Company Registration No. 3473956

Scotts Holdings Limited

Report and Financial Statements

30 September 2005

Scotts Holdings Limited

Report and financial statements 2005

Contents

Scotts Holdings Limited

Report and financial statements 2005

Officers and professional advisers

Directors

J Wyatt
E Claggett
A van Winden

Secretary

Clifford Chance LLP

Registered office

10 Upper Bank Street
London
E14 5JJ

Bankers

National Westminster Bank Plc
2 Tavern Street
Ipswich
Suffolk
IP1 3BD

Syndicated Loan Bankers

Chase Manhattan International
Trinity Tower
9 Thomas Moore Street
London E1 9YT

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Scotts Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

Principal activities

The principal activity of the Company is that of a holding company.

The principal activities of the Group are the manufacture and sale of horticultural products.

Review of business

The consolidated profit and loss account for the year is set out on page 6.

The directors expect that the present level of activity will be sustained for the foreseeable future and that the Group will return to a profitable position in future years.

A letter of support has been provided by the ultimate controlling party which provides for funding to be available for the Group to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements.

Results and dividends

The Group's loss for the year is £6,316,000 (2004: loss - £3,748,000) which has been transferred to reserves. No dividends have been paid in the year (2004: nil). The directors do not recommend a final dividend for the year ended 30 September 2005 (2004: nil).

Directors and their interests

The directors who held office during the year and subsequently were as follows:

E Claggett
A van Winden
J Wyatt

None of the directors held any interest in the shares of the company or its subsdiary undertakings during the year.

Employees

The Group's policy is to consult and discuss with employees matters likely to affect employees' interests, and to encourage involvement in the Group's performance.

Information on matters of concern to employees is given through information bulletins and the in-house magazine to encourage common awareness of factors affecting the Group.

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person.

Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Research and development

The Group is committed to research and development activities in order to secure its position as market leader.

Scotts Holdings Limited

Directors' report

Auditors

During the year the auditors of the company PriceWaterhouse Coopers resigned from office. Subsequently the directors appointed Deloitte & Touche LLP as auditors of the company.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A van Winden
Director

27 July 2006

Scotts Holdings Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Scotts Holdings Limited

We have audited the financial statements of Scotts Holdings Limited for the year ended 30 September 2005 which comprise the consolidated profit and loss account, the reconciliation in movement in group shareholders' deficit, the statement of group total recognised gains and losses, the balance sheets, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs at 30 September 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
28th July 2006

Scotts Holdings Limited

Consolidated profit and loss account
Year ended 30 September 2005

	Notes	2005 £'000	2004 As restated (note 1) £'000
Turnover	2	126,871	113,039
Cost of sales		(76,171)	(69,330)
Gross profit		50,700	43,709
Distribution costs		(29,830)	(25,127)
Administrative expenses		(19,475)	(16,083)
Other operating income		465	343
Operating profit	6	1,860	2,842
Interest receivable and similar income		186	303
Interest payable and similar charges	5	(5,565)	(5,075)
Loss on ordinary activities before taxation		(3,519)	(1,930)
Tax on loss on ordinary activities	7	(2,797)	(1,818)
Loss on ordinary activities after taxation and for the financial year	8	(6,316)	(3,748)
Retained loss for the year	19	(6,316)	(3,748)

All results are derived from continuing operations.

Reconciliation of movements in group shareholders' deficit
Year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Opening shareholders' deficit		(34,750)	(30,620)
Loss for the year		(6,316)	(3,748)
Currency translation differences on foreign net investments		(123)	(382)
Closing shareholders' deficit		(41,189)	(34,750)

Statement of group total recognised gains and losses
Year ended 30 September 2005

	2005 £'000	2004 £'000
Loss for the year on ordinary activities after taxation	(6,316)	(3,748)
Currency translation differences on foreign net investments	(123)	(382)
Total recognised losses in the year	(6,439)	(4,130)

