



4 January 2012

## **WILLIAM SINCLAIR HOLDINGS PLC**

(“William Sinclair”, the “Company” or the “Group”)

### **Audited Preliminary Results for the 12 months ended 30 September 2011**

William Sinclair Holdings PLC is one of the UK's leading producers of commercial horticulture and branded garden products. Its 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 The Garden Centre Group, Sainsburys, Morrisons, Wilkinson, Homebase and B&Q as well as an extensive range of independent garden centres.

#### **FINANCIAL HIGHLIGHTS**

- 54% increase in profit before tax to £3.18 million (12 months to 30 September 2010: profit before tax of £2.06 million)
- 13.6% increase in operating profit before exceptional items
- Dividend up 24% for the year to 6.2p, an increase of 1.2p per share
- Net cash increased after acquisition costs, dividend growth and accelerated pension contributions
- Results are after the costs of Natural England's restrictions at Bolton Fell – estimated at £600,000 profit impact in the two years to date
- Strong balance sheet and further acquisition targets

#### **COMPANY HIGHLIGHTS**

- Successful acquisition of Growing Success and a specialist aggregate business
- Strong performance by Freeland - SuperFyba production achieves target efficiency
- Closure and consolidation in Lincoln of Growing Success' manufacturing operation in Barnsley
- Post year end strategic acquisition of composting business of Yorkshire Horticultural Supplies

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

“In a year when the economy has been littered with banana skins we have continued to improve the Company's performance. Prudent action has been taken to mitigate against the insolvency of large customers, delays in planning permissions and a UK economy which is stalling. The right decisions made have delivered results to be proud of. With strongly developing strategic advantages in key areas of the market that provide promising growth prospects, we are in the best position possible to manage any further deterioration in consumer spending during 2012.”

**For further information:**

**William Sinclair Holdings PLC**

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## **CHAIRMAN'S STATEMENT**

It is very pleasing to report to shareholders an increase in profit before taxation of more than 54% to £3.18 million for the year ended 30 September 2011, despite the extremely challenging economic environment. Even after allowing for last year's exceptional items, profit before taxation has increased by 26%.

The Company made two related acquisitions during the financial year and these, combined with a strong performance from our Silvaperl business, meant that sales grew by 12.0%. Further operational efficiencies improved performance, lifting operating profits before exceptional item by 13.6% reaffirming the belief that William Sinclair is the lowest cost producer in the industry. Adversely affecting performance were one-off acquisition and integration costs, fuel price increases, the poor peat harvest and an increase in customer failures.

The harsh winter of 2011 benefited the Company with increased demand from consumers replacing plants damaged and destroyed by the severe frosts. The warm weather in March and April, the important spring and Easter buying season, also boosted demand. The industry again suffered a poor harvest during the summer months but the on-going improvement in the Company's peat drying technology ensured harvesting could continue.

William Sinclair's specialist soils subsidiary, Freeland Horticulture, continues to perform strongly. Demand for Freeland's SuperFyba product, a unique peat alternative made from green compost oversize, continues to outstrip supply and strategic steps have been taken to increase production capability. On 8 November 2011, the Company announced the acquisition of the green composting business of Yorkshire Horticultural Supplies ("YHS"). As part of its operations YHS produced green compost oversize thereby providing more of the raw material required for the manufacture of SuperFyba.

Through its award winning New Horizon product William Sinclair already produces the highest quality peat free products available on the market and the Company supports and encourages moves to eliminate peat altogether. However, the Board believes that a peat free market will not be achieved in any reasonable time frame without legislation. While efforts by the Company are being directed towards the government's peat free objectives, for the foreseeable future consumers will continue to demand substantial volumes of peat. William Sinclair has the capacity to meet this demand with access to peat bogs in Scotland that are not currently operational and additionally, it is fully expected that the refusal of planning permission to harvest peat bogs in Greater Manchester is only temporary.

Discussions with Natural England regarding our Bolton Fell bog and the adjacent manufacturing facility are on-going and positive progress is expected in the next few months. The cessation of harvesting at Bolton Fell has already begun and peat levels extracted from the bog are reducing. However the Board believes that the Company can offset this fall in production by utilising other bogs and using increased supplies of green compost and SuperFyba and is therefore confident that sufficient resources are available for the coming season.

