



6 January 2009

## WILLIAM SINCLAIR HOLDINGS PLC

### PRELIMINARY RESULTS FOR THE 15 MONTHS ENDED 30 SEPTEMBER 2008

William Sinclair Holdings Plc is one of the UK's leading producers of commercial horticulture and branded garden products. The Company provides peat 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 Weyvale, 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**

- Group turnover increased 45% to £54.8 million (2007: £37.6 million – 12 months) helped by the inclusion of sales by Freeland and Metcalf
- Profit of £0.52 million (2007: £1.45 million – 12 months) after significant cost increases
- Strong performance from Freeland's green waste and topsoil recycling business
- Acquisition and successful integration of Joseph Metcalf
- Final dividend of 1.0p per share; total for the period 2.0p

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

"Previous management action to reduce the Company's cost base and improve the productivity of the business ensured the Company has been able to endure recent extreme market conditions. In particular the early and cold Easter, the poor harvest due to heavy rains and the rising costs of raw materials.

"With inflationary pressures subsiding, fuel and haulage costs returning to more realistic levels the Company is starting to restore its margins as price increases begin to flow through.

"Traditionally sales of garden products are relatively resilient during economic downturns. With a low exposure to exchange rate fluctuations, strong peat reserves, a 100 per cent increase in the use of recycled materials in our products and a reputation in the industry for strong customer service, we are well placed to withstand the current economic downturn."

**For further information:**

**William Sinclair Holdings Plc**  
Bernard Burns, Chief Executive  
Peter Williams, Finance Director

Tel: 01522 537561

**Arbuthnot Securities**  
Alastair Moreton  
Alasdair Younie

Tel: 020 7012 2000

**Madano Partnership**  
Dominic Barretto  
Graham Moonie

Tel: 020 7593 4000

**CHAIRMAN'S STATEMENT**

The 15 month period to the end of September 2008 has been challenging for the Company following some of the most difficult trading and operating conditions for many years. Despite this it is very pleasing to recommend a final dividend of 1.0p making a total for the period of 2.0p (2007 – 3.5p).

Compared to the previous 12 month period, turnover for the 15 months to 30 September 2008 is ahead by 45% at £54.8million. In addition to the extra three months trading this includes sales by Freeland and by Joseph Metcalf Ltd (which was acquired in January 2008).

Underlying sales were broadly in line with the previous period with strong demand from the professional growers offsetting the shortfall in retail caused, in the main, by the very early Easter and by poor weather.

Our peak selling season usually begins at Easter but in 2008 it was the earliest it had been for almost a century and fell significantly before the beginning of spring. Demand therefore started later and was concentrated into a shorter period. From Easter onwards we faced record levels of rainfall which impacted on demand, curtailed the peat harvest and significantly increased transport costs due to heavier product.

We have increased our own prices following the significant increase in the cost of fuel, energy, plastic packaging, fertilisers and transport. This has begun to mitigate some of the profitability erosion that we experienced during 2008.

Consequently our margins are beginning to recover and are returning to normal levels. This is being helped by the continuing fall in commodity prices and lower transportation costs.

As previously announced, Bolton Fell has been selected as a candidate Special Area of Conservation (cSAC) and it is likely that we will eventually have to stop harvesting peat from this particular area. We do not anticipate any long term difficulty with sourcing alternatives to Bolton Fell peat but these alternatives are all more expensive. We will seek to increase the use of recycled materials in our products wherever possible. Discussions with the authorities to determine the amount that will be due to us as compensation for the higher costs are on-going.

Our status as the cost leader of our sector and our reputation for the highest levels of service in the market have improved recently and, while we are not completely insulated from the economic situation, our margins are continuing to recover and demand for our products will, we believe, prove resilient.

Bill Simpson  
Chairman  
5 January 2009



## **CHIEF EXECUTIVE'S STATEMENT**

### **Overview.**

Results for the 15 months ended 30 September 2008 are disappointing and reflect a difficult year for your Company.

