

William Sinclair Holdings plc

INTERIM REPORT 2010



WILLIAM SINCLAIR

The William Sinclair Group, widely recognised as the professional grower's choice, is one of the most established UK manufacturers and distributors of a wide range of horticultural products. These products are available throughout the UK to the professional grower, the retail consumer and the landscape industry.

Horticultural range

The Group's range includes peat based and peat alternative growing media as well as lawncare products, plant food and associated products. These are supplied directly to UK professional growers as well as to gardening consumers through garden centres, supermarkets and DIY outlets. We also supply specialist and general purpose top soils to civil landscape and construction projects.

The professional growing market

The professional market includes top growers within the UK flower and plant industry as well as soft fruit and salad crop producers.

William Sinclair's brands

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

HIGHLIGHTS

- Revenue of £21.8 million (six months to 31 March 2009: £22.3 million), reflecting a slightly late start to the main selling season this year
- Operating profit of £0.44 million (six months to 31 March 2009: profit of £0.19 million)
- Strong balance sheet with net debt £2.06 million lower than at 31 March 2009
- Increase in interim dividend to 1.5p (six months to 31 March 2009: 1.0p)
- Trade benefiting from actions taken to ensure availability of ample raw materials in a tight market
- Interim agreement reached in March on future of Bolton Fell and initial £9 million compensation received in April
- Good weather has enabled an early start to the peat harvest for the next selling season

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

CHAIRMAN'S STATEMENT

for the six months ended 31 March 2010 (unaudited)

I am pleased to report another period of good progress at William Sinclair with performance for the 6 months ended 31 March 2010 ahead of last year, net debt down, a first half profit and an increase in our interim dividend.

Trading Review

Turnover during the period was £21.8 million. This was a slight decrease from the previous year but the fall is not significant and merely reflects a slightly later start to the main selling season. Margins have improved due to a combination of our self sufficiency in peat this year and internal efficiency improvements in our logistics.

The profit before tax for the half year was £187,000 compared to a loss of £211,000 for the six months to 31 March 2009. This is the first time for many years that the business has recorded a profit in the first half of our financial year, a period where seasonality has a tremendous negative effect. This strong start to the year was mainly due to a strong performance in March reflecting favourable trading conditions in the run up to Easter and higher than expected demand from retailers anxious to replenish low stocks.

The balance sheet remains strong with the Group's net debt at 31 March 2010, when working capital requirements are near their peak, at a modest £15.0 million. This was well within our bank facilities and £2.0 million lower than at the same point last year.

The Directors are recommending an interim dividend of 1.5p per share which is an increase of 50% compared to last year. This is consistent with our intention to pursue a progressive dividend policy which reflects the underlying long term prospects of the group.

Bolton Fell advance payment and investment opportunities

We announced on 23 March that we had reached an interim agreement with Natural England which will lead to the eventual cessation of peat harvesting at Bolton Fell Moss in Cumbria and the acceleration of our programme for peat bog regeneration at the site. The advance payment of £9 million was received in April and will be used, initially, to offset bank borrowings. Longer term we intend to use this cash to facilitate development of an alternative manufacturing and distribution facility which will lead to an even greater advantage over our competitors and further reduction in our market leading carbon footprint.

In addition, we have an acquisition policy targeting growth in existing areas of expertise and securing peat reduced and peat free competitive advantage.

CHAIRMAN'S STATEMENT

for the six months ended 31 March 2010 (unaudited)

Business Review

Although the poor peat harvest in 2009 caused severe shortages throughout the industry our own self sufficiency, helped by some early success with our synthetic peat from Freeland and encouraging progress with a peat drying project, gave us a considerable advantage.

The award winning New Horizon peat free range continues to lead the market in its sector. A Spring campaign by government to persuade consumers not to use peat based product was also a factor leading to a 44% growth in sales of this product range.

The volatility of the euro versus the pound has given UK growers an advantage, including, in particular, over the Dutch and our commercial customers are busier as a result.

The severe winter weather resulted in the Freeland operation delaying supply of material to a number of large civil projects. This market sector is already depressed by the recession. Horticulture operations coped well in spite of difficulties with transport and we benefited from a drier spell from March onwards. The improved weather since the beginning of March has boosted activity at Freeland and indications are that volumes will increase further with contracts linked to the Olympics.

Outlook

Trading in April was strong with sales and margins ahead on a like for like basis. Good weather, both in April and May, has allowed an early start to the peat harvest and, if normal or better conditions prevail throughout the summer, the Directors are confident that progress can be maintained.

Bill Simpson
Chairman

CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2010 (unaudited)

Notes	Six months ended 31 March 2010 £'000	Six months ended 31 March 2009 £'000	Year ended 30 September 2009 £'000
Revenue	21,840	22,305	46,275
Operating expenses	(21,396)	(22,118)	(44,407)
Group operating profit	444	187	1,868
Finance revenue	12	19	71
Finance costs	(103)	(284)	(442)
Other finance costs - pension	(166)	(130)	(266)
Share of post tax (loss) / profit of joint ventures accounted for using the equity method	-	(3)	9
Profit / (loss) before taxation	187	(211)	1,240
Tax (charge) / credit	1 (51)	60	(77)
Profit / (loss) for the period	136	(151)	1,163
Equity holders of the parent company	124	(167)	1,128
Minority interests	12	16	35
	136	(151)	1,163

All results relate to continuing operations.

