

**WILLIAM SINCLAIR
HORTICULTURE LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2007

WILLIAM SINCLAIR HORTICULTURE LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2007

Company registration number	7633
Registered office	Firth Road Lincoln LN6 7AH
Directors	B P Burns P D Williams S D Harper (resigned 31 August 2007)
Secretary	P D Williams
Auditors	Ernst & Young LLP Registered Auditors Chartered Accountants Lowgate House Lowgate Hull HU1 1JJ

WILLIAM SINCLAIR HORTICULTURE LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2007

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WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2007

Results and Dividends

The profit for the year after taxation amounted to £2,213,000 (2006 £990,000) The Directors do not recommend the payment of a dividend

Principal activity

The company's principal activity is that of the manufacture and distribution of a range of products for the retail and professional horticultural markets

The Company's businesses

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

Business objectives

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

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

Business strategies

The Company's strategy is to optimise manufacturing efficiency through investment in modern equipment and minimising distribution costs

Organic sales growth will arise as customers migrate from competitors in recognition of our market leading service, quality and value for money For the coming season we have improved the packaging of most of our retail range and promoted our sector leading ecological policies The acquisition of a controlling interest in Freeland Horticulture Ltd is part of furthering this strategy

The decorative aggregate launch in January 2007 was successful and we will be exploiting this over the next 12 months

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

WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

Performance against KPIs

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

<i>Measure</i>	<i>2007</i>	<i>2006</i>
Sales growth	(4.3)%	(5.4)%
Operating profit	6.8%	3.7%
Number of accidents	5	6

Sales growth has not been achieved this year. The reasons for this are primarily our continuing exit from low margin markets. As set out above, strategies are in place to achieve the target sales growth in the near future.

Operating profit is also below target as a percentage of sales. Again, as set out above, there are strategies in place to improve margins primarily by reducing costs.

We monitor a range of "accident statistics" to ensure that the fullest priority is given to the health and safety of our employees. All accidents are investigated with a view to improving work procedures and the working environment so as to minimise the risk of further accidents.

We also monitor customer satisfaction through a variety of measures and are pleased to conclude that we have achieved a large improvement in customer service. We believe that William Sinclair leads the marketplace in customer satisfaction.

Future developments

As set out above, the Board believes it has strategies in place to improve the Company's performance in the years ahead. Sales will be achieved by maintaining our reputation while developing additional product ranges and making technological improvements to our products.

Employee Policies

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

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

Principal risks and uncertainties

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

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

Intellectual capital

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

Relationships

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

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

WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

Treasury policies

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

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

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

Foreign currency risk

The Company has very little invested in operations outside the United Kingdom

Wherever practical the Company seeks to purchase and sell goods and services in sterling. On occasions this is not possible with the result that a small proportion of transactions, both purchases and sales, are denominated in either Euros or in US dollars. The net impact of these transactions is broadly neutral but any short-term exposure above a modest level approved from time to time by the Board is closed out using spot purchases or sales of currency. Where an individual transaction is likely to be above £100,000 then it is immediately taken into account in assessing the short-term exposure.

Interest rate risk

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

Credit risk

The Company supplies most of its customers on credit and applies strict credit account opening procedures which include the need to obtain a credit rating. In addition the Company purchases credit insurance to cap its exposure at a percentage of individual balances. Individual customer exposures are monitored in conjunction with the insurance company to ensure that the Company's exposure to bad debts is not significant.

WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

Treasury policies (continued)

Liquidity risk

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

The Company's funding needs are currently met through retained earnings, short term debt in the form of overdraft facilities and a modest level of long term debt. The seasonal nature of the business makes this the most appropriate debt profile. Should the business require additional long term funding then appropriate borrowing policies will be set by the Board in conjunction with the debt providers.

Short term excess cash is only invested in interest bearing deposits with maturities fixed at no more than 3 months.

Price risk

The Company is exposed to changes in raw materials and packaging prices where these are based on worldwide commodity prices for fertilisers or on oil prices. The Company minimises its exposure through fixed supplier agreements where possible, including for the supply of heating oil and gas. Many packaging plastics are dependent on oil prices and the company puts in place rolling three month purchase agreements to reduce the impact of price fluctuations.