Scotts Holdings Limited

Balance sheets
30 September 2005

	Notes	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Fixed assets					
Intangible assets	9	10,607	-	11,420	-
Tangible assets	10	13,896	-	16,141	-
Investments	11	-	39,758	-	39,758
		24,503	39,758	27,561	39,758
Current assets					
Stocks	12	24,704	-	23,575	-
Debtors - due within one year	13	21,338	32,206	32,259	36,237
- due after more than one year	13	90	-	77	-
Cash at bank and in hand		11,412	-	7,400	-
		57,544	32,206	63,311	36,237
Creditors: amounts falling due within one year	14	(122,224)	(103,631)	(124,553)	(94,753)
Net current liabilities		(64,680)	(71,425)	(61,242)	(58,516)
Total assets less current liabilities		(40,177)	(31,667)	(33,681)	(18,758)
Provisions for liabilities and charges	16	(1,012)	-	(1,069)	-
Net liabilities		(41,189)	(31,667)	(34,750)	(18,758)
Capital and reserves					
Called up share capital	18	-	-	-	-
Profit and loss account	19	(41,189)	(31,667)	(34,750)	(18,758)
Equity shareholders' deficit		(41,189)	(31,667)	(34,750)	(18,758)

These financial statements were approved by the Board of Directors on 27 July 2006.

Signed on behalf of the Board of Directors

A van Winden

Director

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

1. **Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been consistently applied throughout the current and previous year.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Cash flow and related party disclosures

The company is a wholly owned subsidiary of The Scotts Company, a company registered in the USA whose financial statements are publicly available. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement. The company has also taken advantage of the exemption available under FRS 8 'Related party disclosures' not to disclose transactions with other group entities, where more than 90% of the voting rights are controlled within the group.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 2005. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date of acquisition or when control is deemed to pass.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off through the profit and loss account on a straight line basis over its useful economic life of up to 20 years. Historically purchased goodwill was written off immediately to reserves for accounting periods ending on or before 30 September 1998.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Other than in respect of peatlands, depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for depreciation are:

Freehold buildings	2 - 3? % per annum
Plant and machinery	10 – 15% per annum
Fixtures and fittings	10 – 15% per annum
Computer hardware and software	20 - 33? % per annum

Freehold land is not depreciated.

Peatlands are written off on an extraction basis.

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

1. **Accounting policies**

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Finance lease agreements, which transfer to the Group substantially all the benefits and risks of ownership of an asset, are treated as if the assets had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown within obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period end. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes internal transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete and slow moving stocks.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Exchange differences arising from the re-translation of the opening net assets of subsidiaries which have currencies of operation other than sterling are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with the rates ruling at year end.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied. Turnover is recognised upon the despatch of goods. The company has adopted FRS 5 Application Note G 'Revenue Recognition' during the year. This requires turnover to be reported net of selling incentives.

Provisions

The group makes provisions for liabilities and charges when it has a legal or constructive obligation arising from a past transaction or event in accordance with FRS 12 'Provisions, contingent liabilities and contingent assets.'

Pension costs

The group operates three defined benefit pension schemes, which are contracted out of the state scheme. The schemes are valued at least every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The cost of defined contribution schemes in operation are charged to the profit and loss account as incurred.

In November 2000, the Accounting Standards Board issued Financial Reporting Standard 17 'Retirement Benefits'. The company is adopting the transitional arrangements available in the standard. The financial statements therefore reflect the transitional disclosures required by the standard.

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

1. Accounting policies

Research and development

Research and development expenditure is written off as incurred.

Agency income agreement

Income derived from all commission based agency agreements is included on a net basis in other operating income. The assets and liabilities relating to agency agreement sales are not included in these financial statements unless both the risks and rewards have substantially passed to the group.

Taxation

UK corporation tax payable is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS 19, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, deferred total assets are not discounted.

Restatement of certain costs

In accordance with FRS 5 Application Note G 'Revenue Recognition', issued in November 2003, turnover is required to be reported net of sales returns, volume rebates, cooperative advertising allowances and other customer incentives given in the course of trade. In 2005, turnover has been reported net of selling incentives of £4,332,000 in compliance with this Application Note. Total selling incentives in 2004 of £5,103,000 have been reclassified from distribution costs to turnover for the purpose of comparability. There has been no impact on operating profit or net assets of making this reclassification.