Earnings / (loss) per share (pence)

Basic EPS on profit for the period	3	0.7p	(1.0)p	6.8p
Diluted EPS on profit for the period		0.7p	(1.0)p	6.8p
Dividend per share	2	1.5p	1.0p	3.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2010 (unaudited)

Profit / (loss) for the period	136	(151)	1,163
Other comprehensive income			
Revaluation of property	-	-	6,165
Actuarial gain on defined benefit pension scheme	1,229	(3,078)	(5,237)
Tax on items taken directly to or transferred from equity	(344)	862	(260)
Total comprehensive income for the period	1,021	(2,367)	1,831
Attributable to:			
Equity holders of the parent company	1,009	(2,383)	1,796
Minority interests	12	16	35
	1,021	(2,367)	1,831

CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

for the six months ended 31 March 2010 (unaudited)

	Equity share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Retained earnings £000	Total £000	Minority interests £000	Total equity £000
At 1 October 2009	4,139	1,523	7,906	176	1,915	15,659	220	15,879
Profit for the six months to 31 March 2010	-	-	-	-	124	124	12	136
Actuarial gain on defined benefit pension scheme	-	-	-	-	1,229	1,229	-	1,229
Tax on items taken directly to or transferred from equity	-	-	-	-	(344)	(344)	-	(344)
Equity dividends paid	-	-	-	-	(414)	(414)	-	(414)
At 31 March 2010	4,139	1,523	7,906	176	2,510	16,254	232	16,486
At 1 October 2008	4,139	1,523	3,498	176	4,878	14,214	203	14,417
Loss for the six months to 31 March 2009	-	-	-	-	(167)	(167)	16	(151)
Actuarial loss on defined benefit pension scheme	-	-	-	-	(3,078)	(3,078)	-	(3,078)
Tax on items taken directly to or transferred from equity	-	-	-	-	862	862	-	862
Equity dividends paid	-	-	-	-	(166)	(166)	-	(166)
At 31 March 2009	4,139	1,523	3,498	176	2,329	11,665	219	11,884
At 1 October 2008	4,139	1,523	3,498	176	4,878	14,214	203	14,417
Profit for the year to 30 September 2009	-	-	-	-	1,128	1,128	35	1,163
Revaluation of property	-	-	6,165	-	-	6,165	-	6,165
Depreciation transfer	-	-	(31)	-	31	-	-	-
Actuarial loss on defined benefit pension scheme	-	-	-	-	(5,237)	(5,237)	-	(5,237)
Tax on items taken directly to or transferred from equity	-	-	(1,726)	-	1,466	(260)	-	(260)
Eliminate deferred tax on share based payments	-	-	-	-	(20)	(20)	-	(20)
Equity dividends paid	-	-	-	-	(331)	(331)	(18)	(349)
At 30 September 2009	4,139	1,523	7,906	176	1,915	15,659	220	15,879

CONSOLIDATED BALANCE SHEET

as at 31 March 2010 (unaudited)

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 30 September 2009 £'000
Non-current assets			
Property, plant and equipment	20,929	16,761	20,348
Intangible assets	1,606	1,697	1,644
Investments accounted for using the equity method	–	212	–
	22,535	18,670	21,992
Current assets			
Inventories	10,220	10,269	8,638
Trade and other receivables	18,364	18,953	7,950
Assets held for sale	2,151	–	2,151
Cash and short term deposits	499	1,214	955
	31,234	30,436	19,694
Total assets	53,769	49,106	41,686
Current liabilities			
Trade and other payables	(11,691)	(11,125)	(7,061)
Financial liabilities - borrowings	(14,000)	(16,038)	(6,166)
Corporation tax payable	(488)	(3)	(437)
	(26,179)	(27,166)	(13,664)
Non-current liabilities			
Financial liabilities - borrowings	(1,482)	(2,221)	(1,825)
Deferred tax liabilities	(970)	–	(626)
Provisions	(241)	(219)	(231)
Defined benefit pension plan deficit	(8,411)	(7,616)	(9,461)
	(11,104)	(10,056)	(12,143)
Total liabilities	(37,283)	(37,222)	(25,807)
Net assets	16,486	11,884	15,879
Capital and reserves			
Equity share capital	4,139	4,139	4,139
Capital redemption reserve	1,523	1,523	1,523
Revaluation reserve	7,906	3,498	7,906
Other reserves	176	176	176
Retained earnings	2,510	2,329	1,915
Group shareholders' equity	16,254	11,665	15,659
Minority interests	232	219	220
Total equity	16,486	11,884	15,879

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 March 2010 (unaudited)

