

WILLIAM SINCLAIR HOLDINGS plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2005 SUMMARY OF RESULTS

	Year ended 30 June 2005	Year ended 30 June 2004
	£m	£m
• Turnover	42.71	44.17
• Profit on ordinary activities before Taxation	0.57	1.15
• Earnings Per Share	2.4p	4.9p
• Dividend Per Share	3.00p	3.75p

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Bernard Burns, Chief Executive	01522 537561
Peter Williams, Finance Director	01522 537561

CHAIRMAN'S STATEMENT

Everyone at Sinclair was saddened by the sudden death of Peter Barton on 26 July. He made a very significant contribution to the business over many years and he will be sadly missed. Our condolences go to all his family.

The Board has now invited me to become Chairman on a permanent basis with effect from 1 October 2005. I am pleased to accept the Board's invitation and look forward to a successful future together. We have now instigated the recruitment of an additional non-executive director.

In financial terms, 2004/05 was a disappointing year for your Company. Pre-tax profits of £574k compare unfavourably with the profit of £1,150k for last year. Sales, at £42.7million, (2003/04 £44.2million) were 3% below last year. Earnings per share fell from 4.9p to 2.4p.

This year we are recommending a final dividend of £0.02 per share making a total for the year of £0.03 (2004: £0.0375). The total dividend is covered 0.8 times. The Board has now established a policy on dividends which will increase the level of cover in the future.

The recent, well publicised, downturn in consumer spending affected our retail market and, whilst we held our market share, it was at the expense of some margin. The professional growing market fell by about 5% due mostly to adverse weather conditions at peak plant selling times. We are keen to maintain our leading share of this market and, whilst volumes fell slightly in a more competitive environment, margins were held.

In addition to the impact of a poor, weather affected peat harvest, your Company was faced with higher energy, haulage and packaging costs. With the adverse market conditions it has not been possible to pass on all of these higher costs.

In a year of significant change to the Board and senior personnel we welcomed Bernard Burns, the new chief executive, and Peter Williams, the new finance director. Philip Nuttall, finance director at Autologic Holdings PLC at his date of appointment, joined the board in March as a non-executive director. There have been a number of other management and personnel changes, particularly in the finance section, as we begin the process of recovery from the financial irregularities discovered last year. The Board is grateful for the co-operation of all employees during what has been a difficult year.

The new management team have identified several opportunities to improve profitability in the medium term. We have the leading brands in the industry including New Horizon peat free products. I am confident that these marketing strengths, when taken together with the opportunities identified in the strategic review, will deliver an improvement in performance and shareholder value in the longer term.

Bill Simpson

28 September 2005

CHIEF EXECUTIVE'S REPORT

Strategic Development

The new executive team has been in place since February 2005 and has undertaken a full strategic review of the business. The conclusion of this review was that both the retail and professional divisions have significant competitive advantages over most competitors but have failed to capitalise on these strengths.

The Company's brands are strong and our reputation for service and reliability is excellent. However, we have fallen behind in marketing and in sales promotion and lost some market share to more aggressive competitors.

In both the professional and retail markets there is a trend towards peat reduced and peat free growing media mixes. William Sinclair has the leading peat free brand in New Horizon, creating a significant marketing advantage with considerable potential.

The Company's peat fields are geographically closer to its UK retail and commercial customers than any of its major competitors. With transport costs accounting for a significant part of the total costs for growing media this is, therefore, another significant advantage. Our facilities are new and efficient and have the capacity to allow for expansion without further major investment.

In export markets we have strong brands in fertilizers, but we are not the primary manufacturer and the large multinational producers have squeezed our margins. We export relatively small quantities of growing media where, as prime producer, we do have a competitive advantage.

Our professional division leads the market in Nursery and Bedding growing media but there is potential to grow sales of other products in this market and the sales team has been strengthened in this area.

Our Silvaperl division, which supplies mineral derivatives for industrial as well as horticultural purposes, has been gaining customers recently but is getting close to a capacity constraint.

Through our Freeland joint venture we lead the market in the utilisation of composted household garden waste and we are in the late stages of developing a technology to utilise a further element of garden waste, which currently goes to landfill, into a useful component of growing media. The development of green waste technology is critical if the government target of a substantial reduction in UK peat usage is to be achieved.

In summary, the business plan for the next three years will involve concentrating on growing the core business whilst exiting low volume products and distribution channels with poor margins. Further opportunities to balance the seasonality of the horticultural markets are continually being evaluated.

The review concluded that there are significant opportunities to improve margins by reducing the cost of raw materials and services to the business. In addition we believe that historical finished stock levels have been excessive and that reductions in working capital can be achieved with focus in this area.

Trading year ended 30 June 2005

Both the UK retail and professional markets for growing media were down in value for the year ending June 2005.

The cold weather at Easter had led, by the May Bank Holiday, to stocks of surplus plants being heavily discounted by retailers and re-orders of new plants being cancelled. As a consequence the demand for growing media in the professional market fell by 5%. This inevitably led to some pressure on prices. We chose to protect our margins and lost a little market share as a consequence.

