

10 House

**WILLIAM SINCLAIR
HORTICULTURE LIMITED**

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 SEPTEMBER 2012

COMPANY REGISTRATION
NUMBER 00007633

FRIDAY



A2AILJJO

A40

14/06/2013

#65

COMPANIES HOUSE

WILLIAM SINCLAIR HORTICULTURE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

Company registration number	00007633
Registered office	Firth Road Lincoln LN6 7AH
Directors	B P Burns P D Williams D J Adamson R G Sinclair
Secretary	P D Williams
Bankers	Lloyds Bank plc 3rd Floor 25 Gresham St London EC2V 7MN
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

WILLIAM SINCLAIR HORTICULTURE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

CONTENTS	PAGE
Directors' report	1
Independent auditors' report	6
Profit and loss account	7
Statement of total recognised gains and losses	7
Note of historical cost profits and losses	7
Balance sheet	8
Notes to the financial statements	9

WILLIAM SINCLAIR HORTICULTURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2012

The directors present their report together with the audited financial statements of the Company for the year ended 30 September 2012

Results and dividends

The profit for the year after taxation amounted to £374,000 (2011 £2,500,000) A dividend of £1,000,000 was paid during the year (2011 £2,500,000)

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

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

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

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>2012</i>	<i>2011</i>
Sales growth (annualised)	(13.1)%	9.5%
Profit before tax margin	0.5%	5.9%
Number of accidents	7	13

Sales in the year are £6,514,000 lower than in the twelve months to 30 September 2011 This reflects the impact of the wet weather The period from April to August in the UK was the wettest since records began This poor weather resulted in a 19% decrease in the value of the UK retail growing media market for the 12 months ended July 2012 compared to the same period in the previous year

Profit before tax decreased £2,713,000 as a result of the reduced level of sales The wet weather has also impacted the harvest with 2012 being the worst peat harvest on company record The impact of this is that peat moss overheads have not been fully recovered into harvested peat stock £313k of costs were also incurred by the company appealing against the decision not to extend planning permission at Chat Moss – a peat bog owned by another group company As the appeal was not successful, these costs have been written off and classed as exceptional Generally, all costs are monitored closely and efforts made to minimise purchase prices and to convert materials into finished goods efficiently

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 maintained our good reputation for customer service We believe that William Sinclair leads the marketplace in customer satisfaction

WILLIAM SINCLAIR HORTICULTURE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2012

Future developments

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

The Board continues to assess the impact of the agreement to cease peat harvesting from Bolton Fell and its strategy to promote peat free alternatives. The Board now expects the compensation sum to be agreed within twelve months. As a consequence the Group's interests in land and buildings at Bolton Fell have been transferred to current assets and disclosed as assets held for sale. To be consistent, the advance payment of £9 million received from Natural England in April 2010 is no longer shown as a "Non Current Liability".

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.

Treasury policies

The objectives of the treasury function are to manage the Company's financial risk, to 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 and retained earnings. 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 no investment 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.

WILLIAM SINCLAIR HORTICULTURE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2012

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 subject to a minimum balance. Individual customer exposures are monitored in conjunction with the insurance company to ensure that the Company's exposure to bad debts is at an acceptable level. Where the insurance company reduces or removes cover then the Company normally does the same. Exceptionally the Board may maintain a credit limit for a customer in these circumstances where, in the opinion of the Board, the customer trading relationship justifies it. In these circumstances the Board reviews the position of these customers at each full Board meeting.

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 and short term debt in the form of overdraft facilities. 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 electricity. Many packaging plastics are dependent on oil prices and the Company puts in place rolling quarterly purchase price agreements to reduce the impact of price fluctuations.

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

Directors

The directors of the Company during the year and up to the date of signing of the financial statements were as follows:

P D Williams
B P Burns
D J Adamson
R G Sinclair

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.

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

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2012

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 £12,199 (2011 £19,689). All (2011 £18,389) of this was paid to the Greenfingers charity which provides gardens for children's hospices. No political donations were made (2011 £nil).