After more than six years of excellent service, Phillip Nuttall, a non-executive director, resigned and left the Board. We welcomed his replacement, Hugh Etheridge, who has considerable experience as a non-executive and in the waste recycling industry. The strong performance in 2011 has only been possible because of the commitment and excellent performance made by all of William Sinclair's employees and I would like to record the Board's appreciation of their tremendous efforts.

Integration of our recent acquisitions has been completed and this, together with further organic and acquisition opportunities and sustained efficiency improvements, should ensure that earnings growth will continue. We are therefore recommending a final dividend of 4.4p, giving a total for the year of 6.2p, an increase of 1.2p per share (24 %).

**Bill Simpson**  
Chairman

## **CHIEF EXECUTIVE'S STATEMENT**

The Group made excellent progress in the year ended 30 September 2011.

### **The 2011 selling season**

The selling season started well with strong consumer demand in March and April which was reflected by the Company achieving record despatches in each of these months, confirming the Company's successful retail strategy. Demand fell away sharply in May, June and July as UK consumers reacted to high fuel prices coupled with concern over public sector job security. Consumer demand returned to normal levels in August and September and the low stock levels being held by many retailers resulted in a strong end to the selling season for the Company.

Due to the experienced management team and cost controls in place, margins in our traditional horticulture business improved slightly despite the substantial increase in fuel costs. The cost of oil is critical to the business and the rise from \$85 per barrel in November 2010 to \$125 per barrel in March 2011 was greater than anticipated. The Company's distribution contract has a fuel escalator built into it so the cost between March and May, the peak selling season, is particularly important. Early purchase of packaging and further improvements in despatch efficiency minimised the consequence of this inflation on the Company's reported profits.

The majority of the sales growth for this business was generated by the recent acquisition of Growing Success and a specialty aggregate business. Our performance demonstrates the Company's ability to integrate value enhancing bolt on acquisitions.

Two large customers, Monro Group and Focus DIY, which both became insolvent during the year, were important distribution channels for William Sinclair in the professional and retail markets respectively. The knock on effect was that the normal sales patterns within the retail market became distorted. Following the insolvency of Focus DIY in June 2011, our competitors sold stock into the market at heavily discounted prices and this continued until late autumn.

A world shortage of vermiculite ore caused by the extended closure of a large mine in China led to an increase in demand for Silvaperl's products. As a consequence Silvaperl performed strongly during the year. The price of ore moved sharply upwards and Silvaperl increased its selling price. Consequently turnover has increased markedly with margins remaining similar to last year.

William Sinclair's soil specialist division, Freeland Horticulture, enjoyed substantial sales growth partly due to the Olympic development and its ability to win high specification construction projects. Overall margin was adversely affected by an issue on one contract but has now returned to normal levels.

### **Bolton Fell**

In December William Sinclair announced it was in the process of referring its compensation claim for its interests at the Bolton Fell site in Cumbria to the Lands Tribunal. The substantial gap between the Company's valuation and that of Natural England, whose most recent offer was £12 million, provides evidence that the negotiation team from Natural England does not have the authority to engage directly in a process that might significantly close the gap. The Company has therefore concluded that the authority of a Court is necessary to achieve a successful outcome.

In April 2010 the Company received a £9 million prepayment in anticipation of this compensation. This money remains unassigned within the balance sheet; no portion of it has been taken to profit. However some costs which are separately recoverable in accordance with the agreement, such as professional fees, have been capitalised and will eventually be reimbursed.

Under the contract with Natural England the Company agreed a phased cessation of harvesting at Bolton Fell by November 2013, along with a cap on the total peat extracted by that time. Other restrictions were also agreed including a ban on the use of peat drying technology at the site. The directors estimate the cumulative impact of these restrictions on the reported profits of the Company to 30 September 2011 to be approximately £600,000. By the end of the financial year the Company had ceased harvesting on approximately 45% of the moss.

The Company's advisers believe that Court action could take two years or more to conclude the Bolton Fell compensation agreement.

## **Environmental policy**

The support by William Sinclair for possible legislation as a means to phase out the use of peat has been widely reported within the industry. In May 2011 the Company wrote to the Minister with responsibility for soil policy, Richard Benyon MP, in combination with other manufacturers, retailers and NGO's who collectively account for nearly 70% of UK growing media. The correspondence made it clear that William Sinclair and the other associated parties believe that legislation will be required to achieve government targets on peat reduction. The following paragraphs set out the logic behind William Sinclair's position on peat.

