share before exceptional items were 4.9p (restated 2003 5.2p). On a pro-forma basis, excluding discontinued operations, earnings per share in 2003, before exceptional items, were 2.30p. Restated earnings per share after exceptional items in 2003 were a loss of 50.3p.

In light of the Group's performance for the year the Board will not be recommending a final dividend. The two interim dividends paid, 1.5p in May 2004 and 2.25p in November 2004, result in a total dividend paid in the year of 3.75p (2003: 6.0p). The dividend for the year is covered 1.3 times.

Full implementation of Financial Reporting Standard No 17 ("FRS17") 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. Although not currently recognised in the balance sheet of the Group, the FRS17 deficit of the fair value of the assets against the present value of the liabilities for the defined benefit element of the Group's pension scheme has remained at the level of £6.5m stated in the Interim Report.

The defined benefit element of the scheme has been closed to new entrants since 1996. At the last actuarial valuation dated 6 April 2001, the actuarial value of the assets represented 106% of the benefits which had accrued to members. The next actuarial valuation dated 6 April 2004 is in the process of completion but the results will not be finalised until later in the year. Initial indications are that the actuarial funding rate, which impacts on profitability, will increase marginally from that calculated as part of the interim funding review completed last year. However, on a Minimum Funding Rate basis, additional cash contributions will be required to fund the deficit. These will have no impact on profitability.

On 1 September 2004 the Board appointed Bill Simpson as Senior Independent Non-Executive Director. Bill was, until 2002, Chief Executive of Silentnight Holdings PLC.

He brings with him a wealth of experience in marketing consumer products, a quality vital to the Group as it faces the challenges ahead. In addition, he meets the requirement of independence and experience in Governance as required by the revised Combined Code.

Charles Ouin who has been a Non-Executive Director since 1988 retired on 27 October 2004. Charles has made a valuable contribution to the Group and I express the gratitude of the Board for his commitment and service.

In what has been a difficult year I would like to thank our employees for their effort, resourcefulness and commitment.

### **Accounting Irregularities**

The preparation of the September 2004 management accounts was conducted by the Finance Director following the dismissal of the Financial Controller of the Horticulture business. It was during the preparation of these accounts that concern was raised relating to accounting entries within accruals. Accruals generally represent goods and/or services that have been received by a company for which that company has not yet received an invoice.

An immediate internal review of the current position and that at 30 June 2004 was implemented. As a consequence the Company appointed professional advisors to undertake a full investigation into the irregularities.

The investigation concluded that the impact of the irregularities is principally in the three years ending 30 June 2004, but, based on the nature of some of the areas of under performance outlined below, it is likely that earlier years were also affected. The problem arose as a consequence of book entries made the effect of which was to reduce accruals and increase the reported profit of the Horticulture business.

The investigation was able to determine the amounts by which accruals had been reduced in the balance sheets at 30 June 2002, 2003 and 2004. The investigation also identified certain areas of the business where an adverse or under performance had occurred or where errors had been made, and which had been masked by the reduction in accruals.

As reported earlier in my statement the Board also concluded that having established the cumulative positions at 30 June 2004, 2003 and 2002, it would not be an appropriate use of time or monies to go back to earlier years.

The areas of under performance or error, in the Horticulture business, are as follows:

- Historically the business operated in both the landscape and retail bark markets. During the year ended 30 June 2003 the business withdrew from the supply to the landscape market. The servicing of that market involved the business buying in, processing and despatching in bulk large quantities of bark. In addition large volumes are bagged for retail customers. During 2002 and 2003 the business was incorrectly accounting for stock at its bark processing site in Flimby, Cumbria. It is believed that this was due to a failure to properly account for wastage during the processing operation and to the use of incorrect standard costs. It could also have been due to the failure to correctly convert from tonnes (the unit of measure of purchase) to cubic metres (the unit of measure of sale). Despite this apparent

overstatement of profit the landscape market was not providing an adequate return and as stated above, the business withdrew during 2003. In addition in the year ended 30 June 2004, the bagging operation was transferred to the main processing site at Boothby.