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 September 2012, the Company had an average of 48.6 days purchases owed to trade creditors (2011 45.1 days).

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

WILLIAM SINCLAIR HORTICULTURE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

Disclosure of information to auditors

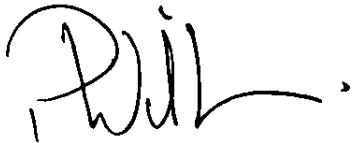
The directors who were members of the board at the time of approving the directors' report were B P Burns, P D Williams, D J Adamson and R G Sinclair. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- 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

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

By order of the board



P D Williams

Secretary

25 February 2013

WILLIAM SINCLAIR HORTICULTURE LIMITED

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

We have audited the financial statements of William Sinclair Horticulture Limited for the year ended 30 September 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Andrew Lyon BSc FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
25 February 2013

WILLIAM SINCLAIR HORTICULTURE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2012

Registered number 00007633

	Note	2012 £'000	2011 £'000
Turnover	2	43,034	49,548
Operating expenses	3	(43,731)	(48,577)
Operating (loss) / profit pre exceptional costs		(384)	971
Exceptional operating expenses			
Exceptional item – expenses re Chat Moss appeal	4	(313)	-
Operating (loss) / profit post exceptional costs		(697)	971
Income from shares in group undertakings	5	1,089	2,071
Profit on ordinary activities before interest and taxation		392	3,042
Net interest	6	(2)	7
Other finance costs – pensions	25	(194)	(141)
Profit on ordinary activities before taxation		196	2,908
Tax on profit on ordinary activities	8	178	(408)
Profit for the financial year	20	374	2,500

All amounts relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2012

		2012 £'000	2011 £'000
Actuarial losses on defined benefit pension plans	25	(3,741)	(1,107)
Actuarial gains and losses on pension scheme – deferred tax		935	299
Tax rate change on defined benefit pension plans		(278)	(109)
Gain on revaluation		1,325	-
		(1,759)	(917)
Profit for the financial year		374	2,500
Total recognised gains and losses relating to the year		(1,385)	1,583

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 30 September 2012

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	196	2,908
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	143	162
Historical cost profit on ordinary activities before taxation	339	3,070
Historical cost retained / profit for the year	517	2,662

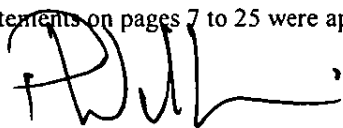
WILLIAM SINCLAIR HORTICULTURE LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	10	300	400
Tangible assets	11	16,087	14,020
Investments	12	2,614	2,614
		<u>19,001</u>	<u>17,034</u>
Current assets			
Assets held for sale	11	3,405	-
Stocks	13	10,361	13,235
Debtors	14	9,194	7,636
Cash at bank and in hand		7,104	8,922
		<u>30,064</u>	<u>29,793</u>
Creditors amounts falling due within one year			
Creditors	15	(17,015)	(14,836)
Receipt from Natural England	27	(9,000)	-
		<u>(26,015)</u>	<u>(14,836)</u>
Net current assets		<u>4,049</u>	<u>14,957</u>
Total assets less current liabilities		23,050	31,991
Creditors: amounts falling due after more than one year			
Provisions for liabilities	16	(5,171)	(5,171)
Receipt from Natural England	17	(331)	(431)
	27	-	(9,000)
		<u>17,548</u>	<u>17,389</u>
Net assets excluding pension liability		17,548	17,389
Defined benefit pension liability	25	<u>(10,167)</u>	<u>(7,623)</u>
Net assets including pension liability		<u>7,381</u>	<u>9,766</u>
Capital and reserves			
Called up share capital	19	510	510
Capital reserve	20	125	125
General reserve	20	1,092	1,092
Revaluation reserve	20	7,682	6,500
Profit and loss account	20	(2,028)	1,539
Total shareholders' funds	21	<u>7,381</u>	<u>9,766</u>

The financial statements on pages 7 to 25 were approved by the Board of Directors on 25 February 2013

P D Williams



Director

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

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

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 400 of the Companies Act 2006. These financial statements therefore present information about the Company only.

