

William Sinclair Holdings plc



ANNUAL REPORT

for the year ended 30 September 2010



The professional grower's choice

William Sinclair is a fast growing and innovative supplier to the large UK horticulture market.

Built over a number of years our significant list of customers includes The Garden Centre Group (formerly Wyevale), Wilkinson, Homebase and B&Q as well as an extensive range of independent garden centres.

Sinclair's market leading brands include J Arthur Bowers, Growing Success and New Horizon, the leading brand in the fast growing peat free garden compost and organic plant foods sector.

Established in 1850, William Sinclair now supplies approximately one million cubic metres of growing media and a range of horticultural products to both the retail and professional grower markets.

William Sinclair stands for high levels of service and trust and our responsibility to care for the environment is at the heart of what we do. We are delighted to have launched the industry's most advanced peat alternative, SuperFyba.

With a reputation built on the provision of the highest quality and innovative products, combined with a specialist knowledge of the horticulture industry, we are proud to be known as the Professional Grower's Choice.



HIGHLIGHTS

William Sinclair Holdings PLC is one of the UK's leading producers of commercial horticulture and branded garden products. William Sinclair's well established brands include J Arthur Bower's, Growing Success and New Horizon - the leading brand in the fast growing peat free garden compost and organic plant foods sector. William Sinclair's customers include national accounts such as The Garden Centre Group (formerly Wyevale), Wilkinson, Homebase and B&Q as well as an extensive range of independent garden centres.

HIGHLIGHTS

- Pre-exceptional profit before tax doubles to £2.52 million (2009: £1.24 million)
- Net debt eliminated leaving net cash of £1.81 million (2009 net debt of £7.04 million)
- Recommending a final dividend of 3.5p per share making a total for the year of 5.0p (2009: 3.5p)
- £9 million advance payment received from Natural England
- Step change in company performance achieved
- Technological breakthrough and industry first with "SuperFyba" peat alternative
- High stock levels built for the season ahead

Bernard Burns, Chief Executive:



"The doubling of our profits demonstrates the successful execution of our growth strategy. Our focus on customer service and product innovation and our extensive reserves of raw material have allowed us to win exciting new contracts and we are proud to supply premium brands to some of the most prestigious customers in the country.

"The recession has benefited William Sinclair with customers spending more time in their gardens as a more economical pastime than overseas holidays. We anticipate this trend will continue.

"The Group made a step change during 2010. Having built the necessary financial platform we were able to accelerate our growth strategy and, with our strong balance sheet and ambitious management team, we see further scope for expansion, both organically and by acquisition. We expect the Group to continue to perform strongly."

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CHAIRMAN'S STATEMENT



I am pleased to report a further, significant, improvement in the Group's profitability for the year ended 30 September 2010. We have successfully continued with our strategy of profitable growth, organically and by acquisition and, with further improvements in operating efficiency our pre-tax profits, before exceptional item, have increased by 103%.

Our internal objective of becoming the most efficient producer of peat and peat substitute growing media and fertiliser products to the retail and commercial sectors has seen us make improvements in peat harvesting techniques and in developing equipment to dry peat. These technological innovations reduce our exposure to adverse weather and improve yield and transport costs. This is partly responsible for the 59% improvement in our operating profits before exceptional items.



These successes have generated a pre-tax profit of £2.5 million before exceptional item, for the 12 months ended 30 September 2010, well ahead of the £1.2 million profit in the previous period. The exceptional item of £0.46 million relates to the impairment of our Oswaldtwistle site, currently held for re-sale.

Sales revenue in the year was £48.5 million which was an increase of £2.2 million (4.7%) on the previous year. Much of this increase was from growing media sales to retail customers where we increased our share of a market which held up well in recessionary conditions. Strong sales growth at Freeland was helped by sales of top soils to Olympic sites which more than compensated for sales reductions to a badly recession affected construction industry.



We are very pleased to be recommending a final dividend of 3.5p per share making a total for the year of 5.0p, a 43% uplift on the previous period.

In June 2010 Freeland launched a synthetic peat substitute (SuperFyba) which will be used to continue to reduce our dependence on peat. This uses garden waste that previously went to landfill and reinforces our position as the industry's leader in environmental issues whilst reducing the impact of adverse weather conditions. Further investment in 2011 will increase availability of this material.

In April 2010 we received a £9 million advance payment from Natural England as part of our agreement to cease peat harvesting at Bolton Fell in Cumbria. Our full claim was submitted in October 2010 and is for a substantially higher figure. Whilst these negotiations are often protracted, we expect the matter to be fully resolved before the end of November 2013 when our activities on site must be complete.

Since the year end we have announced two small acquisitions which the Board believes will add approximately £5 million of sales in a full year and will increasingly be earnings enhancing. This is part of our programme to reduce costs and grow revenues and profitability both by acquisition and by organic means.

The Group statement of financial position shows an improvement of £0.8 million compared to last year but the accounting treatment of the £9 million received from Natural England means that no benefit for this is included.

William Sinclair already has good listings for next year with an increasing number of retail customers and this, combined with the recent acquisitions and our efficiency and material advantages, should allow us to make further strong progress in the year ahead.

Bill Simpson
Chairman
4 January 2011

DIRECTORS

Non-executive directors

Bill Simpson (62)
(Non-executive Chairman)

Bill Simpson was appointed Chairman on 1 October 2005 having joined the Board on 1 September 2004. He spent thirty eight years with Silentnight Holdings plc, the bed and furniture manufacturer. After a career in purchasing and managing the supply chain, he moved into general management over 25 years ago, concluding with eleven years as Group Managing Director/Chief Executive.

He is Chairman of the Nominations Committee and a member of the Remuneration Committee.

Ken Piggott (61)
(Senior Independent Non-executive Director)

Ken Piggott was appointed Senior Independent Non-executive Director on 1 May 2006. He is a former Managing Director of Boots The Chemists Ltd and was an Executive Director of The Boots Company plc. In a career spanning over 30 years, he has managed a number of major UK retail businesses, including Childrens World, Do-It-All and Halfords and led Boots The Chemists until his retirement in 2003. He is currently Chairman/Non-executive Director of a number of commercial and not-for-profit organisations.

He is Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominations Committee.

Philip Nuttall (59)
(Independent Non-executive Director)

Philip Nuttall was appointed Non-executive Director on 1 March 2005. He is a member of the Chartered Association of Management Accountants. He was Finance Director of the European Division of Exel Logistics Limited from 1993 to 1995. He joined Autologic Holdings plc in September 1995 and was Group Finance Director from January 1996 until March 2005 when he assumed the position of Chief Executive (UK & Eire) until his retirement in April 2006.

He is Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominations Committee.

Executive directors

Bernard Burns (53)
(Chief Executive Officer)

Bernard Burns was appointed Chief Executive Officer in February 2005. He has a BSc Hon from Leeds University and is married with 3 children. He worked for Marks and Spencer and Vantona Viyella, before his first Managing Director role with Churchill Tableware at the age of 31. He featured favourably in the BBC TV series Troubleshooter, with Sir John Harvey Jones, since when he has been Managing Director of several companies including Bluebird Toys (International), Silentnight Beds and Silentnight Furniture.

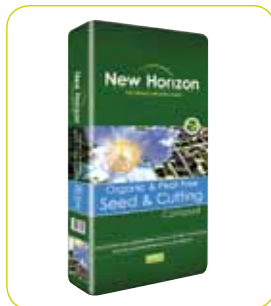
Peter Williams (46)
(Finance Director and Company Secretary)

Peter Williams was appointed a Director and Company Secretary in February 2005. He is a graduate of the London School of Economics and qualified as a chartered accountant in 1988. After spells in corporate finance and on secondment to NatWest's corporate lending department he joined an MBO team to become Finance Director at a horticultural supply company. After successfully negotiating the exit of the venture capitalist five years later the business became part of a Dutch based international group. He was appointed a director of the Dutch holding company.





CHIEF EXECUTIVE'S STATEMENT



The Group made excellent progress in the year ended 30 September 2010. Group profitability grew substantially and we consolidated our position as one of the leading companies within the horticulture market. The prospects for the coming year are very encouraging.

The 2010 selling season

Across the horticulture industry, consumer demand during the traditionally busy spring period was satisfactory and, due to a number of key strategic decisions, William Sinclair performed particularly strongly.



Following the introduction of new harvesting techniques in 2010, William Sinclair achieved high stock levels that enabled us to meet all customer demand this year. Our sales also benefited from reduced competition in the retail market, with many smaller competitors facing shortages of raw materials.

With our ongoing investment programme, William Sinclair is now firmly regarded as being the market leader in peat free products. This was reflected by a particularly strong performance by our peat free New Horizon compost as sales grew during the year by 39% (compared with growth of 23% for the peat free market in general) and the product was once again awarded "Best Buy" status by "Which" magazine.

Our excellent delivery service made William Sinclair the "go to" supplier as customers switched purchasing to us during the peak season. Our market research shows that, within the growing media retail sector, William Sinclair gained market share from both its main rivals.



Freeland, our subsidiary with a core business supplying specialist soils to large civil engineering projects, had another strong performance and secured a number of additional contracts relating to the 2012 Olympics, which offset a contraction within the construction industry.

In addition, Freeland established a number of manufacturing sites outside the home counties, meaning the business is now strategically placed to become a nationwide supplier of specialist soil materials.

Bolton Fell

In April we announced the signing of an agreement with Natural England committing the Group to a cessation of peat harvesting at the Bolton Fell site by November 2013.

That process has already begun and an area of the bog that we had intended to harvest was handed over to Natural England immediately.

As part of the agreement, a £9 million pre-payment was received by the Group in April 2010. This payment has not had a direct impact on our income statement but is shown as a non current item on our statement of financial position. Our cash position has significantly improved as a consequence.

In keeping with the agreement, a claim was submitted to Natural England in October 2010. The value of the claim calculated by independent specialist advisors is substantially greater than the pre-payment received. The directors believe that the eventual settlement, which could take two years to reach, is likely to generate a further substantial payment for William Sinclair.

Environmental performance

During June 2010 Freeland made a technological breakthrough and launched a synthetic peat substitute called "SuperFyba". Made from recycled material, SuperFyba has taken four years to develop and has required a £1.5 million investment program.

The material has many attractive attributes: it is lightweight, has low electrolyte levels, is sterile and affordable. Its physical properties are closer to peat than any other high volume alternative currently available and this industry first has been well received by

both customers and environmentalists. Over 100 customers are conducting trials with the material and it is evident that demand will exceed supply for some time. We plan to bring a second production unit on line in the current financial year.

The 2010 harvest

The peat harvest fell short of Group expectations, although markedly above that achieved in either of the two preceding years.

As another example of our ongoing investment program, William Sinclair has developed and commissioned equipment for the drying of peat. A significant volume of peat was produced in the year using this new technology.

We believe that the combination of this technology and the development of "SuperFyba" (neither process is affected by adverse weather), should ensure that the Group will no longer be forced to buy scarce peat during poor harvest years in the foreseeable future.

Bank facilities and pension scheme

Our relationship with the Group's bank Lloyds Banking Group remains excellent and they have continued to be supportive throughout the year. The receipt of the pre-payment from Natural England as compensation for Bolton Fell will allow the Group to reduce its loan facility, subject to acquisitions and the progress of our search for a "super site" as we outgrow our current facilities at Lincoln. Our search for a suitable location is ongoing.

The Group's pension deficit has increased by £140,000 over the year due to changes in the actuarial assumptions used, the investment returns achieved and the movement in bond rates. The increase is after a repayment contribution of £600,000 which was made in the year in line with the ten year deficit reduction plan agreed with the scheme trustees and the Pension Regulator. Both the pension trustees and the Sinclair directors are confident that the plan will address the pension deficit without disrupting the Group's accelerated growth strategy.

Acquisitions and distribution agreements

The Group announced in November 2010 the acquisition of the assets and trade of Growing Success Organics (GSO) and, in early December, an aggregate business. The total cost of the two acquisitions was £1.1 million. The acquired businesses should contribute approximately £5 million of turnover in a full year. The integration of these businesses is progressing well with minimal disruption and sales of GSO via our substantial sales network are already increasing. We expect these businesses to be modestly earnings enhancing during the current financial year with a fuller benefit being achieved in the following year.

Outlook

The performance of the Group has been strong and evidence suggests that the horticulture industry, despite the public sector spending cuts, is recession resistant.

Growing media is relatively inexpensive and our customers' profile is largely over 45 years old - many already drawing index linked pensions. Hobby gardening is increasingly a popular and less expensive alternative to foreign holidays.

With our strong balance sheet and growing market share the Group is again demonstrating its ability to benefit during the recession whilst being well placed to increase market share in our target markets. The combination of our peat drying technology to protect the Group from adverse weather, the development of SuperFyba and a number of operational improvements within the business confirms that William Sinclair is on track to become the leading supplier of horticultural products in the UK. The Board expects the Group to continue to grow and to perform strongly.

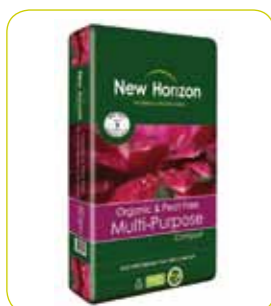
Bernard Burns

Chief Executive
4 January 2011





GROUP OPERATING AND FINANCIAL REVIEW



Basis of preparation

These financial statements are being reported under International Financial Reporting Standards.

