

UNDERWOOD HOLDINGS LIMITED

Financial Statements

30th September 2009



SCRUTTON BLAND
CLEAR ADVICE EFFECTIVE SOLUTIONS

UNDERWOOD HOLDINGS LIMITED

Financial Statements

Year ended 30th September 2009

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UNDERWOOD HOLDINGS LIMITED

Officers and Professional Advisers

The board of directors M R Underwood FCA
P J Underwood

Company secretary M R Underwood FCA

Registered office Sanderson House
Museum Street
Ipswich
IP1 1HE

Auditor Scrutton Bland
Accountants
& Statutory Auditors
Sanderson House
Museum Street
Ipswich
Suffolk
IP1 1HE

Bankers HSBC Bank plc
54 Abbeygate Street
Bury St Edmunds
Suffolk
IP33 1LJ

UNDERWOOD HOLDINGS LIMITED

The Directors' Report

Year ended 30th September 2009

The directors present their report and the financial statements of the company for the year ended 30th September 2009

Principal activities

The principal activity of the company during the year was that of holding company to the group

Directors

The directors who served the company during the year were as follows

M R Underwood FCA
P J Underwood

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 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

UNDERWOOD HOLDINGS LIMITED

The Directors' Report *(continued)*

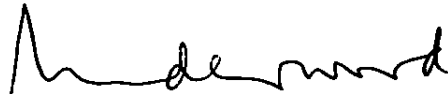
Year ended 30th September 2009

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Registered office
Sanderson House
Museum Street
Ipswich
IP1 1HE

Signed by order of the directors



M R Underwood FCA
Company Secretary

Approved by the directors on 19/02/2010

UNDERWOOD HOLDINGS LIMITED

Independent Auditor's Report to the Shareholders of Underwood Holdings Limited

Year ended 30th September 2009

We have audited the financial statements of Underwood Holdings Limited for the year ended 30th September 2009 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 (APB's) Ethical Standards for Auditors.

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 directors, and the overall presentation of the financial statements.

UNDERWOOD HOLDINGS LIMITED

Independent Auditor's Report to the Shareholders of Underwood Holdings Limited *(continued)*

Year ended 30th September 2009

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 30th September 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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



MRS S V GULL (Senior Statutory Auditor)

For and on behalf of

SCRUTTON BLAND

Accountants & Statutory Auditors

Sanderson House

Museum Street

Ipswich

Suffolk

IP1 1HE

2572110'

UNDERWOOD HOLDINGS LIMITED

Profit and Loss Account

Year ended 30th September 2009

| | Note | 2009 £ | 2008 £ |
|---|----------|-----------------------|-------------------------|
| Turnover | | 66,250 | 2,400 |
| Administrative expenses | | <u>81,287</u> | <u>123,846</u> |
| Operating loss | 2 | (15,037) | (121,446) |
| Income from shares in group undertakings | 3 | 212,627 | - |
| Interest receivable | | 552 | 3,341 |
| Interest payable and similar charges | | <u>(55,536)</u> | <u>(123,807)</u> |
| Profit/(loss) on ordinary activities before taxation | | 142,606 | (241,912) |
| Profit/(loss) for the financial year | | <u>142,606</u> | <u>(241,912)</u> |

The notes on pages 8 to 13 form part of these financial statements

UNDERWOOD HOLDINGS LIMITED

Balance Sheet

30th September 2009

| | Note | 2009 £ | 2008 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 4 | 57,560 | 35,918 |
| Investments | 5 | <u>1,829,731</u> | <u>1,829,731</u> |
| | | <u>1,887,291</u> | <u>1,865,649</u> |
| Current assets | | | |
| Debtors | 6 | 6,600 | 9,270 |
| Cash at bank | | <u>5,817</u> | <u>6,379</u> |
| | | 12,417 | 15,649 |
| Creditors: Amounts falling due within one year | 7 | <u>1,835,183</u> | <u>473,207</u> |
| Net current liabilities | | (1,822,766) | (457,558) |
| Total assets less current liabilities | | 64,525 | 1,408,091 |
| Creditors: Amounts falling due after more than one year | 8 | <u>680,278</u> | <u>2,166,450</u> |
| | | <u>(615,753)</u> | <u>(758,359)</u> |
| Capital and reserves | | | |
| Called-up equity share capital | 11 | 175,220 | 175,220 |
| Profit and loss account | 12 | <u>(790,973)</u> | <u>(933,579)</u> |
| Deficit | | <u>(615,753)</u> | <u>(758,359)</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 19/02/2010, and are signed on their behalf by