It is, and has been throughout the period under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

Directors

The membership of the Board as at 30 June 2007 is set out below.

No director had any disclosable interest in the shares of the company during the year.

The interests of the directors and their families in the shares of the parent undertaking, William Sinclair Holdings plc, as at 1 July 2006 and 30 June 2007 were as follows.

	Ordinary shares of 25p each			
	30 June 2007		1 July 2006	
	Beneficial holding	Share options	Beneficial holding	Share options
S D Harper	-	15,000	-	15,000
B P Burns	Disclosed in parent undertaking's financial statements			
P D Williams	Disclosed in parent undertaking's financial statements			

Employee involvement

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and regular company circulars. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Charitable and political contributions

Donations to charitable organisations amounted to £825 (2006 £840)

Supplier payment policy and practice

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

At 30 June 2007, the company had an average of 43 days purchases owed to trade creditors.

Auditors

Special notice pursuant to Section 388(3) having been given, a resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report were B P Burns and P D Williams. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

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

WILLIAM SINCLAIR HORTICULTURE LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the board



P D Williams
Secretary

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WILLIAM SINCLAIR HORTICULTURE LIMITED**

We have audited the financial statements of William Sinclair Horticulture Limited for the year ended 30 June 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the principal accounting policies, the note of historical cost profit and losses and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The Directors are responsible for the preparation of the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and international standards on auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with international standards on auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

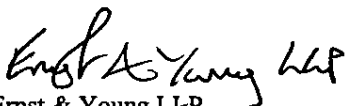
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WILLIAM SINCLAIR HORTICULTURE LIMITED (CONTINUED)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of the company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements


Ernst & Young LLP
Registered Auditors
Hull

29 February 2008

WILLIAM SINCLAIR HORTICULTURE LIMITED**PROFIT AND LOSS ACCOUNT AND STATEMENT OF RECOGNISED GAINS AND LOSSES**

For the year ended 30 June 2007

	Note	2007 £'000	2006 £'000
Turnover	1	38,654	40,408
Operating charges	2	<u>36,029</u>	<u>(38,930)</u>
Operating profit		2,625	1,478
Income from joint ventures	3	<u>46</u>	<u>35</u>
Profit on ordinary activities before interest and taxation		2,671	1,513
Net interest	4	60	(21)
Other finance costs - pensions	23	<u>12</u>	<u>(32)</u>
Profit on ordinary activities before taxation	1	2,743	1,460
Tax on profit on ordinary activities	6	<u>(530)</u>	<u>(470)</u>
Profit on ordinary activities after taxation	18	<u>2,213</u>	<u>990</u>
Statement of total recognised gains and losses			
		2007 £'000	2006 £'000
Surplus on revaluation of land and buildings		-	964
Actuarial gains/(losses) on defined benefit pension plans	23	2,463	2,135
Tax on items taken directly to or transferred from equity		<u>(790)</u>	<u>(641)</u>
Profit for the financial year		<u>1,673</u>	<u>2,458</u>
		2,213	990
Total recognised gains and (losses) since last annual report		<u>3,886</u>	<u>3,448</u>
Note of historical cost profits and losses			
		2007 £'000	2006 £'000
Profit on ordinary activities before taxation		2,743	1,460
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts		<u>60</u>	<u>27</u>
Historical cost profit on ordinary activities before taxation		<u>2,803</u>	<u>1,487</u>