Nature, objectives and strategies

The Group's businesses

The Group's operations are organised to supply markets in the horticulture sector, and are principally involved in the manufacture and supply of horticultural consumables through retail and professional channels and our strategy going forward continues this focus.



A review of the market is given in the Chief Executive's statement on pages 4 to 5.

Environmental matters

The Group recognises that its products and operations have an effect on the environment in a number of ways. The Group is committed to continually striving to reduce any negative environmental impact. In conducting its business the Group will:

- Meet or exceed all relevant environmental legal requirements.
- Reduce the level of carbon emissions associated with our growing media. In 2003 we emitted around 8.7 kg CO₂ per m³ of growing media produced. This was reduced to 7.5 kg per m³ in 2005. We believe we have met our target of a figure below 7.0 kg per m³ in 2010 by increasing the average volume of growing media delivered on each vehicle and by reviewing vehicle usage patterns to reduce empty vehicle miles. We estimate that we are currently well in front of all our major competitors in this area.
- Actively promote peat alternatives wherever appropriate to market conditions. In the period under review we increased the volume of peat substitutes we used by just over 350,000 m³ compared to last year's 200,000 m³. Over 50% of this came from recycled material.
- Regenerate worked out peat fields in accordance with requirements identified in our planning consents. In many areas this will involve regeneration as wetland. Our current performance is to achieve 75%.
- Re-establish 75% mire bio-diversity within 10 years of cessation of peat extraction.
- Protect peatland areas of high conservation value which adjoin, or are adjacent to, our worked peat fields in a proactive way.
- Continue only to harvest peat from areas of low current conservation value and harvest peat in accordance with the International Peat Society and International Mire Conservation Group, Wise Use Guidelines (2002).
- Reduce, reuse or recycle wastes where economically possible, and ensure wastes are disposed of in accordance with best practice.
- Seek to minimise the packaging associated with our products. Since 2003 the weight of plastic packaging we have used per m³ of growing media has been reduced by around 20%.



GROUP OPERATING AND FINANCIAL REVIEW

Business objectives

Meeting the following business objectives is key to achieving the financial and non-financial measures that increase shareholder value.

- Maximising shareholder return
- Maximising customer satisfaction
- Improving operational efficiency
- Securing employee health and safety

Business strategies

The Group's strategy is to optimise manufacturing efficiency through investment in modern equipment and minimising distribution mileage. This may involve the moving of certain sites, together with some rationalisation.

Organic sales growth will arise as customers migrate from competitors in recognition of our market leading service, quality and value for money.

In addition to organic growth in sales we will continue to consider acquisitions where appropriate to achieve full utilisation of our manufacturing efficiency.

Current and future development and performance

Business development and performance

The following discussion of the Group's performance is conducted wholly in the context of financial performance as measured under International Financial Reporting Standards ("IFRS").

Group revenue

	2010 £000	2009 £000
Total Group revenue	48,456	46,275

The Group's reported turnover from continuing operations has increased by approximately £2.2 million or 4.7%. This is in line with our expectations as we grow market share.

Profit before tax

	2010 £000	2009 £000
Pre-tax profit before exceptional items	2,523	1,240
Exceptional items	(460)	–
	2,063	1,240

The twelve months under review have been a turbulent time for the economy. As expected, however, gardening has proved a resilient sector. Well funded businesses have been in a strong position at a time when bank support has been uncertain for others. The Group has made good progress on sales and has been able to reduce costs. As a consequence margins and operating profits have improved.



Capital structure and net debt

The Group's capital structure is as follows:

	2010	2009
	£000	£000
Net (cash)/ debt	(1,807)	7,036
Group shareholders' equity	16,466	15,659
Capital employed	14,659	22,695

The Group had no net debt at the year end. This was primarily as a result of the receipt from Natural England in April 2010 but also reflects a successful year's trade and good working capital management. The Group has a target of borrowing not more than 35% of capital employed.

The Group's debt comprises the balance of a fixed term loan taken out in January 2008 to fund the acquisition of Joseph Metcalf Limited and a fixed term loan taken out in October 2004 for the purchase of additional freehold storage land in Lincoln together with cash balances and overdrafts as follows:

	2010	2009
	£000	£000
Cash and cash equivalent	3,650	955
Overdrafts	(21)	(5,455)
Loans	(1,822)	(2,536)
Net cash/(debt)	1,807	(7,036)

Clearly the £9 million receipt from Natural England has improved the Group's cash position. This item is shown in the statement of financial position as a non current item. Finance costs for the year are significantly lower as a result of the strong cash position.

Performance against KPIs

The Board has assessed that the following key performance indicators ("KPIs") are the most effective measures of progress towards achieving the Group's strategies and as such towards fulfilling the Group's objectives.

Measure	2010	2009
Sales growth/(fall)	4.7%	(4.8%)
Operating profit percentage before exceptional item	6.1%	4.0%
Return on capital employed before exceptional item	12.5%	7.7%
Number of accidents	2	2

Sales in the year are £2.2 million higher than in the twelve months to 30 September 2009. This reflects a steady improvement in demand and some modest price increases.

Operating profit is still below target as a percentage of sales although another improvement on the previous period. Costs have been lower with ongoing efficiency initiatives and margins have improved in difficult economic circumstances.

Group return on capital employed has risen from 7.7% to 12.5% before allowing for the exceptional impairment of freehold assets held for sale. This is a further improvement but the Board still believes that the long term target of 15% is attainable as the Group improves its margins through price increases and further improvements in purchasing and production efficiencies. It will also take advantage of a number of opportunities to work its asset base more effectively.

We monitor a range of "accident statistics" to ensure that the fullest priority is given to the health and safety of our employees. All accidents are investigated with a view to improving work procedures and the working environment so as to minimise the risk of further accidents. The number of accidents resulting in a three day absence or longer has remained relatively low but clearly the target is to have no such accidents.

We also monitor customer satisfaction through a variety of measures and are pleased to conclude that we have maintained our good reputation for customer service. We believe that William Sinclair leads the marketplace in customer satisfaction and is in a position to increase market share as a consequence.

Future development

As set out above, the Board believes it has strategies in place to improve the Group's performance in the years ahead. Sales will be achieved by maintaining our reputation while developing and/or acquiring additional product ranges and making technological improvements to our products. The Board is assessing the impact of the agreement to cease peat harvesting from Bolton Fell over the next four years.

Resources, risks and relationships**Resources**

The Group aims to safeguard the assets that give it competitive advantage, being its reputation for quality, its access to efficient sources of growing media and its people.

Reputation

Each area of the business has a strong interest in preserving and enhancing its reputation with customers, staff, suppliers and the market place generally. As a consequence the management of each area seeks to ensure that reputation is protected through quality controls, performance targets and staff development.

Employees

The Group aims to recruit and retain employees who are valued for their contribution and able to fulfil their potential in meeting the Group's business objectives. To achieve this, each sector aims to provide opportunities for its employees to develop their skills through ongoing training.

The Group's strategies for retaining staff include the provision of competitive terms and conditions, communication of business performance and objectives, family-friendly policies and bonuses or profit share schemes.

Principal risks and uncertainties

Management carries out an annual, formal review of the risks facing the Group. Risks are identified along with the likelihood of them arising and are assessed in terms of possible consequences. Where merited, actions are identified to reduce the risks or mitigate the likely consequences.

The main areas of risk are in customer retention and credit risk, product liability, physical loss of assets and financial loss of assets. The Group's actions in these areas include protecting reputation and customer satisfaction along with quality assurance procedures. In addition the Group has extensive insurance policies in place.

Intellectual capital

The Group has an extensive range of trademarks that are protected through registration in both the UK and overseas markets. It continues to develop innovative products and constituents of existing products in order to maintain its position in the market place.

Relationships

The Group recognises its responsibilities to stakeholders other than its shareholders and employees. It seeks to participate in local communities by using local services and suppliers where possible, taking account of local comment to minimise the impact of its operations and by encouraging staff to be involved in local activities.

We participate in trade associations and industry groups where these give us genuine access to customer and supplier groups and decision makers in government and other regulatory bodies.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP will be put to the Annual General Meeting in February 2011.

Financial position**Finance revenue and costs**

Interest costs in the year have fallen substantially reflecting low interest rates for the whole year and the receipt of £9 million from Natural England in April 2010. The Group has benefited from the low rates during the first half of the year but has achieved very modest returns on its cash balances in the second half.

The pension finance cost is the difference between the expected return on the pension scheme's assets and the cost of unwinding the discounted value of future benefits by one year. This produced a charge to the income statement of £317,000 (2009: £266,000). Further details are set out in note 33.

Taxation

An analysis of the taxation charge is set out in note 11 to the financial statements. The total tax charge as a percentage of profit before taxation was 19.6% (2009: 6.2%). This compares with the current standard rate of UK corporation tax of 28%. During the period the Group utilised previously unrecognised tax losses available in its Joseph Metcalf business and also established an additional deferred tax asset in respect of capital losses in the holding company which were not previously recognised.

Deferred tax is recognised on all revaluation gains even if the Group has no plans to dispose of the related assets.

Earnings per share

Basic EPS from continuing operations has increased again from 6.8p to 9.8p and diluted EPS has also increased from 6.8p to 9.7p. This reflects the improved operating profits of the Group for the year as set out above. Before the effect of the exceptional item, basic EPS was 12.1p and diluted EPS was 12.0p.

Cash flow

The Group has continued to work hard to control its cash position over the last year as the impact of the recession and the banking crisis made customers and suppliers either nervous or vulnerable or both. As a consequence of the prudent approach adopted and the receipt from Natural England the year end net cash position was £1.8 million compared to net debt at the previous year end of £7.0 million. Balances outstanding on bank loans were reduced in the year by £714,000.

Cash generated from operations in the year was £2.9 million (2009: £3.1 million). This arose from a significant improvement in operating margins. The Group has deliberately taken advantage of the Summer months to build stock for the 2011 season. This is because this is considered to be the most efficient time to make stock and the Group has ample cash reserves to fund it. At the same time the Group paid its trade and other creditors in good time in order to maintain its good credit rating.

The net cash outflow from investing activities of £1.6 million (before the Natural England receipt) was a significant increase of the previous year's £0.6 million. This reflects the Group's willingness to invest in capital equipment for the future. In 2009 the Group disposed of its 50% joint interest in Bark Products (Scotland) Limited to its former joint owner.

The net cash outflow from financing activities of £1.6 million (2009: £1.6 million) represents interest and dividends paid in the period and the scheduled repayments on bank loans.

Distributions

Details of dividends paid and proposed during the period are given in the directors' report on page 22.

Treasury policies

The objectives of the treasury function is to manage the Group's financial risk; secure cost-effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group finances its activities with a combination of retained earnings, overdraft and bank loans. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group does not currently enter into derivative transactions such as forward currency contracts or interest rate swaps. The Group does not trade in financial instruments.

The main risks associated with the Group's financial assets and liabilities are set out below.

Foreign currency risk

The Group has no investment in operations outside the United Kingdom.

Wherever practical the Group seeks to purchase and sell goods and services in sterling. On occasions this is not possible with the result that a small proportion of transactions, both purchases and sales, are denominated in either euros or in US dollars. The net impact of these transactions is broadly neutral but any short-term exposure above a modest level approved from time to time by the Board is closed out using spot purchases or sales of currency. Where an individual transaction is likely to be above £100,000 then it is immediately taken into account in assessing the short-term exposure and limited forward currency contracts may be utilised. There were no such contracts outstanding at the balance sheet date.

Interest rate risk

The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Because of the seasonal nature of the business the Group requires significant short-term debt. The Board considers that the interest rate risk on this debt is very limited and so utilising variable rate debt is appropriate. The Board considers the interest rate risk on the current level of long term debt is not significant.

Credit risk

The Group supplies most of its customers on credit and applies strict credit account opening procedures which include the need to obtain a credit rating. In addition the Group purchases credit insurance to cap its exposure at a percentage of individual balances subject to a minimum balance. Individual customer exposures are monitored in conjunction with the insurance company to ensure that the Group's exposure to bad debts is at an acceptable level. Where the insurance company reduces or removes cover then the Group normally does the same. Exceptionally the Board may maintain a credit limit for a customer in these circumstances where, in the opinion of the Board, the customer trading relationship justifies it. In these circumstances the Board reviews the position of these customers at each full Board meeting.

Liquidity risk

The Group aims to minimise liquidity risk by close management of its cash generation. Bank balances are monitored on a daily basis. Capital expenditure is carefully controlled, with authorisation limits for the executive directors beyond which full Board approval is required. Cash payback periods are reviewed as part of the investment appraisal process.

The Group's funding needs are currently met through retained earnings, short term debt in the form of overdraft facilities and an acceptable level of long term debt. The seasonal nature of the business makes this the most appropriate debt profile. Should the business require additional long term funding then appropriate borrowing policies will be set by the Board in conjunction with the debt providers. Short term excess cash is only invested in interest bearing deposits with maturities fixed at no more than 3 months.