M R Underwood FCA
Director

Company Registration Number 1146660

The notes on pages 8 to 13 form part of these financial statements

UNDERWOOD HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30th September 2009

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Fundamental accounting concept

The company had net current liabilities of £1,822,766 at 30th September 2009. The directors are of the opinion that there are significant financial resources available within the subsidiary companies to ensure the company has sufficient facilities to continue trading for the foreseeable future. This is on the basis that existing funding within the company remains available.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

The Freehold property is not depreciated, only property improvements.

No depreciation is provided on freehold properties, since the directors consider that residual values are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|--------------------------------|---------------------|
| Freehold Property Improvements | - 5% straight line |
| Fixtures & Fittings | - 25% straight line |

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

UNDERWOOD HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30th September 2009

1. Accounting policies *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but 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

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

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Group tax relief

The company has an agreement with other subsidiaries of Underwood Holdings Limited whereby tax losses are traded, without charge, between group companies

2. Operating loss

Operating loss is stated after charging

| | 2009 £ | 2008 £ |
|------------------------------------|--------------|--------------|
| Directors' remuneration | — | — |
| Staff pension contributions | 1,296 | 1,126 |
| Depreciation of owned fixed assets | 2,478 | 2,830 |
| Auditor's fees | <u>1,000</u> | <u>1,000</u> |

3. Income from shares in group undertakings

| | 2009 £ | 2008 £ |
|--------------------------------|----------------|-----------|
| Income from group undertakings | <u>212,627</u> | <u>—</u> |

UNDERWOOD HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30th September 2009

4. Tangible fixed assets

| | Freehold Property £ | Fixtures & Fittings £ | Total £ |
|-------------------------------|---------------------------|-----------------------------|---------------|
| Cost | | | |
| At 1st October 2008 | 37,497 | 7,119 | 44,616 |
| Additions | 24,120 | — | 24,120 |
| At 30th September 2009 | 61,617 | 7,119 | 68,736 |
| Depreciation | | | |
| At 1st October 2008 | 1,800 | 6,898 | 8,698 |
| Charge for the year | 2,257 | 221 | 2,478 |
| At 30th September 2009 | 4,057 | 7,119 | 11,176 |
| Net book value | | | |
| At 30th September 2009 | 57,560 | — | 57,560 |
| At 30th September 2008 | 35,697 | 221 | 35,918 |

Freehold property includes Property Improvements with a net book value of £41,075 (2008 £19,212) at 30 September 2009

5. Investments

| | Shares in group undertakings | Other investments £ |
|---|---------------------------------|---------------------------|
| Cost | | |
| At 1st October 2008 and 30th September 2009 | | 5,020,001 |
| Amounts written off | | |
| At 1st October 2008 and 30th September 2009 | | 3,190,270 |
| Net book value | | |
| At 30th September 2009 and 30th September 2008 | | 1,829,731 |

UNDERWOOD HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30th September 2009

5. Investments *(continued)*

Principal subsidiary undertakings and activities of the group are as follows -

| Subsidiary undertakings of Underwood Holdings Limited | Ordinary Shares held | Activity |
|---|----------------------|-----------------------|
| Marlow Properties Limited | 100% | Property Investment |
| Marlows DIY and Garden Centre Ltd | 100% | DIY and Garden Centre |
| Underwood American Holdings Inc (USA) | 100% | Property Investment |

| 2009 | 2008 |
|------|------|
| £ | £ |

Aggregate capital and reserves

| | | |
|---------------------------------------|-----------|-----------|
| Marlow Properties Limited | 2,615,510 | 2,550,916 |
| Marlows DIY and Garden Centre Ltd | 849,480 | 851,707 |
| Underwood American Holdings Inc (USA) | (542,884) | (515,841) |