Margins fell as a result of severe cost inflation in raw materials and services combined with the worst peat harvest in the last 10 years and a late and limited selling season. Despite this we remain profitable, continue to pay a dividend and are confident about our prospects in the coming year.

### **Review of the period**

Retail sales of gardening consumables normally surge at the Easter Bank Holiday weekend which this year was in mid March 2008. Unusually parts of the UK experienced snow in the week before Easter. Consequently, the sales increase was modest. It was late April/early May 2008 before most of the UK experienced favourable gardening conditions and the selling season never recovered from this late start.

The profit margin on this business was reduced by heavy cost inflation in packaging, fertilisers, and transport. This was caused by rising oil prices and increasing agricultural demand for fertilisers as legislation in the US and Europe stimulated the growing of bio fuel crops. This demand also led to worldwide shortages, particularly of chemicals, and price increases of more than 300% were commonplace for these items.

In an unprecedented move, we were forced to introduce price increases mid-season and in August 2008 introduced an additional pallet surcharge. However, even this failed to match the scale of the inflation. Our margins only recovered to acceptable levels after the year end.

In contrast, sales to our professional customers were buoyant. Demand here anticipates retail sales and the excellent selling season in 2007 led buyers to order substantially more product than in recent years. As demand failed to materialise because of the weather, production backed up in greenhouses, affecting our customers but having little affect on the Company. Here, too, inflationary factors reduced margins and at times we simply could not source sufficient raw material even at these higher prices and some sales were lost.

Freeland, which provides processed green waste for the horticulture industry and produces topsoils for the construction and civil engineering industries, has performed exceptionally well during the period. The nature of the Freeland business is short lead times and short contract periods and they found it easier to keep selling prices and costs aligned. The wet summer caused some operating difficulties but the net result was 20% ahead of plan and also ahead of last year.

The Joseph Metcalf business traded as a separate entity from January 2008 until the restructuring of the business in August 2008. The majority of its customers continue to trade within William Sinclair and appreciate the stronger brands, improved quality and better service that William Sinclair offers. Joseph Metcalf provides William Sinclair with significant mainland UK peat reserves.

The integration of the Joseph Metcalf business was more difficult than we had expected but has now been successfully completed.

As notified in the trading updates of 28 July and 25 September 2008, our peat harvest this period was poor. Harvested volumes were only 45% of the average of the last 10 years and only 90% of the next worst year. In addition, the peat we did harvest was heavy and therefore the on cost of processing and delivering it will be higher than normal.

Nevertheless we incurred the usual harvest costs without sufficient reward with a significant downside to profitability.

### **Bolton Fell Moss**

As outlined in our August announcement, Bolton Fell has been submitted to the European Union as a candidate SAC under the Habitat Directive and it is almost certain that the SAC status will be confirmed by the EU in the coming year. This would require eventual cessation of harvesting which in turn would undermine the viability of the adjoining factory.

Compensation would be due to the company for loss of profit and disturbance. Following discussion with Natural England we believe that harvesting can continue for a further five years at a decreasing rate. Surveys of the area concerned and an exchange of information is taking place in order to try to reach agreement on compensation but this is unlikely to conclude before summer 2009.

### **Environmental issues**

In selecting Bolton Fell as a candidate SAC, Natural England acknowledge that the site can be returned to its original condition within a limited time period. A reserve area that we have maintained and protected has preserved the full biodiversity of an upland peat bog and can be used to reseed the extended estate. We have already begun restoring a 34 acre section of the bog and have achieved considerable success in re-establishing typical flora and fauna.

Within the last 12 months we have increased the volume of recycled material we utilise by 100%. We believe our product has the lowest carbon footprint of any major supplier of growing media in the UK and we lead the UK market in peat reduction. Our reduced peat and peat free products, sold under the New Horizon brand, are acknowledged as the best of their type in the industry.