WILLIAM SINCLAIR HORTICULTURE LIMITED

BALANCE SHEET AT 30 JUNE 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	12,930	12,730
Investments	9	1,821	1,855
		<u>14,751</u>	<u>14,585</u>
Current assets			
Stocks	10	5,150	4,967
Debtors	11	10,443	12,320
Cash at bank and in hand		8,198	6,368
		<u>23,791</u>	<u>23,655</u>
Creditors: amounts falling due within one year	12	<u>(20,197)</u>	<u>(21,773)</u>
Net current assets		<u>3,594</u>	<u>1,882</u>
Total assets less current liabilities		<u>18,345</u>	<u>16,467</u>
Creditors: amounts falling due after more than one year	13	<u>(5,210)</u>	<u>(5,257)</u>
Provisions for liabilities and charges	15	<u>(589)</u>	<u>(799)</u>
Net assets excluding pension liability		<u>12,546</u>	<u>10,411</u>
Defined benefit pension liability	23	<u>(1,658)</u>	<u>(3,409)</u>
Net assets		<u>10,888</u>	<u>7,002</u>
Capital and reserves			
Called up share capital	17	510	510
Capital reserve	18	125	125
General reserve	18	1,092	1,092
Revaluation reserve	18	4,893	4,953
Profit and loss account	18	4,268	322
Equity shareholders' funds	19	<u>10,888</u>	<u>7,002</u>

The financial statements were approved by the Board of Directors on **29 February 2008**

B P Burns  **Director**

P D Williams  **Director**

The accompanying accounting policies and notes form an integral part of these financial statements

WILLIAM SINCLAIR HORTICULTURE LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 June 2007

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost convention with the exception of the revaluation of certain freehold and leasehold properties

As a wholly owned subsidiary of William Sinclair Holdings plc, the company is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover, which excludes value added tax, is the value of goods supplied and services provided. Revenue is recognised at the time of supply of goods or provision of the services.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided on all property, including peat bogs, vehicles and plant and equipment, other than other freehold land, at rates calculated to write down the cost or valuation, less residual value, of each asset by equal annual instalments over their expected useful lives, as follows:

Freehold buildings	2%
Short leasehold land and buildings	Period of the lease
Plant and equipment	10% - 33%
Motor vehicles	20% - 33%

The carrying values of fixed assets are reviewed for impairment if circumstances indicate that those values may not be recoverable.

REVALUATION OF PROPERTIES

The Company's freehold and short leasehold properties are subject to revaluation in accordance with Financial Reporting Standard No 15. No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold properties.

LEASING

Finance leases relating to the purchase of equipment, plant and vehicles have been capitalised and depreciated in accordance with the company's depreciation policy. The capital element of future lease payments is included in creditors as obligations under finance leases. Interest costs under finance leases are charged to the profit and loss account at a constant periodic rate of charge.

Operating lease rentals are charged to the profit and loss account over the lease term.

WILLIAM SINCLAIR HORTICULTURE LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 June 2007

INVESTMENTS

Investments are included at cost less amounts written off. Dividends received from investments are shown as income from the joint ventures.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

Cost comprises the direct cost of production and the attributable proportion of all overheads appropriate to location and condition. Stocks of harvested peat include the direct cost of production and overheads based on the long-run level of harvest activity. Net realisable value is the estimated selling price reduced by any costs of completion, marketing, selling and distribution.

DEFERRED TAXATION

Deferred Taxation is recognised on all timing differences that have originated but have not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

FOREIGN CURRENCIES AND FORWARD CONTRACTS

All exchange gains or losses are included in the determination of profit for the year.

The company sometimes uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The criteria for forward currency contracts are:

- the instrument must be related to a foreign currency asset or liability that is probable,
- it must involve the same currency as the hedged item, and
- it must reduce the risk of foreign currency exchange movements on the company's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities or, where the instrument is used to hedge a committed, or probable, future transaction, are deferred until the transaction occurs.

WILLIAM SINCLAIR HORTICULTURE LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 June 2007

CONTRIBUTIONS TO PENSION SCHEMES

The Company operates a defined benefit pension scheme which was closed to new entrants in 1996. The contributions of eligible employees and employing companies are administered in funds independent from the company's assets. The scheme is funded on a going concern basis on the advice of external actuaries.

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

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

Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the period in which they occur.

