



27 September 2007

**WILLIAM SINCLAIR HOLDINGS plc**

**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2007**

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**

- Profit increased 72% to £1.45 million (2006: £0.84 million)
- Turnover decreased 3.8% to £37.6 million (2006: £38.9 million) following continued exit from unprofitable contracts
- Recommended final dividend of 2.5p per share making a total of 3.5p, an increase of 17% from the previous year and representing an earnings cover of 1.9
- Basic EPS from continuing operations increased 70% to 6.8p (2006: 4.0p)

**COMPLETION OF TURNAROUND STRATEGY**

- Turnaround strategy completed with further margin improvement still expected
- Reversal in recent sales decrease and significant growth opportunities identified

**ENVIRONMENTAL STRATEGY**

- Manufacture composts containing lower levels of peat
- Product launch with carbon footprint data scheduled for October 2007 – an industry first

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

“The turnaround strategy of the Company is now complete and the transition towards growth is underway.

“Having identified and terminated most of our lower margin business we are now in a good position to increase sales as we target more profitable contracts by leveraging the strength of William Sinclair’s well regarded brands and our reputation for providing the best quality of service in the industry.

“William Sinclair has already become more aggressive in capitalising on its leading position, particularly through the Company’s environmental credentials. The launch of our peat reduced composts and the associated carbon footprint data that has been developed by a leading UK environmental agency is one example of how William Sinclair is successfully differentiating itself from its competitors and the Board considers that the Company is well positioned to provide further shareholder value.”

**For further information:**

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## **CHAIRMAN'S STATEMENT**

I am very pleased to be able to report a further improvement in the Group's results for the year ended 30 June 2007. The increase in profitability and the strengthening of the Group's balance sheet is the result of the continued improvement in operations and increased emphasis on core activities and profitable business activities.

Sales turnover fell by almost 4% as we exited unprofitable business areas. Despite this, we maintained our share of the retail markets.

Our joint venture, Freeland, has developed equipment to maximise the advantage to be gained from increasing quantities of green waste. This will give us a significant competitive advantage in the production of more peat-free and peat-reduced growing media. We believe capitalising on this opportunity will play an important part in our future strategy and our intention to improve our environmental credentials. To maximise on this potential we have recently announced the acquisition of a controlling interest in Freeland Horticulture.

Group profit before tax has increased by 72% which represents satisfactory progress as we continue to improve overall shareholder value.

We are proposing a final dividend of 2.5p, giving a total for the year of 3.5p. The dividend cover is now 1.9 times which is consistent with our policy of gradually improving this key statistic.

The last year has been another period of change within William Sinclair and I would like to thank employees, both past and present, for their cooperation and for their efforts which are greatly appreciated.

### **Transfer of Company's shares to AIM**

The Company successfully moved to the Alternative Investment Market in December 2006. This has, we believe, increased the Company's profile and increased trade in the Company's shares as investors recognised the benefits of an AIM quotation particularly with regard to an exemption in respect of inheritance tax and other tax advantages available to private individuals.

### **Change of year end**

As announced last year the Board intends to change the Company year end to 30 September 2008 resulting in a fifteen month financial period. There are considerable benefits internally from this move and the revised timetable will be a much better reflection of our trading year.

### **Outlook**

The retail environment remains competitive but we are confident that we have the right products, the right quality and the right service standards to continue to improve performance and deliver strong results.

Bill Simpson  
Chairman  
26 September 2007

## **CHIEF EXECUTIVE'S STATEMENT**

The full year results to the end of June 2007 show reasonable progress in returning the business to an acceptable level of profitability; margins have continued to improve, partly as a consequence of withdrawing from some low return contracts but, more substantially, from further operational efficiency being achieved.

### **Sector breakdown**

Sales of retail gardening consumables were very strong having benefited from exceptionally good weather during April and May – the key selling period. These benefits were partially offset by the effect of the heavy rain in late May and June. The Directors estimate the total market for retail gardening consumables grew by approximately 10% year on year.

Within retail gardening consumables the growing media sector, a key strength for Sinclair, grew by 12% with the Company's J Arthur Bower's brand gaining market share at the expense of branded competitors.

The Company is in the process of improving the packaging of its J Arthur Bower's growing media range and the new products are to be available in stores this autumn. Consequently an increase in customer demand is expected next season.

There was no growth in the plant foods sector whilst demand for lawn treatments was down by 8%. We believe that demand from commercial growers was the same as the previous year with buyers cautious after several years of poor sales. William Sinclair has lost market share in this competitive area.

Although the industry's peat harvest this summer will fall short of expectations, William Sinclair has a significant stock of raw material and the need for substantial third party purchases in the year ahead is not anticipated.