2. Segmental analysis of turnover

	2005 £'000	**2004 £'000**
Geographical segment by destination:		
United Kingdom	75,084	73,452
Europe	44,806	37,984
Rest of the World	6,981	6,706
	126,871	118,142

All sales originate in Europe, including £82,823,000 (2004: £78,882,000) which originates in the United Kingdom.

£4,666,000 (2004: £3,272,000) of the above relates to sales to companies that are part of The Scotts Company group.

The entity has only one class of business, being the principal activity of the Group.

In the opinion of the directors the disclosure of segmental information relating to net assets and profit before taxation would be prejudicial to the interests of the group. This has therefore not been disclosed.

Notes to the accounts
Year ended 30 September 2005

3. Directors' emoluments

The following emoluments are in respect of services provided to the group:

	2005 £'000	2004 £'000
Aggregate emoluments	544	314

Retirement benefits are accruing to two directors (2004: two directors) under the group's defined benefit schemes.

Emoluments payable to the highest paid director were as follows:

	2005 £'000	2004 £'000
Aggregate emoluments	347	199
Accrued pension at period end	9	4

4. Information regarding employees

The average weekly number of persons (including executive directors) employed by the group during the year was as follows:

	2005 No	2004 No.
Production	176	173
Sales and Marketing	139	135
Administration	122	122
	437	430

Staff costs (for the above persons)	**£'000**	**£'000**
Wages and salaries	15,563	14,852
Social security costs	1,897	1,869
Pensions and post retirement benefits (see note 17)	2,219	2,531
	19,679	19,252

5. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdrafts	2,929	2,041
Loans from fellow group undertakings	2,634	3,030
Loan notes	2	4
	5,565	5,075

Notes to the accounts
Year ended 30 September 2005

6. Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Depreciation charge for the year:		
Owned assets	2,498	2,719
Leased assets	23	39
Amortisation of goodwill	813	817
Auditors' remuneration for:		
Audit (Company: £30,000; 2004: £29,000)	140	170
Other services to the company and its UK subsidiaries	125	49
Hire of plant and machinery	1,603	1,696
Hire of other assets	1,000	972
Research and development	1,874	1,903
Loss on disposal of assets	39	-

Audit fees in 2005 were paid to Deloitte & Touche LLP. Audit fees in 2004 and fees for other services were paid to PriceWaterhouse Coopers in 2005 and 2004.

7. Tax on loss on ordinary activities

		2005 £'000	2004 £'000
Corporation tax at 30% (2004 – 30%)			
UK corporation tax	- current tax	-	-
	- underprovision in prior years	463	84
Overseas (35%) (2004 – 35%)		1,825	1,631
		2,288	1,715
Deferred tax	- current tax	16	396
	- under/(over) provision in prior years	493	(293)
		509	103
		2,797	1,818

Notes to the accounts
Year ended 30 September 2005

Taxation (continued)

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	(3,519)	(1,930)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2004: 30%)	(1,056)	(579)
Effects of:		
Permanent differences	563	709
Depreciation in excess of accelerated capital allowances	(107)	(101)
Other short term timing differences	297	204
Losses carried forward	1,857	1,116
Higher tax rates on overseas earnings	251	282
Under-provision in prior years	483	84
Current tax charge for the year	2,288	1,715

8. **Loss for the financial year**

As permitted by section 230 of the Companies Act 1985, the company only profit and loss account has not been included in these financial statements. The company's loss after tax for the financial year was £12,909,000 (2004: loss £2,326,000).

9. **Intangible fixed assets**

Group	**Goodwill £'000**
Cost	
At 1 October 2004 and 30 September 2005	16,310
Amortisation	
At 1 October 2004	4,890
Charge for the year	813
At 30 September 2005	5,703
Net book value	
At 30 September 2005	10,607
At 30 September 2004	11,420

The company has no other intangible assets (2004: nil).

