

**WILLIAM SINCLAIR
HORTICULTURE LIMITED**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 SEPTEMBER 2009**

**COMPANY REGISTRATION
NUMBER 7633**

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WILLIAM SINCLAIR HORTICULTURE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

Company registration number	7633
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 3 rd Floor 25 Gresham St London EC2V 7MN
Independent Auditors	PricewaterhouseCoopers LLP 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 2009**

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WILLIAM SINCLAIR HORTICULTURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009

The directors present their report together with the audited financial statements of the Company for the year ended 30 September 2009

Results and dividends

The profit for the year after taxation amounted to £1,323,000 (15 months to September 2008 £1,039,000) A dividend of £1,000,000 was paid during the year (2008 £nil)

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 key performance indicators

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>2009</i>	<i>2008</i>
Sales growth (annualised)	23.6%	17.5%
Operating profit	4.1%	1.6%
Number of accidents	2	8

Sales in the year are £471,000 lower than in the fifteen months to 30 September 2008. When comparing on a simple pro rata basis to a twelve month equivalent period sales are up by £8.4 million or 23.6% as shown above. This reflects the fact that many former Joseph Metcalf customers have now migrated to the Company following the acquisition of Joseph Metcalf Ltd in January 2008.

Operating profit as a percentage of sales has improved considerably on the prior year from 1.6% to 4.1%. This is a result of work done to improve margins through cost savings and, where appropriate, price rises.

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 FOR THE YEAR ENDED 30 SEPTEMBER 2009

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.

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, 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 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.

WILLIAM SINCLAIR HORTICULTURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009

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 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 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 FOR THE YEAR ENDED 30 SEPTEMBER 2009

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 £835 (2008 £845). No political donations were made.

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 2009, the Company had an average of 34.9 days purchases owed to trade creditors (2008 35.3 days).

Auditors

During the year, Ernst & Young LLP resigned as auditors to the Company and the directors have appointed PricewaterhouseCoopers LLP.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

Statement of directors' responsibilities in respect of the financial statements

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 elected to prepare 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
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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, 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

By order of the board



P D Williams
Secretary

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 2009 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, the Accounting Policies 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 Directors' Responsibilities Statement 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 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.

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 2009 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.

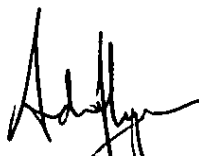
Opinion on other matter prescribed by the Companies Act 2006

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

16 March 2010

WILLIAM SINCLAIR HORTICULTURE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2009

Registered number 7633	Note	2009 £'000 12 months	2008 £'000 15 months
Turnover	1	43,845	44,316
Operating expenses	2	(42,050)	(43,589)
Operating profit		1,795	727
Profit on sale of joint venture	9	222	-
Income from shares in group undertakings	3	124	67
Profit on ordinary activities before interest and taxation		2,141	794
Net interest	4	(53)	111
Other finance (cost)/income – pensions	23	(266)	217
Profit on ordinary activities before taxation		1,822	1,122
Tax on profit on ordinary activities	6	(499)	(83)
Profit for the financial year/period	18	1,323	1,039

All amounts relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2009

		2009 £'000 12 months	2008 £'000 15 months
Surplus on revaluation of land and buildings	8	2,012	-
Actuarial losses on defined benefit pension plans	23	(5,237)	(2,467)
Movement on deferred tax relating to pension scheme		1,466	691
		(1,759)	(1,776)
Profit for the financial year/period		1,323	1,039
Total recognised gains and losses since last annual report		(436)	(737)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 30 September 2009

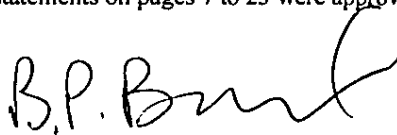
		2009 £'000 12 months	2008 £'000 15 months
Profit on ordinary activities before taxation		1,822	1,122
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts		43	37
Historical cost profit on ordinary activities before taxation		1,865	1,159
Historical cost retained profit for the year/period		1,366	1,076