Profit and (loss) for the year

| | | |
|---------------------------------------|---------|---------|
| Marlow Properties Limited | 64,594 | 73,159 |
| Marlows DIY and Garden Centre Ltd | 210,400 | 154,269 |
| Underwood American Holdings Inc (USA) | 6,358 | 6,458 |

All companies are registered in England and Wales, except Underwood American Holdings Inc which is registered in the USA

6 Debtors

| | 2009 | 2008 |
|---------------|--------------|--------------|
| | £ | £ |
| Other debtors | <u>6,600</u> | <u>9,270</u> |

7. Creditors: Amounts falling due within one year

| | 2009 | 2008 |
|------------------------------------|------------------|----------------|
| | £ | £ |
| Amounts owed to group undertakings | 86,782 | 55,782 |
| Other taxation and social security | 606 | 571 |
| Other creditors | <u>1,747,795</u> | <u>416,854</u> |
| | <u>1,835,183</u> | <u>473,207</u> |

8. Creditors Amounts falling due after more than one year

| | 2009 | 2008 |
|------------------------------------|----------------|------------------|
| | £ | £ |
| Amounts owed to group undertakings | 680,278 | 666,450 |
| Other creditors | - | <u>1,500,000</u> |
| | <u>680,278</u> | <u>2,166,450</u> |

UNDERWOOD HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30th September 2009

9. Deferred Taxation

The company has an unrecognised deferred tax asset of £34,556 (2008 £97,905) This amount is not provided for in the financial statements due to insufficient certainty regarding the nature and timing of future taxable profits and tax liability against which to offset this asset

10. Related party transactions

The directors have a beneficial interest in 40% of the ordinary voting shares of the company There is no person or party, who without acting in concert with other persons or parties, would be able to control the company

There were no material transactions during the year between the company and any of the directors or members of their close family

At 30 September 2009 the company had the following outstanding balances due to related parties

| | | |
|---|-----------------------|-----------------------|
| Owed to Marlows DIY & Garden Centre Ltd | 86,782 | 55,782 |
| Owed to Marlows Properties Limited | <u>680,278</u> | <u>666,450</u> |

During the year a dividend of £212,627 (2008 £Nil) was received from Marlows DIY & Garden Centre Ltd A management charge of £60,000 (2008 £Nil) was charged to Marlow Properties Limited to cover expenses incurred by Underwood Holdings Limited

Included within other creditors due less than one year is an amount of £1,500,000 (2008 due after more than one year £1,500,000) which is due to The Underwood Executive Pension Scheme, a pension scheme under common control Interest is accrued on the loan at 3% over base rate

During the year M R Underwood made a loan of £100,000 to the company At the year end the amount outstanding on the loan was £100,000

During the year Mac Estates Limited, of whom P J Underwood is a director, made a loan of £100,000 to the company At the year end the amount outstanding on the loan was £100,000

A Group set-off is held by the bank in respect of all group companies

11. Share capital

Authorised share capital:

| | 2009 | 2008 |
|------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| 175,500 Ordinary shares of £1 each | <u>175,500</u> | <u>175,500</u> |

UNDERWOOD HOLDINGS LIMITED

Notes to the Financial Statements

Year ended 30th September 2009

11. Share capital *(continued)*

Allotted, called up and fully paid:

| | 2009 | | 2008 | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | No | £ | No | £ |
| 175,220 Ordinary shares of £1 each | <u>175,220</u> | <u>175,220</u> | <u>175,220</u> | <u>175,220</u> |

12. Profit and loss account

| | 2009 | 2008 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Balance brought forward | (933,579) | (691,667) |
| Profit/(loss) for the financial year | <u>142,606</u> | <u>(241,912)</u> |
| Balance carried forward | <u>(790,973)</u> | <u>(933,579)</u> |