Notes to the accounts
Year ended 30 September 2005

10. Tangible fixed assets

Group	Land and buildings £'000	Peatlands £'000	Plant, machinery and IT hardware and software £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 October 2004	5,377	1,922	17,702	4,726	29,727
Additions	268	-	1,006	34	1,308
Disposals	(1,182)	-	(1,104)	(440)	(2,726)
Exchange differences	(23)	-	(38)	(6)	(67)
At 30 September 2005	4,440	1,922	17,566	4,314	28,242
Depreciation					
At 1 October 2004	1,317	1,213	8,049	3,007	13,586
Charge for the year	540	16	1,548	416	2,520
Disposals	(1,090)	-	(198)	(440)	(1,728)
Exchange differences	(8)	-	(19)	(5)	(32)
At 30 September 2005	759	1,229	9,379	2,979	14,346
Net book value					
At 30 September 2005	3,680	693	8,187	1,335	13,896
At 30 September 2004	4,060	709	9,653	1,719	16,141

Peatlands represent the cost of harvesting rights and preparation costs of peat moors.

The net book value of plant and machinery includes an amount of £nil (2004: £23,000) in respect of assets held under finance leases.

Company

Scotts Holdings Limited has no tangible fixed assets (2004: nil).

11. Fixed asset investments

Company	2005 £'000	2004 £'000
As at 1 October and 30 September	39,758	39,758

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

11. **Fixed asset investments (continued)**

Interests in group undertakings

Name of undertaking	Country of incorporation or registration	Principal activity	Description of shares	Proportion of nominal value of issued shares held by: Group %	Company %
The Scotts Company (UK) Limited	England & Wales	Production and distribution of gardening products	Ordinary	100	-
Levington Group Limited	England & Wales	Holding company	Ordinary	100	100
OM Scotts International Investments Limited	England & Wales	Holding company	Ordinary	100	100
Scotts Deutschland GmbH	Germany	Distribution of gardening products	Ordinary	100	-
Scotts International BV (formerly Scotts Europe BV)	Netherlands	Manufacture and distribution of gardening products	Ordinary	100	-
Scotts Italia srl	Italy	Distribution of gardening products	Ordinary	95	-
Corwen Home & Garden Limited (formerly Phostrogen Limited)	England & Wales	Manufacture of garden fertilisers	Dormant	100	-
The Scotts Company (Manufacturing) Limited	England & Wales	Manufacture of garden care products	Ordinary	100	-
Scotts Horticulture Limited	Ireland	Distribution of gardening products	Ordinary	100	100
Scott OM Espana SA	Spain	Distribution of gardening products	Ordinary	100	-
Scotts Profi Handels GmbH	Austria	Distribution of gardening products	Ordinary	100	-

Miracle Holdings Limited and Levington Horticulture Limited, dormant companies, were struck off in the year.

The above companies operate principally in their country of incorporation.

The results and financial position of all subsidiary undertakings are included in these consolidated financial statements.

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

12. Stocks

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Raw materials and consumables	7,362	-	7,709	-
Work in progress	3,978	-	3,781	-
Finished goods and goods for resale	13,364	-	12,085	-
	24,704	-	23,575	-

13. Debtors

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Amounts falling due after more than one year:				
Prepayments	90	-	77	-
Amounts falling due within one year:				
Trade debtors	15,417	-	14,227	-
Amounts due by group undertakings	1,869	32,162	15,005	36,135
VAT recoverable	968	-	515	-
Corporation tax recoverable	-	-	360	-
Other debtors	1,957	44	183	102
Prepayments and accrued income	1,127	-	1,969	-
	21,338	32,206	32,259	36,237

14. Creditors: amounts falling due within one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Bank loans	29,250	29,250	-	-
Loan notes	139	116	198	155
Trade creditors	8,535	-	8,073	-
Amounts due to group undertakings	70,932	73,229	101,014	92,628
Obligations under finance leases (see note 15)	3	-	7	-
Corporation tax	488	-	29	-
Other taxation and social security	287	-	286	-
Other creditors	358	-	99	-
Accruals	12,232	1,036	14,847	1,970
	122,224	103,631	124,553	94,753

Bank loans consist of three short term loans amounting to £21,000,000, £6,000,000 and £2,250,000. The interest rate on the loan is fixed at 5.26%.