Price risk

The Group is exposed to changes in raw materials and packaging prices where these are based on worldwide commodity prices for fertilisers or on oil prices. The Group minimises its exposure through fixed supplier agreements where possible, including for the supply of fuel oil and gas. Many packaging plastics are dependent on oil prices and the Group puts in place rolling three month purchase agreements to reduce the impact of price fluctuations. It is, and has been throughout the period under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

Capital risk

The Group aims to balance its capital profile between debt capital and shareholders' equity. The availability of debt capital is preserved through good relations with the Group's bankers and the maintenance of strong financial ratios. Similarly, the Group aims to keep its shareholders informed and to pay a satisfactory return on shareholder investment.

Going concern

The activities of the Group, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's statement on pages 4 to 5 and the Group Operating and Financial review on pages 6 to 12. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the financial review on pages 6 to 12. Based on the Group's cash flow forecasts and assessment of downside risk, the directors believe that the Group will meet its borrowing requirements and comply with its banking covenants. As a consequence they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

On behalf of the Board

Peter Williams

Finance Director
4 January 2011

The Company is listed on the Alternative Investment Market ("AIM") and is therefore not required to comply with the Combined Code 2008. However it continues to be committed to meeting high standards of corporate governance following its move from the main market to AIM. As such the Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately to creating shareholder value. This statement explains how the Company has applied the main and supporting principles of the Combined Code on Corporate Governance published by the Financial Reporting Council.

Board composition and independence

The Board currently comprises the non-executive chairman, the chief executive, the finance director and two non-executive directors. All three non-executive directors are considered by the board to be independent. Their biographies on page 3 demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The roles of chairman and chief executive are distinct, as set out in writing and agreed by the Board. The chairman is responsible for the effectiveness of the board and the chief executive is accountable for the management of the Group.

There were no changes in the period to the roles undertaken by the non-executive directors.

Ken Piggott is the senior independent director and is available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or finance director has failed to resolve or for which such contact is inappropriate.

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the financial statements is set out on page 18 and a statement on going concern is given on page 12.

The Board has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. Other matters are delegated to management, supported by policies for reporting to the Board. The company secretary, Peter Williams, is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with and for advising the Board, through the chairman, on governance matters. The appointment and removal of the company secretary is a matter for the Board as a whole. The Company maintains appropriate insurance cover in respect of legal action against the company's directors.

The Board met 13 times during the period. The Chairman ensures that there is adequate opportunity for the chairman and non-executive directors to meet without executives present. The agenda and relevant briefing papers are distributed by the company secretary on a timely basis, usually the week before each board meeting.

The following Board committees deal with specific aspects of the Group's affairs. Terms of reference of each committee, explaining its role and the authority delegated to it by the Board, are available on the Company's website. The committee chairmen report regularly to the whole Board and are required to confirm that the committees have sufficient resources to undertake their duties.

Nomination Committee

The nomination committee met formally just once during the period. Its current members are Bill Simpson, Philip Nuttall and Ken Piggott. The committee is responsible for ensuring that the Board comprises an appropriate balance of skills, knowledge and experience and as part of this role leads the process of recommending candidates for appointment to the Board. In appropriate cases, recruitment consultants are used to assist the process. The terms and conditions of the appointment of non-executive directors are available for inspection at the registered office and at the Annual General Meeting. The nominations committee also coordinates the performance evaluation of directors and senior management and considers those candidates presenting themselves for election at the AGM.

Audit Committee

The audit committee met twice during the period and its members are Philip Nuttall (Chairman) and Ken Piggott. The Board is satisfied that at least one member of the audit committee has recent and relevant financial experience. The audit committee comprises only independent non-executive directors, as required by the Combined Code. Meetings are also attended by the audit partner and, by invitation, the chairman, chief executive and the finance director. The role and responsibilities of the audit committee are set out in terms of reference available on the Company's website and are described in more detail in the Audit Committee section below.

Remuneration Committee

The remuneration committee met 4 times in the financial period. It comprises Ken Piggott (Chairman), Philip Nuttall and Bill Simpson. The committee is responsible for setting the remuneration for all executive directors and the chairman, including pension rights and provision for compensation payments. The committee also recommends and monitors the level and structure of remuneration for senior management. The remuneration of non-executive directors is a matter for the chairman and executive members of the board, within limits set in the Articles of Association. The remuneration committee consults with the chairman and chief executive concerning the remuneration of other executive directors. Further details of the role and responsibilities of the remuneration committee and its activities during the period are given in the report on directors' remuneration on pages 19 to 21.

Meetings and attendance

The following table summarises the number of Board, Audit, Remuneration and Nomination Committee meetings held during the period and the attendance record as members or by invitation of individual directors.

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in period	13	2	4	1
B P Burns	13	*2	*2	*1
P D Williams	13	*2	*2	*1
W Simpson	13	*2	4	1
P J Nuttall	13	2	4	1
K Piggott	13	2	4	1

* by invitation

Induction, training and performance evaluation**Induction and training**

New directors receive induction on their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information about the Group. There were no new directors appointed in the period.

The chairman ensures that directors update their skills, knowledge and familiarity with the Company as required to fulfil their roles on the Board and on board committees. Ongoing training is provided as necessary and includes updates from the company secretary on changes to the Listing Rules, requirements under the Companies Act and other regulatory matters. Directors may consult with the company secretary at any time on matters related to their role on the Board. All directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the chairman or the company secretary.

Evaluation of the Board's performance

Performance evaluation takes place at a number of levels, for individual directors, board committees and in assessing the effectiveness of the Board as a whole. The evaluation of individual directors' performance is the responsibility of the nomination committee. The results of individual evaluations are communicated to the Remuneration Committee.

The evaluation of non-executive directors uses self-appraisal to consider aspects of performance including attendance and participation at board meetings, quality of involvement in committees, commitment and effectiveness of their contribution to board activities (including the AGM and shareholder communications), the adequacy of training and director independence.

The performance of the chairman is reviewed annually in a meeting of the non-executive directors, led by the senior independent director. This review takes into account the views of executive directors who were interviewed by the senior independent director.

The chairman of each committee provides an annual report of its activities to the board and the company secretary presents to the board a summary of its activities during the period. The discussion of each report includes an evaluation of performance over the past period and consideration of objectives and resource requirements for the coming year.

Retirement and re-election

All directors are subject to election by shareholders after their appointment and to re-election thereafter at intervals of no more than three years.

Non-executive directors are appointed for specified terms, initially three years with the opportunity for renewal by the Company thereafter. The terms and conditions of appointment of non-executive directors are available for inspection at the registered office during normal business hours and prior to the AGM. Any recommendation to reappoint a non-executive director for a third term is preceded by a rigorous review by the nominations committee and takes into account the need for progressive refreshing of the board. If a non-executive director resigns a written statement should be provided to the chairman indicating whether the director has any unresolved concerns about the running of the Company.

Nomination Committee

The Nomination committee met once in the period to consider an extension to the appointment of Bill Simpson as Chairman. After consultations with the executive directors it was agreed to extend Mr Simpson's appointment for the three year period to 30 September 2013.

Audit Committee

The audit committee is responsible for reviewing the Group's internal control and risk management systems, and reviewing and monitoring the effectiveness of the audit function. Its role includes monitoring the integrity of the Company's financial statements and other formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them.

The audit committee advises the Board on the appointment, reappointment and removal of external auditors and approves their remuneration and terms of engagement, including developing and implementing a policy on the provision of non-audit services by the external audit firm. It also reviews and monitors the independence and objectivity of the external auditor.

The audit committee, comprising Philip Nuttall (Chairman) and Ken Piggott, met twice during the period. The chairman invited Bill Simpson, Bernard Burns and Peter Williams to attend these meetings.

In the course of these meetings, the committee considered the following matters:

Internal controls: The committee has an ongoing process for reviewing the effectiveness of the system of internal controls. It noted the continuing improvements in the quality of management information.

Whistle blowing: The committee reviewed the Group's procedures for staff to raise concerns in confidence about possible financial reporting or other misconduct. The committee concluded no such concerns were raised during the period.

Financial reporting: The committee reviewed draft annual and interim reports before recommending their publication to the Board. The committee discussed with the chief executive and finance director the significant accounting policies, estimates and judgements applied in preparing these reports.

Reappointment of the external auditors: The committee recommended that the Board present a resolution to shareholders at the 2011 AGM for the reappointment of the external auditors. This followed an assessment of the quality of service provided, including the qualification of the external auditors, the expertise and resources made available to the Group, auditor independence and the effectiveness of the audit process. The decision was based on consideration of reports issued by the external auditors and feedback from the executive directors.

Internal audit function: The Group does not currently have an internal audit function. The audit committee annually considers the need for such a function but at present believes that the size and operational structure of the business make an internal audit function unnecessary.

Auditor independence: The committee satisfied itself as to the continuing independence of the external auditor. In doing so, it considered the following factors, having regard to the views of management and the external auditor:

- The auditor's procedures in place for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Company, other than those in the normal course of business permitted by UK ethical guidance.
- The auditor's policies for the rotation of the lead partner and key audit personnel.
- Adherence by management and the auditor during the period to the Group's policies for the procurement of non-audit services and the employment of former audit staff.

The audit committee has established policies determining the non-audit services that the external auditors can provide and the procedures required for pre-approval of any such engagement. These policies provide for the auditors to be engaged only for work that is not prohibited by professional or other regulatory requirements. This essentially limits work to tax services and assurance services that are of an audit nature, but excludes internal audit services and attest assignments that present a potential self-review threat, such as valuation services. Annually the finance director submits a report of fees charged and services provided by the auditors and this is reviewed by the committee to ensure policies have been complied with. The chairman of the audit committee reports to the Board identifying any matters where procedures could be improved.

Communications with shareholders

Communications with shareholders are given high priority. The Board is accountable to the Company's shareholders and as such it is important for the Board to appreciate the requirements of shareholders and equally that shareholders understand how the actions of the Board and short-term financial performance relates to the achievement of the Company's longer term goals.

The reporting calendar is dominated by the publication of interim and final results each year, in which the board reports to shareholders on its stewardship of the Company. The operating and financial review on pages 6 to 12 comments on the Group's financial performance in the context of the business risks faced and the objectives and plans for the future. At other times during the year, presentations to analysts and updates to the stock exchange are made available to all shareholders via the Company's website. In addition the chief executive and finance director meet with major shareholders to discuss governance and Group strategy.

The Chairman ensures that the chief executive and finance director provide feedback to the board following presentations to investors and meetings with shareholders and the Company's brokers are invited to attend Board meetings when investor relations are on the agenda.

The Annual General Meeting provides an opportunity for communication with private and institutional investors and the Board encourages shareholders to attend and welcomes their participation. All directors attend the Annual General Meeting and are available to answer questions. Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. All proxy votes are counted and the numbers for and against each resolution are announced after a vote of the members present. Details of resolutions to be proposed at the Annual General Meeting on 22 February 2011 can be found in the notice of the meeting.

Internal control

The directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the period under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews the process.

The Group's key risk management processes and system of internal control procedures include the following:

- **Management structure:** Authority to manage the various business operations is delegated to local management within limits set by the Board. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Functional, operating and financial reporting standards are established by head office management for application across the whole Group. The corporate procedures manual sets out, inter alia, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and other control procedures together with Group accounting policies.
- **Identification and evaluation of business risks:** The major financial, commercial, legal, regulatory and operating risks within the Group are identified through annual reporting procedures. The management team regularly reviews these risks to ensure that they are being effectively managed and appropriately insured, and prepares an annual Group risk assessment report. The team also undertakes regular reviews of the most significant areas of risk and ensures that key control objectives remain in place and reports its findings to the audit committee.
- **Information and financial reporting systems:** The Group's comprehensive planning and financial reporting procedures include detailed operational budgets for the year ahead and a three year rolling plan. The Board reviews and approves them. Performance is monitored and relevant action taken throughout the year through the monthly reporting of key performance indicators, updated forecasts for the year together with information on the key risk areas.
- **Investment appraisal:** The budgetary process and authorisation levels regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board. Reviews are carried out after the acquisition is complete, and for some projects, during the acquisition period, to monitor expenditure. Commercial, legal and financial due diligence work is carried out if a business is to be acquired.

The audit committee has reviewed the effectiveness of the system of internal control and has reported its findings to the Board. The key processes applied in so doing are described in the audit committee section above.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Bill Simpson
Chairman
4 January 2011

Remuneration committee and advisers

The remuneration committee is chaired by Ken Piggott. Its other members are Philip Nuttall and Bill Simpson. The committee makes recommendations to the board, within agreed terms of reference, on an overall remuneration package for executive directors and other senior executives. Bernard Burns, the Chief Executive, provides advice in relation to the remuneration of other senior executives. During the year the committee engaged the services of both PricewaterhouseCoopers and MMK to advise on remuneration structures and levels.

Remuneration policy

The remuneration policy aims to ensure that senior executives are fairly rewarded for their individual contributions to the Group's performance and that remuneration packages are competitive with regards to those of comparable public companies. The Board's overall objective when establishing remuneration levels is to be able to attract and retain a high calibre of individual who will contribute positively towards the future of the Group.