- Following the fire at Boothby in August 2003 peat from our Scottish Mosses which would normally have been despatched to Boothby for processing was sent to Lincoln, via Boothby, in order to maintain production. Evidence indicates that in the immediate aftermath of the fire certain volumes of peat were double counted, once for the movement to Boothby and again when it was sent to Lincoln. This error had the impact of increasing profit in the year ending 30 June 2003.
- The investigation revealed that accruals, including those for haulage, at 30 June 2002 were under-stated and hence profit for the year ended 30 June 2002 was over-stated. In the following year when the invoices were received they were processed normally to the accounting records, and would have reduced profits for the year ending 30 June 2003. However, costs were removed from the profit and loss account in the form of reduced accruals both at 30 June 2003 and 30 June 2004.
- As part of the review, prior to the appointment of advisors, the Company identified that the materials and haulage costs in the year to 30 June 2004 were under-stated. These costs reduced pre-tax profits for the current year by £255,000.

The Board has concluded that the accounting irregularities would have been identified earlier if there had been an internal audit of the balance sheet. The irregularities were not detected by the procedures undertaken by the Company's external auditors. Procedures are to be implemented by the Board to ensure that the balance sheet of the Horticulture business is, in future, reviewed on a regular basis.

### **Annual General Meeting**

The Annual General Meeting of the Company was held on 28 October 2004 but was adjourned before any of the business of the meeting was conducted. A notice re-convening the meeting for 27 January 2004 is attached. In consequence of this being a re-convened meeting the original resolutions are required to stand.

### **Trading Review for the year ended 30 June 2004**

The highly competitive nature of both our retail and professional markets continued to reduce prices and margins. However, following the good peat harvest in the summer of 2003 the need to import more expensive Baltic peat was eliminated. Additionally, as outlined in last year's Annual Report, the business suffered a significant increase in insurance costs.

The influence of the poor gardening weather during the March to May period affected consumer demand and thus the opportunity for growth.

The cold wet March significantly reduced demand, particularly in the **retail** market, below that of previous year; a feature reflected by the performance of many of our retailers. Inroads into the shortfall were made in late April and May, but the lower than anticipated level of consumer activity in the later May Bank Holiday resulted in this uplift being insufficient to offset the earlier March shortfall. The erratic nature of our retail trade is demonstrated by comparing sales in March and May 2004 with the same months of the

previous year. In March 2004 sales were 30% down on the previous year. In May 2004 they were 30% up on the previous year.

Despite the difficult season our market position within our major retail core sectors was maintained. Sales volumes of the J Arthur Bower's range of peat based composts were at very similar levels to the previous year. Sales volumes of our non-peat compost, under the New Horizon brand, showed a year on year increase of 5%. Overall, sales of own label products were below those of the previous year.

Within the **professional** market sales of the Sinclair range of products, primarily growing media, were marginally below the level achieved in the previous year. Fluctuations in demand were not so marked within this market. However, demand weakened as the season progressed due to lower plant sales from retail outlets which reduced the demand for replacement stock from the growers.

Sales of the Klassman range of products, through the joint sales and marketing agreement with Klassman-Deilmann GmbH met expectations. A significant proportion of this range is sold to growers of edible crops and was thus less affected by the influence of the weather.

The sales and profitability of our **export** activities were down on the previous year, once again influenced by the further strengthening of sterling against the US dollar and the continuing disturbance in our Middle East markets.

During July and August 2003 and May and June 2004, the major months for peat harvesting, the weather was in the main favourable. As a result we achieved a better than budgeted harvest in the UK which negated the need to import the more expensive peat from our Estonian operations.

The position of Bolton Fell as a possible candidate for designation as a Special Area of Conservation remains unchanged and the Board await further clarification from English Nature and The Department of the Environment Food and Rural Affairs as to future developments in order that appropriate discussion can take place.