The Company is a subsidiary of William Sinclair Holdings plc and is included in their consolidated financial statements, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 revised.

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

INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

- Trademarks – 5 years
- Customer relations – 1 year

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

Properties, including peat bogs, are recognised initially at cost and thereafter carried at fair value to the business less depreciation and impairment charged subsequent to the date of the revaluation. The current value to the business is based on periodic valuations by an external independent valuer. Specialised properties are valued using depreciated replacement cost. Valuations are performed frequently enough, and at a minimum of every three years, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

A transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the assets and that based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

TANGIBLE FIXED ASSETS AND DEPRECIATION (CONTINUED)

Depreciation is provided on all property, including peat bogs, fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows

Freehold buildings	2%
Freehold peat bogs	Over period of planning permission
Short leasehold land and buildings	Period of the lease
Plant and equipment	10% - 33%
Motor vehicles	20% - 33%

The carrying values of property, including peat bogs, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

ASSETS HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, the company is committed to the sale and it is expected to be completed within one year from the date of classification. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the sale can be reliably measured. Turnover is measured at the fair value of the consideration received, net of discounts, VAT and other sales taxes or duty. Turnover on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on dispatch of the goods.

Turnover on goods sold to customers on a sale or return basis is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly. The level of returns are historically low due to the bulky nature of products sold on such a basis.

LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease payments are charged to the profit and loss account on a straight line basis over the term of the lease.

INVESTMENTS

Shares and loans to subsidiary undertakings are stated at cost less any provision for impairment.

TAXATION

The charge for taxation is based on the results for the year as adjusted for disallowable items and timing differences.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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,
- 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

STOCKS

Stocks are stated at the lower of cost and net realisable value using a first in first out (FIFO) basis

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 and disposal

FOREIGN CURRENCY

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account

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 profit and loss account 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 profit and loss account as other finance income or expense

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

CONTRIBUTIONS TO PENSION SCHEMES (CONTINUED)

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses 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 profit and loss account as they arise.

REINSTATEMENT PROVISIONS

The costs of restoration of the Company's peat bogs are recognised as a liability as the peat is harvested. Provision is made as each site is worked and an obligation, as required by the planning consent, incurred. Where the effect of the time value of money is material the provision is discounted.

2 TURNOVER

The turnover is attributable to the company's principal activity and is analysed by geographical market as follows:

	2012 £'000	2011 £'000
United Kingdom	42,268	48,838
Europe	585	589
Middle, Far East and other	181	121
	<u>43,034</u>	<u>49,548</u>

3 OPERATING EXPENSES

Operating profit is stated after charging / (crediting)

	2012 £'000	2011 £'000
Changes in stocks of finished goods	2,305	(1,456)
Raw materials and consumables	20,838	26,539
Staff costs (note 7)	7,981	9,215
Auditors' remuneration – audit services	33	31
Auditors' remuneration - taxation services	7	7
Hire of plant and machinery under operating leases	438	429
Other operating lease rentals	356	346
Profit on disposal of fixed assets	(223)	(48)
Depreciation – owned assets	1,516	1,521
Negative goodwill	-	(60)
Distribution costs	6,224	7,227
Exceptional cost – expenses re Chat Moss appeal (note 4)	313	-
Other administrative expenses	3,943	4,826
	<u>43,731</u>	<u>48,577</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

4 EXCEPTIONAL COSTS

On 9 November 2012 the Company heard that its appeal against the refusal of an extension of planning permission to harvest peat at Chat Moss was refused. As a consequence costs of £313,000 relating to the appeal have been written off. This is shown as an exceptional item. The tax impact of this charge is a credit of £20,000.

5 INCOME FROM SHARES IN GROUP UNDERTAKINGS

The balance shown represents the dividend income received in the year from the Company's investments in Freeland Horticulture Limited and Boothby & Penicuik Peat Company Limited.

