



William Sinclair Holdings plc
INTERIM REPORT 2009

William Sinclair Holdings plc

Firth Road • Lincoln • LN6 7AH

Telephone (01522) 537561

Facsimile (01522) 560648

www.william-sinclair.co.uk

Registered number 1392876

WILLIAM SINCLAIR

William Sinclair manufacture and distribute a wide range of horticultural products to both the consumer and professional markets.

Consumer Market

The consumer market comprises growing media, lawncare products, plant food and associated products to UK gardening consumers through sales to garden centres and DIY outlets.

Professional Market

The professional market comprises growing media and fertiliser sales to UK professional growers for the growing of hardy nursery stock, house and bedding plants and edible salad crops.

William Sinclair's brands

William Sinclair's well established brands include J Arthur Bower's, Silvaperl and New Horizon - the leading brand in the fast growing peat free garden compost and organic plant foods sector.

HIGHLIGHTS

- Revenue of £22.3 million (nine months to 31 March 2008: £27.8 million)
- Operating profit of £0.18 million (nine months to 31 March 2008: loss of £0.24 million)
- Net debt £2.14 million lower than at 31 March 2008
- Interim dividend of 1.0p for the 6 months to March 2009 (nine months to 31 March 2008: 1.0p)
- Record volumes despatched in March; shortest lead times in the industry achieved
- Improvement in margins and availability of raw materials
- Increase in demand for vegetable growing compost as people grow their own food

DIRECTORS

Bill Simpson, Chairman

Bernard Burns, Chief Executive Officer

Peter Williams, Finance Director and Company Secretary

Ken Piggott, Senior Independent Non-Executive Director

Philip Nuttall, Independent Non-Executive Director

INTERIM REVIEW

for the six months ended 31 March 2009 (unaudited)

Introduction

The Company's unaudited results for the 6 months ended 31 March 2009 are set out below and due to the change to the year end in 2008, the comparative results shown cover the 9 months to 31 March 2008.

The performance in this trading period was a little better than anticipated thanks, in the main, to a strong performance in March brought about by favourable trading conditions in the run up to Easter and higher than expected demand from retailers anxious to replenish very low stocks.

Trading Review

Turnover during the period was £22.3 million, a record for comparable periods. Whilst this does include additional sales from the acquired Joseph Metcalf business, it represents a good performance and we are confident that it represents modest but worthwhile market share improvement.

The operating profit for the half year was £184,000 compared to an operating loss of £236,000 for the nine months to 31 March 2008. The loss before tax and minority interests was £211,000 (loss of £424,000 for the nine months to 31 March 2008).

The Company usually records a loss in the first half of the year as a result of the seasonality of the business but the underlying performance was good, with margins beginning to recover and the availability of raw materials improving.

The Group's net debt at 31 March 2009 was £17.0 million. This was well within our bank facilities and £2.1 million lower than at the same point last year. We continue to benefit from a very strong relationship with Lloyds Banking Group, which has provided banking facilities to the Sinclair Group over many years. At a time when many businesses have been unsure of their credit facilities our bank continues to give us confidence.

The deficit on the Group's defined benefit pension scheme has increased by £3.1 million in the period mainly as a result of the impact on asset values of the global downturn. However, during the period under review the Group has agreed with the trustees of the scheme new contribution rates for both the Company and employees, some restrictions to future benefits and a recovery plan to address the deficit. The Pensions Regulator has reviewed this agreement and expressed his satisfaction with it.

The Directors are recommending an interim dividend of 1.0p per share which is the same as last year.

INTERIM REVIEW

for the six months ended 31 March 2009 (unaudited)

Business Review

With our customers, particularly those in the retail sector, nervous about the economic outlook and their own liquidity, demand in the early part of this year was subdued. However, the weather in March was ideal, the timing of Easter was favourable and we had a record month in order intake and despatches.

The Directors recognise the impact climate has on the business. Consequently we are progressing a number of projects aimed at minimising the internal consequences of the weather.

The increasingly "Just in Time" nature of the retail market represents a real challenge but, with the improvements in relation to logistics that we have put in place, our service levels were excellent, our lead times the shortest in the industry and we were able to despatch record volumes in March.

The severe economic recession appears to have increased consumer demand for garden consumables as people spend more time in their gardens. There has been a considerable increase in demand for vegetable growing compost as people choose to grow their own food as a result of the economy.

For many years we have maintained a policy of insuring against bad debts. In the current economic climate insurers have in many cases reduced or even withdrawn cover. Consequently we have adapted our policies to take a more active role in managing this risk.

The Bolton Fell compensation discussions are continuing but there are no significant developments to report.

