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**WILLIAM SINCLAIR
HORTICULTURE LIMITED**

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 SEPTEMBER 2011

COMPANY REGISTRATION
NUMBER: 7633

WILLIAM SINCLAIR HORTICULTURE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 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 2011

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WILLIAM SINCLAIR HORTICULTURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2011

The directors present their report together with the audited financial statements of the Company for the year ended 30 September 2011

Results and dividends

The profit for the year after taxation amounted to £2,500,000 (2010 £2,383,000) A dividend of £2,500,000 was paid during the year (2010 £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 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>2011</i>	<i>2010</i>
Sales growth (annualised)	9.5%	3.2%
Profit before tax margin	6.1%	6.6%
Number of accidents	13	2

Sales in the year are £4,313,000 higher than in the twelve months to 30 September 2010 This reflects the acquisition in the year of Growing Success and a playsand business as set out in note 9 There was also a steady improvement in demand and some modest price increases

Profit before tax increased marginally in cash terms but as a percentage of sales it declined slightly from 6.6% in 2010 to 6.1% This is consistent with the above business acquisitions in the year being only marginally earnings enhancing in the year Net earnings from these acquisitions is expected to be greater in the year ended 30 September 2012

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 2011

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.

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 2011

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 2011

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 £19,689 (2010: £25,977) £18,389 (2010: £25,782) of this was paid to the Greenfingers charity which provides gardens for children's hospices. No political donations were made (2010: £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 2011, the Company had an average of 45.1 days purchases owed to trade creditors (2010: 36.4 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 2011**

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
28 February 2012

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 2011 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 statement of directors' responsibilities 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 annual 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 2011 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
29 February 2012

WILLIAM SINCLAIR HORTICULTURE LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 September 2011

Registered number 7633

	Note	2011 £'000	2010 £'000
Turnover	1	49,548	45,235
Operating expenses	2	<u>(48,577)</u>	<u>(44,069)</u>
Operating profit		971	1,166
Income from shares in group undertakings	3	<u>2,071</u>	<u>1,813</u>
Profit on ordinary activities before interest and taxation		3,042	2,979
Net interest	4	7	9
Other finance costs – pensions	23	<u>(141)</u>	<u>(317)</u>
Profit on ordinary activities before taxation		2,908	2,671
Tax on profit on ordinary activities	6	<u>(408)</u>	<u>(288)</u>
Profit for the financial year		<u>2,500</u>	<u>2,383</u>

All amounts relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2011

		2011 £'000	2010 £'000
Actuarial losses on defined benefit pension plans	23	(1,107)	(443)
Actuarial gains and losses on pension scheme – deferred tax		299	35
Current tax on pension scheme		-	85
Tax rate change on defined benefit pension plans		<u>(109)</u>	<u>(92)</u>
		(917)	(415)
Profit for the financial year		<u>2,500</u>	<u>2,383</u>
Total recognised gains and losses relating to the year		<u>1,583</u>	<u>1,968</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 30 September 2011

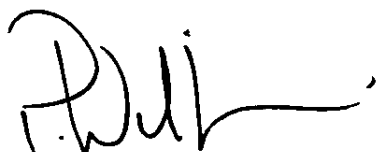
	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	2,908	2,671
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	<u>162</u>	<u>163</u>
Historical cost profit on ordinary activities before taxation	<u>3,070</u>	<u>2,834</u>
Historical cost retained profit for the year	<u>2,662</u>	<u>2,546</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	8	400	-
Tangible assets	9	14,020	14,513
Investments	10	2,614	2,614
		<u>17,034</u>	<u>17,127</u>
Current assets			
Stocks	11	13,235	10,562
Debtors	12	7,636	8,971
Cash at bank and in hand		8,922	8,253
		<u>29,793</u>	<u>27,786</u>
Creditors: amounts falling due within one year	13	<u>(14,836)</u>	<u>(12,413)</u>
Net current assets		<u>14,957</u>	<u>15,373</u>
Total assets less current liabilities		31,991	32,500
Creditors amounts falling due after more than one year	14	(5,171)	(5,171)
Provisions for liabilities	15	(431)	(637)
Receipt from Natural England	25	(9,000)	(9,000)
Net assets excluding pension liability		17,389	17,692
Defined benefit pension liability	23	<u>(7,623)</u>	<u>(7,009)</u>
Net assets including pension liability		<u>9,766</u>	<u>10,683</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	6,500	6,662
Profit and loss account	18	1,539	2,294
Total shareholders' funds	19	<u>9,766</u>	<u>10,683</u>

The financial statements on pages 7 to 26 were approved by the Board of Directors on 28 February 2012

**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 2011

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

ACCOUNTING POLICIES

For the year ended 30 September 2011

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

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.