Components of remuneration

The components of remuneration are:

- A base salary to reflect responsibility, individual performance and length of service. Reference is also made to external comparisons.
- Benefits in kind, including, for example, the provision of a company car and private health insurance.
- Performance related bonus, payment of which depends on performance in relation to budget over one financial year.
- Executive share option schemes. Under the terms of the share option schemes the Board may grant options to Directors and a wider group of senior executives at the market price prevailing at the time of the grant. Options are exercisable not less than three and not more than ten years after the grant. Awards under these schemes are designed to emphasise the correlation of interests of shareholders and senior management.
- Pension benefit: Mr P D Williams is a member of the Group Personal Pension Plan. The Company makes a contribution to the personal pension plan of Mr B P Burns.
- Long term incentive plan for senior executives which will pay out between 80% and 120% of base salary dependent on the Group achieving specified targets for profit before tax in the three years to 30 September 2010 and 30 September 2011. The plan has been updated for the three years to 30 September 2012 and will pay out in the form of nil cost share awards dependent on total shareholder return ("TSR") of the Group compared to the TSR of AIM listed companies.

Service contracts

The service contracts of the directors, or in the case of non-executive directors their letters of appointment, include the following terms:

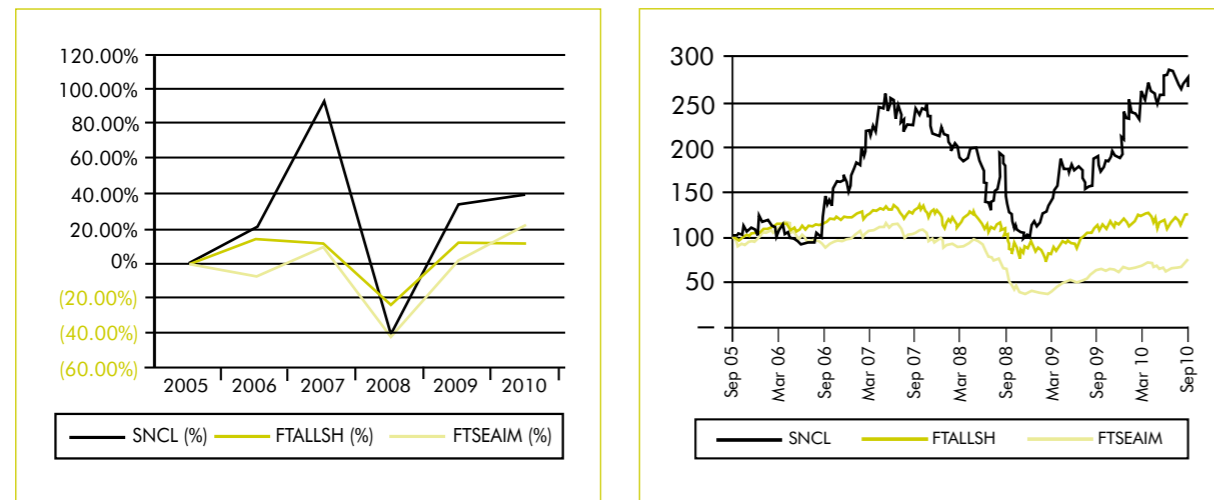
	Date of appointment or extension	Unexpired term at year end	Notice period
Executive directors:			
B P Burns	1 February 2005	N/A	12 months
P D Williams	14 February 2005	N/A	12 months
Non-executive directors:			
W Simpson	1 October 2010	36 months	6 months
P J Nuttall	1 March 2008	5 months	3 months
K S Piggott	1 May 2009	19 months	3 months

Provisions for compensation for early termination comprise only the payment of any unexpired notice period.

Mr K Piggott and Mr W Simpson, who were appointed directors in 2006 and 2004 respectively, retire from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election. Biographical details of all directors can be found on page 3.

Performance graph

The graphs below show the total shareholder return for each of the last five financial years in terms of the change in value (with dividends reinvested) of an initial investment of £100 on 1 September 2005 in a holding of the Company's shares ("SNCL") against the corresponding total shareholder return in a hypothetical holding of shares in the FTSE All Share index ("FTALLSH") and the FTSE AIM index ("FTSEAIM").



Directors' remuneration

The remuneration of the directors for the year to 30 September 2010 is as follows:

	Basic salary and fees £000	Benefits £000	Performance related bonuses £000	Total 2010 £000	Total 2009 £000
Executive directors:					
B P Burns	140	–	224	364	134
P D Williams	100	13	160	273	100
Non-executive directors:					
W Simpson	57	–	–	57	55
P J Nuttall	28	–	–	28	27
K S Piggott	28	–	–	28	27
	353	13	384	750	343

Defined contribution pension schemes

During the 12 month period the Group paid contributions to a personal pension plan for B P Burns of £28,000 (2009: £26,400) and paid contributions to the Group Personal Pension Plan in respect of P D Williams of £11,500 (2009: £10,350).

Directors and their interests

The directors at 30 September 2010 and their interests in the share capital of the Company are as follows:

	At 30 September 2010 Ordinary shares	At 30 September 2009 Ordinary shares
B P Burns	250,708	250,708
P D Williams	30,000	30,000
W Simpson	16,700	16,700
P J Nuttall	10,000	10,000
K S Piggott	10,000	10,000

Interests in options

The Company has two share option schemes by which executive directors and other senior executives are able to subscribe for ordinary shares in the Company. The interests of the directors were as follows:

		Exercise price £	At 1 October 2009 No.	Granted during the period No.	Exercised during the period No.	Lapsed during the period No.	At 30 Sept 2010 No.
B P Burns	(a)	0.596	240,000	–	–	–	240,000
	(b)	0.514	85,000	–	–	–	85,000
			325,000	–	–	–	325,000
P D Williams	(a)	0.596	80,000	–	–	–	80,000
	(b)	0.514	65,000	–	–	–	65,000
			145,000	–	–	–	145,000
			470,000	–	–	–	470,000

The options are exercisable between the following dates:

- (a) March 2008 – February 2012
- (b) October 2008 – September 2012

The share price at 30 September 2010 was 110p (2009 – 81.5p). The minimum and maximum share price during the period was 74.5p and 117.5p respectively.

On behalf of the Board

Ken Piggott
Chairman of the Remuneration Committee
4 January 2011

The directors present their report and the Group financial statements for the year ended 30 September 2010.

Results and dividends

The Group profit for the year, after taxation, amounted to £1,659,000 (2009: £1,163,000).

The directors recommend a final ordinary dividend of 3.5 pence per share, amounting to £579,392, making totals of 5.0 pence per share and £827,702 for the year. Because of the implementation of IFRSs, dividends are now recognised in the accounts in the period in which they are paid, or in the case of a final dividend when approved by the shareholders, such that the amount recognised in the 2010 accounts, as described in note 14, is made up of last period's final dividend and this year's interim.

The final ordinary dividend, if approved, will be paid on 17 March 2011 to ordinary shareholders whose names were on the register on 18 February 2011.

Principal activities

The Group manufactures and distributes a range of products for the retail and professional horticultural markets. These include growing media, lawn care, plant food and fertiliser products to consumers in the UK and overseas.

Business review and future developments

The Chief Executive Officer's review on pages 4 to 5 and the Group Operating and Financial Review on pages 6 to 12, which are incorporated into this directors' report by reference, provide a review of the business and progress against its key performance indicators during the year and descriptions of possible future developments and the principal risks and uncertainties facing the Group. Policies on employees, the environment and social and community issues form part of this directors' report. This review contains or cross references the information required by section 417 of the Companies Act 2006.

Financial instruments

The Group's risk management objective and policy are discussed in the Treasury Policies section of the Operating and Financial Review on pages 6 to 12.

Research and development

The Group continues to develop its product range particularly in the areas of green waste utilisation.

Post balance sheet events

On 8 October 2010 the Group acquired the assets and trade of Growing Success Organics ("GSO"), the market leader in specialist, environmentally friendly, garden care products. The Group expects the GSO range to achieve sales of approximately £3,000,000 in the year ended 30 September 2011 and believes that margins can be improved as a result of the significant synergies now available.

On 2 December 2010 the Group acquired a specialist aggregates trade from Monro Horticulture Limited. This business fits well with the Group's existing product lines but extends the customer base into an area where the Group previously had little presence. The Group expects this business to achieve sales of approximately £1,000,000 in the year ended 30 September 2011. After some initial adjustments the Group believes that margins can be improved. Further details are given in note 35.

Political and charitable donations

During the period the Group made charitable donations of £6,500 (2009: £nil). No political donations were made (2009: £nil).

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the period, the policy of providing employees with information about the Group has been continued through the monthly 'tier briefings' at which employees have been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, as permitted by section 234 of the Companies Act 2006, which were in force during the year.

Directors' interests and liabilities

The interests of the directors in the share capital of the Company are shown in the Remuneration Report.

Substantial shareholdings

The Company has been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 13 December 2010.

	Number of shares	% of issued share capital
Gartmore Investment Ltd	1,757,667	10.6%
Noguer Investments SA	1,510,296	9.1%
J M Finn & Co Ltd	842,150	5.1%
Small Companies Dividend Trust	650,000	3.9%
Richard Emslie	1,203,900*	7.3%
Alasdair Emslie	622,000*	3.8%

* Including 589,500 joint indirect interests

Supplier payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the relevant group company and its suppliers, provided that all trading terms and conditions have been complied with.

At 30 September 2010, the Group had an average of 36.4 days (2009: 34.9 days) purchases owed to trade creditors. The Company has no significant trade creditors.

Special business at the Annual General Meeting

Details of the special business to be transacted at the Annual General Meeting are contained in Appendix 1 to the Notice of Meeting.

Auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Share capital structure

The Company has one class of share being Ordinary Shares of 25p each. There are no special rights to any of the share capital. The authorised, allotted and fully paid share capital is shown in note 27.

The directors of the Company have received limited authority to authorise the Company to buy back shares and to allot shares. Resolutions will be placed before the Annual General Meeting to renew these powers.

Articles of Association

There are no special rules for the alteration of the Articles of Association and any amendments are approved by the shareholders. The Company has not yet adopted revised Articles of Association that comply with the Companies Act 2006 but these will be submitted for adoption at the Annual General Meeting in February 2011.

The notice covering the Annual General Meeting can be found accompanying this report and Accounts.

By order of the board

Peter Williams

Secretary

4 January 2011

We have audited the group and parent company financial statements (the "financial statements") of William Sinclair Holdings Plc for the year ended 30 September 2010 which comprise of the Group income statement, the Group statement of comprehensive income, the Group and Parent Company statement of financial position, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2010 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Lyon BSc FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
4 January 2011

GROUP INCOME STATEMENT

for the year ended 30 September 2010
Registered Number 1392876

	Notes	Before Exceptional Item £000	Exceptional Item (Note 7) £000	2010 Total £000	2009 Total £000
Revenue	3	48,456	–	48,456	46,275
Operating expenses	5	(45,490)	–	(45,490)	(44,407)
Provision against assets held for resale	7	–	(460)	(460)	–
Group operating profit		2,966	(460)	2,506	1,868
Finance income	9	57	–	57	71
Finance costs	10	(183)	–	(183)	(442)
Other finance cost – pensions	33	(317)	–	(317)	(266)
Share of post tax profits of joint venture accounted for using the equity method	18	–	–	–	9
Profit before taxation		2,523	(460)	2,063	1,240
Tax (expense)/credit	11	(479)	75	(404)	(77)
Profit for the year		2,044	(385)	1,659	1,163
All results relate to continuing operations.					
Profit for the period is attributable to:					
Owners of the parent company		2,007	(385)	1,622	1,128
Minority interests		37	–	37	35
		2,044	(385)	1,659	1,163
Earnings per share (pence)					
Basic EPS on profit for the year	13			9.8p	6.8p
Diluted EPS on profit for the year	13			9.7p	6.8p

The notes on pages 34 to 68 are an integral part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
Profit for the year		1,659	1,163
Other comprehensive income:			
Revaluation of property	15	–	6,165
Actuarial losses on defined benefit pension plans	33	(443)	(5,237)
Tax on items taken directly to or transferred from equity	11	178	(260)
Other comprehensive income for the year, net of tax		(265)	668
Total comprehensive income for the year		1,394	1,831
Attributable to:			
Owners of the parent company	29	1,357	1,796
Minority interests		37	35
Total comprehensive income for the year		1,394	1,831

The notes on pages 34 to 68 are an integral part of these financial statements.