Outlook

Trading since the half year end has remained in line with management expectations and the business continues to perform well and meet customer demand within impressive time scales.

The Gardeners' World programme on BBC television on 27 March was dedicated to a discussion on alternatives to peat for compost. Our New Horizon product was correctly identified as the finest alternative product on the market and demand has accelerated as a result.

The annual peat harvest has started a little earlier this year due to favourable weather conditions. This will mitigate our need for expensive alternatives to peat and the Directors are confident in their outlook for the year as a whole.

Bill Simpson
Chairman

CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2009 (unaudited)

		Six months ended 31 March 2009 £'000	Nine months ended 31 March 2008 £'000	15 months ended 30 September 2008 £'000
Revenue		22,305	27,770	54,771
Operating expenses		(22,118)	(28,003)	(53,728)
Operating profit / (loss)		187	(233)	1,043
Share of post tax (loss) / profit of joint ventures accounted for using the equity method		(3)	(3)	1
Group operating profit / (loss)		184	(236)	1,044
Finance revenue		19	2	89
Finance costs		(284)	(321)	(829)
Pension finance (expense) / income		(130)	131	217
(Loss) / profit before taxation		(211)	(424)	521
Tax credit / (charge)	1	60	118	(239)
(Loss) / profit for the period		(151)	(306)	282
(Loss) / profit for the period is attributable to:				
Equity holders of the parent company		(167)	(350)	210
Minority interests		16	44	72
		(151)	(306)	282
All results relate to continuing operations.				
(Loss) / earnings per share (pence)				
Basic EPS on profit for the period	3	(1.0)p	(2.1)p	1.3p
Diluted EPS on profit for the period		(1.0)p	(2.0)p	1.3p
Dividends per share	2	1.0p	1.0p	2.0p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

for the six months ended 31 March 2009 (unaudited)

	Six months ended 31 March 2009 £'000	Nine months ended 31 March 2008 £'000	15 months ended 30 September 2008 £'000
Actuarial loss on defined benefit pension scheme	(3,078)	(1,356)	(2,467)
Tax on items taken directly to or transferred from equity	862	380	691
Net loss recognised directly in equity	(2,216)	(976)	(1,776)
(Loss) / profit for the period	(151)	(306)	282
Total recognised income and expense for the period	(2,367)	(1,282)	(1,494)
Attributable to:			
Equity holders of the parent company	(2,383)	(1,326)	(1,566)
Minority interest	16	44	72
	(2,367)	(1,282)	(1,494)

CONSOLIDATED BALANCE SHEET

as at 31 March 2009 (unaudited)

	As at 31 March 2009 £'000	As at 31 March 2008 £'000	As at 30 September 2008 £'000
Non-current assets			
Property, plant and equipment	16,761	16,777	16,733
Intangible assets	1,697	1,651	1,712
Investments accounted for using the equity method	212	211	215
	18,670	18,639	18,660
Current assets			
Inventories	10,269	10,799	12,021
Trade and other receivables	18,953	21,807	8,119
Cash and short term deposits	1,214	1,136	883
	30,436	33,742	21,023
Total assets	49,106	52,381	39,683
Current liabilities			
Trade and other payables	(11,125)	(11,993)	(10,176)
Financial liabilities - borrowings	(16,038)	(17,222)	(6,997)
Corporation tax payable	(3)	(475)	(3)
	(27,166)	(29,690)	(17,176)
Non-current liabilities			
Financial liabilities - borrowings	(2,221)	(3,098)	(2,576)
Deferred tax liabilities	–	(1,016)	(830)
Provisions	(219)	(202)	(209)
Defined benefit pension plan deficit	(7,616)	(3,584)	(4,475)
	(10,056)	(7,900)	(8,090)
Total liabilities	(37,222)	(37,590)	(25,266)
Net assets	11,884	14,791	14,417
Capital and reserves			
Equity share capital	4,139	4,139	4,139
Capital redemption reserve	1,523	1,523	1,523
Revaluation reserve	3,498	3,566	3,498
Other reserves	176	176	176
Share based payments	70	67	70
Retained earnings	2,259	5,145	4,808
Group shareholders' equity	11,665	14,616	14,214
Minority interests	219	175	203
Total equity	11,884	14,791	14,417

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 March 2009 (unaudited)