WILLIAM SINCLAIR HORTICULTURE LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	8	15,106	13,249
Investments	9	2,652	2,730
		<u>17,758</u>	<u>15,979</u>
Current assets			
Stocks	10	8,835	11,504
Debtors	11	7,777	6,989
Cash at bank and in hand		6,790	4,484
		<u>23,402</u>	<u>22,977</u>
Creditors amounts falling due within one year	12	<u>(19,915)</u>	<u>(19,795)</u>
Net current assets		<u>3,487</u>	<u>3,182</u>
Total assets less current liabilities		<u>21,245</u>	<u>19,161</u>
Creditors amounts falling due after more than one year	13	<u>(5,171)</u>	<u>(5,171)</u>
Provisions for liabilities and charges	15	<u>(547)</u>	<u>(617)</u>
Net assets excluding pension liability		<u>15,527</u>	<u>13,373</u>
Defined benefit pension liability	23	<u>(6,812)</u>	<u>(3,222)</u>
Net assets including pension liability		<u>8,715</u>	<u>10,151</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	6,825	4,856
Profit and loss account	18	163	3,568
Total shareholders' funds	19	<u>8,715</u>	<u>10,151</u>

The financial statements on pages 7 to 23 were approved by the Board of Directors on

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

ACCOUNTING POLICIES

For the year ended 30 September 2009

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.

Based on the William Sinclair Group cashflow forecasts and assessment of downside risk the directors are confident the Company has ample funding facilities and will meet its banking covenants. As a consequence they continue to adopt the going concern basis in preparing the Company's financial statements.

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 as a subsidiary of William Sinclair Holdings plc has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 revised.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets 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 current 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.

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%
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.

WILLIAM SINCLAIR HORTICULTURE LIMITED

ACCOUNTING POLICIES

For the year ended 30 September 2009

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, excluding discounts, rebates, 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

(i) Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

(ii) 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. Full provision is made for deferred tax on all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in the obligation to pay more or the right to pay less tax in the future have occurred at the balance sheet date.

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.

WILLIAM SINCLAIR HORTICULTURE LIMITED

ACCOUNTING POLICIES

For the year ended 30 September 2009

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.

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 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.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

1 TURNOVER

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

	2009 £'000 12 months	2008 £'000 15 months
United Kingdom	43,055	43,519
Europe	685	685
Middle, Far East and other	105	112
	<u>43,845</u>	<u>44,316</u>

2 OPERATING EXPENSES

	2009 £'000 12 months	2008 £'000 15 months
Changes in stocks of finished goods	1,954	(3,516)
Raw materials and consumables	18,817	26,168
Staff costs (note 5)	7,328	9,057
Auditors' remuneration – audit services	23	30
Auditors' remuneration - non-audit services	-	15
Hire of plant and machinery under operating leases	607	682
Other operating lease rentals	321	288
Loss on disposal of fixed assets	50	-
Depreciation – owned assets	1,208	1,307
Depreciation – assets under finance lease	-	30
Other operating charges	11,742	9,528
	<u>42,050</u>	<u>43,589</u>

3 INCOME FROM SHARES IN GROUP UNDERTAKINGS

The balance shown represents the dividend income received in the year from the Company's investment in Freeland Horticulture Limited

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

4 NET INTEREST

	2009 £'000 12 months	2008 £'000 15 months
<i>Interest payable and similar charges</i>		
On bank loans and overdrafts	(22)	(62)
Hire purchase interest	(5)	(12)
Interest payable to group undertakings	(31)	-
Other interest payable- discount unwinding	(10)	-
	<u>(68)</u>	<u>(74)</u>
<i>Interest receivable and similar income</i>		
Other interest receivable	-	46
Interest receivable from group undertakings	15	139
	<u>15</u>	<u>154</u>
Net interest (paid)/received	<u>(53)</u>	<u>111</u>

5 DIRECTORS AND EMPLOYEES

Staff costs during the year/period were as follows

	2009 £'000 12 months	2008 £'000 15 months
Wages and salaries	6,501	7,788
Social security costs	592	544
Other pension costs	235	725
	<u>7,328</u>	<u>9,057</u>

The average number of employees of the company during the year (excluding two unpaid directors) was

	2009 Number	2008 Number
Management	2	2
Production	174	169
Administration	111	104
	<u>287</u>	<u>275</u>

Remuneration in respect of directors was as follows

	2009 £'000 12 months	2008 £'000 15 months
Aggregate emoluments	159	92
Pension contributions to money purchase pension schemes	12	11
	<u>171</u>	<u>103</u>

During the year one director (2008 one) participated in a defined benefit pension scheme and one director (2008 one) participated in a money purchase pension scheme

WILLIAM SINCLAIR HORTICULTURE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 September 2009