### **Capital structure and net debt**

The Group's capital structure is as follows:

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Net debt	8,690	421
Group shareholders' equity	14,214	16,340
Capital employed	<u>22,904</u>	<u>16,761</u>

The Group's gearing has increased from 2.5% to 37.9% as a function of the change in year end, the acquisitions of 37.5% of Freeland Horticulture Ltd and 100% of Joseph Metcalf Ltd, the working capital requirements of the enlarged business and the increase in the pension deficit. This leaves the Group slightly over its target of borrowing not more than 35% of capital employed. The Group expects to be back within this target by September 2009.

Net debt comprises the balance of a new fixed term loan taken out in January 2008 to fund the acquisition of Joseph Metcalf Ltd and a fixed term loan originally taken out in October 2004 for the purchase of additional freehold storage land in Lincoln together with cash balances, overdrafts and finance leases as follows:

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Cash and cash equivalent	883	335
Overdrafts	(6,204)	-
Loans	(3,215)	(670)
Finance leases	(154)	(86)
Net debt	<u>(8,690)</u>	<u>(421)</u>

**Current performance**

The global recession has eased inflationary pressures on the business. Raw material prices are falling although the weakness of sterling has the effect of reducing this benefit.

Historically, recession has only a marginal effect on garden consumables. Given favourable weather we expect consumer demand to match previous levels. However, the liquidity of some of our customers is causing concern. We insure against bad debts but necessary levels of cover are being withdrawn on substantial and previously dependable customers.

We have sourced sufficient third party peat for our production requirements and will be able comfortably to supply projected demand in the forthcoming season. A peat shortage in the market as a whole has underpinned price increases in growing media and, as transport costs and polymer prices have fallen back substantially from their peak and fertiliser costs are expected to fall in the springtime, margins have returned to acceptable levels in spite of our purchases of peat and peat substitutes from third parties.

**Outlook**

William Sinclair is less affected by the recent weakening of sterling than many of its competitors as it is the least exposed to Euro zone costs. In addition, plant imports from the Dutch growers will become more expensive which will increase activity in UK nurseries and so stimulate demand from our professional customers.

We are well placed to take advantage of this opportunity. In addition, as the lowest cost manufacturer of growing media, any increase in customer demand towards no frills ranges as a consequence of the economic climate will strengthen our position.

Bernard Burns  
Chief Executive  
5 January 2009

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Income Statement**  
**for the period ended 30 September 2008**

	<i>15 months to</i>			<i>12 months to</i>			
	<i>30 September 2008</i>			<i>30 June 2007</i>			
	<i>Notes</i>	<i>Before Except. Items £000</i>	<i>Except. Items (Note 5) £000</i>	<i>Total £000</i>	<i>Before Except. Items £000</i>	<i>Except. Items (Note 5) £000</i>	<i>Total £000</i>
<b>Revenue</b>		54,771	-	<b>54,771</b>	37,646	-	37,646
Operating expenses		53,367	361	<b>53,728</b>	36,187	(117)	36,070
<b>Operating profit</b>		1,404	(361)	<b>1,043</b>	1,459	117	1,576
Share of post tax profits of associates and joint ventures accounted for using the equity method		1	-	<b>1</b>	173	-	173
<b>Group operating profit from continuing operations</b>		1,405	(361)	<b>1,044</b>	1,632	117	1,749
Finance revenue		89	-	<b>89</b>	11	-	11
Finance costs		(829)	-	<b>(829)</b>	(326)	-	(326)
Other finance income/(cost) – pensions		217	-	<b>217</b>	12	-	12
<b>Profit from continuing operations before taxation</b>		882	(361)	<b>521</b>	1,329	117	1,446
Tax (expense) / credit		(344)	105	<b>(239)</b>	(284)	(35)	(319)
<b>Profit for the period</b>		538	(256)	<b>282</b>	1,045	82	1,127
<b>Profit for the period is attributable to:</b>							
Equity holders of the parent company		466	(256)	<b>210</b>	1,045	82	1,127
Minority interests		72	-	<b>72</b>			-
		538	(256)	<b>282</b>	1,045	82	1,127
<b>Earnings per share (pence)</b>							
Basic EPS on profit for the period	4	2.8p		1.3p	6.3p		6.8p
Diluted EPS on profit for the period	4	2.8p		1.3p	6.2p		6.7p