**Does William Sinclair support the argument that the harvesting of peat is environmentally harmful?** Peat bogs can be successfully restored at the conclusion of an extraction process. William Sinclair has been very successful at doing this and the Company has been a net generator of mire habitat over the last 30 years. We therefore reject arguments that peat extraction is harmful from a habitat perspective. However the issue of releasing otherwise sequestered carbon into the atmosphere and thereby contributing to global warming through the emission of greenhouse gases is much more difficult to assess. This is demonstrated by the research carried out by the university of Warwick on behalf of Defra, titled "*A preliminary assessment of the greenhouse gases associated with growing media*". It can be found on the internet by searching the title.

William Sinclair believes that this argument has not been properly proven but that while doubt remains, a cautionary approach is environmentally prudent. Peat is not essential to a vibrant horticulture industry and therefore until there is proof that it is not contributing to global warming, William Sinclair should explore all opportunities to stop using it.

**Why support legislation when a voluntary process is available?** William Sinclair, as one of the leading suppliers in the horticulture industry, is calling for a better system of regulation as the voluntary approach to peat reduction has consistently failed to meet its targets. Given the uncertainty surrounding the ecological impact of peat extraction it is unreasonable to place the burden of change on consumers and retailers. Most lack the expertise or the economic imperative to drive such a fundamental change in the horticultural industry. Therefore it is highly unlikely that there will be any change in the use of peat without the impetus of legislation. The argument for change is currently being sustained by charities and NGO's that have a narrow perspective on this issue. Ideally this issue should be viewed from a wider perspective as it requires scientific, rigorous and objective analysis with input from technical experts and government as well as business stakeholders. The Company believes therefore that eventually legislation is necessary and inevitable. Careful regulation can sustain the UK horticulture industry and even grow the market. Bad legislation may damage or destroy the industry. Consequently the Company is working to achieve an outcome whereby, when legislation is introduced, it works to the benefit of the industry. Many within the industry continue to support a voluntary process which will quite obviously fail because the failure of this initiative is their objective. William Sinclair is pursuing a more pragmatic, constructive and honest engagement with the government and responsible environmental groups but is making it clear that the case against peat remains unproven.

**Why do you say the market will grow and UK growers and retailers will benefit from legislation?** William Sinclair recognises that moving to a peat-free market in the early stage will initially attract a small cost premium as production volumes are small with fixed manufacturing costs. As production volumes increase manufacturing costs will only rise marginally, bringing the production costs of peat-free materials down. The Company believes that gardeners care about the environment and will accept the additional cost just as consumers did when the UK moved to CFC-free aerosols, lead-free petrol and energy-saving light bulbs. Furthermore, as high-volume peat-free production comes on stream economies of scale will result in a lowering of peat-free prices for retail customers and the professional grower market, as well as generate improved margins for retailers and producers.

**Why doesn't William Sinclair give up peat if it feels strongly about it?** William Sinclair is a commercial operation which is run for the benefit of a number of stakeholders including its shareholders. Any policy that requires a company to act to its financial detriment is putting the future of that business at risk. William Sinclair will continue to use peat in its products for as long as it offers the best commercial value for its shareholders. The Company can prosper in either a peat-using market or a peat-free market. The Company would not prosper in a peat-using market if it unilaterally forsook peat.

**Why is William Sinclair appealing the Salford Council refusal of planning permission for peat extraction at Chat Moss?** The use of peat within horticulture is inevitable until at least 2030 as there is,

and will remain, an insufficient supply of alternative materials. The industry consumes approximately 3 million m<sup>3</sup> of peat each year. The increase in availability of peat alternatives is approximately in line with market growth. The market has grown in volume by around 2.5% per annum for the last 12 years driven by demographics and this is likely to continue for the foreseeable future. Research from ADAS UK Ltd for Defra titled "*Availability and supply of alternative materials for use in growing media to meet the UKBAP target on reduced peat use in horticulture project code SP8019*" supports this assertion. Therefore William Sinclair will require peat to meet customer demand for approximately the next 19 years. Peat from Chat Moss generates the lowest CO<sub>2</sub> emissions per m<sup>3</sup> of all of William Sinclair's sources and is arguably the lowest in the industry. Without Chat Moss the Company will harvest bogs in Scotland that are currently mothballed. The overall usage of peat will remain constant but the net environmental outcome will be detrimental. William Sinclair is appealing the decision not to grant planning permission and success will result in the best available environmental outcome. The appeal will be heard in March 2012 and the decision will be made by the Secretary of State for the Environment.

