



24th June 2008

WILLIAM SINCLAIR HOLDINGS PLC

INTERIM RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2008

William Sinclair Holdings Plc is one of the UK's leading producers of commercial horticulture and branded garden products. The Company provides peat based and non peat growing media and fertiliser products to the retail and commercial sectors.

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

William Sinclair's customers include national accounts such as Wyevale, Wilkinson, Tesco, Homebase and B&Q as well as an extensive range of independent garden centres.

The Company has strong asset backing, is profitable and is quoted on the Alternative Investment Market ("AIM").

**FINANCIAL HIGHLIGHTS**

- Interim results for a 9 month period to facilitate the change of year end to 30 September 2008
- Group turnover increased 25% to £27.8 million (2007: £22.2 million)
- Continuing strong performance from Freeland Horticulture
- Acquisition and integration of Joseph Metcalf business in January 2008 progressing well
- Increased focus on environmental products and further withdrawal from non-profitable operations
- Good levels of both finished goods and raw materials stock ahead of traditional busy selling period
- Loss before tax of £0.3 million (2007: profit of £0.1 million) reflecting expected seasonality of the business
- No second Interim dividend for the 9 months to March 2008 (Interim dividend for the half year 1.0p per share)

Bernard Burns, Chief Executive, William Sinclair Holdings Plc, said:

"The successful integration of the Metcalf business, the continuing strength of Freeland and our focus on higher margin business will ensure we stay one step ahead of the industry which is currently facing inflationary pressures.

"The Company is preparing for its forthcoming peat harvest and remains in line to meet market expectations."

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## Chairman's statement

### Introduction

Our unaudited results for the 9 months ended 31 March 2008 are detailed below.

To facilitate the change of year end to 30 September 2008, we have a 15 month accounting period and this means that for the first time we have produced results for a 9 month period.

Overall performance of the business was in line with expectations against a challenging market backdrop. The recently acquired Joseph Metcalf business performed in line with expectations and Freeland had another strong period.

Demand for the 2008 growing season was lower than expected as the impact of the earliest Easter since 1913, combined with unusually wet and cold weather in March, suppressed consumer activity.

### Trading Review

Group turnover during the period was £27.8 million (2007: £22.2 million), an increase of 25%. This includes sales at Freeland for the first time and almost 3 months sales from Joseph Metcalf, acquired early in January. Excluding the two acquisitions, sales were slightly lower than the previous year which was mainly due to the change in Easter dates and the inclement weather, particularly during the build up to the growing season in March

The loss before tax for the nine months was £0.3 million, which compares with the £0.1million profit in the same period of 2007. The basic loss per share was 2.1p (2007: profit of 0.9p) and the diluted loss per share was 2.0p (2007: profit of 0.8p).

Net debt, as at 31 March 2008, was £19.2 million (2007: £9.3 million). High net debt is usual for the period reflecting the higher deliveries preceding the start of the growing season. The year on year increase is mainly due to the costs of acquiring Joseph Metcalf with its associated working capital requirements.

There is no further interim dividend proposed for this period.

### Business Review

#### Existing business

The early part of any financial year for William Sinclair is normally a combination of stock build up and deliveries to retailers and growers in anticipation of the start of the growing season and associated demand which goes with this. The inclement weather during March inhibited the usual levels of demand from our retailers although demand from professional growers remained strong.

With logistics comprising a significant part of the Company's cost of operation, the substantial increases in fuel charges as well as raw material price increases have impacted on the Company's performance. This has been partly offset by the implementation of some price increases. However the Company has incurred some reduction in profitability.

#### Freeland Horticulture

Freeland, our green waste and top soil business, continued to perform above expectations as it capitalises on increasing levels of demand for 'environmentally friendly' products which can be sourced and produced in urban areas. Freeland's facilities and raw materials are all located close to its markets.

Consequently Freeland is less exposed to the increase in haulage costs and the Company expects the division to perform well.