6 NET INTEREST

	2012 £'000	2011 £'000
<i>Interest payable and similar charges</i>		
On bank loans and overdrafts	(7)	(5)
Interest payable to group undertakings	(8)	(6)
Other interest payable- discount unwinding (note 17)	(5)	(4)
	<u>(20)</u>	<u>(15)</u>
<i>Interest receivable and similar income</i>		
Interest receivable from group undertakings	18	22
	<u>18</u>	<u>22</u>
Net interest (paid) / received	<u>(2)</u>	<u>7</u>

7 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	2012 £'000	2011 £'000
Wages and salaries	7,012	8,181
Social security costs	642	707
Other pension costs	327	327
	<u>7,981</u>	<u>9,215</u>

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

	2012 Number	2011 Number
Management	2	2
Production	172	191
Administration	112	118
	<u>286</u>	<u>311</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

7 DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows

	2012 £'000	2011 £'000
Aggregate emoluments	171	276
Pension contributions to money purchase pension schemes	7	7
	<u>178</u>	<u>283</u>

During the year no director (2011 nil) participated in the defined benefit pension scheme and one director (2011 one) participated in a money purchase pension scheme

The remuneration of two directors is borne by another group company

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax (credit) / charge represents

	2012 £'000	2011 £'000
Corporation tax	(175)	292
Adjustment in respect of prior period	(53)	(30)
Total current tax (credit) / charge	<u>(228)</u>	<u>262</u>
Origination and reversal of timing differences	50	70
Rate change	(31)	69
Adjustment in respect of prior period	31	7
Total deferred tax (note 18)	<u>50</u>	<u>146</u>
Tax on profit on ordinary activities	<u>(178)</u>	<u>408</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

8 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

b) The tax assessed for the year is lower (2011 lower) than the average standard rate of corporation tax in the UK of 25% (2011 27%). The differences are explained as follows

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	<u>196</u>	<u>2,908</u>
Profit on ordinary activities multiplied by average standard rate of corporation tax in the UK of 25% (2011 27%)	49	785
Expenses not deductible for tax purposes	98	143
Depreciation in excess of capital allowances	95	91
Income not taxable for tax purposes	(272)	(559)
Other short term differences	(145)	(161)
Effects of research and development	-	(3)
Adjustments in respect of prior periods	(53)	(30)
Effects of other tax rates / credits	<u>-</u>	<u>(4)</u>
Current tax (credit) / charge for period	<u>(228)</u>	<u>262</u>

(c) Factors that may affect future tax charges

Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 which was substantively enacted in July 2012 and hence the deferred tax balances in these accounts have been based on 23%

It is also proposed that the main rate of UK corporation tax will reduce to 21% from 1 April 2014. As this changes had not been substantively enacted at the balance sheet date it has not been included in these financial statements. The effect of the changes would not be material to the deferred tax recognised at 30 September 2012.

9 DIVIDENDS

	2012 £'000	2011 £'000
Interim dividend of 196p (2011 490p) per £1 share	<u>1,000</u>	<u>2,500</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

10 INTANGIBLE ASSETS

	<i>Trademarks</i> £000	<i>Customer Relations</i> £000	<i>Total</i> £000
Cost:			
At 1 October 2011 and 30 September 2012	500	40	540
Accumulated amortisation.			
At 1 October 2011	100	40	140
Amortisation during the period	100	-	100
At 30 September 2012	200	40	240
Net book value at 30 September 2012	300	-	300
Net book value at 30 September 2011	400	-	400

11 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 October 2011	7,895	2,365	17,892	28,152
Additions	4,463	-	1,372	5,835
Disposals	-	-	(853)	(853)
Transfer to current assets	(2,955)	(695)	-	(3,650)
Inter group transfers	-	-	(266)	(266)
Revaluation	475	230	-	705
At 30 September 2012	9,878	1,900	18,145	29,923
Depreciation				
At 1 October 2011	217	359	13,556	14,132
Provided in the year	109	180	1,227	1,516
Disposals	-	-	(814)	(814)
Transfer to current assets	(186)	(59)	-	(245)
Inter group transfers	-	-	(133)	(133)
Revaluation	(140)	(480)	-	(620)
At 30 September 2011	-	-	13,836	13,836
Net book value at 30 September 2012	9,878	1,900	4,309	16,087
Net book value at 30 September 2011	7,678	2,006	4,336	14,020