The latest Defra policy on peat can be summarised as follows: Peat will voluntarily be phased out of growing media by 2013, in soil conditioners by 2015, in relation to the direct procurement in contracts for plants, in government and the public sector (new contracts) and in the amateur gardener market for bagged growing media by 2020, and a phase out by 2030 for professional horticulture.

A task force under the chairmanship of Dr Alan Knight has been set up by Defra to monitor progress towards these targets and to propose policy changes if it becomes apparent that the current methodology is failing. William Sinclair has representation as a member of the task force and remains strongly of the opinion that legislation is the only route to achieve a peat free horticulture industry.

### **The 2011 harvest**

The harvest in the industry during 2011 was again poor with the pattern of wet summers in the north of England and Scotland continuing for the last five years, resulting in successive moderate or poor harvests. In addition the agreement with Natural England on Bolton Fell and the Chat Moss planning dispute have also reduced the 2011 Company harvest. In 2008 the Company was forced to import a substantial quantity of peat from Ireland which had a detrimental effect on the profitability of the business. Consequently the Company instigated a research programme to overcome this problem and developed a unique technology for drying peat. The Company will purchase peat from Ireland during the next financial year, however, due to the efficiency of this drying technology the imported volume will be less than 20% of the volume imported in 2008. The effect on profit in the current financial period should be negligible but the carbon footprint of our operations will inevitably increase.

### **Bank facilities and balance sheet**

Lloyds Banking group remains very supportive of William Sinclair. The acquisition of the business of Growing Success and a specialist aggregate business during the reported year and the subsequent recent purchase of the assets and trade of Yorkshire Horticultural Supplies have all been financed from cash generated within the core business and have not required any additional loan facility. If further attractive acquisition opportunities present themselves during the current period, these can also be financed by borrowing at competitive rates.

The Company increased its annual deficit payment to the pension scheme by £150,000 to £750,000 and accelerated the timing of the payment to take advantage of strong cashflows in March 2011.

### **Research and development**

Freeland Horticulture has developed a unique technology that can process a by-product of the compost industry called oversize into SuperFyba. This is the best peat alternative currently commercially available. Over a million tonnes of this by-product are produced within the UK each year and the majority of it is currently disposed of by being spread on arable land or sent to landfill sites at substantial cost to the composter. The SuperFyba manufacturing process was developed at a site near Basingstoke which is now producing at full capacity and target production efficiencies have been achieved. The Company intends to purchase a second plant within the next six months with planning permission currently being sought for a site near Doncaster.

Three million cubic metres of peat are consumed by the UK horticulture industry each year. Management believe that this peat usage could eventually be completely replaced by SuperFyba. Current generation of oversize in the UK is sufficient to provide all necessary source material.

William Sinclair Horticulture has developed drying technology that is capable of producing around 50,000 m<sup>3</sup> of material (currently peat) per annum. A doubling of this capacity was brought on stream by the end of 2011.

The Silvaperl business is currently evaluating an alternative process for producing vermiculite that utilises microwave technology to achieve exfoliation. This is potentially both more cost effective and environmentally cleaner than the current method of production. The process has been developed by e2V plc, a leading developer of technology for high performance systems and equipment. e2V's decision to partner with Silvaperl for the first industrial scale implementation of the development of vermiculite has given Silvaperl a worldwide profile in the industry.

### **Acquisitions**

The Company announced in November 2010 the acquisition of the assets and trade of Growing Success Organics (GSO) and in early December an aggregate business, both from Monro South Horticulture. The total cost of these profit enhancing acquisitions was £0.8 million.

Growing Success had a production facility at Barnsley which was closed during July 2011 and the manufacturing will now take place at the Company's Lincoln factory with a consequential reduction in overhead and transport cost. The integration of these businesses has been achieved efficiently and is expected to make a greater contribution to the profits of the Company in the current year.

Following the end of the year under review, the Company announced the acquisition, by its Freeland subsidiary, of the assets and trade of Yorkshire Horticultural Supplies ("YHS"). The Company believes that the YHS business will be profit neutral during the current year.

Based near Doncaster, the main business of YHS is the processing of garden and amenity waste for the local authorities of Barnsley, Rotherham and Doncaster. The acquisition marks the beginning of a process of vertical integration to diversify William Sinclair's raw material sources away from peat towards improving the quality of alternative sources of materials to a level suitable for consumer products. The Company plans to expand the activities of the YHS business with substantial investment. William Sinclair will continue to lead the market in peat alternatives both technically and in terms of capacity and quality.