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 2011

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 2011

1 TURNOVER

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

	2011 £'000	2010 £'000
United Kingdom	48,838	44,474
Europe	589	656
Middle, Far East and other	121	105
	<u>49,548</u>	<u>45,235</u>

2 OPERATING PROFIT

Operating profit is stated after charging / (crediting)

	2011 £'000	2010 £'000
Changes in stocks of finished goods	(1,456)	(2,641)
Raw materials and consumables	26,539	23,609
Staff costs (note 5)	9,225	8,367
Auditors' remuneration – audit services	38	26
Auditors' remuneration - taxation services	-	7
Hire of plant and machinery under operating leases	429	574
Other operating lease rentals	346	332
Profit on disposal of fixed assets	(48)	(24)
Depreciation – owned assets	1,521	1,426
Negative goodwill (note 10)	(60)	-
Distribution costs	7,227	6,735
Other administrative expenses	4,816	5,658
	<u>48,577</u>	<u>44,069</u>

3 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

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

4 NET INTEREST

	2011 £'000	2010 £'000
<i>Interest payable and similar charges</i>		
On bank loans and overdrafts	(5)	(12)
Interest payable to group undertakings	(6)	(3)
Other interest payable- discount unwinding (note 14)	(4)	(10)
	<u>(15)</u>	<u>(25)</u>
<i>Interest receivable and similar income</i>		
Other interest receivable	-	1
Interest receivable from group undertakings	22	33
	<u>22</u>	<u>34</u>
Net interest received	<u>7</u>	<u>9</u>

5 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	2011 £'000	2010 £'000
Wages and salaries	8,181	7,440
Social security costs	707	678
Other pension costs	327	249
	<u>9,215</u>	<u>8,367</u>

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

	2011 Number	2010 Number
Management	2	2
Production	191	176
Administration	118	111
	<u>311</u>	<u>289</u>

Remuneration in respect of directors was as follows

	2011 £'000	2010 £'000
Aggregate emoluments	276	185
Pension contributions to money purchase pension schemes	7	9
	<u>283</u>	<u>194</u>

During the year no director (2010 one) participated in the defined benefit pension scheme and one director (2010 one) participated in a money purchase pension scheme

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge represents

	2011 £'000	2010 £'000
Corporation tax	292	374
Adjustment in respect of prior period	(30)	(175)
Total current tax charge	<u>262</u>	<u>199</u>
Origination and reversal of timing differences	70	(52)
Rate change	69	(17)
Adjustment in respect of prior period	7	158
Total deferred tax (note 15)	<u>146</u>	<u>89</u>
Tax on profit on ordinary activities	<u>408</u>	<u>288</u>

b) The tax assessed for the year is lower (2010 lower) than the average standard rate of corporation tax in the UK of 27% (2010 28%) The differences are explained as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	<u>2,908</u>	<u>2,671</u>
Profit on ordinary activities multiplied by average standard rate of corporation tax in the UK of 27% (2010 28%)	785	748
Expenses not deductible for tax purposes	143	80
Depreciation in excess of capital allowances	91	91
Income not taxable for tax purposes	(559)	(508)
Other short term differences	(161)	(37)
Effects of research and development	(3)	-
Adjustments in respect of prior periods	(30)	(175)
Effects of other tax rates / credits	(4)	-
Current tax charge for period	<u>262</u>	<u>199</u>

(c) Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the June 2010 and March 2011 Budget Statements. The Finance (No 3) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011 and 25% from 1 April 2012. These changes had been substantively enacted at the balance sheet date and hence deferred tax has been remeasured to reflect these changes.