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

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

REINSTATEMENT PROVISIONS

The cost of reinstating the company's peat mosses are recognised as a liability as the peat is harvested. Provision is made as each site is worked and an obligation incurred. Where the effect of the time value of money is material the provision is discounted.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is attributable to the company's principal activity and arises as follows

	2007 £'000	2006 £'000
United Kingdom	38,130	39,152
Europe	408	245
Middle and Far East	116	1,011
	<u>38,654</u>	<u>40,408</u>

The profit on ordinary activities before taxation is stated after

	2007 £'000	2006 £'000
Auditors' remuneration		
Audit services	30	30
Non-audit services	<u>3</u>	<u>3</u>
Depreciation		
Tangible fixed assets owned	1,032	966
Tangible fixed assets held under finance leases and hire purchase contracts	<u>30</u>	<u>30</u>
Hire of plant and machinery under operating leases	633	284
Other operating lease rentals	<u>448</u>	<u>192</u>

2 OPERATING CHARGES

	2007 £'000	2006 £'000
Change in stocks of finished goods	(449)	1,287
Raw materials and consumables	18,238	18,038
Staff costs	7,328	7,746
Depreciation	1,062	996
Other operating charges	<u>9,850</u>	<u>10,863</u>
	<u>36,029</u>	<u>38,930</u>

3 INCOME FROM JOINT VENTURES

The balance shown represents the dividend income received in the year from the Company's investment in joint ventures

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

4 NET INTEREST

	2007 £'000	2006 £'000
On bank loans and overdrafts	(51)	(50)
Hire purchase interest	(10)	(10)
Interest payable to group undertakings	(7)	(26)
	<u>(68)</u>	<u>(86)</u>
Interest receivable	128	65
Net interest received/(paid)	<u>60</u>	<u>(21)</u>

5 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	2007 £'000	2006 £'000
Wages and salaries	6,093	6,731
Social security costs	565	486
Other pension costs	670	529
	<u>7,328</u>	<u>7,746</u>

The average number of employees of the company during the year was

	2007 Number	2006 Number
Production	187	193
Administration	91	100
	<u>278</u>	<u>293</u>

Remuneration in respect of directors was as follows

	2007 £'000	2006 £'000
Emoluments	73	314
Pension contributions to money purchase pension schemes	5	5
	<u>78</u>	<u>319</u>

During the year no director (2006 2) participated in a defined benefit pension schemes and 1 director (2006 1) participated in a money purchase pension scheme

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

DIRECTORS AND EMPLOYEES (CONTINUED)

The amounts set out above include remuneration in respect of the highest paid director as follows

	2007 £'000	2006 £'000
Emoluments (2006 including compensation for loss of office of £104,000)	<u>73</u>	<u>207</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents

	2007 £'000	2006 £'000
Corporation tax at 30% (2006 30%)	291	174
Group relief	<u>344</u>	<u>290</u>
	635	464
Adjustment in respect of prior period	<u>(38)</u>	<u>-</u>
Total current tax	<u>597</u>	<u>464</u>
Adjustment in respect of pension at 28%	67	-
Origination and reversal of timing differences	(132)	13
Adjustment in respect of prior period	<u>(2)</u>	<u>(7)</u>
Total deferred tax (note 16)	<u>(67)</u>	<u>6</u>
Tax on profit on ordinary activities	<u>530</u>	<u>470</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2006 30%)
The differences are explained as follows

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	<u>2,743</u>	<u>1,460</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	823	438
Effect of:		
Non qualifying depreciation, expenses not deductible for tax purposes and other permanent differences	(31)	62
Capital gains	(60)	29
Depreciation in excess of capital allowances	-	46
Dividends from joint ventures – non-taxable	(14)	(10)
Other short term differences	(11)	(90)
Adjustment in respect of pension at 30%	(72)	-
Adjustments to tax charge in respect of prior periods	(38)	(7)
Marginal relief	<u>-</u>	<u>(4)</u>
Current tax charge for period	<u>597</u>	<u>464</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

The company will benefit from the reduction in the main rate of corporation tax to 28% from 1 April 2008. Deferred tax is required to be measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse and so deferred tax has been provided at 28%. No provision has been made for deferred tax on gains recognised on revaluing property to its market value. The total amount unprovided as at 30 June 2007 is £1,387,000 (2006 £1,486,000). Such tax would only become payable if the properties were sold without it being possible to claim rollover relief. At 30 June 2007 it is not envisaged that any tax will become payable. No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would only become payable if the property were sold without it being possible to claim rollover relief. As at 30 June 2007 the gains rolled over into replacement assets total £130k and resulting unprovided deferred tax is £36k. At 30 June 2007 it is not envisaged that any of the tax not provided will become payable.