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2010

	Notes	Group		Company	
		2010 £000	2009 £000	2010 £000	2009 £000
Non-current assets					
Property, plant and equipment	15	20,196	20,348	76	86
Intangible assets	16	1,607	1,644	–	–
Investments in subsidiaries	18	–	–	8,795	8,795
Deferred tax assets	11	–	–	404	–
		21,803	21,992	9,275	8,881
Current assets					
Inventories	20	10,929	8,638	–	–
Trade and other receivables	19	9,324	7,950	7,507	16,563
Cash and cash equivalents	21	3,650	955	162	162
		23,903	17,543	7,669	16,725
Assets held for sale	7	1,651	2,151	–	–
Total assets		47,357	41,686	16,944	25,606
Current liabilities					
Trade and other payables	22	9,256	7,061	1,561	813
Financial liabilities – borrowings	23	744	6,166	5,841	12,809
Corporation tax payable		328	437	–	–
		10,328	13,664	7,402	13,622
Non-current liabilities					
Financial liabilities – borrowings	23	1,099	1,825	1,099	1,825
Deferred tax liabilities	11	383	626	–	11
Provisions	25	232	231	–	–
Defined benefit pension plan deficit	33	9,601	9,461	–	–
Receipt from Natural England	36	9,000	–	–	–
		20,315	12,143	1,099	1,836
Total liabilities		30,643	25,807	8,501	15,458
Net assets		16,714	15,879	8,443	10,148

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2010

	Notes	Group		Company	
		2010 £000	2009 £000	2010 £000	2009 £000
Capital and reserves					
Equity share capital	27	4,139	4,139	4,139	4,139
Capital redemption reserve	29	1,523	1,523	1,523	1,523
Revaluation reserve	29	7,822	7,906	20	20
Other reserves	29	176	176	86	86
Retained earnings	29	2,806	1,915	2,675	4,380
Total shareholders' equity		16,466	15,659	8,443	10,148
Minority interests		248	220	–	–
Total equity		16,714	15,879	8,443	10,148

The notes on pages 34 to 68 are an integral part of these financial statements.

The financial statements on pages 26 to 68 were approved by the Board of Directors on 4 January 2011 and were signed on its behalf by

W Simpson
Chairman

P D Williams
Finance Director

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2010

	Equity Share Capital £000	Capital redem'n reserve £000	Rev'n reserve £000	Other reserves £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
At 1 October 2008	4,139	1,523	3,498	176	4,878	14,214	203	14,417
Profit for the year	-	-	-	-	1,128	1,128	35	1,163
Other comprehensive income:								
Revaluation of property	-	-	6,165	-	-	6,165	-	6,165
Actuarial losses on defined benefit pension plans	-	-	-	-	(5,237)	(5,237)	-	(5,237)
Tax on items taken directly to or transferred from equity	-	-	(1,726)	-	1,466	(260)	-	(260)
Depreciation transfer	-	-	(31)	-	31	-	-	-
Total other comprehensive income	-	-	4,408	-	(3,740)	668	-	668
Total comprehensive income	-	-	4,408	-	(2,612)	1,796	35	1,831
Transactions with owners:								
Eliminate deferred tax on share based payments	-	-	-	-	(20)	(20)	-	(20)
Equity dividends paid	-	-	-	-	(331)	(331)	(18)	(349)
Transactions with owners	-	-	-	-	(351)	(351)	(18)	(369)
At 30 September 2009	4,139	1,523	7,906	176	1,915	15,659	220	15,879
Profit for the year	-	-	-	-	1,622	1,622	37	1,659
Other comprehensive income:								
Actuarial losses on defined benefit pension plans	-	-	-	-	(443)	(443)	-	(443)
Tax on items taken directly to or transferred from equity	-	-	111	-	67	178	-	178
Depreciation transfer	-	-	(195)	-	195	-	-	-
Total other comprehensive income	-	-	(84)	-	(181)	(265)	-	(265)
Total comprehensive income	-	-	(84)	-	1,441	1,357	37	1,394
Transactions with owners:								
Share based payments	-	-	-	-	106	106	-	106
Deferred tax	-	-	-	-	6	6	-	6
Equity dividends paid	-	-	-	-	(662)	(662)	(9)	(671)
Transactions with owners	-	-	-	-	(550)	(550)	(9)	(559)
At 30 September 2010	4,139	1,523	7,822	176	2,806	16,466	248	16,714

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2010

	Equity Share Capital £000	Capital redem'n reserve £000	Rev'n reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2008	4,139	1,523	-	86	2,417	8,165
Profit for the year	-	-	-	-	2,314	2,314
Other comprehensive income:						
Revaluation of property	-	-	28	-	-	28
Tax on items taken directly to or transferred from equity	-	-	(8)	-	-	(8)
Total other comprehensive income	-	-	20	-	-	20
Total comprehensive income	-	-	20	-	2,314	2,334
Transactions with owners:						
Eliminate deferred tax on share based payments	-	-	-	-	(20)	(20)
Equity dividends paid	-	-	-	-	(331)	(331)
Transactions with owners	-	-	-	-	(351)	(351)
At 30 September 2009	4,139	1,523	20	86	4,380	10,148
Loss for the year	-	-	-	-	(1,155)	(1,155)
Other comprehensive income:						
Tax on items taken directly to or transferred from equity	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(1,155)	(1,155)
Transactions with owners:						
Share based payments	-	-	-	-	106	106
Deferred tax	-	-	-	-	6	6
Equity dividends paid	-	-	-	-	(662)	(662)
Transactions with owners	-	-	-	-	(550)	(550)
At 30 September 2010	4,139	1,523	20	86	2,675	8,443

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
Operating activities			
Group operating profit		2,506	1,868
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
Depreciation of property, plant and equipment		1,812	1,335
Amortisation of intangible assets		47	48
Impairment of assets held for sale		500	–
Profit on disposal of property, plant and equipment		(32)	(14)
Negative goodwill taken to the income statement	18	–	(60)
Share-based payments		106	–
Difference between pension contributions paid and amounts recognised in the income statement		(620)	(517)
(Increase) /decrease in inventories		(2,291)	3,383
(Increase)/decrease in trade and other receivables		(1,374)	45
Increase/(decrease) in trade and other payables		2,233	(3,039)
Increase in provisions		1	22
Cash generated from operations		2,888	3,071
Income taxes paid		(572)	(3)
Net cash flow from operating activities		2,316	3,068
Investing activities			
Interest received		57	71
Sale of property, plant and equipment		66	287
Purchases of property, plant and equipment		(1,694)	(1,209)
Payments to acquire intangible fixed assets		(48)	(56)
Purchase of shares in subsidiary undertakings		–	60
Receipt from Natural England	36	9,000	–
Sale of share of joint interest		–	224
Net cash flow from investing activities		7,381	(623)
Financing activities			
Interest paid		(183)	(442)
Dividends paid to owners of the parent		(662)	(331)
Dividends paid to minority interests		(9)	(18)
Repayment of borrowings		(714)	(679)
Repayment of capital element of finance leases and hire purchase contracts		–	(154)
Net cash flow from financing activities		(1,568)	(1,624)
Increase in cash and cash equivalents		8,129	821
Cash and cash equivalents at the beginning of the period	21	(4,500)	(5,321)
Cash and cash equivalents at the period end	21	3,629	(4,500)

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
Operating activities			
Operating loss		(1,869)	(619)
Adjustments to reconcile operating loss to net cash inflows from operating activities			
Depreciation of property, plant and equipment		10	–
Share-based payments		106	–
Profit on disposal of property, plant and equipment		–	(4)
Decrease/(increase) in trade and other receivables		9,056	(3,206)
Increase/(decrease) in trade and other payables		748	(175)
Cash generated from operations		8,051	(4,004)
Payments received for group relief		443	271
Net cash flow from operating activities		8,494	(3,733)
Investing activities			
Dividends received		–	3,000
Interest received		20	–
Purchase of property, plant and equipment		–	(36)
Sale of property, plant and equipment		–	4
Purchase of subsidiary undertaking		–	60
Net cash flow from investing activities		20	3,028
Financing activities			
Interest paid		(158)	(336)
Dividends paid to owners		(662)	(331)
Repayment of borrowings		(714)	(679)
Net cash flow from financing activities		(1,534)	(1,346)
Increase/(decrease) in cash and cash equivalents		6,980	(2,051)
Cash and cash equivalents at the beginning of the period	21	(11,936)	(9,885)
Cash and cash equivalents at the period end	21	(4,956)	(11,936)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

1. Authorisation of financial statements and statement of compliance with IFRSs

General Information

William Sinclair Holdings PLC is referred to as the Company and, when taken with its subsidiaries, the Group. The Group manufactures and distributes a range of products for the retail and professional horticultural markets. These include growing media, lawn care, plant food and fertiliser products to consumers in the UK and overseas.

The Company's ordinary shares are traded on the Alternative Investment Market. The Company is incorporated and domiciled in the UK. The address of its registered office is Firth Road, Lincoln, LN6 7AH.

2. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs), International Financial Reporting Interpretations Committee (IFRIC) interpretations and Standing Interpretations Committee (SIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRSs. The consolidated financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of freehold and leasehold properties.

The Group and Company financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

A summary of the principal accounting policies is set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Certain new accounting standards have been adopted as set out on page 41.

Basis of consolidation

The Group financial statements consolidate the financial statements of William Sinclair Holdings PLC and the entities it controls (its subsidiaries) drawn up to 30 September 2010.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Minority interests represent the portion of profit and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet separately from parent shareholders' equity.

Key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the balance sheet date. If in future such estimates and assumptions, which are based on management's best judgement at the date of the consolidated financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of property assets values and the measurement of defined benefit pension obligations. The Group determines property asset values by reference to external independent valuers. Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

Interests in joint ventures

The Group disposed of its interest in its only joint venture during 2009. Where the Group does have interests in joint ventures it adopts the equity method of accounting under which the interest in the joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of its net assets less any impairment in value of individual investments. The Group income statement reflects the share of a jointly controlled entity's results after tax.

Financial statements of all material, jointly controlled entities are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entities.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Goodwill

Business combinations for which the agreement date is on or after 1 July 2004 are accounted for under IFRS 3 (revised) using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised in the income statement. Goodwill arising on acquisitions before 30 June 2004 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement. The attributable amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill arising on acquisitions prior to 30 June 1998 remains set off against reserves and will not be included in determining any subsequent profit on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

- Computer software – 3-5 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, including peat bogs, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

Properties, including peat bogs, are recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined where possible from market based evidence by appraisal. Where there is no market based evidence of the value due to the specialised nature of the properties they are valued using depreciated replacement cost. Valuations are performed frequently enough, and at a minimum of every three years, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

A transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the assets and that based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is provided on all property, including peat bogs, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

- Freehold properties – over 50 years
- Leasehold properties – over the lease term
- Plant and machinery – over 3 to 10 years

The carrying values of property, including peat bogs, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

Leases

(i) Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

(ii) Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease payments are charged to the income statement on a straight line basis over the term of the lease.

Impairment of assets

The Group and Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group and Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Stocks are stated as the lower of cost and net realisable value using a first in first out (FIFO) basis.

Cost comprises the direct cost of production and 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 based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Investments

Shares and loans to subsidiary undertakings are stated at cost less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statements cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, which are amortised over the period of the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

Income taxes

The charge for taxation is based on the profits for the period and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Provisions

The costs of restoration of the Group's peat bogs are recognised as a liability as the peat is harvested. Provision is made as each site is worked and an obligation, as required by the planning consent, incurred. Where the effect of the time value of money is material the provision is discounted.

Derivative financial instruments

The Group has not used derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its cashflow risks associated with foreign currency and interest rate fluctuations. Should it do so, the Group's policy is that such derivative financial instruments are stated at fair value.

The fair value of forward contracts is calculated by reference to current forward exchange rates for contracts with a similar maturity profile, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Pensions

The Group operates a defined benefit pension scheme which was closed to new entrants in 1996. The contributions of eligible employees and employing companies 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.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the period. The expected return on plan assets is based on an assessment made at the beginning of the period of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the period. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses comprising differences between the actual and expected return on scheme assets, changes in scheme liabilities due to experience and changes in actuarial assumptions are recognised in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

The Group also operates a Group Personal Pension Plan, which is a defined contribution scheme. Contributions to the scheme are charged against the income statement as they arise.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates, VAT and other sales taxes or duty and after eliminating sales within the Group. Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on dispatch of the goods.

Revenue on goods sold to customers on a sale or return basis is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly. The level of returns are historically low due to the bulky nature of products sold on such a basis.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Equity settled share based payments

The Company operates an executive share option scheme for certain senior executives. Share options issued are exercisable subject to the attainment of certain market-based performance criteria.

The fair value of options granted after 7 November 2002 is calculated using mathematical models, including the Black-Scholes model, modified for the impact of market-based performance criteria and the resulting cost is charged to the income statement over the vesting period.

The Company re-assesses its estimate of the number of options that are expected to become exercisable at each balance sheet date as a result of changes in non-market based performance conditions. Any adjustments to the original estimates are recognised in the income statement.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

The Company also operates a Long Term Incentive Plan under which shares may be awarded to certain senior executives on a nil cost basis subject to the attainment of certain market-based performance criteria.

The fair value of these awards is estimated as at the date of grant using a Monte Carlo model which takes into account the terms and conditions under which the award was granted. The resulting cost is charged to the income statement over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

2. Accounting policies (continued)

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, the Group is committed to the sale and it is expected to be completed within one year from the date of classification. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods.

New accounting standards

The following new standards and amendments to standards are mandatory for the first time for the financial year ended 30 September 2010 and have been adopted in these financial statements:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. The Group has elected to present two statements: an income statement and a statement of comprehensive income.
- IFRS 8, 'Operating segments'. This standard requires a 'management approach' under which segment information is reported on the same basis as is used for internal reporting purposes. This has resulted in segment information now being reported via business line rather than geographical split.

There are various other new standards, amendments to standards and interpretations that are mandatory for the first time for this financial year, but do not have a significant impact on the Group.

The Group has early adopted the following standard during the year:

- IFRS 8 (amendment), 'Operating segments'. This amendment means that reporting of the Group's segment assets is not required as such reporting is not regularly provided to the executive directors.