The availability of quality re-cycled materials, made possible by our 50 percent share in Freeland Horticulture Limited, has enabled the Group to develop further non-peat alternatives in the production of growing media. In addition Freeland continues to develop and strengthen our position in the supply of topsoils to the landscaping and construction industries. Whilst reporting an improved trading performance when compared to the previous full financial year, the results of Freeland were also adversely impacted by the poor weather.

Trading conditions within our respective retail and professional markets will remain difficult and thus the pressure on pricing and margins will continue. The business continues to constantly examine all aspects of its operations in order to increase efficiency and/or reduce costs.

### **Investment in the Future**

Over the next 18 months investment is planned at the Group's Lincoln site. During 2004 eight acres of industrial storage space, in very close proximity to the factory, was purchased. The additional space will remove bottlenecks at the original Lincoln site and allow us to re-plan methods of production and distribution. A major investment in new

production machinery, planned for the summer of 2005, will provide increased production capacity and a more efficient process.

Peat remains an important ingredient within the Group's range of products for both the retail and professional markets. However, it is a finite resource and thus has to be conserved for those uses where no suitable substitution has yet been found. Your Group will continue to be proactive in developing alternatives to peat and the investment in Freeland is an integral part of this strategy. Within the retail gardening market there is an emerging consumer base who prefer to purchase a non-peat product and, in addition, seeks to use organic or environmentally friendly products. This autumn we launched, under the New Horizon banner, a product range which consists of non-peat composts, soil conditioners, plus organic plant foods and pest repellents, based on naturally occurring substances. Whilst the J Arthur Bower's brand and product range will remain the major driver in the retail market, the New Horizon range of products gives the consumer choice and provides growth prospects for the future.

Within the professional market we will further extend the product offering to growers through a strengthening of the relationship with Klassman-Deilmann GmbH. An extended range of growing media is planned to be made available to the Group which will provide the opportunity of widening our customer base.

## **Board**

The Board has been reviewing the structure and composition of the Board, a review focussed on achieving two objectives. Firstly a structure appropriate to the Group now being a single business and secondly to ensure that we have the strength, skills and organisation to deal with the challenge of growing the business. The review was concluded at the end of September and as a result the Group is in the process of recruiting a Chief Executive experienced in the consumer retail market and who has demonstrated strength within the sales and marketing disciplines. Following this appointment I will return to the role of Non-Executive Chairman. Also at the end of September Steve Rowland, Finance Director, indicated his intention to pursue opportunities elsewhere and we are seeking his replacement.

## **Current Trading and Future Prospects for the Year Ending 30 June 2005**

The profits of the Group for the current financial year are likely to be below those restated and reported for the year ending 30 June 2004. The Board believes that the dividend policy should continue to reflect earnings.

The Group, like many manufacturing companies in the UK, is experiencing increases in input costs as a consequence of the high oil price and its impact on the price of both materials and services purchased by the Group. We are seeking every opportunity to mitigate these by price increases but given the highly competitive nature of our market place such opportunities are restricted.

One of the major risk areas for the Group is the impact of weather on the selling and harvesting season. As a consequence of the abnormal rainfall levels experienced in the UK during July August and September the volumes of peat harvested have been significantly below expectations. Although the lack of harvest will not affect our ability to supply the market place following a stock build in the year to 30 June 2004, we will be unable, in this financial year, to absorb into stock the direct costs associated with our peat harvesting activity and we will incur additional expenditure.

The autumn months normally see an uplift in consumer activity within the garden market. Whilst not large, when compared to spring levels, it does provide a sales opportunity for the Group's products. The retail garden market has been disappointing this autumn and as a consequence sales have not met our expectations.

We have been exporting horticultural products to the Middle East for a number of years. For the past twelve months we have been working with our distribution partner on a project which would increase our level of activity in the market. This was planned to be fully operational in the present financial year. However, changes in import regulations have delayed the planned implementation and thus the full financial benefit will not occur until the next financial year.