## Joseph Metcalf

In January 2008, William Sinclair announced the acquisition of Joseph Metcalf Ltd and performance of the business has been in line with expectations. Our post-acquisition review of Metcalf confirmed many of the synergies identified during our due diligence and we are currently consulting with the workforce with a view to closing the business' operating site at Oswaldtwistle with the effect of further reducing our overhead.

### **Outlook**

The industry is experiencing cost price increases on chemicals, plastics, energy and transport. We have already implemented some price increases and will be continuing to explore all opportunities to maintain margins in the light of further expected raw material, energy and transport cost increases.

The Directors are confident that with the Company's industry leading quality of service levels and the focus on higher margin business, the Company has a strong competitive advantage as its production is all located on mainland UK. This point of difference will become increasingly significant as fuel costs continue to rise.

In addition William Sinclair is well positioned to take advantage of customers' increasing demand for the most environmentally friendly products, which is met by our Freeland business, and to seize opportunities from the Company's high levels of service.

With the peat harvest about to begin, the Company anticipates that it will meet market expectations.

### **Annual General Meeting**

Our 2008 Annual General Meeting will be held on Thursday 21 August 2008 and notice will be sent to shareholders shortly. Following the change of the year end to 30 September, from 2009 we expect future Annual General Meetings to be held in February.

Bill Simpson  
Chairman

<b>Consolidated Income Statement</b> for the nine months ended 31 March 2008 (unaudited)	<b>Nine months ended 31 March 2008 £'000</b>	Nine months ended 31 March 2007 £'000	Year ended 30 June 2007 £'000
<b>Notes</b>			
Revenue	<b>27,770</b>	22,239	37,646
Operating expenses	<b>(28,003)</b>	(21,972)	(36,070)
<b>Operating (loss)/profit</b>	<b>(233)</b>	267	1,576
Share of post tax (loss)/profit of joint ventures accounted for using the equity method	<b>(3)</b>	85	173
<b>Group operating (loss)/profit from continuing operations</b>	<b>(236)</b>	352	1,749
Finance revenue	<b>2</b>	2	11
Finance costs	<b>(321)</b>	(197)	(326)
Other finance expenses – pensions	<b>131</b>	9	12
<b>(Loss)/Profit from continuing operations before taxation</b>	<b>(424)</b>	166	1,446
Tax expense	<b>1</b> <b>118</b>	(24)	(319)
<b>(Loss)/Profit for the period</b>	<b>(306)</b>	142	1,127
<b>(Loss)/Profit for the period is attributable to:</b>			
<b>Equity holders of the parent company</b>	<b>(350)</b>	142	1,127
<b>Minority interests</b>	<b>44</b>	-	-
	<b>(306)</b>	142	1,127
<b>Earnings per share (pence)</b>			
<b>Basic EPS on profit for the period</b>	<b>3</b> <b>(2.1)p</b>	0.9p	6.8p
<b>Diluted EPS on profit for the period</b>	<b>(2.0)p</b>	0.8p	6.7p
<b>Dividends per share</b>	<b>2</b> <b>1.0p</b>	1.0p	3.5p

**Consolidated Statement of Recognised Income and Expenses**

	<b>Nine months ended 31 March 2008 £'000</b>	Nine months ended 31 March 2007 £'000	Year ended 30 June 2007 £'000
Actuarial (loss)/gains on defined benefit pension scheme	<b>(1,356)</b>	1,847	2,463
Revaluation of property, plant and equipment	-	-	-
Tax on items taken directly to or transferred from equity	<b>380</b>	(554)	(641)
	<hr/>	<hr/>	<hr/>
<b>Net Income recognised directly in equity (Loss)/profit for the period</b>	<b>(976) (306)</b>	1,293 142	1,822 1,127
	<hr/>	<hr/>	<hr/>
<b>Total recognised income and expense for the period</b>	<b>(1,282)</b>	1,435	2,949
	<hr/>	<hr/>	<hr/>
<b>Attributable to:</b>			
Equity holders of the parent company	<b>(1,326)</b>	1,435	2,949
Minority interest	<b>44</b>	-	-
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	<b>(1,282)</b>	1,435	2,949
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**Consolidated Balance Sheet**  
as at 31 March 2008 (unaudited)