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes would not be material to the deferred tax recognised at 30 September 2011.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

7 DIVIDENDS

	2011 £'000	2010 £'000
Interim dividend of 490p (2010 nil) per £1 share	<u>2,500</u>	<u>-</u>

8 INTANGIBLE ASSETS

	<i>Trademarks</i> £000	<i>Customer Relations</i> £000	<i>Total</i> £000
Cost			
At 1 October 2010	-	-	-
Additions (see note 9)	500	40	540
At 30 September 2011	<u>500</u>	<u>40</u>	<u>540</u>
Accumulated amortisation			
At 1 October 2010	-	-	-
Amortisation during the period	100	40	140
At 30 September 2011	<u>100</u>	<u>40</u>	<u>140</u>
Net book value at 30 September 2011	<u>400</u>	<u>-</u>	<u>400</u>
Net book value at 30 September 2010	<u>-</u>	<u>-</u>	<u>-</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

9 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 2010	7,895	2,365	17,411	27,671
Additions	-	-	1,029	1,029
Disposals	-	-	(556)	(556)
Inter group transfers	-	-	8	8
At 30 September 2011	7,895	2,365	17,892	28,152
Depreciation				
At 1 October 2010	109	180	12,869	13,158
Provided in the year	108	179	1,234	1,521
Disposals	-	-	(555)	(555)
Inter group transfers	-	-	8	8
At 30 September 2011	217	359	13,556	14,132
Net book value at 30 September 2011	7,678	2,006	4,336	14,020
Net book value at 30 September 2010	7,786	2,185	4,542	14,513

Included within the valuation of freehold property is an amount of £3,975,000 (2010 £3,975,000) 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.

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 2011 £'000	2010 £'000	Short leasehold land and buildings 2011 £'000	2010 £'000
Cost	4,752	4,752	1,915	1,915
Accumulated depreciation	(1,063)	(1,014)	(1,323)	(1,246)
Net book amount at 30 September 2011	3,689	3,738	592	669

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

10 FIXED ASSET INVESTMENTS

	Investment in group undertakings £'000
Cost	
At 1 October 2010 and 30 September 2011	<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.

Business combinations – Growing Success Organics and Playsand

With effect from 1 October 2010 the Company acquired certain assets and business units from Monro Horticulture Limited. These comprised the Growing Success Organics business and the playsand trade previously operated by Monro.

The fair value of the consideration paid by the Company for the assets acquired was £847,000 comprising cash and contra against balances owed by the vendor to the Company.

Book and fair values of the net assets at the date of acquisition were as follows

	<i>Book value £000</i>	<i>Fair value to Company £000</i>
Plant and equipment	-	37
Inventories	588	330
Trademarks	-	500
Customer relations	-	40
Net assets on acquisition	<u>588</u>	<u>907</u>
Negative goodwill arising on acquisition		<u>(60)</u>
Consideration paid		<u>847</u>
Discharged by		
Cash		300
Contra against balances owed		547
		<u>847</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

10 FIXED ASSET INVESTMENTS (CONTINUED)

The negative goodwill on acquisition represents the discount that the Company paid to the fair value of the assets acquired. This balance has been taken to the Company Profit and Loss Account in the year.

The fair value of the trademarks was determined by reference to the estimated market value of the trademarks based on anticipated future income streams at the date of acquisition and the legal status of the trademark registrations. The fair value of the customer relations was estimated by the directors based on the expected but non contractual product listings at the date of acquisition. Customer relations require ongoing investment and the value at acquisition therefore requires rapid amortisation.

The business acquired has been fully integrated into the Company. Its revenues and profits in the year are not separately recorded but management estimate revenue at approximately £3.8 million and believe that in this transition period it did not make a material contribution to profit.