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

11 TANGIBLE FIXED ASSETS (CONTINUED)

Included within the valuation of freehold property is an amount of £7,466,000 (2011 £3,975,000) relating to land which has not been depreciated

All the Company's fixed asset freehold and leasehold properties were valued by external valuers, BNP Paribas Real Estate, Property Consultants and Chartered Surveyors, on 30 September 2012. The properties were valued on a market value basis. No value is attributed to unharvested peat deposits contained within the relevant freehold and leasehold properties.

The Board now expects the compensation sum for the cessation of harvesting at Bolton Fell will be agreed within twelve months. As a consequence the Company's interests in land and buildings at the site have been transferred to current assets and disclosed as assets held for sale.

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

	Freehold land and buildings		Short leasehold land and buildings	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Cost	8,714	4,752	1,474	1,915
Accumulated depreciation	<u>(1,094)</u>	<u>(1,063)</u>	<u>(1,382)</u>	<u>(1,323)</u>
Net book amount at 30 September 2012	<u>7,620</u>	<u>3,689</u>	<u>92</u>	<u>592</u>

12 FIXED ASSET INVESTMENTS

	Investment in group undertakings £'000
Cost	
At 1 October 2011 and 30 September 2012	<u>2,614</u>

At 30 September 2011 the company held investments in the following subsidiary companies:

	Class of share capital held	Proportion held	Nature of business
Boothby & Penicuik Peat Company Limited	Ordinary	100%	Peat harvesting
Freeland Horticulture Limited	Ordinary	87.5%	Supply of organic compost and soil

Freeland Horticulture Limited is registered in England and Wales and Boothby & Penicuik Peat Company Limited is registered in Scotland. Both of the companies operate principally in the United Kingdom.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

13 STOCKS

	2012 £'000	2011 £'000
Raw materials and consumables	5,035	5,604
Finished goods and goods for resale	5,326	7,631
	<u>10,361</u>	<u>13,235</u>

There is no material difference between the balance sheet value of stock and the replacement cost of that stock

14 DEBTORS

	2012 £'000	2011 £'000
Trade debtors	6,415	6,273
Amounts owed by group undertakings	650	497
Other debtors	923	79
Prepayments and accrued income	1,206	787
	<u>9,194</u>	<u>7,636</u>

15 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Bank overdrafts	12	-
Trade creditors	2,594	3,391
Amounts owed to group undertakings	11,504	7,594
Other taxation and social security	157	119
Other creditors	101	70
Accruals and deferred income	2,647	3,650
Corporation tax	-	12
	<u>17,015</u>	<u>14,836</u>

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

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Amounts owed to group undertakings	<u>5,171</u>	<u>5,171</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

17 PROVISIONS FOR LIABILITIES

	Deferred taxation (note 17) £'000	Moss reinstatement £'000	Total £'000
At 1 October 2011	310	121	431
(Credited) / charged in the year	(111)	6	(105)
Movement in discount rate	-	5	5
At 30 September 2012	199	132	331

The moss reinstatement provision is built up as peat is extracted. It is expected that the costs of reinstatement will have been incurred within 30 years of the balance sheet date. The costs are discounted to take account of the time value of money.