7 DIVIDENDS

	2007 £'000	2006 £'000
Interim dividend of £nil (2006 £nil) per share	-	-
Proposed final dividend of £nil (2006 £nil) per share	-	-
	<u>-</u>	<u>-</u>

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and vehicles £'000	Total £'000
Cost or valuation				
At 1 July 2006	5,746	2,910	15,245	23,901
Additions	41	2	1,534	1,577
Disposals	(289)	-	(325)	(614)
At 30 June 2007	<u>5,498</u>	<u>2,912</u>	<u>16,454</u>	<u>24,864</u>
Depreciation				
At 1 July 2006	-	-	11,171	11,171
Provided in the year	64	114	884	1,062
Disposals	(2)	-	(297)	(299)
At 30 June 2007	<u>62</u>	<u>114</u>	<u>11,758</u>	<u>11,934</u>
Net book amount at 30 June 2007	<u>5,436</u>	<u>2,798</u>	<u>4,696</u>	<u>12,930</u>
Net book amount at 30 June 2006	<u>5,746</u>	<u>2,910</u>	<u>4,074</u>	<u>12,730</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows

	Plant and equipment £'000
Net book amount at 30 June 2007	<u>201</u>
Net book amount at 30 June 2006	<u>231</u>
Depreciation provided in the year	<u>30</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

TANGIBLE FIXED ASSETS (CONTINUED)

Included within the valuation of freehold property is an amount of £2,428,000 (2006 £2,560,000) relating to land which has not been depreciated

All the company's freehold and leasehold properties were valued by NAI Fuller Peiser, Property Consultants and Chartered Surveyors, on 30 June 2006. The site at Bolton Fell and the Group's peat mosses in Scotland were valued as specialised operational properties on the basis of depreciated replacement cost. The remaining properties were valued on an existing use basis. No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold properties. The directors are not aware of any material change in the value of properties since 30 June 2006.

If land and buildings has not been revalued, they would have been included on the historical cost basis at the following amounts

	Freehold land and buildings £'000	Short leasehold land and buildings £'000
Cost	4,391	1,831
Accumulated depreciation	(860)	(1,023)
Net book amount at 30 June 2007	<u>3,531</u>	<u>808</u>
Net book amount at 30 June 2006	<u>3,902</u>	<u>879</u>

9 FIXED ASSET INVESTMENTS

	Investment in group undertakings £'000	Interests in joint ventures £'000	Total £'000
Cost			
At 1 July 2006 and at 30 June 2007	<u>600</u>	<u>1,221</u>	<u>1,821</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

FIXED ASSET INVESTMENTS (CONTINUED)

At 30 June 2007, the company held 20% or more of the allotted share capital of the following

	Class of share capital held	Proportion held	Nature of business		
Subsidiary undertaking Boothby and Penicuik Peat Company Limited	Ordinary	100%	Dormant		
				Aggregate of capital and reserves £'000	Profit/(loss) for financial year £'000
Joint ventures Bark Products (Scotland) Limited	Ordinary	50%	Pulverised bark processor	427	43
Freeland Horticulture Limited	Ordinary	50%	Supply of green waste	1,125	303

10 STOCKS

	2007 £'000	2006 £'000
Raw materials and consumables	2,750	3,016
Finished goods and goods for resale	2,400	1,951
	5,150	4,967

11 DEBTORS

	2007 £'000	2006 £'000
Trade debtors	10,296	10,678
Amounts owed by group undertakings	(344)	676
Other debtors	69	32
Corporation tax recoverable	91	-
Prepayments and accrued income	331	934
	10,443	12,320