	<b>As at 31 March 2008 £'000</b>	As at 31 March 2007 £'000	As at 30 June 2007 £'000
<b>Non-current assets</b>			
Property, plant and equipment	16,777	12,862	12,900
Intangible assets	1,651	1,144	1,130
Investments accounted for using the equity method	211	943	777
	<b>18,639</b>	14,949	14,807
<b>Current assets</b>			
Inventories	10,799	7,724	5,150
Trade and other receivables	21,807	14,897	10,981
Cash and short term deposits	1,136	125	335
	<b>33,742</b>	22,746	16,466
<b>Total assets</b>	<b>52,381</b>	37,695	31,273
<b>Current liabilities</b>			
Trade and other payables	(11,993)	(8,650)	(9,824)
Financial liabilities	(17,222)	(8,746)	(119)
Corporation tax payable	(475)	(6)	(348)
	<b>(29,690)</b>	(17,402)	(10,291)
<b>Non-current liabilities</b>			
Financial liabilities	(3,098)	(667)	(637)
Deferred tax liabilities	(1,016)	(1,473)	(1,513)
Provisions	(202)	(188)	(189)
Defined benefit pension plan deficit	(3,584)	(2,979)	(2,303)
	<b>(7,900)</b>	(5,307)	(4,642)
<b>Total liabilities</b>	<b>(37,590)</b>	(22,709)	(14,933)
<b>Net assets</b>	<b>14,791</b>	14,986	16,340
<b>Capital and reserves</b>			
Equity share capital	4,139	4,139	4,139
Capital redemption reserve	1,523	1,523	1,523
Revaluation reserve	3,566	3,501	3,566
Other reserves	176	176	176
Share based payments	67	46	51
Retained earnings	5,145	5,601	6,885
<b>Group shareholders' equity</b>	<b>14,616</b>	14,986	16,340
<b>Minority interests</b>	<b>175</b>	-	-
<b>Total equity</b>	<b>14,791</b>	14,986	16,340

**Consolidated cash flow statement**

for the nine months ended 31 March 2008 (unaudited)

	<b>Nine months ended 31 March 2008</b>	Nine months ended 31 March 2007	Year ended 30 June 2007
	<b>£'000</b>	£'000	£'000
<b>Net cash flow from operating activities</b>	<b>(11,541)</b>	(6,945)	2,162
<b>Net cash flow from investing activities</b>	<b>(5,961)</b>	(960)	(959)
<b>Net cash flow from financing activities</b>	<b>1,731</b>	(617)	(888)
<b>(Decrease)/ Increase in cash in the period</b>	<b>(15,771)</b>	(8,522)	315
Cash and cash equivalents at 1 July 2007	<b>335</b>	20	20
(Decrease)/Increase in cash and cash equivalents	<b>(15,771)</b>	(8,522)	315
<b>Cash and cash equivalents at 31 March 2008</b>	<b>(15,436)</b>	(8,502)	335
<b>Cash flow from operating activities</b>			
Operating profit	<b>(233)</b>	267	1,576
Amortisation of intangible assets	<b>15</b>	15	35
Depreciation	<b>923</b>	782	1,032
(Profit) on disposal of fixed assets	<b>(5)</b>	(5)	(291)
Share based payments	<b>16</b>	18	23
Movement in provisions	<b>-</b>	-	-
Pension contributions paid less amounts recognised in the income statement.	<b>56</b>	(172)	(28)
<b>Operating profit before changes in working capital and provisions</b>	<b>772</b>	905	2,347
(Increase)/decrease in stocks	<b>(3,946)</b>	(2,757)	(183)
(Increase)/decrease in debtors	<b>(8,642)</b>	(2,657)	1,259
(Decrease)/increase in creditors	<b>(26)</b>	(2,280)	(1,106)
Movement in reinstatement provision	<b>13</b>	18	19
Income taxes received	<b>288</b>	(174)	(174)
	<b>(11,541)</b>	(6,945)	2,162