### **Additional positive impact from restructuring strategy**

Despite the completion of the recovery strategy the Group will continue to work towards delivering further benefits.

The closure of our bark processing site at Flimby in Cumbria was successfully completed in June 2007 and the new facility at Boothby is working well. The benefits of this change will result in further efficiency improvements during the current year.

William Sinclair's manufacturing facilities are the best available and the Directors believe William Sinclair is the lowest cost producer of growing media in the industry. However there is room for improvement within our plant food and fertiliser operations and further efficiency gains are expected in this area over the next year.

We are continuing to look at options for consolidation and relocation of our manufacturing and distribution operations in order to further reduce costs.

## **ENVIRONMENTAL INITIATIVES**

During the year William Sinclair took significant steps to capitalise on its position as the most environmentally responsible manufacturer in the sector.

### **Reducing carbon footprint**

Our peat reduced multipurpose compost will display carbon footprint data from this autumn. This information was calculated by an independent organisation and one of the UK's leading environmental agencies, AEA Energy & Environment. This is a first in the gardening market.

In due course we expect most of our product range will follow suit displaying similar information on all packaging. William Sinclair already has the lowest footprint in the industry and the Company will continue to develop other innovative ways to reduce this footprint further over the next five years.

### **Freeland acquisition – reducing peat requirements and saving landfill**

In July 2007 William Sinclair acquired a controlling interest in Freeland Horticulture, the green waste recycling business. The Group purchased an additional 37.5% stake for £0.75 million taking its total interest to 87.5%. A further £0.225 million is payable in cash over the next three financial years if Freeland achieves certain performance targets. Freeland reported profit before tax of approximately £0.39 million for the year ended 30 June 2007.

The acquisition will allow William Sinclair to reduce the peat content of many of its mixes without compromising the product quality. Eventually 500,000 tonnes of material that would otherwise go to landfill will be used as a peat replacement in the Group's products thereby reducing the need to harvest and import peat.

The acquisition of Freeland is an important part of differentiating William Sinclair from its competitors and providing environmental solutions for existing and potential customers.

### **Renewable energy**

All our electricity purchases are now from green sources.

### **Other environmental policies**

Where our manufacturing operations are considered detrimental to specific habitats we will engage in dialogue with interested parties to minimise risks. We will consider reducing or terminating operations completely if no workable alternative can be found.

When we have exhausted any given resource we aim to return it toward its original condition even when we have no obligation to do so. Where we have done this in the past biodiversity surveys show that 75% of species return within five years of the start of the regeneration process.

All our bark is FSC (Forest Stewardship Council) certified and comes from sustainable forests.

### **CAPITAL STRUCTURE AND NET DEBT**

The Group's capital structure is as follows:

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Net debt	421	855
Group shareholders' equity	16,340	13,864
Capital employed	<u>16,761</u>	<u>14,719</u>

The Group's gearing has fallen from 5.8% to 2.5% as a function of cash generated from operations and the reduction in the pension deficit. This leaves the Group well within its target of borrowing not more than 35% of capital employed.

Net debt comprises the balance of a fixed term loan originally taken out in October 2004 for the purchase of additional freehold storage land in Lincoln as well as cash balances, overdrafts and finance leases as follows:

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Cash and cash equivalent	335	153
Overdrafts	-	(133)
Loans	(670)	(742)
Finance leases	(86)	(133)
Net debt	<u>(421)</u>	<u>(855)</u>

## **CHANGE IN FINANCIAL YEAR**

The financial year 2007-2008 will be the 15 months ending 30<sup>th</sup> September 2008. The change in the year end will move the budget process away from the critical selling period and allow management to focus on increasing turnover.

## **CURRENT TRADING AND THE YEAR AHEAD**

Looking forward, the Company anticipates growth in sales over the coming year. The improvement in packaging, market leading service, award winning quality and environmental focus gives retailers products that enable them to meet the demands of their own customers.

With capability to substantially increase output without significant capital investment, the Directors remain confident about the Company's prospects.

**Bernard Burns**

Chief Executive

26 September 2007

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Income Statement**  
**for the year ended 30 June 2007**