In the retail sector the cold weather suppressed sales and this, coupled with the competitive nature of the growth of the supermarkets' market share, saw price-led promotions creating margin pressure. We opted to maintain market share and lose contribution. Overall this market reduced by 6% on the previous year.

In our export markets we have fewer competitive advantages and the mixture of an adverse exchange rate and raw material price increases lowered margins on this business.

Our Silvaperl division developed new sales channels in non-horticultural markets which helped them to record sales and profit. The additional benefit of less seasonality in these new areas is most welcome.

The volume of our peat harvest in 2004/5 was much lower than in either of the previous two years because of high rainfall in July and August 2004. In addition, the quality of the raw material was poor. This had the effect of reducing efficiency and obliged us to buy in higher volumes of peat from third parties than had been planned.

Following the financial irregularities identified in the September 2004 announcement, all the senior accounting management left the business and we appointed Ernst & Young

LLP as our new auditors. A number of weaknesses in our accounting, budgeting and forecasting processes have been identified and are being addressed.

Outlook

The management of our professional division is being restructured to establish a greater profit focus in the business and to create a strong voice for the division internally with a view to improving customer service.

Closure and rationalisation of the professional grower base is still taking place but we have strong relationships with customers in this market and we should at least retain our share of available business

Within retail, the growth of supermarkets as a channel for gardening and horticultural consumables appears to have affected the DIY superstores to a greater degree than the independents. William Sinclair should benefit from growth in the Supermarkets' market share and we are relatively under-represented with the DIY superstores.

Availability of UK peat to our competitors has fallen recently and is beginning to have an effect in the marketplace. We believe that this will create opportunities for increased prices and sales in both our professional and particularly our retail divisions.

In August 2005 we commissioned a £1.2m mixing and bagging plant at Lincoln. The facility is substantially more efficient than the equipment it replaces. This, together with a smaller investment in our Carlisle facility, will allow increased quantities of green waste to be used in our peat-reduced composts and increase our capacity of peat-free products.

The peat harvest in July and August 2005 returned to more normal levels and the quality of the product is excellent. William Sinclair own two peat fields in Scotland that have not been harvested for seven years. Work to re-commission this capacity started in June 2005 with the first harvest due in May 2006. By harvesting these peat fields we will generally become self-sufficient in peat and eliminate the premium we pay when purchasing third party peat.

When we can combine increased demand with the opportunities identified in the strategic review we are confident that an improved performance will result.

International Financial Reporting Standards (“IFRS”)

The group is required to adopt International Financial Reporting Standards for its financial statements ending on 30 June 2006. The interim results to 31 December 2005 will also be prepared under these standards.

Considerable work is required to ensure a smooth transition to reporting under the IFRS framework and this work is well underway.

Bernard Burns
28 September 2005

William Sinclair Holdings plc
Audited Consolidated Profit and Loss Account for the year ended 30 June 2005

	Notes	2005 Total £'000	2004 Total £'000
Turnover – continuing operations			
Group and share of joint ventures		44,060	45,260
Less share of joint ventures turnover		(1,353)	(1,088)
		-----	-----
		42,707	44,172
		-----	-----
Operating Charges		(41,915)	(42,808)
		-----	-----
Operating profit - continuing operations		792	1,364
Share of operating profit of joint ventures		117	81
		-----	-----
Profit on ordinary activities before interest and taxation		909	1,445
Net interest payable		(335)	(295)
		-----	-----
Profit on ordinary activities before taxation	1	574	1,150
Taxation on profit on ordinary activities		(181)	(339)
		-----	-----
Profit for the financial year		393	811
Dividends	3	(496)	(621)
		-----	-----
Retained (loss)/profit for the year		(103)	190
		=====	=====
Basic and diluted earnings per share	2	2.4p	4.9p

Statement of Total Recognised Gains and Losses for the year ended 30 June 2005

	2005 £'000	2004 £'000
Profit for the financial year	393	811
Surplus on revaluation of land and buildings	2,376	-
	-----	-----
Total recognised gains and losses relating to the year	2,769	811
	=====	=====

William Sinclair Holdings plc
Audited Consolidated Balance Sheet as at 30 June 2005

	2005	2004
	£'000	£'000
Fixed assets		
Tangible assets	12,408	10,157
Investment in joint ventures:		
Share of gross assets	2,210	1,835
Share of gross liabilities	(677)	(423)
	-----	-----
Share of net assets	1,533	1,412
Other investments	-	104
	-----	-----
	13,941	11,673
	-----	-----
 Current assets		
Stocks	5,550	5,262
Debtors	12,489	10,885
Cash at bank and in hand	96	1,614
	-----	-----
	18,135	17,761
	-----	-----
Creditors: amounts falling due within one year	(12,548)	(12,830)
	-----	-----
Net current assets	5,587	4,931
	-----	-----
Total assets less current liabilities	19,528	16,604
 Creditors: amounts falling due after more than one year	(878)	(179)
Provisions for liabilities and charges	(719)	(767)
	-----	-----
	17,931	15,658
	=====	=====
 Capital and reserves		
Called up equity share capital	4,139	4,139
Capital redemption reserve fund	1,523	1,523
Revaluation reserve	4,078	1,702
Other reserves	176	176
Profit and loss account	8,015	8,118
	-----	-----
Equity shareholders' funds	17,931	15,658
	=====	=====