Loan notes are repayable on demand and are secured with a letter of guarantee from the Chase Manhattan Bank and bear interest at a rate of 1% below LIBOR.

Notes to the accounts
Year ended 30 September 2005

15. Finance leases

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
The net finance lease obligations to which the group is committed fall due in:				
Less than one year	3	-	7	-
	3	-	7	-

16. Provisions for liabilities and charges

Group

	Deferred tax £'000	Pensions (see note 17) £'000	Environmental provision £'000	Restructuring and integration provision £'000	Total £'000
At 1 October 2004	162	323	466	118	1,069
Profit and loss account	509	(160)	-	370	719
Utilised in year	-	-	(466)	(118)	(584)
Reclassified to current tax creditor	(191)	-	-	-	(191)
Exchange differences	-	(1)	-	-	(1)
At 30 September 2005	480	162	-	370	1,012

It is anticipated that the restructuring and integration provision will be used within one year.

Deferred taxation

Deferred tax recognised in the financial statements is as follows:

	2005 Group Amount provided £'000	2005 Company Amount provided £'000	2004 Group Amount provided £'000	2004 Company Amount provided £'000
Tax effect of timing differences:				
Excess of tax allowances over qualifying depreciation	474	-	223	-
Other short term timing differences	-	-	(258)	-
Other	6	-	197	-
Deferred tax liability	480	-	162	-

	Group £'000	Company £'000	Group £'000	Company £'000
As at 1 October	162	-	59	-
Charged to profit and loss account	509	-	103	-
Reclassified to current tax creditor	(191)	-	-	-
Deferred tax liability as at 30 September	480	-	162	-

Notes to the accounts
Year ended 30 September 2005

Deferred taxation (continued)

There is approximately £3,893,000 (2004: £1,300,000) of taxable losses not recognised in the financial statements as the directors regard their recoverability as insufficiently certain.

17. Pension

The group operates three defined benefit pension schemes in the United Kingdom and Europe. The assets of the scheme are held in separate trustee administered funds.

The Scotts Company (UK) Pension Scheme

The pension cost in respect of The Scotts Company (UK) Pension Scheme for the year ending 30 September 2005 was £910,000 (cash contribution: £2,150,000) (2004: £1,183,000 and £1,723,000 respectively). A prepayment of £1,475,000 (2004: £189,000) is included in prepayments, representing the difference between the amount of contributions funded and the accumulated pension cost.

The pension cost is assessed in accordance with the advice of an independent qualified actuary, the market-related approach was adopted. The latest actuarial valuation of the scheme was on 1 July 2003. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments, rate of increase in dividends and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.4% pre-retirement and 6.0% post-retirement per annum, that salary increases would average 4.0% per annum and that present and future pensions would increase at the rate of 2.5% per annum.

The pension scheme value at the date of valuation amounted to £20,674,000. The actuarial value of the assets of the scheme was sufficient to cover 74% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Cash payments to the defined contribution section of the scheme amounted to £46,000 (2004: £26,000).

Transitional disclosures required by FRS 17

For the purposes of FRS 17 a formal valuation of the scheme liabilities was carried out as at 1 July 2003. The valuation of liabilities detailed below has been derived by projecting forward the position from 1 July 2003 to 30 September 2005.

Contributions to the scheme over the 4 years ending 30 September 2005 were paid as follows:

	2 June 2004 to 30 September 2005 % Pensionable Pay	1 October 2002 to 1 June 2004 % Pensionable Pay
Company	12.7	16.5
Members	8.5	4.5

In addition, from 1 March 2004 the employer paid fixed monthly contributions of £144,000.