### **Outlook**

Growing media as a product category has sustained volume growth of 2.5% per annum for over a decade partly due to the ageing population. Demographic trends suggest this ageing process will continue for at least the next 10 years. The horticulture industry is under increasing pressure from government and NGO's to eliminate the use of peat in growing media for environmental reasons. Almost all major retailers involved with gardening have within their corporate responsibility statements a commitment to reduce or eliminate the use of peat in their growing media in the short or medium term.

William Sinclair has a substantial lead over the rest of the market in terms of product efficacy, material availability and brand reputation in the peat free area. The development of SuperFyba and the acquisition of YHS strengthens this lead further.

Management believes that this strength will lead to continued growth in market share for William Sinclair over the next five years. As demand grows and supply reduces (peat accounts for around 40% of growing media currently) it is inevitable that prices will rise and the Company predicts that market value growth will be greater than volume growth.

The Company is well placed to deliver sustainable turnover and profit growth for a number of years. In addition the Company has a number of acquisition opportunities under consideration. The current year will deliver a full contribution from Freeland's SuperFyba plant at Basingstoke and the consolidation of the Growing Success products into the Lincoln operation will reduce overheads further. Management believe that these actions will outweigh the loss of profit caused by the reduction in harvesting at Bolton Fell and Chat Moss.

I look forward to delivering another year of significant progress.

**Bernard Burns**  
Chief Executive

# WILLIAM SINCLAIR HOLDINGS PLC

## Group Income Statement

for the year ended 30 September 2011

		<b>2011</b>	<i>Before</i>	<i>Exceptional</i>	<b>2010</b>
		<i>Total</i>	<i>Exceptional</i>	<i>Item</i>	<i>Total</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>(Note 6)</i>	<i>£000</i>
<b>Revenue</b>		<b>54,263</b>	48,456	-	48,456
Operating expenses		<b>(50,894)</b>	(45,490)	-	(45,490)
Provision against assets held for resale	6	-	-	(460)	(460)
<b>Group operating profit</b>		<b>3,369</b>	2,966	(460)	2,506
Finance income		<b>39</b>	57	-	57
Finance costs		<b>(85)</b>	(183)	-	(183)
Other finance costs – pensions		<b>(141)</b>	(317)	-	(317)
<b>Profit before taxation</b>		<b>3,182</b>	2,523	(460)	2,063
Tax (expense)/credit		<b>(789)</b>	(479)	75	(404)
<b>Profit for the year</b>		<b>2,393</b>	2,044	(385)	1,659
All results relate to continuing operations.					
<b>Profit for the period is attributable to:</b>					
Owners of the parent company		<b>2,350</b>	2,007	(385)	1,622
Minority interests		<b>43</b>	37	-	37
		<b>2,393</b>	2,044	(385)	1,659
<b>Earnings per share (pence)</b>					
Basic EPS on profit for the year	4	<b>13.9p</b>			9.8p
Diluted EPS on profit for the year	4	<b>13.4p</b>			9.7p

# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of comprehensive income

for the year ended 30 September 2011

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<b>Profit for the year</b>	<b>2,393</b>	1,659
	<hr/>	<hr/>
<i>Other comprehensive income:</i>		
Actuarial losses on defined benefit pension plans	<b>(1,107)</b>	(443)
Tax on items taken directly to or transferred from equity	<b>476</b>	178
	<hr/>	<hr/>
<b>Other comprehensive income for the year, net of tax</b>	<b>(631)</b>	(265)
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>1,762</b>	1,394
	<hr/> <hr/>	<hr/> <hr/>
<i>Attributable to:</i>		
Owners of the parent company	<b>1,719</b>	1,357
Minority interests	<b>43</b>	37
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>1,762</b>	1,394
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# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of financial position