	----- June 2007 -----			----- June 2006 -----			
		Before Except.	Except. Items.	Total	Before Except.	Except. Items	Total
	Notes	Items £000	(Note 5) £000	£000	Items £000	(Note 5) £000	£000
<b>Revenue</b>		37,646	-	<b>37,646</b>	38,889	240	39,129
Operating expenses		36,187	(117)	<b>36,070</b>	38,011	339	38,350
<b>Operating profit</b>		1,459	117	<b>1,576</b>	878	(99)	779
Share of post tax profits of associates and joint ventures accounted for using the equity method		173	-	<b>173</b>	201	173	374
<b>Group operating profit from continuing operations</b>		1,632	117	<b>1,749</b>	1,079	74	1,153
Finance revenue		11	-	<b>11</b>	29	-	29
Finance costs		(326)	-	<b>(326)</b>	(310)	-	(310)
Other finance income/(cost) – pensions		12	-	<b>12</b>	(32)	-	(32)
<b>Profit from continuing operations before taxation</b>		1,329	117	<b>1,446</b>	766	74	840
Tax expense		(284)	(35)	<b>(319)</b>	(210)	29	(181)
<b>Profit for the year attributable to members of the parent company</b>		1,045	82	<b>1,127</b>	556	103	659
<b>Earnings per share (pence)</b>							
Basic EPS on profit for the year	4	6.3p		<b>6.8p</b>	3.4p		4.0p
Diluted EPS on profit for the year	4	6.2p		<b>6.7p</b>	3.3p		3.9p

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Statement of Recognised Income and Expense**  
**for the year ended 30 June 2007**

	<i>Notes</i>	<i>2007</i>	<i>2006</i>
		<i>£000</i>	<i>£000</i>
<b><i>Income and expense recognised directly in equity</i></b>			
Revaluation of property		-	964
Actuarial gains/(losses) on defined benefit pension plans		2,463	2,135
		<hr/>	<hr/>
		2,463	3,099
Tax on items taken directly to or transferred from equity		(641)	(929)
		<hr/>	<hr/>
<b><i>Net income recognised directly in equity</i></b>		1,822	2,170
<b><i>Profit for the year</i></b>		1,127	659
		<hr/>	<hr/>
<b><i>Total recognised income and expense for the year</i></b>	3	2,949	2,829
		<hr/> <hr/>	<hr/> <hr/>

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Balance Sheet**  
**at 30 June 2007**

	<i>Notes</i>	2007 £000	2006 £000
<b>Non-current assets</b>			
Property, plant and equipment		12,900	12,677
Intangible assets		1,130	1,159
Investments accounted for using the equity method		777	858
		<u>14,807</u>	<u>14,694</u>
<b>Current assets</b>			
Inventories		5,150	4,967
Trade and other receivables		10,981	12,149
Cash and short-term deposits		335	153
		<u>16,466</u>	<u>17,269</u>
<b>Total assets</b>		<u>31,273</u>	<u>31,963</u>
<b>Current liabilities</b>			
Trade and other payables		9,824	10,930
Financial liabilities		119	251
Corporation tax payable		348	131
		<u>10,291</u>	<u>11,312</u>
<b>Non-current liabilities</b>			
Financial liabilities		637	757
Deferred tax liabilities		1,513	853
Provisions		189	170
Defined benefit pension plan deficit		2,303	5,007
		<u>4,642</u>	<u>6,787</u>
<b>Total liabilities</b>		<u>14,933</u>	<u>18,099</u>
<b>Net assets</b>		<u>16,340</u>	<u>13,864</u>
<b>Capital and reserves</b>			
Equity share capital	3	4,139	4,139
Capital redemption reserve	3	1,523	1,523
Revaluation reserve	3	3,566	3,501
Other reserves	3	176	176
Share based payments	3	51	28
Retained earnings	3	6,885	4,497
<b>Group shareholders' equity</b>		<u>16,340</u>	<u>13,864</u>

**WILLIAM SINCLAIR HOLDINGS plc**  
**Group Cash Flow Statement**  
**for the year ended 30 June 2007**

	2007	2006
	£000	£000
<b>Operating activities</b>		
Group operating profit	1,576	779
<i>Adjustments to reconcile group operating profit to net cash inflows from operating activities</i>		
Depreciation and impairment of property, plant and equipment	1,032	967
Amortisation and impairment of intangible assets	35	38
(Profit) on disposal of fixed assets	(291)	(7)
Share-based payments	23	22
Difference between pension contributions paid and amounts recognised in the income statement	(28)	(139)
Decrease/(increase) in inventories	(183)	583
Decrease/(Increase) in trade and other receivables	1,259	(173)
(Decrease)/increase in trade and other payables	(1,106)	(278)
Movement in provisions	19	24
Cash generated from operations	2,336	1,816
Income taxes (paid)/received	(174)	384
<b>Net cash flow from operating activities</b>	<b>2,162</b>	<b>2,200</b>
<b>Investing activities</b>		
Interest received	11	29
Sale of property, plant and equipment	606	1,012
Purchases of property, plant and equipment	(1,570)	(1,377)
Payments to acquire intangible fixed assets	(6)	(25)
<b>Net cash flow from investing activities</b>	<b>(959)</b>	<b>(361)</b>
<b>Financing activities</b>		
Interest paid	(320)	(327)
Dividends paid to equity shareholders of the parent	(496)	(496)
Dividends received from joint ventures	47	35
Repayment of borrowings	(72)	(58)
Repayment of capital element of finance leases and hire purchase contracts	(47)	(72)
<b>Net cash flow from financing activities</b>	<b>(888)</b>	<b>(918)</b>
<b>Increase in cash and cash equivalents</b>	<b>315</b>	<b>921</b>
Cash and cash equivalents at the beginning of the year	20	(901)
<b>Cash and cash equivalents at the year end</b>	<b>335</b>	<b>20</b>