	<b>Nine months ended 31 March 2008</b>	Nine months ended 31 March 2007	Year ended 30 June 2007
	<b>£'000</b>	£'000	£'000
<b>Cash flow from investing activities</b>			
Interest received	2	2	11
Sale of property, plant and equipment	22	5	606
Purchase of property, plant and equipment	(940)	(967)	(1,570)
Purchase of intangible assets	-	-	(6)
Purchase of shares in subsidiary	(3,735)	-	-
Cash on consolidation of subsidiary	(1,310)	-	-
	<b>(5,961)</b>	(960)	(959)

<b>Cash flow from financing activities</b>			
Interest paid	(321)	(197)	(320)
Dividends paid to minority interests	(10)	-	-
Dividends paid to equity shareholders	(414)	(331)	(496)
Dividend received from joint venture	-	-	47
New loans in the period	3,000	-	-
Repayment of borrowings	(459)	(54)	(72)
Repayment of capital element of finance leases	(65)	(35)	(47)
	<b>1,731</b>	(617)	(888)

#### Reconciliation of net cash flow to movement in net debt

	<b>Nine months ended 31 March 2008</b>	Nine months ended 31 March 2007	Year ended 30 June 2007
	<b>£'000</b>	£'000	£'000
Increase/(Decrease) in cash in the period	801	(28)	315
Cash (inflow)/outflow from change in debt	(19,564)	(8,405)	119
Movement in net debt in the period	(18,763)	(8,433)	434
Net debt at 1 July 2007	(421)	(855)	(855)
<b>Net debt at 31 March 2008</b>	<b>(19,184)</b>	(9,288)	(421)

## Notes to the Accounts

### 1. Taxation

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

### 2. Dividend

An interim dividend of 1.0p per share was paid on 6 May 2008 to shareholders on the register on 11 April 2008. No further interim dividend is being paid.

### 3. Earnings per share

Earnings per share have been calculated by reference to 16,554,046 shares in issue.

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

	Nine months ended 31 March 2008 £'000	Nine months ended 31 March 2007 £'000	Year ended 30 June 2007 £'000
Opening equity attributable to members of parent company	16,340	13,864	13,864
Total recognised income and expenses for the period	(1,326)	1,435	2,949
Dividends paid	(414)	(331)	(496)
Share based payments taken directly to equity	16	18	23
Closing equity attributable to members of the parent company	<u>14,616</u>	<u>14,986</u>	<u>16,340</u>

### 5. Acquisition of shareholding in Freeland Horticulture Ltd

In July 2007 the Group acquired an additional 37.5% of Freeland Horticulture Ltd ("Freeland") taking its stake to 87.5%. As a consequence Freeland is no longer accounted for as a joint venture but is consolidated in full in the accounts of the Group with effect from July 2007. The interests of the minority shareholder in the results of the business for the period to 31 March 2008 are shown in the Consolidated Income Statement and the interests in the net assets of the business at 31 March 2008 are shown in the Consolidated Balance Sheet. The cost of the acquisition was £757,000 and the directors believe the fair value of the assets acquired was £422,000.

### 6. Acquisition of Joseph Metcalf Ltd

In January 2008 the Group acquired the whole of the share capital of Joseph Metcalf Ltd ("Metcalf"). The results of Metcalf for the period from acquisition to 31 March 2008 have been consolidated in the accounts of the Group and the balance sheet of Metcalf is consolidated in the Group balance sheet as at 31 March 2008. The cost of the acquisition was £2,978,000. The directors believe the fair value of the assets acquired was equal to the cost of acquisition but the figures included are provisional due to the timing of the transaction and should be finalised by the end of this financial year.

### 7. Basis of preparation of accounts

The company has adopted International Financial Reporting Standards for the preparation of these interim accounts. The standards have been applied consistently for the nine months to 31 March 2008 and for all comparatives shown.

The interim report has been approved by the Board of Directors and is neither audited nor reviewed. The information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory accounts for the year ended 30 June 2007 received an unqualified audit report and have been filed with the Registrar of Companies.

A copy of this interim report together with notice of Annual General Meeting will be posted to shareholders shortly and will be available to view on the Company's website at [www.william-sinclair.co.uk](http://www.william-sinclair.co.uk)