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Statement of Recognised Income and Expense**  
**for the period ended 30 September 2008**

	<i>Notes</i>	<i>2008</i> <i>15 mths</i> <i>£000</i>	<i>2007</i> <i>12 mths</i> <i>£000</i>
<b><i>Income and expense recognised directly in equity</i></b>			
Revaluation of property		-	-
Actuarial (losses)/gains on defined benefit pension plans		<b>(2,467)</b>	2,463
		<hr/> <b>(2,467)</b>	<hr/> 2,463
Tax on items taken directly to or transferred from equity		<b>691</b>	(641)
		<hr/> <b>(1,776)</b>	<hr/> 1,822
<b><i>Net income recognised directly in equity</i></b>			
		<b>282</b>	1,127
<b><i>Profit for the period</i></b>		<hr/> <b>(1,494)</b>	<hr/> 2,949
<b><i>Total recognised income and expense for the period</i></b>		<hr/> <b>(1,494)</b> <hr/>	<hr/> 2,949 <hr/>
<b><i>Attributable to:</i></b>			
Equity holders of the parent company	3	<b>(1,566)</b>	2,949
Minority interests		<b>72</b>	-
		<hr/> <b>(1,494)</b> <hr/>	<hr/> 2,949 <hr/>

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Balance Sheet**  
**at 30 September 2008**

	<i>Notes</i>	<i>2008</i> £000	<i>2007</i> £000
<b>Non-current assets</b>			
Property, plant and equipment		<b>16,733</b>	12,900
Intangible assets		<b>1,712</b>	1,130
Investments accounted for using the equity method		<b>215</b>	777
		<b>18,660</b>	14,807
<b>Current assets</b>			
Inventories		<b>12,021</b>	5,150
Trade and other receivables		<b>8,119</b>	10,981
Cash and short-term deposits		<b>883</b>	335
		<b>21,023</b>	16,466
<b>Total assets</b>		<b>39,683</b>	31,273
<b>Current liabilities</b>			
Trade and other payables		<b>10,176</b>	9,824
Financial liabilities		<b>6,997</b>	119
Corporation tax payable		<b>3</b>	348
		<b>17,176</b>	10,291
<b>Non-current liabilities</b>			
Financial liabilities		<b>2,576</b>	637
Deferred tax liabilities		<b>830</b>	1,513
Provisions		<b>209</b>	189
Defined benefit pension plan deficit		<b>4,475</b>	2,303
		<b>8,090</b>	4,642
<b>Total liabilities</b>		<b>25,266</b>	14,933
<b>Net assets</b>		<b>14,417</b>	16,340
<b>Capital and reserves</b>			
Equity share capital	3	<b>4,139</b>	4,139
Capital redemption reserve	3	<b>1,523</b>	1,523
Revaluation reserve	3	<b>3,498</b>	3,566
Other reserves	3	<b>176</b>	176
Share based payments	3	<b>70</b>	51
Retained earnings	3	<b>4,808</b>	6,885
<b>Group shareholders' equity</b>		<b>14,214</b>	16,340
Minority interests		<b>203</b>	-
<b>Total equity</b>		<b>14,417</b>	16,340

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Cash Flow Statement**  
**for the period ended 30 September 2008**