	Six months ended 31 March 2010 £'000	Six months ended 31 March 2009 £'000	Year ended 30 September 2009 £'000
Net cash flow from operating activities	(6,032)	(7,331)	3,068
Net cash flow from investing activities	(1,398)	(574)	(623)
Net cash flow from financing activities	(873)	(927)	(1,624)
(Decrease) / increase in cash in the period	(8,303)	(8,832)	821
Opening cash and cash equivalents	(4,500)	(5,321)	(5,321)
(Decrease) / increase in cash and cash equivalents	(8,303)	(8,832)	821
Closing cash and cash equivalents	(12,803)	(14,153)	(4,500)
Cash flow from operating activities			
Group operating profit	444	187	1,868
Amortisation of intangible assets	24	15	48
Depreciation of property, plant and equipment	810	645	1,335
Profit on disposal of property, plant and equipment	(5)	(80)	(14)
Negative goodwill taken to the income statement	–	–	(60)
Difference between pension contributions paid and amounts recognised in the income statement	13	(67)	(517)
(Increase) / decrease in inventories	(1,582)	1,752	3,383
(Increase) / decrease in debtors	(10,414)	(10,742)	45
Increase / (decrease) in creditors	4,668	949	(3,039)
Increase in provisions	10	10	22
Cash generated from operations	(6,032)	(7,331)	3,071
Income taxes paid	–	–	(3)
	(6,032)	(7,331)	3,068

CONSOLIDATED CASH FLOW STATEMENT (continued)

for the six months ended 31 March 2010 (unaudited)

	Six months ended 31 March 2010 £'000	Six months ended 31 March 2009 £'000	Year ended 30 September 2009 £'000
Cash flow from investing activities			
Interest received	12	19	71
Sale of property, plant and equipment	19	248	287
Purchase of property, plant and equipment	(1,429)	(841)	(1,209)
Payments to acquire intangible fixed assets	-	-	(56)
Purchase of shares in subsidiary undertakings	-	-	60
Sale of share of joint interest	-	-	224
	(1,398)	(574)	(623)
Cash flow from financing activities			
Interest paid	(103)	(284)	(442)
Dividends paid to minority interests	-	-	(18)
Dividends paid to equity shareholders	(414)	(166)	(331)
Repayment of borrowings	(356)	(327)	(679)
Repayment of capital element of finance leases	-	(150)	(154)
	(873)	(927)	(1,624)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Six months ended 31 March 2010 £'000	Six months ended 31 March 2009 £'000	Year ended 30 September 2009 £'000
(Decrease) / increase in cash and short term deposits	(456)	331	821
Cash (outflow) / inflow from change in borrowings	(7,491)	(8,686)	833
Movement in net debt in the period	(7,947)	(8,355)	1,654
Net debt at 1 October 2009	(7,036)	(8,690)	(8,690)
Net debt at 31 March 2010	(14,983)	(17,045)	(7,036)

NOTES TO THE ACCOUNTS

1. Taxation

The taxation charge / (credit) on ordinary activities is calculated by applying the Directors' best estimate of the full year effective tax rate to the profit / (loss) before taxation.

2. Dividend

A final dividend of 2.5p per share was paid on 18 March 2010 to shareholders on the register on 19 February 2010. An interim dividend of 1.5p per share will be paid on 3 August 2010 to shareholders on the register on 9 July 2010.

3. Earnings per share

Basic earnings per share have been calculated by reference to 16,554,046 (2009: 16,554,046) shares in issue.

4. 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 as adopted by the European Union ('IFRS') as detailed in the financial statements for the year ended 30 September 2009. These policies are expected to be followed in the financial statements for the year ending 30 September 2010.

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 year ended 30 September 2009 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 either section 498(2) or section 498(3) of the Companies Act 2006.

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 2010.

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.

5. Bolton Fell

On 22 March 2010 the Group signed an agreement with Natural England to facilitate the cessation of peat harvesting from its site at Bolton Fell in Cumbria and to accelerate the process of peat bog regeneration. Under the arrangement Natural England agreed to pay the Group an advance payment of £9 million pending subsequent negotiation of the full extent of compensation due to the Group and have the option to acquire the shares in Boothby and Penicuik Peat Company Limited which holds the majority of the title to the Bolton Fell moss site. This initial payment was made in April 2010 and is not reflected in the financial statements produced above because certain legal conditions had yet to be fulfilled as at 31 March 2010.

William Sinclair's professional advisors calculate the value of the compensation due to the Group to be substantially greater than the £9 million advance payment. In the event that compensation cannot be agreed between the parties before 30 November 2011 the matter can be referred by either side to the Lands Tribunal for a decision. In such circumstances it is possible that payment of further compensation could be delayed by a further year or more.

Under the agreement William Sinclair will implement a phased withdrawal of peat harvesting from Bolton Fell and will greatly accelerate its existing programme of regeneration. William Sinclair's own team will be working closely with environmental experts from Natural England and other agencies to set out new plans to regenerate the peat bog in a practical and structured way. The Group does not expect this agreement to have a significant effect on its 2010 harvest from the site.

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