New standards, amendments to standards and interpretations which have been published but are not yet effective are not expected to have a significant impact on the Group.

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	2010 £000	2009 £000
Sale of goods	48,456	46,275

No revenue was derived from exchanges of goods and services. The following table presents an analysis of the Group's revenue from external customers by geographical market:

	2010 £000	2009 £000
United Kingdom	47,695	45,459
Europe	656	685
Middle East, Far East and other	105	131
	48,456	46,275

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

4. Segment information

Within the horticulture sector the Board reviews the results of its Freeland business and certain ancillary businesses separately from those of its core horticulture business. The revenues and operating profits of these segments are shown below together with a reconciliation to the Group results.

	External sales		Internal sales		Total sales	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Revenue						
Horticulture	40,919	39,535	133	10	41,052	39,545
Freeland	4,195	3,235	78	136	4,273	3,371
Other	3,342	3,505	–	–	3,342	3,505
Total	48,456	46,275	211	146	48,667	46,421
Less intra group sales elimination	–	–	(211)	(146)	(211)	(146)
Total revenue	48,456	46,275	–	–	48,456	46,275

Segment revenue includes transactions between business segments. These transactions are eliminated on consolidation. Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement.

	2010 £000	2009 £000
Operating profit		
Horticulture	4,004	1,613
Freeland	412	361
Other	423	513
Total segment operating profit	4,839	2,487
Central costs	(2,333)	(619)
Total Group operating profit	2,506	1,868
Finance income	57	80
Finance costs	(183)	(442)
Other finance costs – pensions	(317)	(266)
Total Group profit before tax	2,063	1,240

Central costs include the administration costs of the holding company such as directors' remuneration, professional fees and stock exchange costs as well as the impairment of assets held for sale and no longer used in the horticulture segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

4. Segment information (continued)

Operating profit as reported above includes impairment, depreciation and amortisation charges as follows:

	Impairment		Depreciation and amortisation	
	2010 £000	2009 £000	2010 £000	2009 £000
Horticulture	–	–	1,562	1,156
Freeland	–	–	243	159
Other	–	–	44	58
Central costs	500	–	10	10
Total	500	–	1,859	1,383

Asset and liability information is not reported to the chief operating decision-maker on a segment basis and therefore has not been disclosed.

5. Operating expenses

	2010 £000	2009 £000
Depreciation of property, plant and equipment	1,812	1,335
Amortisation of intangible assets	47	48
Total depreciation and amortisation expense	1,859	1,383
Cost of inventories recognised as an expense	18,445	20,764
Operating lease payments	1,031	1,063
Staff costs (note 8)	10,430	8,373
Profit on disposal of property, plant and equipment	(32)	(14)
Other operating charges	13,757	12,838
Operating expenses	45,490	44,407

6. Auditors' remuneration

Services provided by the Group's auditor PricewaterhouseCoopers LLP are analysed as follows:

	2010 £000	2009 £000
Audit of the Group and Company's accounts	20	20
Other services		
– The audit of the Company's subsidiaries pursuant to legislation	37	32
– Services relating to corporate finance transactions	25	–
– Services relating to recruitment and remuneration	15	–
– Other services relating to taxation	13	11
	110	63

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

7. Exceptional items

The Group has certain surplus freehold properties for which it is actively seeking a purchaser. These properties are empty and are not being used by the Group. Following a review with the Group's marketing agent the carrying value of the assets has been reduced by £500,000. During the year a potential purchaser of the properties forfeited deposit monies of £40,000 leading to a net exceptional cost of £460,000. The tax impact of the exceptional item is a credit of £75,000.

8. Staff costs and directors' emoluments

(a) Staff costs (including directors)

	2010 £000	2009 £000
Wages and salaries	9,393	7,408
Social security costs	788	691
Other pension costs	249	274
	10,430	8,373

Included in wages and salaries is a total expense of share-based payments of £106,000 (2009: £nil) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the period was made up as follows:

	2010 No.	2009 No.
Horticulture	316	306
Group management	6	6
	322	312

(b) Directors' emoluments

The Group and Company consider the directors to be the Key Management Personnel. Details of each director's remuneration, pension contributions and share options are detailed in the Directors' Remuneration Report on pages 19 to 21. The employee costs above include the following emoluments in respect of the directors of the Company:

	2010 £000	2009 £000
Group and Company		
Aggregate emoluments	750	343
Pension contributions	39	37
	789	380
Aggregate gains made by directors on exercise of share options	-	-

The aggregate emoluments of the highest paid director were £364,000 (2009 : £134,000). The Group also paid contributions of £28,000 (2009: £26,400) into the personal pension plan of the highest paid director.

Not included in the above figures is an expense of £106,000 (2009: £nil) which has been recognised in the income statement in respect of equity settled share based payment transactions for directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

9. Finance income

	2010 £000	2009 £000
Bank interest receivable	57	71

10. Finance costs

	2010 £000	2009 £000
Bank loans and overdrafts	173	432
Movement in discount on provisions (note 25)	10	10
Finance costs	183	442

11. Taxation

(a) Taxation charged / (credited)

Tax charged in the income statement

	2010 £000	2009 £000
<i>Current income tax:</i>		
UK corporation tax	722	498
Adjustments in respect of prior periods	(182)	6
Total current income tax charge	540	504
<i>Deferred tax:</i>		
Origination and reversal of timing differences – total deferred tax	(150)	(333)
Rate change	(11)	-
Adjustments in respect of prior periods	25	(94)
Tax charge in the income statement	404	77

Tax relating to items charged or (credited) to equity

Actuarial gains and losses on pension schemes – deferred tax	(38)	(1,396)
Current tax on pension contributions	(85)	(70)
Rate change re pension	95	-
Rate change re revaluations	(111)	-
Revaluation of properties – deferred tax	(39)	1,726
Tax (credit)/charge in the statement of comprehensive income	(178)	260

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

11. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the period is lower (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are reconciled below:

	2010 £000	2009 £000
Profit before tax per accounts	2,063	1,240
Profit before tax multiplied by the UK standard rate of corporation tax of 28% (2009: 28%)	578	347
Expenses not deductible for tax purposes	152	(44)
Non-taxable income	-	(29)
Adjustments in respect of lower rates of corporation tax	(4)	(5)
Non qualifying assets	(17)	-
Movement in unprovided deferred tax	(134)	(104)
Difference on share based payments	1	-
Other	(4)	-
Adjustments to tax charge in respect of prior periods	(157)	(88)
Effect of rate change	(11)	-
Total tax expense reported in the income statement	404	77

(c) Unrecognised tax losses

A potential deferred tax asset of £nil (2009: £291,000) has not been recognised in respect of capital losses carried forward which may be available for offset against future chargeable gains.

A potential deferred tax asset of £94,000 (2009: £240,000) has not been recognised in respect of unutilised trading losses carried forward which may be available for offset against future trading profits.

(d) Temporary differences associated with Group investments

At 30 September 2010 there was no deferred tax liability (2009: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or its joint ventures as the Group can control the timing of any such payment. The temporary difference associated with the investments in subsidiaries and joint ventures is not a material amount. There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

11. Taxation (continued)

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2010 £000	2009 £000
<i>Deferred tax (liability)/asset</i>		
Accelerated capital allowances	(555)	(502)
Revaluations of land and buildings	(2,963)	(3,113)
Short term timing differences	138	189
Pensions and post-employment benefits	2,592	2,649
Rolled over/held over gains	(297)	(308)
Share based payment	35	-
Tax losses available for offset	300	300
Capital loss on property held for resale	86	159
Other capital losses recognised	281	-
Deferred tax liability	(383)	(626)

The deferred tax (credited)/charged in the Group income statement is as follows:

	2010 £000	2009 £000
<i>Deferred tax in the income statement</i>		
Accelerated capital allowances	53	(272)
Short term timing differences	51	(123)
Movement in unprovided deferred tax	(273)	127
Capital loss on property held for resale	73	(159)
Rolled over gains	(11)	-
Share based payment	(29)	-
Deferred income tax credited	(136)	(427)

Company

The deferred tax asset included in the balance sheet of the Company is £404,000 (2009: £11,000 liability). No amounts are unrecognised.

(f) Factors that may affect future tax charges

The Finance (No.2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate of corporation tax are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014; however, these changes will be included in future Finance Acts and therefore have not been substantially enacted at the balance sheet date.

It would be difficult to forecast accurately the timing and value of future profits and thus it is not possible to ascertain the timing for the unwind of the deferred tax balances. The deferred tax balances have therefore been reflected at 27%.

12. Profit/(loss) attributable to members of the parent company

As permitted by Section 408 of the Companies Act 2006 the parent company's income statement and statement of comprehensive income have not been included in these financial statements.

The loss/profit dealt with in the financial statements of the parent company is a loss of £1,155,000 (2009 profit: £2,314,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

13. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period adjusted for the dilutive effect of share options outstanding at the period end.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2010 £000	2009 £000
Diluted net profit attributable to owners of the parent	1,622	1,128
	2010 No.	2009 No.
Basic weighted average number of shares ('000s)	16,554	16,554
Dilutive potential ordinary shares:		
Employee share options ('000s)	199	41
Diluted weighted average number of shares ('000s)	16,753	16,595

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Earnings per share from continuing operations before exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

To this end, basic and diluted earnings per share is also presented on this basis and using the number of ordinary shares for both basic and diluted amounts as per the table above. Profit from continuing operations before exceptional items and attributable to owners of the parent is derived as follows:

	2010 £000	2009 £000
Profit attributable to owners of the parent	1,622	1,128
Exceptional items after tax – attributable to owners of the parent	385	–
Profit from continuing operations before exceptional items attributable to owners of the parent	2,007	1,128

Basic and diluted earnings per share before exceptional items are 12.1p (2009: 6.8p) and 12.0p (2009: 6.8p).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

14. Dividends paid and proposed

	2010 £000	2009 £000
<i>Declared and paid during the period:</i>		
Equity dividends on ordinary shares:		
Final dividend for September 2009: 2.50p (June 2008– 1.00p)	414	166
Interim for September 2010: 1.50p (September 2009 – 1.00p)	248	165
Dividends paid	662	331
<i>Proposed for approval by shareholders at the AGM:</i>		
Final dividend for September 2010: 3.50p (2009 – 2.50p)	579	414

15. Property, plant and equipment

Group	Freehold Properties £000	Short Leasehold Properties £000	Plant and Machinery £000	Total £000
Cost or valuation:				
At 1 October 2008	8,247	3,285	17,165	28,697
Additions	318	16	875	1,209
Disposals	–	–	(1,081)	(1,081)
Revaluation	3,052	2,515	–	5,567
Transfer to current assets (see below)	(2,151)	–	–	(2,151)
Reclassification	(327)	285	42	–
At 30 September 2009	9,139	6,101	17,001	32,241
Additions	–	16	1,678	1,694
Disposals	–	–	(322)	(322)
Reclassification	535	(535)	–	–
At 30 September 2010	9,674	5,582	18,357	33,613
Depreciation and impairment:				
At 1 October 2008	163	254	11,547	11,964
Provided during the period	68	113	1,154	1,335
Disposals	–	–	(808)	(808)
Revaluation	(231)	(367)	–	(598)
At 30 September 2009	–	–	11,893	11,893
Provided during the period	129	334	1,349	1,812
Disposals	–	–	(288)	(288)
At 30 September 2010	129	334	12,954	13,417
Net book value at 30 September 2010	9,545	5,248	5,403	20,196
Net book value at 30 September 2009	9,139	6,101	5,108	20,348

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

15. Property, plant and equipment (continued)

Included in the cost or valuation of freehold property is an amount of £6,458,000 (2009 - £6,458,000) relating to land which has not been depreciated.

The transfer to current assets in 2009 relates to the empty freehold property at Oswaldtwistle which is currently being marketed (Note 7).

All the Group's freehold and leasehold properties were valued by external valuers, BNP Paribas Real Estate, Property Consultants and Chartered Surveyors, on 30 September 2009. The factory site at Boothby was valued as a specialised operational property on the basis of depreciated replacement cost. The remaining properties were valued on a market value basis. No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold properties. If the land and buildings were measured using the cost model the carrying amounts would be as follows:

	Freehold properties		Short leasehold properties	
	2010 £000	2009 £000	2010 £000	2009 £000
Cost	4,999	4,999	2,515	2,499
Accumulated depreciation	(1,044)	(965)	(1,306)	(1,169)
Net carrying amount	3,955	4,034	1,209	1,330

Company

	Land	Plant and Machinery	Total
	£000	£000	£000
Cost or valuation:			
At 1 October 2008	22	33	55
Additions	–	36	36
Disposals	–	(20)	(20)
Revaluations	28	–	28
At 30 September 2009	50	49	99
Additions	–	–	–
At 30 September 2010	50	49	99
Depreciation and impairment:			
At 1 October 2008	–	33	33
Disposals	–	(20)	(20)
At 30 September 2009	–	13	13
Provided during the period	–	10	10
At 30 September 2010	–	23	23
Net book value at 30 September 2010	50	26	76
Net book value at 30 September 2009	50	36	86

If land were valued using the cost model the carrying amount of land would be £22,000 (2009: £22,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

16. Intangible assets

Group	Computer Software £000	Goodwill £000	Total £000
Cost:			
At 1 October 2008	568	1,560	2,128
Additions	56	–	56
Adjustment to consideration (see note 18)	–	(76)	(76)
At 30 September 2009	624	1,484	2,108
Additions	48	–	48
Adjustment to consideration (note 18)	–	(38)	(38)
At 30 September 2010	672	1,446	2,118
Accumulated amortisation:			
At 1 October 2008	416	–	416
Amortisation during the period	48	–	48
At 30 September 2009	464	–	464
Amortisation during the period	47	–	47
At 30 September 2010	511	–	511
Net book value at 30 September 2010	161	1,446	1,607
Net book value at 30 September 2009	160	1,484	1,644

Company

The Company has no intangible assets.