at 30 September 2011

		<i>2011</i>	<i>2010</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Property, plant and equipment		<b>19,607</b>	20,196
Intangible assets		<b>1,998</b>	1,607
		<hr/> <b>21,605</b>	<hr/> 21,803
		<hr/>	<hr/>
<b><i>Current assets</i></b>			
Inventories		<b>13,083</b>	10,929
Trade and other receivables		<b>8,409</b>	9,324
Cash and cash equivalents		<b>3,448</b>	3,650
		<hr/> <b>24,940</b>	<hr/> 23,903
		<hr/>	<hr/>
Assets held for sale	6	<b>1,645</b>	1,651
		<hr/> <b>48,190</b>	<hr/> 47,357
		<hr/>	<hr/>
<b><i>Current liabilities</i></b>			
Trade and other payables		<b>9,249</b>	9,256
Financial liabilities - borrowings		<b>641</b>	744
Corporation tax payable		<b>490</b>	328
		<hr/> <b>10,380</b>	<hr/> 10,328
		<hr/>	<hr/>
<b><i>Non-current liabilities</i></b>			
Financial liabilities - borrowings		<b>162</b>	1,099
Deferred tax liabilities		<b>231</b>	383
Provisions		<b>121</b>	232
Defined benefit pension plan deficit		<b>10,164</b>	9,601
Receipt from Natural England	3	<b>9,000</b>	9,000
		<hr/> <b>19,678</b>	<hr/> 20,315
		<hr/>	<hr/>
<b><i>Total liabilities</i></b>		<b>30,058</b>	30,643
		<hr/>	<hr/>
<b><i>Net assets</i></b>		<b>18,132</b>	16,714
		<hr/> <hr/>	<hr/> <hr/>

# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of financial position

at 30 September 2011 (continued)

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<b><i>Capital and reserves</i></b>		
Equity share capital	<b>4,256</b>	4,139
Share premium account	<b>150</b>	-
Capital redemption reserve	<b>1,523</b>	1,523
Revaluation reserve	<b>7,841</b>	7,822
Other reserves	<b>176</b>	176
Retained earnings	<b>3,905</b>	2,806
	<hr/>	<hr/>
<b><i>Group shareholders' equity</i></b>	<b>17,851</b>	16,466
Minority interests	<b>281</b>	248
	<hr/>	<hr/>
<b><i>Total equity</i></b>	<b>18,132</b>	16,714
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# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of changes in equity

for the year ended 30 September 2011

	Equity share capital £000	Share premium account £000	Capital redemp' reserve £000	Reval' reserve £000	Other reserves £000	Retained earnings £000	Minority Total interest £000	Total equity £000	
<b>At 30 September 2010</b>	<b>4,139</b>	<b>-</b>	<b>1,523</b>	<b>7,822</b>	<b>176</b>	<b>2,806</b>	<b>16,466</b>	<b>248</b>	<b>16,714</b>
Profit for the year	-	-	-	-	-	2,350	2,350	43	2,393
<i>Other comprehensive income:</i>									
Actuarial losses on defined benefit pension plans	-	-	-	-	-	(1,107)	(1,107)	-	(1,107)
Tax on items taken directly to or transferred from equity	-	-	-	214	-	262	476	-	476
Depreciation transfer	-	-	-	(195)	-	195	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>(650)</b>	<b>(631)</b>	<b>-</b>	<b>(631)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>1,700</b>	<b>1,719</b>	<b>43</b>	<b>1,762</b>
<i>Transactions with owners:</i>									
Equity shares issued	117	150	-	-	-	-	267	-	267
Share based payments	-	-	-	-	-	263	263	-	263
Deferred tax	-	-	-	-	-	38	38	-	38
Equity dividends paid	-	-	-	-	-	(902)	(902)	(10)	(912)
<b>Transactions with owners</b>	<b>117</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(601)</b>	<b>(334)</b>	<b>(10)</b>	<b>(344)</b>
<b>At 30 September 2011</b>	<b>4,256</b>	<b>150</b>	<b>1,523</b>	<b>7,841</b>	<b>176</b>	<b>3,905</b>	<b>17,851</b>	<b>281</b>	<b>18,132</b>

# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of changes in equity

for the year ended 30 September 2011

	Equity share capital £000	Share premium account £000	Capital redemp' reserve £000	Reval' reserve £000	Other reserves £000	Retained earnings £000	Minority Total interest £000	Total equity £000	
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
<i>Other comprehensive income:</i>									
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
<i>Transactions with owners:</i>									
Equity shares issued	-	-	-	-	-	-	-	-	-
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

# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of cash flows

for the year ended 30 September 2011

	<i>2011</i>	<i>2010</i>
<i>Notes</i>	<b>£000</b>	<b>£000</b>
<b><i>Operating activities</i></b>		
Group operating profit	<b>3,369</b>	2,506
<i>Adjustments to reconcile Group operating profit to net cash inflows from operating activities</i>		
Depreciation of property, plant and equipment	<b>1,866</b>	1,812
Amortisation of intangible assets	<b>199</b>	47
Impairment of assets held for sale	<b>6</b>	500
Profit on disposal of property, plant and equipment	<b>(51)</b>	(32)
Negative goodwill taken to the income statement	<b>(60)</b>	-
Share-based payments	<b>263</b>	106
Difference between pension contributions paid and amounts recognised in the income statement	<b>(685)</b>	(620)
Increase in inventories	<b>(1,824)</b>	(2,291)
Decrease/(increase) in trade and other receivables	<b>915</b>	(1,374)
(Decrease)/increase in trade and other payables	<b>(7)</b>	2,233
(Decrease)/increase in provisions	<b>(115)</b>	1
	<hr/>	<hr/>
Cash generated from operations	<b>3,876</b>	2,888
Income taxes paid	<b>(265)</b>	(572)
	<hr/>	<hr/>
<b><i>Net cash flow from operating activities</i></b>	<b>3,611</b>	2,316
	<hr/>	<hr/>
<b><i>Investing activities</i></b>		
Interest received	<b>39</b>	57
Sale of property, plant and equipment	<b>52</b>	66
Purchases of property, plant and equipment	<b>(1,241)</b>	(1,694)
Payments to acquire intangible fixed assets	<b>(50)</b>	(48)
Acquisitions in the period	<b>(847)</b>	-
Receipt from Natural England	3	9,000
	<hr/>	<hr/>
<b><i>Net cash flow from investing activities</i></b>	<b>(2,047)</b>	7,381
	<hr/>	<hr/>

# WILLIAM SINCLAIR HOLDINGS PLC

## Group statement of cash flows

for the year ended 30 September 2011 (continued)

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<b><i>Financing activities</i></b>		
Interest paid	<b>(81)</b>	(183)
Dividends paid to owners of the parent	<b>(902)</b>	(662)
Dividends paid to minority interests	<b>(10)</b>	(9)
Repayment of borrowings	<b>(1,019)</b>	(714)
Equity shares issued	<b>267</b>	-
	<hr/>	<hr/>
<b><i>Net cash flow from financing activities</i></b>	<b>(1,745)</b>	(1,568)
	<hr/>	<hr/>
<b><i>Increase in cash and cash equivalents</i></b>	<b>(181)</b>	8,129
Cash and cash equivalents at the beginning of the period	<b>3,629</b>	(4,500)
	<hr/>	<hr/>
<b><i>Cash and cash equivalents at the period end</i></b>	<b>3,448</b>	3,629
	<hr/> <hr/>	<hr/> <hr/>

# WILLIAM SINCLAIR HOLDINGS PLC

## Notes

### 1 Statutory accounts

The consolidated financial statements of William Sinclair Holdings PLC are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, 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 financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

These results for the year to 30 September 2011 together with the corresponding amounts for the year to 30 September 2010 are extracts from the 2011 annual report and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The statutory accounts for the year ended 30 September 2011, which have been audited by PricewaterhouseCoopers LLP, incorporate an unqualified audit report and do not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

This preliminary announcement of the results for the year ended 30 September 2011 was approved by the Board of directors on 3 January 2012.

The accounting policies used for the 2011 figures are unchanged on those used for the 2010 comparatives.

The statutory accounts for the period ended 30 September 2010 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 30 September 2011 will be delivered to the Registrar of Companies following the Annual General Meeting of William Sinclair Holdings PLC.

### 2 Analysis of net cash/(debt)

	<i>1 Oct</i>	<i>Cash</i>	<i>30 Sept</i>
	<i>2010</i>	<i>flow</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	3,650	(202)	<b>3,448</b>
Overdrafts	(21)	21	-
Loans	(1,822)	1,019	<b>(803)</b>
	<hr/>	<hr/>	<hr/>
	1,807	838	<b>2,645</b>
	<hr/>	<hr/>	<hr/>

# WILLIAM SINCLAIR HOLDINGS PLC

## Notes (continued)

### 3 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 to 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. The agreement provides that in the event that compensation has not been agreed between the parties before 30 November 2011 the matter can be referred by either side to the Lands Tribunal for a decision. The Group is in the process of exercising this right and a timetable for hearing the matter is expected shortly from the Lands Tribunal. 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 has implemented a phased withdrawal of peat harvesting from Bolton Fell. An accelerated programme of regeneration is now the responsibility of Natural England. William Sinclair's own team expects to 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.