18 DEFERRED TAXATION

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

	2012 £'000	2011 £'000
Accelerated capital allowances	154	234
Short-term timing differences	45	76
Total provision for deferred taxation	199	310
At 1 October	310	405
Deferred tax (credited) / charged to the profit and loss account		
- current year movement	(125)	(77)
- change in rate	(17)	(25)
- prior year	31	7
At 30 September	199	310

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

18 DEFERRED TAXATION (CONTINUED)

Deferred tax asset relating to pension deficit

	2012	2011
	£'000	£'000
At 1 October	2,541	2,592
Deferred tax credited / (charged) to the profit and loss account		
- current year movement in deficit	(175)	(147)
- change in rate	14	(94)
Deferred tax credited / (charged) to the statement of total recognised gains and losses		
- on actuarial loss	935	299
- change in tax rate	(278)	(109)
At 30 September	3,037	2,541

The deferred tax asset of £3,037,000 (2011 £2,541,000) has been deducted in arriving at the net pension deficit on the balance sheet

19 CALLED UP SHARE CAPITAL

	2012	2011
	£'000	£'000
Authorised		
630,000 ordinary shares of £1 each	630	630
Allotted and fully paid		
510,000 ordinary shares of £1 each	510	510

20 RESERVES

	Capital reserve	General reserve	Revaluation reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 October 2011	125	1,092	6,500	1,539	9,256
Statement of total recognised gains and losses (net of tax)	-	-	-	(3,084)	(3,084)
Transfer from revaluation reserve	-	-	(143)	143	-
Profit for the year	-	-	-	374	374
Revaluation	-	-	1,325	-	1,325
Dividend paid	-	-	-	(1,000)	(1,000)
At 30 September 2012	125	1,092	7,682	(2,028)	6,871

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	374	2,500
Dividends	(1,000)	(2,500)
Losses recognised in the statement of total recognised gains and losses (net of tax)	(3,084)	(917)
Revaluation	1,325	-
Net decrease in shareholder's funds	(2,385)	(917)
Opening shareholders' funds	9,766	10,683
Closing shareholders' funds	7,381	9,766

22 CAPITAL COMMITMENTS

There were £172,000 of capital commitments contracted for but not provided in the financial statements (2011 £nil)

23 CONTINGENT LIABILITIES

Contingent liabilities exist in the form of guarantee bonds to H M Customs & Excise for a maximum amount of £220,000 (2011 £220,000) and to Lanarkshire Council for a maximum of £80,000 (2011 £80,000). The Company is party to an omnibus guarantee and set-off agreement in respect of its own bank account and that of other group companies. The net drawn down at 30 September 2012 was £987,000 (2011 £nil).

24 LEASING COMMITMENTS

At 30 September 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2012 Land and buildings £'000	Other £'000	2011 Land and buildings £'000	Other £'000
Operating leases which expire				
In one year or less	85	81	120	38
Between two and five years	281	236	119	330
After five years	-	1	-	-
	366	318	239	368

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

25 PENSIONS

The Company operates a defined contribution Group Personal Pension Plan. The Company's contributions of £119,000 (2011: £116,000) 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.

Defined Benefit Scheme

	2012	2011
	%	%
<i>Main assumptions</i>		
Rate of salary increases	1.00	2.5
Discount rate	4.35	5.2
Expected rates of return on scheme assets		
Equities	8.10	8.0
Diversified growth funds	8.10	8.0
Government Stocks	2.60	3.3
Corporate bonds	3.75	4.7
Properties	6.85	7.0
Inflation assumption	2.50	2.5

The mortality tables used for pre-retirement are based on the 'AXC00' Series tables with future improvements in line with the 'long cohort' projection, with minimum future improvements of 1% p a (improvements from 2000), applicable to a member's year of birth. The mortality tables used for post-retirement are based on the 'S1' Series tables with future improvements in line with the 'long cohort' projection, with minimum future improvements of 1% p a (improvements from 2003), applicable to a member's year of birth.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

25 PENSIONS (CONTINUED)

The assets and liabilities of the scheme at 30 September are

	2012	2011
	£000	£000
Scheme assets at fair value		
Equities	1,040	1,496
Diversified growth funds	13,025	11,183
Property	1,056	1,043
Government stock	1,297	1,229
Corporate bonds	7,599	6,815
Cash	112	130
Insured annuities	179	200
	<hr/>	<hr/>
Fair value of scheme assets	24,308	22,096
Present value of scheme liabilities	(37,512)	(32,260)
	<hr/>	<hr/>
Net pension liability	(13,204)	(10,164)
	<hr/>	<hr/>
Related deferred tax asset	3,037	2,541
	<hr/>	<hr/>
Net pension deficit	(10,167)	(7,623)
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of present value of scheme liabilities