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge represents

	2009 £'000 12 months	2008 £'000 15 months
Corporation tax	569	-
Adjustment in respect of prior period	22	(246)
Total current tax charge/(credit)	<u>591</u>	<u>(8)</u>
Origination and reversal of timing differences	(92)	88
Adjustment in respect of prior period	-	3
Total deferred tax (note 16)	<u>(92)</u>	<u>91</u>
Tax on profit on ordinary activities	<u>499</u>	<u>83</u>

b) The tax assessed for the year is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 29.2%). The differences are explained as follows

	2009 £'000 12 months	2008 £'000 15 months
Profit on ordinary activities before taxation	<u>1,822</u>	<u>1,122</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 29.2%)	510	327
Expenses not deductible for tax purposes	64	18
Profit on disposal of joint venture	(62)	-
Depreciation in excess of capital allowances	99	(5)
Dividend income – non-taxable	(35)	(19)
Other short term timing differences	(7)	-
Adjustment in respect of pension	-	(83)
Adjustments in respect of prior periods	22	(246)
Current tax charge/(credit) for period	<u>591</u>	<u>(8)</u>

7 DIVIDENDS

	2009 £'000	2008 £'000
Interim dividend of £1.96 (2008 £nil) per share	<u>1,000</u>	-

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

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 October 2008	5,500	2,970	16,917	25,387
Additions	318	10	807	1,135
Disposals	-	-	(897)	(897)
Inter group transfers	-	-	27	27
Revaluation	1,542	(96)	-	1,446
At 30 September 2009	<u>7,360</u>	<u>2,884</u>	<u>16,854</u>	<u>27,098</u>
Depreciation				
At 1 October 2008	139	254	11,745	12,138
Provided in the year	61	112	1,035	1,208
Disposals	-	-	(788)	(788)
Revaluation	(200)	(366)	-	(566)
At 30 September 2009	<u>-</u>	<u>-</u>	<u>11,992</u>	<u>11,992</u>
Net book value at 30 September 2009	<u>7,360</u>	<u>2,884</u>	<u>4,862</u>	<u>15,106</u>
Net book value at 30 September 2008	<u>5,361</u>	<u>2,716</u>	<u>5,172</u>	<u>13,249</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 September 2009	<u>-</u>
Net book amount at 30 September 2008	<u>171</u>
Depreciation provided in the year	<u>-</u>

Included within the valuation of freehold property is an amount of £2,911k (2008 £2,428k) relating to land which has not been depreciated

All the Company's freehold and leasehold properties were valued by external valuers, BNP Paribas Real Estate, Property Consultants and Chartered Surveyors, on 30 September 2009. The factory site at Boothby was valued as a specialised operational property on the basis of depreciated replacement cost. The remaining 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 Company's freehold premises at Firth Road, Lincoln are charged jointly to Lloyds Banking Group and the William Sinclair Holdings Pension Scheme. Lloyds Banking Group also holds a charge over the Company's freehold premises at Beever Street, Lincoln.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

TANGIBLE FIXED ASSETS (CONTINUED)

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 £'000	Short leasehold land and buildings £'000
Cost	4,711	1,899
Accumulated depreciation	(960)	(1,172)
Net book amount at 30 September 2009	<u>3,751</u>	<u>727</u>
Net book amount at 30 September 2008	<u>3,489</u>	<u>790</u>

9 FIXED ASSET INVESTMENTS

	Investment in group undertakings £'000	Interests in joint ventures £'000	Total £'000
Cost			
At 1 October 2008	2,727	3	2,730
Disposals in the year	-	(3)	(3)
Deferred consideration	(75)	-	(75)
At 30 September 2009	<u>2,652</u>	<u>-</u>	<u>2,652</u>

In July 2007 the Company paid £750,000 cash for a further 37½% of Freeland Horticulture Limited with up to a further £225,000 of deferred consideration payable only if certain performance criteria are achieved by Freeland in the three years to 30 June 2010. The fair value of this deferred consideration has now been reassessed and has been reduced by £75,000 (2008: £150,000). At 30 September 2009, 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. All of the companies operate principally in the United Kingdom.

On 1 October 2008 Boothby & Penicuik Peat Company Limited resumed its responsibility for the harvesting of peat at the Bolton Fell site. During the year it negotiated replacement leases with landowners and contracted for all site operations and peat harvest work. All peat sales were made to the Company.

On 30 June 2009 the Company disposed of its 50% interest in Bark Products (Scotland) Limited to Bannerman Company Limited for cash consideration equal to the Group's share of the net assets and liabilities of the joint venture at the time of disposal and as shown in its financial statements for the year ended 30 June 2009.