11 STOCKS

	2011 £'000	2010 £'000
Raw materials and consumables	5,604	4,445
Finished goods and goods for resale	7,631	6,117
	<u>13,235</u>	<u>10,562</u>

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

12 DEBTORS

	2011 £'000	2010 £'000
Trade debtors	6,273	7,266
Amounts owed by group undertakings	497	519
Other debtors	79	404
Prepayments and accrued income	787	552
Corporation tax	-	230
	<u>7,636</u>	<u>8,971</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Bank overdrafts	-	21
Trade creditors	3,391	3,711
Amounts owed to group undertakings	7,594	5,418
Other taxation and social security	119	328
Other creditors	70	158
Accruals and deferred income	3,650	2,777
Corporation tax	12	-
	<u>14,836</u>	<u>12,413</u>

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

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £'000	2010 £'000
Amounts owed to group undertakings	<u>5,171</u>	<u>5,171</u>
	<u>5,171</u>	<u>5,171</u>

15 PROVISIONS FOR LIABILITIES

	Deferred taxation (note 16) £'000	Moss reinstatement £'000	Total £'000
At 1 October 2010	405	232	637
Charged in the year	-	7	7
Released in the year	(95)	(122)	(217)
Movement in discount rate	-	4	4
At 30 September 2011	<u>310</u>	<u>121</u>	<u>431</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.

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

16 DEFERRED TAXATION

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

	2011 £'000	2010 £'000
Accelerated capital allowances	234	334
Short-term timing differences	76	71
Total provision for deferred taxation	<u>310</u>	<u>405</u>
At 1 October	405	316
Deferred tax (credited) / charged to the profit and loss account		
- current year movement	(77)	(52)
- change in rate	(25)	(17)
- prior year	7	158
At 30 September	<u>310</u>	<u>405</u>

Deferred tax asset relating to pension deficit

	2011 £'000	2010 £'000
At 1 October	2,592	2,649
Deferred tax credited / (charged) to the profit and loss account		
- current year movement in deficit	(147)	-
- change in rate	(94)	-
Deferred tax credited / (charged) to the statement of total recognised gains and losses		
- on actuarial loss	299	35
- change in tax rate	(109)	(92)
At 30 September	<u>2,541</u>	<u>2,592</u>

The deferred tax asset of £2,541,000 (2010 £2,592,000) has been deducted in arriving at the net pension deficit on the balance sheet

17 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised		
630,000 ordinary shares of £1 each	<u>630</u>	<u>630</u>
Allotted 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 2011

18 RESERVES

	Capital reserve £'000	General reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2010	125	1,092	6,662	2,294	10,173
Statement of total recognised gains and losses (net of tax)	-	-	-	(917)	(917)
Transfer from revaluation reserve	-	-	(162)	162	-
Profit for the year	-	-	-	2,500	2,500
Dividend paid	-	-	-	(2,500)	(2,500)
At 30 September 2011	125	1,092	6,500	1,539	9,256

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	2,500	2,383
Dividends	(2,500)	-
Losses recognised in the statement of total recognised gains and losses (net of tax)	(917)	(415)
Net (decrease) / increase in shareholder's funds	(917)	1,968
Opening shareholders' funds	10,683	8,715
Closing shareholders' funds	9,766	10,683

20 CAPITAL COMMITMENTS

There were no capital commitments contracted for but not provided in the financial statements (2010 £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 (2010 £220,000) and to Lanarkshire Council for a maximum of £80,000 (2010 £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 2011 was £nil (2010 £21,000).

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

22 LEASING COMMITMENTS

At 30 September 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011 Land and buildings £'000	Other £'000	2010 Land and buildings £'000	Other £'000
Operating leases which expire				
In one year or less	120	38	69	107
Between two and five years	119	330	238	255
	<u>239</u>	<u>368</u>	<u>307</u>	<u>362</u>

23 PENSIONS

The Company operates a defined contribution Group Personal Pension Plan. The Company's contributions of £116,000 (2010: £103,000) 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

	2011 %	2010 %
<i>Main assumptions</i>		
Rate of salary increases	2.5	2.5
Discount rate	5.2	5.1
Expected rates of return on scheme assets		
Equities	8.0	7.8
Diversified growth funds	8.0	-
Government Stocks	3.3	3.8
Corporate bonds	4.7	5.1
Properties	7.0	7.5
Inflation assumption	<u>2.5</u>	<u>2.5</u>