	2008 15 mths £000	2007 12mths £000
<b>Operating activities</b>		
Group operating profit	1,043	1,576
<i>Adjustments to reconcile group operating profit to net cash inflows from operating activities</i>		
Depreciation and impairment of property, plant and equipment	1,602	1,032
Amortisation and impairment of intangible assets	35	35
(Profit) on disposal of fixed assets	(19)	(291)
Share-based payments	19	23
Difference between pension contributions paid and amounts recognised in the income statement	(78)	(28)
Decrease/(increase) in inventories	(5,198)	(183)
Decrease/(Increase) in trade and other receivables	4,896	1,259
(Decrease)/increase in trade and other payables	(2,193)	(1,106)
Movement in provisions	20	19
	<hr/>	<hr/>
Cash generated from operations	127	2,336
Income taxes (paid)/received	(77)	(174)
	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	50	2,162
	<hr/>	<hr/>
<b>Investing activities</b>		
Interest received	89	11
Sale of property, plant and equipment	148	606
Purchases of property, plant and equipment	(1,618)	(1,570)
Payments to acquire intangible fixed assets	(129)	(6)
Purchase of shares in subsidiary undertakings	(3,875)	-
Cash on consolidation of subsidiary undertakings	(1,310)	-
	<hr/>	<hr/>
<b>Net cash flow from investing activities</b>	(6,695)	(959)
	<hr/>	<hr/>
<b>Financing activities</b>		
Interest paid	(829)	(320)
Dividends paid to equity shareholders of the parent	(579)	(496)
Dividends paid to minority interests	(10)	-
Dividends received from joint ventures	-	47
New loans in the period	3,000	-
Repayment of borrowings	(455)	(72)
Repayment of capital element of finance leases and hire purchase contracts	(138)	(47)
	<hr/>	<hr/>
<b>Net cash flow from financing activities</b>	989	(888)
	<hr/>	<hr/>
<b>(Decrease)/Increase in cash and cash equivalents</b>	(5,656)	315
Cash and cash equivalents at the beginning of the period	335	20
	<hr/>	<hr/>
<b>Cash and cash equivalents at the period end</b>	(5,321)	335
	<hr/> <hr/>	<hr/> <hr/>

# WILLIAM SINCLAIR HOLDINGS plc

## Notes

### 1 Statutory accounts

The Group Income Statement, Group Statement of Recognised Income and Expense, Group Balance Sheet and Group Cash Flow Statement for the periods ended 30 September 2008 and 30 June 2007 are not statutory accounts within the meaning of Section 240 (5) of the Companies Act 1985. The statutory accounts for the periods ended 30 September 2008 and 30 June 2007, which have been audited by Ernst & Young LLP, incorporate an unqualified audit report and do not contain a statement under Section 237(2), (3) or (4) of the Act. The statutory accounts for the year ended 30 June 2007 have been delivered to the Registrar of Companies and the statutory accounts for the period ended 30 September 2008 will be delivered to the Registrar of Companies following the Annual General Meeting of William Sinclair Holdings plc.

The accounting policies used for the 2008 figures are unchanged on those used for the 2007 comparatives.

This preliminary announcement of the results for the period ended 30 September 2008 was approved by the Board of directors on 5 January 2009.

### 2 Analysis of Net Debt

	<i>1 July</i> 2007 £000	<i>Cash</i> <i>flow</i> £000	<i>30 Sept</i> 2008 £000
Cash at bank and in hand	335	548	883
Overdrafts	-	(6,204)	(6,204)
Loans	(670)	(2,545)	(3,215)
Finance leases	(86)	(68)	(154)
	<u>(421)</u>	<u>(8,269)</u>	<u>(8,690)</u>