### 4 Earnings per 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:

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Diluted net profit attributable to owners of the parent	<b>2,350</b>	1,622
	<b>2011</b>	<i>2010</i>
	<i>No.</i>	<i>No.</i>
Basic weighted average number of shares ('000s)	<b>16,890</b>	16,554
Dilutive potential ordinary shares:		
Employee share options ('000s)	<b>681</b>	199
Diluted weighted average number of shares ('000s)	<b>17,571</b>	16,753

There have been no 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 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.

	<i>External sales</i>		<i>Internal sales</i>		<i>Total sales</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Revenue</b>						
Horticulture	44,738	40,919	122	133	44,860	41,052
Freeland	5,696	4,195	50	78	5,746	4,273
Other	3,829	3,342	-	-	3,829	3,342
<b>Total</b>	<b>54,263</b>	<b>48,456</b>	<b>172</b>	<b>211</b>	<b>54,435</b>	<b>48,667</b>
Less intra group sales elimination	-	-	(172)	(211)	(172)	(211)
<b>Total revenue</b>	<b>54,263</b>	<b>48,456</b>	<b>-</b>	<b>-</b>	<b>54,263</b>	<b>48,456</b>

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.

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<b>Operating profit</b>		
Horticulture	3,868	4,156
Freeland	462	412
Other	463	271
<b>Total segment operating profit</b>	<b>4,793</b>	<b>4,839</b>
Central costs	(1,424)	(2,333)
<b>Total Group operating profit</b>	<b>3,369</b>	<b>2,506</b>
Finance income	39	57
Finance costs	(85)	(183)
Other finance costs – pensions	(141)	(317)
<b>Total Group profit before tax</b>	<b>3,182</b>	<b>2,063</b>

# WILLIAM SINCLAIR HOLDINGS PLC

## Notes (continued)

### 5 Segment information (continued)

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.

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

	<i>Impairment</i>		<i>Depreciation and amortisation</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Horticulture	-	-	<b>1,792</b>	1,562
Freeland	-	-	<b>224</b>	243
Other	-	-	<b>40</b>	44
Central costs	-	500	<b>9</b>	10
<b>Total</b>	-	500	<b>2,065</b>	1,859

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

### 6 Exceptional item

There were no exceptional items in the year ended 30 September 2011.

In the year ended 30 September 2010 the Group wrote down the carrying value of certain surplus freehold properties held for resale by a net amount of £460,000.

The assets held for resale comprise a surplus freehold property for which the Group is actively seeking a purchaser. The property is empty and is not being used by the Group.

# WILLIAM SINCLAIR HOLDINGS PLC

## Notes (continued)

### 7 Dividends paid and proposed

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<i>Declared and paid during the period:</i>		
Equity dividends on ordinary shares:		
Final dividend for September 2010: 3.50p (September 2009 – 2.50p)	<b>596</b>	414
Interim for September 2011: 1.80p (September 2010 – 1.00p)	<b>306</b>	248
	<hr/>	<hr/>
Dividends paid	<b>902</b>	662
	<hr/> <hr/>	<hr/> <hr/>
<i>Proposed for approval by shareholders at the AGM:</i>		
Final dividend for September 2011 4.40p (2010 – 3.50p)	<b>749</b>	579
	<hr/> <hr/>	<hr/> <hr/>

Subject to shareholders' approval the final dividend of 4.40p per share will be paid on 15 March 2012 to shareholders on the register on 17 February 2012.

### 8 Share capital

<i>Issued and fully paid</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>No.</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of 25p each	<b>17,024,046</b>	16,554,046	<b>4,256</b>	4,139
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year two directors exercised share options which generated £267,000 on the issue of 470,000 ordinary shares.

### 9 Annual General Meeting

The Company intends to post the Report and Accounts to shareholders on 24 January 2012. The Annual General Meeting of the Company will be held at The Bentley Hotel, Newark Road, South Hykeham, Lincoln LN6 9NH on 24 February 2012 at 11.00 a.m. Copies of this announcement are available from the Company's registered office, Firth Road, Lincoln, LN6 7AH during normal office hours and on the Company's website [www.william-sinclair.co.uk](http://www.william-sinclair.co.uk).