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

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

23 PENSIONS (CONTINUED)

The assets and liabilities of the scheme at 30 September are

	2011	2010
	£000	£000
Scheme assets at fair value		
Equities	1,496	12,793
Diversified growth funds	11,183	-
Property	1,043	999
Government stock	1,229	2,097
Corporate bonds	6,815	5,173
Cash	130	137
Insured annuities	200	200
	<hr/>	<hr/>
Fair value of scheme assets	22,096	21,399
Present value of scheme liabilities	(32,260)	(31,000)
	<hr/>	<hr/>
Net pension liability	(10,164)	(9,601)
	<hr/>	<hr/>
Related deferred tax asset	2,541	2,592
	<hr/>	<hr/>
Net pension deficit	(7,623)	(7,009)
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of present value of scheme liabilities		
	2011	2010
	£'000	£'000
As at 1 October	31,000	28,988
Current service cost	211	146
Interest cost	1,569	1,607
Benefits paid	(1,091)	(1,146)
Actuarial gains and losses	457	1,276
Employee contributions	114	129
	<hr/>	<hr/>
As at 30 September	32,260	31,000
	<hr/> <hr/>	<hr/> <hr/>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

23 PENSIONS (CONTINUED)

Sensitivity analysis of scheme liabilities

The inflation assumption used is based on the government long term target. If an assumption of 2.75% 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 liability is estimated at £11.1 million.

Reconciliation of fair value of scheme assets

	2011 £'000	2010 £'000
As at 1 October	21,399	19,527
Actual return on plan assets	778	2,123
Employer contributions	896	766
Contributions by employees	114	129
Benefits paid	(1,091)	(1,146)
As at 30 September	<u>22,096</u>	<u>21,399</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:

	2011 £'000	2010 £'000
<i>Recognised in the Profit and Loss Account</i>		
Current service cost	<u>211</u>	<u>146</u>
	2011 £'000	2010 £'000
Expected return on scheme assets	(1,428)	(1,290)
Interest cost on scheme liabilities	1,569	1,607
Other finance costs	<u>141</u>	<u>317</u>
	2011 £'000	2010 £'000
<i>Taken to the Statement of Total Recognised Gains and Losses</i>		
Actual return on scheme assets	778	2,123
Less: expected return on scheme assets	(1,428)	(1,290)
Actuarial losses on scheme liabilities	<u>(650)</u>	<u>833</u>
	(457)	(1,276)
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	<u>(1,107)</u>	<u>(443)</u>

WILLIAM SINCLAIR HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

23 PENSIONS (CONTINUED)

The total charge to the Company Profit and Loss Account in respect of the defined benefit plan in 2011 is expected to be £351,000 for the Company

Amounts for current and previous four years

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of scheme assets	22,096	21,399	19,527	17,431	19,858
Present value of defined benefit obligation	(32,260)	(31,000)	(28,988)	(21,906)	(22,161)
Deficit in the scheme	(10,164)	(9,601)	(9,461)	(4,475)	(2,303)
Experience adjustments arising on plan liabilities	(457)	(1,276)	(6,170)	1,119	1,558
Experience adjustments arising on plan assets	(650)	833	933	(3,586)	905

The cumulative amount of actuarial gains and losses recognised since 1 July 2004 in the statement of recognised income and expense is a loss of £5,479,000 (2010 £4,372,000)

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 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.

	2011		2010	
	Sales/ (purchases) £'000	Amount receivable /(payable) £'000	Sales/ (purchases) £'000	Amount receivable /(payable) £'000
Freeland Horticulture Limited				
- purchase of materials	(50)	(48)	(78)	(11)
- sales of materials	122	34	133	74
- recharges	43	9	65	(9)

25 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 HORTICULTURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

25 RECEIPT FROM NATURAL ENGLAND (CONTINUED)

William Sinclair's professional advisors calculate the value of the compensation due to the Company to be substantially greater than the £9 million advance payment. The agreement provides that in the event that compensation has not been agreed between the parties before 30 November 2011 the matter can be referred by either side to the Lands Tribunal for a decision. The Company is in the process of exercising this right and a timetable for hearing the matter is expected shortly from the Lands Tribunal. It is possible that payment of further compensation could be delayed by a further year or more. Consequently the receipt of £9 million is shown as a non current item.

Under the agreement William Sinclair has implemented a phased withdrawal of peat harvesting from Bolton Fell. An accelerated programme of regeneration is now the responsibility of Natural England. William Sinclair's own team expects to be working closely with environmental experts from Natural England and other agencies to set out new plans to regenerate the peat bog in a practical and structured way.

26 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.