Whilst recognising the difficult trading conditions and the impact adverse weather can have, the present level of performance from the Group's assets of £15.6m, the strength of its brands and its raw material reserves, is not satisfactory. The Board, strengthened by the skills the new appointments will bring, is clearly focused on driving the change necessary to seek and maximise opportunities in order to deliver an improved performance.

**Peter Barton**  
**Executive Chairman**

**20 December 2004**

**Enquiries:**  
**Peter Barton, Executive Chairman**  
**Stephen Rowland, Finance Director**

**01522 537561**  
**01522 537561**

## Consolidated Profit and Loss Account for the year ended 30 June 2004

	Notes	2004 Total £'000	Restated 2003 Normal £'000	2003 Exceptionals £'000	Restated 2003 Total £'000
<b>Turnover</b>					
Group and share of joint ventures		45,260	52,020	-	52,020
Less share of joint ventures turnover		(1,088)	(680)	-	(680)
		-----	-----	-----	-----
		44,172	51,340	-	51,340
		-----	-----	-----	-----
<b>Turnover</b>					
Continuing operations	1	44,172	45,264	-	45,264
Discontinued operations		-	6,076	-	6,076
		-----	-----	-----	-----
		44,172	51,340	-	51,340
		-----	-----	-----	-----
Operating Charges		(42,808)	(49,525)	(101)	(49,626)
		-----	-----	-----	-----
<b>Operating profit</b>					
Continuing operations	1	1,364	900	(101)	799
Discontinued operations		-	915	-	915
		-----	-----	-----	-----
Share of operating profit of joint ventures	1/2	1,364	1,815	(101)	1,714
		81	50	-	50
		-----	-----	-----	-----
		1,445	1,865	(101)	1,764
		-----	-----	-----	-----
Loss on disposal/closure of discontinued businesses		-	-	(1,983)	(1,983)
Profit on sale of properties relating to discontinued businesses		-	-	305	305
Goodwill writeback on disposal/closure of discontinued businesses		-	-	(11,450)	(11,450)
Profit arising on assets replaced as part of insurance claim		-	-	1,000	1,000
		-----	-----	-----	-----
<b>Profit/(loss) on ordinary activities before interest</b>		1,445	1,865	(12,229)	(10,364)

<b>Net interest payable</b>		(295)	(234)	-	(234)
		-----	-----	-----	-----
<b>Profit/(loss) on ordinary activities before taxation</b>	1	1,150	1,631	(12,229)	(10,598)
Taxation on profit/(loss) on ordinary activities		(339)	(528)	543	15
		-----	-----	-----	-----
<b>Profit/(loss) for the financial year</b>		811	1,103	(11,686)	(10,583)
<b>Dividends</b>	8	(621)	(994)	-	(994)
		-----	-----	-----	-----
<b>Retained profit/(loss) for the year</b>		190	109	(11,686)	(11,577)
		=====	=====	=====	=====
<b>Basic earnings/(loss) per share</b>	4	4.9p	7.9p	(55.6)p	(50.3)p

**Statement of Historical Cost Profits and Losses for the year ended 30 June 2004**

	<b>2004</b>	Restated 2003
	<b>£'000</b>	£'000
Reported profit/(loss) on ordinary activities before taxation	1,150	(10,598)
Realisation of revaluation gains of previous years	-	72
Difference between actual depreciation charge based on revalued amount and an historical cost charge	53	48
	-----	-----
Historical cost profit/(loss) on ordinary activities before taxation	1,203	(10,478)
	=====	=====
Historical cost profit/(loss) for the year after taxation and dividends	243	(11,457)
	=====	=====

**Statement of Total Recognised Gains and Losses for the year ended 30 June 2004**

	<b>2004</b>	Restated 2003
	<b>£'000</b>	£'000
Profit for the financial year	811	(10,583)
	-----	-----
Total recognised gains and losses relating to the year	811	(10,583)
	-----	=====
Prior year adjustment (note 6)	(1,178)	
	-----	
Total gains and losses recognised since last financial statements	(367)	
	=====	