17. Impairment of goodwill and intangibles with indefinite lives

All of the goodwill has arisen in respect of the Group's acquisition of 50% of the share capital of Freeland Horticulture Limited in 2003 and a further 37.5% in July 2007. The recoverable amount of this goodwill is determined on a value in use basis using cash flow projections based on the business plan of Freeland Horticulture Limited for the following five years with growth no higher than past experience and after consideration of all available information.

The pre-tax discount rate applied to the cash flow projections is 8% (2009: 8.0%), which approximates to the Group's weighted average cost of capital.

The growth rate used to extrapolate the cash flows beyond 2015 is 2.5% (2009: 2.5%). The board believes this growth rate is justified based on the strong position of the business in its industry and ownership of the green waste processing technologies the business has developed.

The margin by which value in use exceeds the carrying value is significant and the directors believe that it is unlikely that sufficient change in the above assumptions could occur to result in the carrying value exceeding the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

18. Investments

Investment in joint venture

On 30 June 2009 the Group disposed of its 50% interest in Bark Products (Scotland) Limited to Bannerman Company Limited for cash consideration equal to the Group's share of the net assets and liabilities of the joint venture at the time of disposal and as shown in its financial statements for the year ended 30 June 2009.

	2009 9 months £000
Revenue	215
Operating expenses	(203)
Finance income	1
Profit before taxation	13
Income tax expense	(4)
Share of post tax profits	9

Company – Investment in subsidiaries

	2010 £000	2009 £000
Cost:		
At start of period	21,239	21,299
Adjustment to consideration	–	(60)
	21,239	21,239
Provision for diminution in value	(12,444)	(12,444)
At end of period	8,795	8,795

Details of the principal subsidiary undertakings are set out below.

Name of company	Description of shares held	Nature of business	% Held
William Sinclair Horticulture Limited	Ordinary shares of £1	Manufacture and distribution of horticultural products	100%
Freeland Horticulture Limited*	Ordinary shares of 50p	Manufacture of organic compost and soil	87.5%
Joseph Metcalf Limited	Ordinary shares of £1	Manufacture and distribution of horticultural products	100%
Boothby & Penicuik Peat Company Limited*	Ordinary shares of £1	Extraction of peat	100%

The above companies are registered in England and Wales with the exception of Boothby & Penicuik Peat Company Limited which is registered in Scotland. All of the companies operate principally in the United Kingdom.

Boothby & Penicuik Peat Company Limited commenced trading in the prior year following the renewal of leases with landowners.

The Company accounts for its investments in subsidiaries and joint ventures using the cost model.

*Held by William Sinclair Horticulture Limited, a subsidiary undertaking.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

18. Investments (continued)

Business combinations – Freeland Horticulture Limited

With effect from 1 July 2007 the Group acquired 37½% of the ordinary share capital of Freeland Horticulture Limited (“Freeland”). As a result Freeland is an 87½ % subsidiary of William Sinclair Horticulture Limited. At the time, the fair value of the consideration was £909,000 giving rise to goodwill on the acquisition of the 37½% of the company of £488,000. At 30 September 2009 the fair value of the consideration was reassessed at £833,000 in anticipation of lower than expected deferred consideration payments. At 30 September 2010 the fair value of the consideration was reassessed again at £795,000. The differences have been credited to goodwill in the respective periods (Note 16).

Business combinations – Joseph Metcalf Limited

On 9 January 2008 the Group acquired 100% of the ordinary share capital of Joseph Metcalf Limited (“JML”) for a consideration of £2,966,000. JML is a private company based in England which manufactures horticulture products.

In the year to 30 September 2009 the Group secured a £60,000 reduction in the fair value of the consideration due. Because there was no goodwill arising on the acquisition the reduction has been taken as a credit to the income statement.

19. Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
<i>Financial assets</i>				
Gross trade receivables	8,346	7,223	–	–
Provisions	(160)	(125)	–	–
Net trade receivables	8,186	7,098	–	–
Amounts owed by Group undertakings	–	–	7,256	16,525
	8,186	7,098	7,256	16,525
<i>Non financial assets</i>				
Other receivables	507	130	213	3
Prepayments and accrued income	631	722	38	35
	9,324	7,950	7,507	16,563

Financial assets are carried at amortised cost.

Trade receivables are denominated in the following currencies:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Sterling	8,127	6,966	–	–
Euro	59	132	–	–
	8,186	7,098	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

19. Trade and other receivables (continued)

Of the carrying amount of trade receivables £2,858,000 (2009: £2,784,000) is due from three major customers.

Trade receivables are non interest bearing, are generally on 30 – 90 day terms and are shown net of a provision for impairment. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recoverability is assessed as being remote. As at 30 September 2010, trade receivables at nominal value of £160,000 (2009: £125,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2010 £000	2009 £000
At the beginning of the period	125	370
Provided/(released) in the period	142	(210)
Amounts written off	(107)	(35)
At the end of the period	160	125

Trade receivables that are less than three months past due are not considered impaired unless amounts are specifically identified as irrecoverable. The ageing analysis of the Group's trade receivables is as follows:

	Impaired £000	2010 Not Impaired £000	Total £000	Impaired £000	2009 Not Impaired £000	Total £000
Up to 3 months past due	61	8,186	8,247	45	7,073	7,118
3 – 6 months past due	64	–	64	61	–	61
6 months past due	35	–	35	19	25	44
Total	160	8,186	8,346	125	7,098	7,223

20. Inventories

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Raw materials	4,082	4,541	–	–
Finished goods and goods for resale	6,847	4,097	–	–
	10,929	8,638	–	–

The Group holds no inventories at fair value less costs to sell. There is no material difference between the balance sheet value of inventories and their replacement cost. The Group continues to review the net realisable value of its inventories and makes provision where this is below cost. There were no material releases of inventory provisions to the income statement in either period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

21. Cash and cash equivalents

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Cash at bank and in hand	3,650	955	162	162

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £3,650,000 (2009: £955,000).

Included within cash at bank and in hand above is an amount of £nil (2009: £310,000) of restricted cash in respect of a letter of credit issued by Freeland Horticulture Limited and an amount of £25,000 (2009: £23,000) in respect of unclaimed dividends held at the Company's registrars.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 30 September:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Cash at bank and in hand	3,650	955	162	162
Bank overdrafts	(21)	(5,455)	(5,118)	(12,098)
	3,629	(4,500)	(4,956)	(11,936)

22. Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
<i>Current</i>				
Trade payables	4,698	3,931	95	27
Amounts owed to Group undertakings	–	–	500	700
Other tax and social security	329	526	17	5
Other payables	191	176	29	30
Holiday pay	116	104	–	–
Accruals and deferred income	3,922	2,324	920	51
	9,256	7,061	1,561	813

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

23. Financial liabilities – borrowings

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
<i>Current</i>				
Bank overdrafts	21	5,455	5,118	12,098
Current instalments due on bank loans	723	711	723	711
	744	6,166	5,841	12,809

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
<i>Non-current</i>				
Non-current instalments due on bank loans	1,099	1,825	1,099	1,825
	1,099	1,825	1,099	1,825

Bank loans

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank loans comprise the following:				
£800,000 variable rate loan 2004	389	485	389	485
£3,000,000 variable rate loan 2008	1,433	2,051	1,433	2,051
	1,822	2,536	1,822	2,536
Less: current instalments due on bank loans	(723)	(711)	(723)	(711)
	1,099	1,825	1,099	1,825

The 2004 loan is secured on land acquired in Lincoln in the year ended 30 June 2004 and is repayable in monthly instalments which commenced in October 2005 and will continue until full repayment in September 2014. The loan bears interest at LIBOR + 1.25%.

The 2008 loan is unsecured and is repayable in monthly instalments which commenced in February 2008 and will continue until full repayment in January 2013. The loan bears interest at base rate + 1.25%.

Both Lloyds Banking Group and the William Sinclair Holdings Pension Fund hold a charge over the Group's freehold premises at Firth Road Lincoln.

At 30 September 2010, the Group had available approximately £15 million (2009: £10 million) of undrawn borrowing facilities in respect of which all conditions had been met. After the year end Lloyds Banking Group renewed the Group's overdraft facilities on the existing terms of base rate +1.25%. These facilities are due for review on 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

24. Obligations under leases and hire purchase contracts

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 2 and 5 years. Some of the property lease agreements contain an option for renewal, with such options being exercisable up to twelve months before the expiry of the lease term at rentals based on market prices at the time of exercise.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Not later than one year	182	150	–	–
After one year but not more than five years	921	1,513	–	–
After five years	1,038	285	–	–
	2,141	1,948	–	–

25. Provisions

Group	Moss Reinstatement £000
At 1 October 2009	
Current	–
Non-current	231
	231
Charged during the period	–
Utilised/(released)	(9)
Movement in discount rate	10
At 30 September 2010	232
Analysed as:	
Current	–
Non-current	232
	232

The moss reinstatement provision is built up as peat is extracted. It is expected that the costs of reinstatement will have been incurred within 30 years of the balance sheet date. The costs are discounted to take account of the time value of money.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

26. Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of Treasury policies on pages 11 and 12 in the Group Operating and Financial Review.

Group interest rate risk profile of financial assets and liabilities

The interest rate profile of the financial assets and liabilities of the Group as at 30 September 2010 and at 30 September 2009 and their weighted average effective interest rates are as follows:

As at 30 September 2010

Floating rate	Weighted average effective interest %	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	0.00%	3,650	-	-	-	-	-	3,650
Bank overdraft	1.75%	(21)	-	-	-	-	-	(21)
Bank loan	1.75%	(723)	(735)	(258)	(98)	(8)	-	(1,822)

As at 30 September 2009

Floating rate	Weighted average effective interest %	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	0.00%	955	-	-	-	-	-	955
Bank overdraft	2.00%	(5,455)	-	-	-	-	-	(5,455)
Bank loan	2.00%	(711)	(724)	(736)	(258)	(99)	(8)	(2,536)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

26. Financial instruments (continued)

Company interest rate risk profile of financial assets and liabilities

The interest rate profile of the financial assets and liabilities of the Company as at 30 September 2010 and as at 30 September 2009 and their weighted average effective interest rates are as follows:

As at 30 September 2010

Floating rate	Weighted average effective interest %	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	0.00%	162	-	-	-	-	-	162
Bank overdraft	1.75%	(5,118)	-	-	-	-	-	(5,118)
Bank loan	1.75%	(723)	(735)	(258)	(98)	(8)	-	(1,822)

As at 30 September 2009

Floating rate	Weighted average effective interest %	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	0.00%	162	-	-	-	-	-	162
Bank overdraft	2.00%	(12,098)	-	-	-	-	-	(12,098)
Bank loan	2.00%	(711)	(724)	(736)	(258)	(99)	(8)	(2,536)

Credit risk

Except as disclosed in note 19 there are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The Group reduces this exposure through the use of credit insurance policies.

Currency profile

The Group's financial assets and liabilities at 30 September 2010 and at 30 September 2009 are denominated in sterling with the exception of immaterial balances held in euros and US dollars.

Fair values of financial assets and financial liabilities

The fair value of fixed and floating rate financial assets and liabilities is estimated to be equivalent to book value. The Group and Company have no derivative financial instruments at 30 September 2010 or at 30 September 2009. The book value of trade and other receivables and trade and other payables equate to fair values for the Group and Company.

The Group and Company had no forward contracts to hedge expected purchases or sales in foreign currencies at 30 September 2010. The Group has no hedges that meet the criteria of IAS39.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

26. Financial instruments (continued)

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at 30 September 2010 based on contractual undiscounted payments.

As at 30 September 2010	On Demand £000	Less than 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Interest bearing loans and borrowings	21	749	1,117	–	1,887
Trade and other payables	–	8,782	–	–	8,782
	21	9,531	1,117	–	10,669

As at 30 September 2009	On Demand £000	Less than 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Interest bearing loans and borrowings	5,455	749	1,861	8	8,073
Trade and other payables	–	6,373	–	–	6,373
	5,455	7,122	1,861	8	14,446

Interest rate risk

The sensitivity to a reasonable change in the interest rates on the Group's floating rate borrowings is set out in the table below.