### 3 Reconciliation of movements in equity

	<i>Equity</i> <i>share</i> <i>capital</i> £000	<i>Revaluation</i> <i>reserve</i> £000	<i>Other</i> <i>reserves</i> £000	<i>Share</i> <i>based</i> <i>payments</i> £000	<i>Retained</i> <i>earnings</i> £000	<i>Total</i> £000
At 1 July 2006	4,139	3,501	1,699	28	4,497	13,864
Total recognised income and expense for the year	-	108	-	-	2,841	2,949
Depreciation transfer	-	(43)	-	-	43	-
Share-based payment	-	-	-	23	-	23
Equity dividends paid	-	-	-	-	(496)	(496)
At 30 June 2007	<u>4,139</u>	<u>3,566</u>	<u>1,699</u>	<u>51</u>	<u>6,885</u>	<u>16,340</u>
At 1 July 2007	4,139	3,566	1,699	51	6,885	16,340
Total recognised income and expense for the period	-	-	-	-	(1,566)	(1,566)
Depreciation transfer	-	(68)	-	-	68	-
Share-based payment	-	-	-	19	-	19
Equity dividends paid	-	-	-	-	(579)	(579)
<b>At 30 September 2008</b>	<u><b>4,139</b></u>	<u><b>3,498</b></u>	<u><b>1,699</b></u>	<u><b>70</b></u>	<u><b>4,808</b></u>	<u><b>14,214</b></u>

**WILLIAM SINCLAIR HOLDINGS plc**  
**Notes (Continued)**

**4 Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders 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 net profit attributable to ordinary equity holders of the parent (before deducting the cost of share based payments) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued under the company's share option scheme.

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Net profit attributable to equity holders of the parent – continuing operations	210	1,127
Cost of share based payments	19	17
	<hr/>	<hr/>
Diluted net profit attributable to equity holders of the parent	229	1,144
	<hr/> <hr/>	<hr/> <hr/>
	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>No.</i>
Basic weighted average number of shares	16,554	16,554
Dilutive potential ordinary shares:		
Employee share options	515	530
	<hr/>	<hr/>
Diluted weighted average number of shares	17,069	17,084
	<hr/> <hr/>	<hr/> <hr/>

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.

## WILLIAM SINCLAIR HOLDINGS plc

### Notes (Continued)

#### 5 Exceptional items

	2008 £000	2007 £000
Recognised in arriving at operating profit:		
Redundancy costs on restructuring of Joseph Metcalf business	361	-
Insurance proceeds	-	300
Redundancy and dispute settlement costs	-	(183)
	<u>361</u>	<u>117</u>
	<u><u>361</u></u>	<u><u>117</u></u>

The decision was taken in July 2008 to restructure the Joseph Metcalf business. This followed the failure of negotiations with the local authority to extend planning permission at the Oswaldtwistle site which would have allowed an intensification in the use of the site.

For the year to 30 June 2007 the following are relevant:

Insurance proceeds relate to the loss of fully depreciated equipment in a fire. The equipment was subsequently replaced.

Redundancy and dispute settlement costs relate to actions taken by management to mitigate losses arising from a commercial dispute with a customer.

#### 6 Dividends paid and proposed

	2008 £000	2007 £000
<i>Declared and paid during the period:</i>		
Equity dividends on ordinary shares:		
Final dividend for June 2007: 2.50p (June 2006– 2.00p)	<b>414</b>	331
Interim for September 2008: 1.00p (June 2007 – 1.00p)	<b>165</b>	165
Dividends paid	<u><b>579</b></u>	<u>496</u>
<i>Proposed for approval by shareholders at the AGM:</i>		
Final dividend for September 2008: 1.0p (2007 – 2.50p)	<u><b>165</b></u>	<u>414</u>
	<u><u>165</u></u>	<u><u>414</u></u>

Subject to shareholders' approval the final dividend of 1.0p per share will be paid on 19 March 2009 to shareholders on the register on 20 February 2009.

#### 7 Annual General Meeting

The Company intends to post the Report and Accounts to shareholders on 23 January 2009. The Annual General Meeting of the Company will be held at The Bentley Hotel, Newark Road, South Hykeham, Lincoln, LN6 9NH on 26 February 2009 at 11.00 am. Copies of this announcement are available from the Company's registered office, Firth Road, Lincoln, LN6 7AH during normal office hours.