	2012	2011
	£'000	£'000
As at 1 October	32,260	31,000
Current service cost	208	211
Interest cost	1,659	1,569
Benefits paid	(1,324)	(1,091)
Actuarial gains and losses	4,597	457
Employee contributions	112	114
	<hr/>	<hr/>
As at 30 September	37,512	32,260
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of fair value of scheme assets

	2012	2011
	£'000	£'000
As at 1 October	22,096	21,399
Actual return on plan assets	2,321	778
Employer contributions	1,103	896
Contributions by employees	112	114
Benefits paid	(1,324)	(1,091)
	<hr/>	<hr/>
As at 30 September	24,308	22,096
	<hr/> <hr/>	<hr/> <hr/>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

25 PENSIONS (CONTINUED)

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

	2012 £'000	2011 £'000
<i>Recognised in the Profit and Loss Account</i>		
Current service cost	208	211
	<u>2012</u> £'000	<u>2011</u> £'000
Expected return on scheme assets	(1,465)	(1,428)
Interest cost on scheme liabilities	1,659	1,569
Other finance costs	194	317
	<u>2012</u> £'000	<u>2011</u> £'000
<i>Taken to the Statement of Total Recognised Gains and Losses</i>		
Actual return on scheme assets	2,321	778
Less expected return on scheme assets	(1,465)	(1,428)
Actuarial losses on scheme liabilities	856	(650)
	(4,597)	(457)
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	(3,741)	(1,107)

The total charge to the Company Profit and Loss Account in respect of the defined benefit plan in 2012 is expected to be £358,000 for the Company. Contributions to the defined benefit plan in 2013 are expected to comprise the service cost of £277,000 and a deficit reduction contribution of £1 million.

Amounts for current and previous four years

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	24,308	22,096	21,399	19,527	17,431
Present value of defined benefit obligation	(37,512)	(32,260)	(31,000)	(28,988)	(21,906)
Deficit in the scheme	(13,204)	(10,164)	(9,601)	(9,461)	(4,475)
Experience adjustments arising on plan liabilities	(4,597)	(457)	(1,276)	(6,170)	1,119
Experience adjustments arising on plan assets	856	(650)	833	933	(3,586)

The cumulative amount of actuarial gains and losses recognised since 1 July 2004 in the Company statement of recognised income and expense is a loss of £9,220,000 (2011 £5,479,000)

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

26 RELATED PARTY TRANSACTIONS

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 where 100% of the voting rights are controlled within the group

During the year, the Company traded on a normal commercial basis with Freeland Horticulture Limited. Freeland Horticulture Limited is 87.5% owned by the company. P D Williams and B P Burns are currently directors of Freeland Horticulture Limited.

	2012		2011	
	Sales/ (purchases)	Amount receivable /(payable)	Sales/ (purchases)	Amount receivable /(payable)
	£'000	£'000	£'000	£'000
Freeland Horticulture Limited				
- purchase of materials	(174)	(24)	(50)	(48)
- sales of materials	246	181	122	34
- recharges	47	49	43	9

27 RECEIPT FROM NATURAL ENGLAND

On 22 March 2010 the Company 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 Company an advance payment of £9 million pending subsequent negotiation of the full extent of compensation due to the Company and have the option to acquire the shares of Boothby & 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. This matter has now been referred to the Lands Tribunal (as provided for in the agreement) and the Group has submitted its Statement of Case to the tribunal. Now that the timetable for hearing the case is under the control of the Lands Tribunal the Board expects the compensation sum to be assessed within twelve months and as a consequence the related property assets have been categorised within assets held for sale.

In accordance with terms set out in the agreement William Sinclair has implemented a phased withdrawal of peat harvesting from Bolton Fell and has now vacated approximately 40% of the moss. 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.

28 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company and its controlling party is its immediate 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 or from the Group's website at www.william-sinclair.co.uk