	Increase/decrease in basis points £000	Effect on profit before tax £000
2010		
Sterling	+/- 25	-/+ 12
2009		
Sterling	+/- 25	-/+ 20

27. Share capital

Group and company	2010 No.	2009 No.	2010 £000	2009 £000
Authorised				
Ordinary shares of 25p each	30,000,000	30,000,000	7,500	7,500
Issued and fully paid				
Ordinary shares of 25p each	16,554,046	16,554,046	4,139	4,139

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

28. Share-based payments

Senior Executive Plan

Share options are granted to certain senior executives. The exercise price of the options is equal to the average of the market price of the shares on the five days prior to the date of grant. Options are exercisable not less than three and not more than ten years after the date of the grant and they may be exercised if and when the Group's earnings per share grows in the three years prior to exercise by more than the increase in the Retail Prices Index.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period.

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at beginning of period ¹	515,000	£0.61	515,000	£0.61
Granted during the period	–	–	–	–
Expired during the period	(45,000)	–	–	–
Outstanding at 30 September ¹	470,000	£0.57	515,000	£0.61
Exercisable at 30 September	470,000	£0.57	470,000	£0.57

¹ Included within this balance are options over nil (2009: 45,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 1 March 2000. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

For the share options outstanding as at 30 September 2010, the weighted average remaining contractual life is 1.7 years (2009: 2.5 years).

The range of exercise prices for options outstanding at the end of the period was £0.51 - £0.60 (2009: £0.51 - £1.06).

The fair value of equity-settled share options is estimated as at the date of grant using a Black-Scholes pricing analysis, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used. No options have been granted in the period ended 30 September 2010 nor in the previous period.

Expected share price volatility (%)	29.0%
Historical volatility (%)	29.0%
Risk-free interest rate (%)	4.2%
Expected life of option (years)	3 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other features of options were incorporated into the measurement of fair value.

Long term equity settled incentive plan

The fair value of equity settled awards under the Group's Long Term Incentive Plan is estimated as at the date of approval of an award using a Monte Carlo model which takes into account the terms and conditions under which the award was approved.

The main inputs to the model are a share price of 113.5p, being the closing market price on the day before the awards were approved, the life of the award which is three years and the expected performance of the Group compared to that of the FTSE All Share AIM Index.

Although the plan has been approved by the Board it has not yet received HMRC approval.

The fair value of the awards approved is £318,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

29. Reconciliation of movements in equity

Group	Equity share capital £000	Revaluation reserve £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2008	4,139	3,498	1,523	176	4,878	14,214
Total comprehensive income for the year	–	4,439	–	–	(2,643)	1,796
Depreciation transfer	–	(31)	–	–	31	–
Eliminate deferred tax on share based payments	–	–	–	–	(20)	(20)
Equity dividends paid	–	–	–	–	(331)	(331)
At 30 September 2009 and at 1 October 2009	4,139	7,906	1,523	176	1,915	15,659
Total comprehensive income for the year	–	–	–	–	1,246	1,246
Depreciation transfer	–	(195)	–	–	195	–
Movement in rate of tax	–	111	–	–	–	111
Share based payments	–	–	–	–	106	106
Deferred tax	–	–	–	–	6	6
Equity dividends paid	–	–	–	–	(662)	(662)
At 30 September 2010	4,139	7,822	1,523	176	2,806	16,466
Company	Equity share capital £000	Revaluation reserve £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2008	4,139	–	1,523	86	2,417	8,165
Total comprehensive income for the year	–	20	–	–	2,314	2,334
Eliminate deferred tax on share based payments	–	–	–	–	(20)	(20)
Equity dividends paid	–	–	–	–	(331)	(331)
At 30 September 2009 and at 1 October 2009	4,139	20	1,523	86	4,380	10,148
Total comprehensive income for the year	–	–	–	–	(1,155)	(1,155)
Share based payments	–	–	–	–	106	106
Deferred tax	–	–	–	–	6	6
Equity dividends paid	–	–	–	–	(662)	(662)
At 30 September 2010	4,139	20	1,523	86	2,675	8,443

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

30. Additional cash flow information

Analysis of Group net debt	1 Oct 2009 £000	Cash flow £000	30 Sept 2010 £000
Cash at bank and in hand	955	2,695	3,650
Overdrafts	(5,455)	5,434	(21)
Loans	(2,536)	714	(1,822)
	(7,036)	8,843	1,807
	1 Oct 2008 £000	Cash flow £000	30 Sept 2009 £000
Cash at bank and in hand	883	72	955
Overdrafts	(6,204)	749	(5,455)
Loans	(3,215)	679	(2,536)
Finance leases	(154)	154	–
	(8,690)	1,654	(7,036)
Analysis of Company net debt	1 Oct 2009 £000	Cash flow £000	30 Sept 2010 £000
Cash at bank and in hand	162	–	162
Overdrafts	(12,098)	6,980	(5,118)
Loans	(2,536)	714	(1,822)
	(14,472)	7,694	(6,778)
	1 Oct 2008 £000	Cash flow £000	30 Sept 2009 £000
Cash at bank and in hand	161	1	162
Overdrafts	(10,046)	(2,052)	(12,098)
Loans	(3,215)	679	(2,536)
	(13,100)	(1,372)	(14,472)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

31. Capital commitments

At 30 September 2010, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil for the Group and £nil for the Company (2009: £nil and £nil respectively).

32. Contingent liabilities

Contingent liabilities exist in the form of guarantee bonds to H M Customs & Excise for a maximum amount of £220,000 (2009: £220,000) and to Lanarkshire Council for a maximum of £80,000 (2009: £80,000). The Company is party to an omnibus guarantee and set-off agreement in respect of its own and all other Group company bank accounts. The net drawn down at 30 September 2010 was £21,000 (2009: £5,455,000).

33. Pensions and other post-retirement benefits

The Group operates a defined contribution Group Personal Pension Plan. The Group's contributions of £103,000 (2009: £99,000) are made on the basis of a pre-defined scale related to the employees' contributions.

The Group also 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 Company. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets. The Company's contributions are determined by an independent qualified actuary, Buck Consultants, on the basis of regular valuations using the projected unit credit method.

Defined Benefit Scheme

	2010	2009
	%	%
Main assumptions:		
Rate of salary increases	2.5	2.5
Discount rate	5.1	5.6
Expected rates of return on scheme assets:		
Equities	7.8	7.4
Government stocks	3.8	3.9
Corporate bonds	5.1	5.6
Property	7.5	7.4
Inflation assumption	2.5	2.5

The mortality assumption used is as set out in PMA/PFA92 (YOB) Medium Cohort.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

33. Pensions and other post-retirement benefits (continued)

The assets and liabilities of the scheme at 30 September are:

	2010	2009
	£000	£000
Scheme assets at fair value		
Equities	12,793	11,831
Property	999	929
Government stock	2,097	1,888
Corporate bonds	5,173	4,721
Cash	137	55
Insured annuities	200	103
Fair value of scheme assets	21,399	19,527
Present value of scheme liabilities	(31,000)	(28,988)
Net pension liability	(9,601)	(9,461)
Related deferred tax asset	2,592	2,649
Net pension deficit	(7,009)	(6,812)

Reconciliation of present value of scheme liabilities:

	2010	2009
	£000	£000
As at 1 October	28,988	21,906
Current service cost	146	175
Interest cost	1,607	1,521
Benefits paid	(1,146)	(923)
Actuarial losses	1,276	6,170
Employee contributions	129	139
As at 30 September	31,000	28,988

Sensitivity analysis of scheme liabilities

The inflation assumption used is based on the government long term target. If an assumption of 3.0% were adopted instead, along with correspondingly higher assumptions on salary and pension increases, then the value of future liabilities would be higher and the pension net liability is estimated at £11.7 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

33. Pensions and other post-retirement benefits (continued)

Reconciliation of fair value of scheme assets:

	2010 £000	2009 £000
As at 1 October	19,527	17,431
Actual return on plan assets	2,123	2,188
Employer contributions	766	692
Contributions by employees	129	139
Benefits paid	(1,146)	(923)
As at 30 September	21,399	19,527

The amounts recognised in the Group Income Statement and in the Group Statement of Comprehensive Income for the year are analysed as follows:

	2010 £000	2009 £000
<i>Recognised in operating expenses</i>		
Current service cost	146	175

	2010 £000	2009 £000
Expected return on scheme assets	1,290	1,255
Interest cost on scheme liabilities	(1,607)	(1,521)
Other finance cost	(317)	(266)

	2010 £000	2009 £000
<i>Taken to the Statement of Comprehensive Income</i>		
Actual return on scheme assets	2,123	2,188
Less: expected return on scheme assets	(1,290)	(1,255)
Actuarial losses on scheme liabilities	833	933
Actuarial losses recognised in the Group Statement of Comprehensive Income	(443)	(5,237)

The total charge to the Group Income Statement in respect of the defined benefit plan in 2011 is expected to be £312,000 for the Group and £nil for the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

33. Pensions and other post-retirement benefits (continued)

History of experience gains and losses:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	21,399	19,527	17,431	19,858	17,731
Present value of defined benefit obligation	(31,000)	(28,988)	(21,906)	(22,161)	(22,738)
Deficit in the scheme	(9,601)	(9,461)	(4,475)	(2,303)	(5,007)
Experience adjustments arising on plan liabilities	(1,276)	(6,170)	1,119	1,558	1,215
Experience adjustments arising on plan assets	833	933	(3,586)	905	920

The cumulative amount of actuarial gains and losses recognised since 1 July 2004 in the Group statement of recognised income and expense is a loss of £4,372,000 (2008: £3,929,000) and in the Company statement of recognised income and expense is £nil (2008: £nil). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity of £6,524,000 in the Group and £nil in the Company is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of recognised income and expense before 1 July 2004.

34. Related party transactions

During the period the Company and its subsidiaries carried out transactions with related parties in the normal course of business on an arm's length basis. The names of the related parties, the nature of the transactions and their value are shown below.

Group	Value of transactions £000	2010 Outstanding at period end £000	Value of transactions £000	2009 Outstanding at period end £000
<i>Transactions with related parties:</i>				
Bark Products (Scotland) Limited*:				
– purchase of materials by Group companies	–	–	(117)	–
– recharges	–	–	2	–
<i>Company</i>				
<i>Transactions with related parties:</i>				
Freeland Horticulture Limited				
– recharges	3	–	5	2
– interest	(3)	–	(15)	–
William Sinclair Horticulture Limited				
– recharges	89	8	199	–
– interest	(30)	(9)	16	–
Bark Products (Scotland) Limited*:				
– recharges	–	–	2	–
	59	(1)	207	2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

34. Related party transactions (continued)

Loans	Movement in period £000	2010 Outstanding at period end £000	Movement in period £000	2009 Outstanding at period end £000
Freeland Horticulture Limited	(200)	500	–	700

The loan from Freeland Horticulture Limited pays interest at base rate and is repayable on demand.

* Bark Products (Scotland) Limited ceased to be a related party with effect from 1 July 2009.

35. Subsequent events

The Group has been in negotiations with the directors and owners of Monro Horticulture Limited with a view to acquiring certain of the business interests of that company. After the year end the Group concluded agreements for the purchase of the Growing Success Organics business and also a premium decorative aggregates business. The total consideration paid was approximately £1.1 million. These acquisitions complement the product range available to the Group's customers allowing the Group to introduce the products to a wider customer base. Under the terms of the purchase contracts agreed with Monro Horticulture Limited the Group acquired a schedule of specified assets which included stock, trademarks, machinery and goodwill.

36. Receipt from Natural England

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 of 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.

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. Consequently the receipt of £9 million is shown as a non current item.

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.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 30 September 2010

	— Year to 30 Sept — 2010 £000	2009 £000	15 m to 30 Sept 2008 £000	— Year to 30 June — 2007 £000	2006 £000
Group shareholders' equity					
Ordinary shares of 25p each	4,139	4,139	4,139	4,139	4,139
Reserves	12,327	11,520	10,075	12,201	9,725
	16,466	15,659	14,214	16,340	13,864
Income statement					
Revenue	48,456	46,275	54,771	37,646	39,129
Operating profit					
pre exceptional items	2,966	1,868	1,404	1,459	878
Exceptional items	(460)	–	(361)	117	(99)
Operating profit	2,506	1,868	1,043	1,576	779
Net interest payable	(126)	(371)	(740)	(315)	(281)
Other finance (cost)/income – pensions	(317)	(266)	217	12	(32)
Share of profits of associates and joint ventures	–	9	1	173	374
Profit before taxation	2,063	1,240	521	1,446	840
Taxation	(404)	(77)	(239)	(319)	(181)
Profit for the financial period	1,659	1,163	282	1,127	659
Earnings per share (basic)	9.8p	6.8p	1.3p	6.8p	4.0p
Earnings per share before exceptional items	12.1p	6.8p	2.8p	6.3p	3.4p
Ordinary dividend per share	5.0p	3.5p	2.0p	3.5p	3.0p
Dividend cover (times)	2.0	1.9	0.6	1.9	1.3

FINANCIAL CALENDAR

For the year ended 30 September 2010

Annual General Meeting	22 February 2011
Payment of 2010 final dividend	17 March 2011
Announcement of March 2011 interim results	June 2011
Payment of 2011 interim dividend	August 2011

CORPORATE INFORMATION

William Sinclair Holdings plc

Registered No: 1392876

Directors

B P Burns
P D Williams
W Simpson*
P J Nuttall*
K S Piggott*†

* Non-executive

† Senior Independent Non-executive

Secretary

P D Williams

Auditors

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Pegasus Business Park
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Registrars

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