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank overdrafts	-	80
Trade creditors	5,361	5,149
Amounts owed to group undertakings	10,504	10,660
Amounts owed to joint ventures	-	897
Other taxation and social security	1,367	1,581
Other creditors	148	80
Accruals and deferred income	2,422	2,811
Corporation tax	348	468
Obligations under finance leases and hire purchase contracts	47	47
	<u>20,197</u>	<u>21,773</u>

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Amounts owed to group undertakings	5,171	5,171
Obligations under finance leases and hire purchase contracts	39	86
	<u>5,210</u>	<u>5,257</u>

14 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Finance lease and hire purchase borrowings are repayable as follows

	2007 £'000	2006 £'000
Within one year	47	47
Two to five years	39	86
	<u>86</u>	<u>133</u>

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (note 16) £'000	Other provisions £'000	Total £'000
At 1 July 2006	629	170	799
Arising in the year	-	13	13
Movement in discount rate	-	6	6
Utilised	-	-	-
Movement in the year	(229)	-	(229)
At 30 June 2007	<u>400</u>	<u>189</u>	<u>589</u>

Other provisions include a moss reinstatement provision. The reinstatement provision is built up as peat is extracted. It is expected that the costs of reinstatement will have been incurred within 11 years of the balance sheet date. The costs are discounted to take account of the time value of money.

16 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below

	2007 £'000	2006 £'000
Accelerated capital allowances	412	557
Short-term timing differences	(12)	72
	<u>400</u>	<u>629</u>

17 SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised 630,000 ordinary shares of £1 each	<u>630</u>	<u>630</u>
Allotted, called up and fully paid 510,000 ordinary shares of £1 each	<u>510</u>	<u>510</u>

18 RESERVES

	Capital reserve £'000	General reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2006	125	1,092	4,953	322	6,492
Actuarial gains and losses	-	-	-	1,673	1,673
Transfer from revaluation reserve	-	-	(60)	60	-
Profit for the year	-	-	-	2,213	2,213
At 30 June 2007	<u>125</u>	<u>1,092</u>	<u>4,893</u>	<u>4,268</u>	<u>10,378</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Profit for the financial year	2,080	990
Dividends	-	-
Revaluation of properties	-	964
Actuarial gains/(losses) on defined benefit pension plans net of tax	1,673	1,494
Net increase in shareholder's funds	3,753	3,448
Shareholders' funds at 1 July	7,002	3,554
Shareholders' funds at 30 June 2007	10,755	7,002

20 CAPITAL COMMITMENTS

	2007 £'000	2006 £'000
Contracted but not provided for	Nil	Nil

21 CONTINGENT LIABILITIES

The company is party to an omnibus guarantee and set off agreement in respect of its own and all other group companies' bank accounts

The company has provided a duty deferment guarantee H M Revenue & Customs for a maximum amount of £200,000.

22 LEASING COMMITMENTS

	2007 Land and buildings £'000	Other £'000	2006 Land and buildings £'000	Other £'000
In one year or less	253	207	-	42
Between two and five years	195	426	192	242
In five years or more	-	-	-	-
	448	633	192	284

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

23 PENSIONS

The Company operates a Group Personal Pension Plan. The Company's contributions are made on the basis of a pre-defined scale related to the employees' contributions.

The Company also operates a pension scheme which provides benefits on a defined benefit basis. This was closed to new members on 18 November 1996. The assets of the scheme are held separately from those of the Company. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets. The Company's contributions are determined by an independent qualified actuary, Buck Consultants, on the basis of regular valuations using the projected unit credit method.

The assets and liabilities of the scheme at 30 June are

	2007 £'000	2006 £'000	2005 £'000
Scheme assets at fair value			
Equities	12,686	11,785	12,158
Properties	905	-	-
Government stock	3,093	2,954	1,870
Corporate bonds	3,087	2,905	1,875
Cash	87	87	80
	<u>19,858</u>	<u>17,731</u>	<u>15,983</u>
Fair value of scheme assets			
Present value of scheme liabilities	(22,161)	(22,738)	(23,232)
	<u>(2,303)</u>	<u>(5,007)</u>	<u>(7,249)</u>
Net pension liability			
Related deferred tax asset	645	1,598	2,201
	<u>(1,658)</u>	<u>(3,409)</u>	<u>(5,048)</u>