## Consolidated Balance Sheet as at 30 June 2004

	<b>2004</b> <b>£'000</b>	Restated 2003 £'000
<b>Fixed assets</b>		
Tangible assets	10,157	9,858
Investments	1,516	1,476
	<u>11,673</u>	<u>11,334</u>
<b>Current assets</b>		
Property held for resale	-	675
Stocks	5,262	5,856
Debtors	10,885	11,534
Cash at bank and in hand	1,614	2,678
	<u>17,761</u>	<u>20,743</u>
<b>Creditors: amounts falling due within one year</b>		
Borrowings	(207)	(350)
Other creditors	(12,623)	(15,406)
	<u>(12,830)</u>	<u>(15,756)</u>
<b>Net current assets</b>	4,931	4,987
<b>Total assets less current liabilities</b>	16,604	16,321
<b>Creditors: amounts falling due after more than one year</b>	(179)	-
<b>Provisions for liabilities and charges</b>	(767)	(853)
<b>Net assets</b>	<u>15,658</u>	<u>15,468</u>
<b>Capital and reserves</b>		
Called up equity share capital	4,139	4,139
Capital redemption reserve fund	1,523	1,523
Revaluation reserve	1,702	1,702
Other reserves	176	176
Profit and loss account	8,118	7,928
<b>Equity shareholders' funds</b>	<u>15,658</u>	<u>15,468</u>

## Consolidated Cash Flow Statement for the year ended 30 June 2004

	<b>2004</b> <b>£'000</b>	2003 £'000
<b>Cash flow from operating activities</b>	2,098	3,157
<b>Returns on investments and servicing of finance</b>	(269)	(264)
<b>Taxation</b>	(458)	(615)
<b>Acquisitions and disposals</b>	(600)	3,875
<b>Capital expenditure and financial investment</b>	(877)	814
<b>Equity dividends paid</b>	(994)	(1,064)
	<u>(1,100)</u>	<u>5,903</u>
<b>Cash (outflow)/inflow before financing</b>	(1,100)	5,903
<b>Net cash flow from financing</b>	100	(7,356)
	<u>(1,000)</u>	<u>(1,453)</u>
<b>Decrease in cash in the year</b>	<u>(1,000)</u>	<u>(1,453)</u>

**Reconciliation of net cash flow to movement in net funds**

Decrease in cash in the year	(1,000)	(1,453)
Cash (inflow)/outflow from change in debt	(100)	3,357
	-----	-----
Movement in net funds in the year	(1,100)	1,904
Net funds at 1 July 2003	2,328	424
	-----	-----
<b>Net funds at 30 June 2004</b>	<b>1,228</b>	<b>2,328</b>
	=====	=====

**Notes to the Financial Statements****1. Segmental information**

## a) by class of business

	Turnover		Profit Before Taxation		Net Assets	
	<b>2004</b>	2003	<b>2004</b>	Restated 2003	<b>2004</b>	Restated 2003
	<b>£'000</b>	£'000	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Continuing Operations	44,172	45,264	1,364	799	13,517	12,201
Discontinued Operations	-	6,076	-	915	-	(75)
	-----	-----	-----	-----	-----	-----
	44,172	51,340	1,364	1,714	13,517	12,126
	=====	=====			=====	=====
Share of operating profit of joint ventures			81	50		
			-----	-----		
			1,445	1,764		
Loss on disposal/closure of discontinued businesses			-	(1,983)		
Profit on sale of properties relating to discontinued businesses			-	305		
Goodwill writeback on disposal/closure of discontinued businesses			-	(11,450)		
Profit arising on assets replaced as part of insurance claim			-	1,000		
			-----	-----		
Net interest payable			1,445	(10,364)		
			(295)	(234)		
			-----	-----		
			1,150	(10,598)		
			=====	=====		
	<b>2004</b>	2003				
	<b>£'000</b>	£'000				
b) by geographical market						
United Kingdom	41,234	48,259				
Europe	421	363				
Middle and Far East	2,512	2,696				
Other	5	22				
	-----	-----				
	44,172	51,340				
	=====	=====				