# 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 years ended 30 June 2007 and 2006 are not statutory accounts within the meaning of Section 240 (5) of the Companies Act 1985. The statutory accounts for the years ended 30 June 2007 and 30 June 2006, 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 2006 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 30 June 2007 will be delivered to the Registrar of Companies following the Annual General Meeting of William Sinclair Holdings plc.

The accounting policies used for the 2007 figures are unchanged on those used for the 2006 comparatives.

This preliminary announcement of the results for the year ended 30 June 2007 was approved by the Board of directors on 26 September 2007.

### 2 Analysis of Net Debt

	1 July 2006 £000	Cash flow £000	30 June 2007 £000
Cash at bank an in hand	153	182	335
Overdrafts	(133)	133	-
Loans	(742)	72	(670)
Finance leases	(133)	47	(86)
	<u>(855)</u>	<u>434</u>	<u>(421)</u>

### 3 Reconciliation of movements in equity

	<i>Equity share capital</i> £000	<i>Revaluation reserve</i> £000	<i>Other reserves</i> £000	<i>Share based payments</i> £000	<i>Retained earnings</i> £000	<i>Total</i> £000
At 1 July 2005	4,139	2,855	1,699	6	2,810	11,509
Total recognised income and expense for the year	-	675	-	-	2,154	2,829
Depreciation transfer	-	(29)	-	-	29	-
Share-based payment	-	-	-	22	-	22
Equity dividends paid	-	-	-	-	(496)	(496)
At 30 June 2006	<u>4,139</u>	<u>3,501</u>	<u>1,699</u>	<u>28</u>	<u>4,497</u>	<u>13,864</u>
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>

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

**4 Earnings per share**

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

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Net profit attributable to equity holders of the parent – continuing operations	1,127	659
Cost of share based payments	17	15
	<u>1,144</u>	<u>674</u>
Diluted net profit attributable to equity holders of the parent	<u>1,144</u>	<u>674</u>
	<i>2007</i>	<i>2006</i>
	<i>No.</i>	<i>No.</i>
Basic weighted average number of shares	16,554	16,554
Dilutive potential ordinary shares:		
Employee share options	530	561
	<u>17,084</u>	<u>17,115</u>
Diluted weighted average number of shares	<u>17,084</u>	<u>17,115</u>

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

	2007	2006
	£000	£000
Recognised in arriving at operating profit:		
Insurance proceeds	300	-
Redundancy and dispute settlement costs	(183)	-
Income from termination of sales contracts	-	240
Settlement of commercial dispute with a supplier	-	(106)
Reorganisation redundancy costs and professional fees	-	(165)
Disposal of assets by joint venture	-	105
	<u>117</u>	<u>74</u>
	<u><u>117</u></u>	<u><u>74</u></u>

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.

The income from the termination of sales contracts arose on giving up the Sangral brand in the Middle East market.

Reorganisation redundancy costs and professional fees relate primarily to the departure of a main board director and a senior divisional manager.

The disposal of assets by a joint venture relates to the disposal by Ou Alutaguse Turvas of peat and other assets which realised a net profit of £105,000.

### 6 Dividends paid and proposed

	2007	2006
	£000	£000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Final dividend for June 2006: 2.00p (June 2005– 2.00p)	331	331
Interim for June 2007: 1.00p (June 2006 – 1.00p)	165	165
Dividends paid	<u>496</u>	<u>496</u>
	<u><u>496</u></u>	<u><u>496</u></u>
<i>Proposed for approval by shareholders at the AGM:</i>		
Final dividend for June 2007: 2.5p (2006 – 2.00p)	414	331
	<u><u>414</u></u>	<u><u>331</u></u>

Subject to shareholders' approval the final dividend of 2.5p per share will be paid on 14 December 2007 to shareholders on the register on 16 November 2007.

### 7 Annual General Meeting

The Company intends to post the Report and Accounts to shareholders on 26 October 2007. The Annual General Meeting of the Company will be held at The Bentley Hotel, Newark Road, South Hykeham, Lincoln, LN6 9NH on 29 November 2007 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.