The amounts recognised in the Company Profit and Loss Account and in the Company Statement of Total Recognised Gains and Losses for the year are analysed as follows

	2007 £'000	2006 £'000
<i>Recognised in Profit and Loss Account</i>		
Current service cost	(494)	(493)
Past service cost	-	-
	<u>(494)</u>	<u>(493)</u>
Recognised in Profit and Loss Account		
	<u>1,189</u>	<u>1,094</u>
Expected return on scheme assets	(1,177)	(1,126)
Interest cost on scheme liabilities		
Other finance income/ (cost)	12	(32)

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

PENSIONS (Continued)

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
<i>Taken to the Statement of Total Recognised Gains and Losses</i>		
Actual return on scheme assets	2,094	2,014
Less expected return on scheme assets	(1,189)	(1,094)
	<u>905</u>	<u>920</u>
Other actuarial gains and losses	1,558	1,215
	<u>2,463</u>	<u>2,135</u>

	<i>2007</i> <i>%</i>	<i>2006</i> <i>%</i>	<i>2005</i> <i>%</i>
<i>Main assumptions</i>			
Rate of salary increases	2.5	2.5	2.5
Discount rate	5.8	5.2	4.9
Expected rates of return on scheme assets			
Equities	8.1	7.6	7.6
Government Stocks	5.3	4.7	4.3
Corporate bonds	5.8	5.2	4.9
Properties	7.3	7.6	7.6
Inflation assumption	2.5	2.5	2.3

The total charge to the Company Profit and Loss Account in respect of the defined benefit plan in 2007 is expected to be £447,000 for the company

Changes in the present value of the defined benefit pension obligations are analysed as follows

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
As at 1 July 2006	22,738	23,232
Current service cost	506	493
Interest cost	1,177	1,126
Benefits paid	(647)	(897)
Actuarial gains and losses	(1,558)	(1,215)
Employee contributions	155	175
Expenses and life assurance premiums	(210)	(176)
	<u>22,161</u>	<u>22,738</u>
As at 30 June 2007	<u>22,161</u>	<u>22,738</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

PENSIONS (Continued)

Changes in the fair value of plan assets are analysed as follows

	2007	2006
	£'000	£'000
As at 1 July 2006	17,731	15,983
Actual return on plan assets	2,094	2,014
Employer contributions	735	632
Contributions by employees	155	175
Benefits paid	(647)	(897)
Expenses and life assurance premiums	(210)	(176)
As at 30 June 2007	19,858	17,731

History of experience gains and losses

	2007	2006	2005
	£'000	£'000	£'000
Fair value of scheme assets	19,858	17,731	15,983
Present value of defined benefit obligation	(22,161)	(22,738)	(23,232)
Deficit in the scheme	(2,303)	(5,007)	(7,249)
Experience adjustments arising on plan liabilities	1,558	1,215	(2,137)
Experience adjustments arising on plan assets	905	920	1,314

24 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

As a wholly-owned subsidiary of William Sinclair Holdings plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by William Sinclair Holdings plc on the grounds that consolidated accounts are publicly available

During the year, the company traded on a normal commercial basis with Bark Products (Scotland) Limited and Freehold Horticulture Limited both of which are 50% owned by the company. P D Williams is a director of each of Bark Products (Scotland) Limited and Freeland Horticulture Limited. B P Burns was appointed a director of Freeland Horticulture Limited on 7 September 2006.

25 POST BALANCE SHEET EVENTS

On 20 July 2007 William Sinclair Horticulture Limited increased its shareholding in Freeland Horticulture Limited from 50% to 87.5% by the acquisition of 75 shares of 50p each from its former joint venture partners. The consideration paid was £750,000 with a further £225,000 payable in cash over the next three years if Freeland Horticulture Ltd achieves certain performance targets.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

26 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company and its controlling party is its parent company William Sinclair Holdings plc

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by William Sinclair Holdings plc. Copies of the group accounts can be obtained from Firth Road, Lincoln, LN6 7AH

WILLIAM SINCLAIR HORTICULTURE LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2006