WILLIAM SINCLAIR HORTICULTURE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2009

10 STOCKS

	2009 £'000	2008 £'000
Raw materials and consumables	4,873	5,588
Finished goods and goods for resale	3,962	5,916
	<u>8,835</u>	<u>11,504</u>

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

11 DEBTORS

	2009 £'000	2008 £'000
Trade debtors	6,558	5,615
Amounts owed by group undertakings	456	402
Other debtors	126	300
Prepayments and accrued income	637	672
	<u>7,777</u>	<u>6,989</u>

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Bank overdrafts	147	140
Trade creditors	3,453	4,535
Amounts owed to group undertakings	13,349	12,292
Other taxation and social security	487	-
Other creditors	141	271
Accruals and deferred income	2,000	2,530
Corporation tax	338	-
Obligations under finance leases and hire purchase contracts	-	27
	<u>19,915</u>	<u>19,795</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

	2009 £'000	2008 £'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 2009

14 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Finance lease and hire purchase borrowings are repayable as follows

	2009 £'000	2008 £'000
Within one year	-	27
Two to five years	-	-
	<u>-</u>	<u>27</u>

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

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (note 16) £'000	Moss reinstatement £'000	Total £'000
At 1 October 2008	408	209	617
Movement in the year	(92)	22	(70)
Utilised	-	-	-
	<u>316</u>	<u>231</u>	<u>547</u>

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.

16 DEFERRED TAXATION

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

	2009 £'000	2008 £'000
Accelerated capital allowances	332	431
Short-term timing differences	(16)	(23)
	<u>316</u>	<u>408</u>

17 CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'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>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

18 RESERVES

	Capital reserve £'000	General reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2008	125	1,092	4,856	3,568	9,641
Actuarial gains and losses (net of tax)	-	-	-	(3,771)	(3,771)
Transfer from revaluation reserve	-	-	(43)	43	-
Revaluation	-	-	2,012	-	2,012
Profit for the year	-	-	-	1,323	1,323
Dividend paid	-	-	-	(1,000)	(1,000)
At 30 September 2009	125	1,092	6,825	163	8,205

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the financial year/ period	1,323	1,039
Dividends	(1,000)	-
Revaluation of properties	2,012	-
Actuarial gains/(losses) on defined benefit pension plans net of tax	(3,771)	(1,776)
Net decrease in shareholder's funds	(1,436)	(737)
Shareholders' funds at brought forward	10,151	10,888
Shareholders' funds at 30 September	8,715	10,151

20 CAPITAL COMMITMENTS

	2009 £'000	2008 £'000
Contracted but not provided for	Nil	Nil

21 CONTINGENT LIABILITIES

Contingent liabilities exist in the form of guarantee bonds to H M Customs & Excise for a maximum amount of £220,000 (2008 £220,000) and to Lanarkshire Council for a maximum of £80,000 (2008 nil). As set out in note 9 there is a balance of £37,500 (2008 £75,000) of deferred consideration on the acquisition of 37.5% of Freeland Horticulture Limited that has not been provided for on the grounds that the directors do not believe it will be payable. The Company is party to an omnibus guarantee and set-off agreement in respect of its own bank account and that of its parent company. The net drawn down at 30 September 2009 was £5,455,000 (2008 £5,702,000).

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

22 LEASING COMMITMENTS

At 30 September 2009 the company had annual commitments under non-cancellable operating leases as set out below

	2009 Land and buildings £'000	Other £'000	2008 Land and buildings £'000	Other £'000
Operating leases which expire				
In one year or less	35	30	116	37
Between two and five years	244	465	164	496
In five years or more	-	-	-	-
	<u>279</u>	<u>495</u>	<u>280</u>	<u>533</u>

23 PENSIONS

The Company operates a defined contribution Group Personal Pension Plan. The Company's contributions of £163,000 (15 months ended 30 September 2008 £176,000) 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.