William Sinclair Holdings plc
Audited Consolidated Cash Flow Statement for the year ended 30 June 2005

	2005	2004
	£'000	£'000
Cash flow from operating activities	(1,450)	2,098
Returns on investments and servicing of finance	(314)	(269)
Taxation	57	(458)
Acquisitions and disposals	-	(600)
Capital expenditure and financial investment	(890)	(877)
Equity dividends paid	(537)	(994)
	-----	-----
Cash outflow before financing	(3,134)	(1,100)
Net cash flow from financing	779	100
	-----	-----
Decrease in cash in the year	(2,355)	(1,000)
	=====	=====
 Reconciliation of net cash flow to movement in net funds		
Decrease in cash in the year	(2,355)	(1,000)
Cash inflow from change in debt	(779)	(100)
	-----	-----
Movement in net funds in the year	(3,134)	(1,100)
Net funds at 1 July 2004	1,228	2,328
	-----	-----
Net (debt)/funds at 30 June 2005	(1,906)	1,228
	=====	=====

Cash flow from operating activities

	2005	2004
	£'000	£'000
Operating profit	792	1,364
Amortisation of goodwill	58	58
Depreciation	1,053	1,241
(Profit)/Loss on disposal of fixed assets	(38)	5
Loss on property held for resale	-	7
Decrease/(increase) in stocks	(288)	594
Decrease/(increase) in debtors	(1,712)	723
(Decrease)/increase in creditors	(1,179)	(1,894)
Movement in reinstatement provision	(136)	-
	-----	-----
	(1,450)	2,098
	=====	=====

Analysis of net (debt)/funds

	At 1 July 2004	Cash flow	At 30 June 2005
	£'000	£'000	£'000
Cash at bank and in hand	1,614	(1,518)	96
Bank overdrafts	(160)	(837)	(997)
	-----	-----	-----
Cash	1,454	(2,355)	(901)
Bank loan	-	(800)	(800)
Finance leases	(226)	21	(205)
	-----	-----	-----
Total	1,228	(3,134)	(1,906)
	=====	=====	=====

Reconciliation of movements to shareholders' funds

	2005 £'000	2004 £'000
Retained (loss)/profit for the year	(103)	190
Revaluation of freehold and leasehold properties	2,376	-
	-----	-----
	2,273	190
Opening shareholders' funds	15,658	15,468
	-----	-----
Closing shareholders' funds	17,931	15,658
	=====	=====

Notes

1. The profit and loss accounts for the years ended 30 June 2005 and 2004 are not statutory accounts within the meaning of Section 240 (5) of the Companies Act 1985. The former auditors of William Sinclair Holdings plc, Grant Thornton UK LLP, have made a report under Section 235 of the Act on the statutory accounts of William Sinclair Holdings plc for the financial year ended 30 June 2004. Such report was unqualified and did not contain a statement under Section 237(2), (3) or (4) of the Act and such accounts have been delivered to the Register of Companies. The statutory accounts for the year ended 30 June 2005, which have been audited by Ernst & Young LLP, incorporate an unqualified audit report, which does not contain a statement under Section 237(2), (3) or (4) of the Act, and will be delivered to the Register of Companies following the Annual General Meeting of William Sinclair Holdings plc.

The principal accounting policies of the Group are set out in the Group's 2005 Annual Report and financial statements. The policies have remained unchanged from the previous Annual Report.

2. Basic earnings per ordinary share have been calculated by reference to profits of £393,000 (2004 - £811,000) and the average number of ordinary shares in issue of 16,554,046 (2004 - 16,554,046). Diluted earnings per ordinary share have been calculated by reference to profits of £393,000 (2004 - £811,000) and the sum of the average number of ordinary shares in issue and the potential shares to be issued under share option schemes. However, there are currently no share options that are exercisable and there is therefore no dilution of the earnings per ordinary share.

3. Subject to shareholders' approval the final dividend of 2p per share (£331,000) will be paid on 28 November 2005 to shareholders on the register on 28 October 2005. An interim dividend of 1p (£165,000) was paid on 6 May 2005 making a total for the year of 3p (£496,000).

4. The Company intends to post the Report and Accounts to shareholders on 14 October 2005. The Annual General Meeting of the Company will be held at The Bentley Hotel, Newark Road, South Hykeham, Lincoln, LN6 9NH on 9 November 2005 at 11.00 am. Copies of this announcement are available from the Company's registered office, Firth Road, Lincoln, LN6 7AH during normal office hours.