	Six months ended 31 March 2009 £'000	Nine months ended 31 March 2008 £'000	15 months ended 30 September 2008 £'000
Net cash flow from operating activities	(7,331)	(11,541)	50
Net cash flow from investing activities	(574)	(5,961)	(6,695)
Net cash flow from financing activities	(927)	1,731	989
(Decrease) / increase in cash in the period	(8,832)	(15,771)	(5,656)
Cash and cash equivalents at 1 October 2008	(5,321)	335	335
(Decrease) / increase in cash and cash equivalents	(8,832)	(15,771)	(5,656)
Cash and cash equivalents at 31 March 2009	(14,153)	(15,436)	(5,321)
Cash flow from operating activities			
Operating profit / (loss)	187	(233)	1,043
Amortisation of intangible assets	15	15	35
Depreciation	645	923	1,602
Profit on disposal of fixed assets	(80)	(5)	(19)
Share based payments	–	16	19
Pension contributions paid less amounts charged in the income statement	(67)	56	(78)
Operating profit before changes in working capital and provisions	700	772	2,602
Decrease / (increase) in stocks	1,752	(3,946)	(5,198)
(Increase) / decrease in debtors	(10,742)	(8,642)	4,896
Increase / (decrease) in creditors	949	(26)	(2,193)
Movement in reinstatement provision	10	13	20
Income taxes received / (paid)	–	288	(77)
	(7,331)	(11,541)	50

CONSOLIDATED CASH FLOW STATEMENT (continued)

for the six months ended 31 March 2009 (unaudited)

	Six months ended 31 March 2009 £'000	Nine months ended 31 March 2008 £'000	15 months ended 30 September 2008 £'000
Cash flow from investing activities			
Interest received	19	2	89
Sale of property, plant and equipment	248	22	148
Purchase of property, plant and equipment	(841)	(940)	(1,618)
Purchase of intangible assets	–	–	(129)
Purchase of shares in subsidiary	–	(3,735)	(3,875)
Cash on consolidation of subsidiary	–	(1,310)	(1,310)
	(574)	(5,961)	(6,695)
Cash flow from financing activities			
Interest paid	(284)	(321)	(829)
Dividends paid to minority interests	–	(10)	(10)
Dividends paid to equity shareholders	(166)	(414)	(579)
New loans in the period	–	3,000	3,000
Repayment of borrowings	(327)	(459)	(455)
Repayment of capital element of finance leases	(150)	(65)	(138)
	(927)	1,731	989

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Six months ended 31 March 2009 £'000	Nine months ended 31 March 2008 £'000	15 months ended 30 September 2008 £'000
Increase / (decrease) in cash in the period	331	801	548
Cash (inflow) / outflow from change in borrowings	(8,686)	(19,564)	(8,817)
Movement in net debt in the period	(8,355)	(18,763)	(8,269)
Net debt at 1 October 2008	(8,690)	(421)	(421)
Net debt at 31 March 2009	(17,045)	(19,184)	(8,690)

NOTES TO THE ACCOUNTS**1. Taxation**

The taxation credit on ordinary activities is calculated by applying the Directors' best estimate of the annual taxation rate to the loss for the period.

2. Dividend

A final dividend of 1.0p per share was paid on 19 March 2009 to shareholders on the register on 20 February 2009. An interim dividend of 1.0p per share will be paid on 4 August 2009 to shareholders on the register on 10 July 2009.

3. (Loss) / earnings per share

(Loss) / earnings per share have been calculated by reference to 16,554,046 shares in issue.

4. Reconciliation of movements in equity attributable to members of the parent company

	Six months ended 31 March 2009 £'000	Nine months ended 31 March 2008 £'000	15 months ended 30 September 2008 £'000
Opening equity attributable to members of parent company	14,214	16,340	16,340
Total recognised income and expenses for the period	(2,383)	(1,326)	(1,566)
Dividends paid	(166)	(414)	(579)
Share based payments taken directly to equity	–	16	19
Closing equity attributable to members of the parent company	11,665	14,616	14,214

5. Basis of preparation

The financial information set out in the interim report has been prepared in accordance with accounting policies under International Financial Reporting Standards ('IFRS') as detailed in the financial statements for the 15 months ended 30 September 2008. These policies are expected to be followed in the full financial statements for the year ending 30 September 2009.

The interim report has been approved by the Board of Directors and is neither audited nor reviewed. The interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the 15 months ended 30 September 2008 is extracted from the audited accounts for that period. Those accounts have been delivered to the Registrar of Companies. The auditors' report on them was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board (IASB), but not yet applicable, will have a significant impact on the financial statements for the year ending 30 September 2009.

A copy of this interim report will be posted to shareholders shortly and will be available to view on the Company's website at www.william-sinclair.co.uk

Enquiries:

Bill Simpson, Chairman Tel: 01522 537561 **Alastair Moreton**, Arbutnot Securities Limited Tel: 0207 012 2000