The assets and liabilities of the scheme at 30 September are

	2009 £000	2008 £000
Scheme assets at fair value		
Equities	11,831	10,376
Property	929	844
Government stock	1,888	1,798
Corporate bonds	4,721	4,400
Cash	55	13
Insured annuities	103	-
	<u>19,527</u>	<u>17,431</u>
Fair value of scheme assets		
Present value of scheme liabilities	(28,988)	(21,906)
	<u>(9,461)</u>	<u>(4,475)</u>
Net pension liability		
Related deferred tax asset	2,649	1,253
	<u>(6,812)</u>	<u>(3,222)</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

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

23 PENSIONS (CONTINUED)

	2009	2008
	£'000	£'000
<i>Recognised in Profit and Loss Account</i>		
Current service cost	175	562
Past service cost	-	-
Recognised in Profit and Loss Account	<u>175</u>	<u>562</u>
	2009	2008
	£'000	£'000
Expected return on scheme assets	1,255	1,795
Interest cost on scheme liabilities	(1,521)	(1,578)
Other finance (cost) / income	<u>(266)</u>	<u>217</u>
	2009	2008
	£'000	£'000
<i>Taken to the Statement of Total Recognised Gains and Losses</i>		
Actual return on scheme assets	2,188	(1,791)
Less expected return on scheme assets	(1,255)	(1,578)
Other actuarial gains and losses	<u>933</u>	<u>(3,586)</u>
	(6,170)	1,119
Actuarial gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	<u>(5,237)</u>	<u>(2,467)</u>
	2009	2008
	%	%
<i>Main assumptions</i>		
Rate of salary increases	2.5	2.5
Discount rate	5.6	7.0
Expected rates of return on scheme assets		
Equities	7.4	8.2
Government Stocks	3.9	4.7
Corporate bonds	5.6	6.0
Properties	7.4	6.9
Inflation assumption	2.5	2.5

The mortality assumption used is as set out in PMA/PFA92 (YOB) Medium Cohort

The total charge to the Company Profit and Loss Account in respect of the defined benefit plan in 2010 is expected to be £442,000 for the Company

The inflation assumption used is based on the government long term target. If an assumption of 3.2% were adopted instead, along with correspondingly higher assumptions on salary and pension increases, then the value of future liabilities would be higher and the pension net deficit is estimated at £11.5 million

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

23 PENSIONS (CONTINUED)

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

	2009 £'000	2008 £'000
As at 1 October 2008	21,906	22,161
Current service cost	175	562
Interest cost	1,521	1,578
Benefits paid	(922)	(1,116)
Actuarial gains and losses	6,170	(1,119)
Employee contributions	139	167
Expenses and life assurance premiums	-	(327)
As at 30 September 2009	<u>28,988</u>	<u>21,906</u>

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

	2009 £'000	2008 £'000
As at 1 October 2008	17,431	19,858
Actual return on plan assets	2,188	(1,790)
Employer contributions	692	639
Contributions by employees	139	167
Benefits paid	(923)	(1,116)
Expenses and life assurance premiums	-	(327)
As at 30 September 2009	<u>19,527</u>	<u>(17,431)</u>

History of experience gains and losses

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of scheme assets	19,527	17,431	19,858	17,731	15,983
Present value of defined benefit obligation	(28,988)	(21,906)	(22,161)	(22,738)	(23,232)
Deficit in the scheme	<u>(9,461)</u>	<u>(4,475)</u>	<u>(2,303)</u>	<u>(5,007)</u>	<u>(7,249)</u>
Experience adjustments arising on plan liabilities	(6,170)	1,119	1,558	1,215	(2,137)
Experience adjustments arising on plan assets	933	(3,586)	905	920	1,314

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

24 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 more than 90% of the voting rights are controlled within the group

During the year, the Company traded on a normal commercial basis with Bark Products (Scotland) Limited and Freeland Horticulture Limited. Bark Products (Scotland) Limited was 50% owned by the Company but this interest was sold on 30 June 2009 (see note 9) when it ceased to be a related party. Freeland Horticulture Limited is 87.5% owned by the company. P D Williams and B P Burns were directors of Bark Products (Scotland) Limited and are currently directors of Freeland Horticulture Limited.

	2009		2008	
	<i>Sales/ (purchases)</i>	<i>Amount receivable /(payable)</i>	<i>Sales/ (purchases)</i>	<i>Amount receivable /(payable)</i>
	<i>(9 months)</i>		<i>(15 months)</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Transactions with joint ventures				
Bark Products (Scotland) Limited				
Purchase of materials	(117)	-	(518)	(245)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2009		2008	
	<i>Sales/ (purchases)</i>	<i>Amount receivable /(payable)</i>	<i>Sales/ (purchases)</i>	<i>Amount receivable /(payable)</i>
	<i>(12 months)</i>		<i>(15 months)</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Freeland Horticulture Limited				
- purchase of materials	(136)	(20)	(239)	(23)
- sales of materials	10	5	10	13
- recharges	22	5	11	1
- group relief	110	110	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

25 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.