Turnover originates wholly within the United Kingdom

## 2. Exceptional Items

a) Operating exceptional items	2004 £000	2003 £000
Property revaluation	-	(101)
	=====	=====
b) Non-operating exceptional items		

The prior year loss on disposal of discontinued businesses of £1.98m and the goodwill write-back on discontinued businesses of £11.4m relates to the business and assets of Sinclair Animal and Household Care Limited. The goodwill write-back has no impact on net assets as this was previously written off to reserves.

## 3. Cash flow from operating activities

	2004 £'000	Restated 2003 £'000
Operating profit	1,364	1,714
Depreciation	1,241	1,468
Loss/(profit) on disposal of fixed assets	5	(8)
Loss on property held for resale	7	-
Decrease/(increase) in stocks	594	(432)
Decrease/(increase) in debtors	723	(823)
(Decrease)/increase in creditors	(2,092)	1,343
Movement in provisions	-	(702)
Adjustment to value of properties held for resale	-	101
Increase in amounts due to joint ventures	256	496
	-----	-----
	2,098	3,157
	=====	=====

## 4. Earnings per share

Basic earnings/(loss) per ordinary share have been calculated by reference to profits of £811,000 (2003 restated: losses £10,583,000) and the average number of ordinary shares in issue of 16,554,046 (2003: 21,029,279).

Basic earnings/(loss) per share before and after exceptional items have been calculated as follows:

	2004 p	Restated 2003 p
Earnings/(loss) per share	4.9	(50.3)
Effect of elimination of:		
(i) Operating exceptional items	-	0.5
(ii) Loss on disposal/closure of businesses	-	7.1
(iii) Profit on sale of properties	-	(1.4)
(iv) Goodwill write-back	-	54.4
(v) Profit on assets replaced as part of insurance claim	-	(3.3)
(vi) Prior year tax adjustments	-	(1.8)
	-----	-----
	4.9	5.2
	-----	-----

## 5. Reconciliation of movements to shareholders' funds

	<b>2004</b>	Restated
	<b>£'000</b>	2003
		£'000
Retained loss for the year	190	(11,577)
Purchase of shares	-	(3,999)
Goodwill realised	-	11,450
	-----	-----
	190	(4,126)
Opening shareholders' funds (originally £16,646,000 before deducting prior year adjustment of £1,178,000)	15,468	19,594
	-----	-----
Closing shareholders' funds	15,658	15,468
	=====	=====

## 6. Prior year adjustment

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

7. The principal accounting policies of the Group are set out in the Group's 2004 Revised Annual Report and financial statements. The policies have remained unchanged from the previous Annual Report.

8. The Directors do not recommend the payment of a final dividend.

9. The figures set out above do not constitute the Company's revised statutory accounts for the year ended 30 June 2004. The consolidated balance sheet at 30 June 2004 and the consolidated profit and loss account, consolidated cash flow statement, statement of historical cost profits and losses, statement of total recognised gains and losses and associated notes for the year then ended have been extracted from the Company's 2004 revised statutory financial statements upon which the auditors' opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985. Those revised statutory financial statements have not yet been delivered to the Registrar of Companies. The statutory financial statements for the year ended 30 June 2003 have been delivered to the Registrar of Companies.

10. The re-convened Annual General Meeting of the Company will be held at The Bentley Hotel, Newark Road, South Hykeham, Lincoln, LN6 9NH on 27 January 2005 at 11.00 am.

11. Copies of this announcement are available from the Company's registered office, Firth Road, Lincoln, LN6 7AH during normal office hours.