FRS 17 requires that the present value of pension liabilities be calculated by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS 17 value of liabilities at 30 September 2005 was approximately £40,532,000 (2004: £36,760,000) and the market value of assets was £31,960,000 (2004: £25,477,000), giving a Scheme deficit of £8,572,000 (2004: £11,283,000).

Notes to the accounts
Year ended 30 September 2005

17. Pension (continued)

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

	2005	2004	2003
Discount rate	5.00%	5.50%	5.25%
Pay growth	4.00%	4.20%	4.00%
RPI	2.70%	2.70%	2.50%
Pension-in payment increases	2.70%	2.70%	2.50%
Deferred pension increases	2.70%	2.70%	2.50%

The market value of the assets of the Scheme together with the expected rate of return over the following year is as follows:

	2005	2005	2004	2004	2003	2003
Equities	8.00%	23,206	8.25%	22,064	8.25%	20,000
Bonds	4.50%	8,543	4.75%	1,969	4.75%	679
Other	4.50%	211	4.75%	1,444	4.75%	551
Market value of scheme assets		31,960		25,477		21,230
Present value of scheme liabilities		(40,532)		(36,760)		(34,797)
Deficit in scheme		(8,572)		(11,283)		(13,567)
Related deferred tax asset		-		-		-
Net pension liability		(8,572)		(11,283)		(13,567)

No deferred tax asset has been shown due to uncertainty of its recoverability.

Analysis of the amount that would be charged to operating profit under FRS 17

	2005 £'000	2004 £'000
Current service cost	716	1,039
Total operating charge	716	1,039

Analysis of amounts that would be (credited)/charged to other finance (income)/cost under FRS 17

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(2,022)	(1,720)
Interest on pension liabilities	1,977	1,801
Net (income)/charge	(45)	81

The total charge through profit on ordinary activities before taxation if FRS 17 were adopted in full would be £671,000 (2004: £1,120,000).

Notes to the accounts
Year ended 30 September 2005

17. **Pension (continued)**

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL) under FRS 17

	2005 £'000	*2004* £'000
Actual return less expected return on assets	3,454	1,994
Experience gains and losses on liabilities	618	(721)
Changes in assumptions	(2,886)	382
Actuarial gain recognised in STRGL	1,186	1,655

Details of experience gains and losses for the year to 30 September 2005

	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	3,454	1,994	1,388
Percentage of scheme assets	10.73%	7.83%	6.54%
Experience gains and losses on scheme liabilities:			
Amount (£'000)	618	(721)	(367)
Percentage of the present value of the scheme liabilities	1.52%	1.96%	1.05%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£'000)	1,186	1,655	974
Percentage of the present value of the scheme liabilities	(2.93%)	(4.5%)	(2.78%)

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(11,283)	(13,567)
Movement in year:		
Current service cost	(716)	(1,039)
Contributions (including defined contributions of £46,000)	2,196	1,749
Finance cost	45	(81)
Actuarial gain	1,186	1,655
	(8,572)	(11,283)

The Miracle Garden Company Pension Scheme

The scheme provides benefits based on final pensionable earnings. The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread those costs over the employees' working lives with the employer.

The most recent triennial valuation of the scheme was carried out as at 5 April 2003. The method used to conduct the valuation was the attained age method and a market-related approach was adopted.

The main assumptions used in the valuation and in the determination of the pension cost were a pre-retirement investment rate of return of 6.60% per annum, a post-retirement investment rate of 5.10% per annum, a long term rate of growth in pensionable earnings of 4.35% per annum and increases to pensions in payment of 2.60% per annum. The valuation also took into account updated mortality tables.

Notes to the accounts
Year ended 30 September 2005

17. Pension (continued)

The reserve for normal health early retirement had been removed from the liabilities calculated as at 1 October 2003 and the regular costs over the financial year. From then on, the costs of these retirements will be recognised in full in the periods in which they occur. This is a change from the approach in previous years.

At 1 October 2003 the market value of the assets of the scheme under the above assumptions was £9,835,000 which, at that date, represented 74% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension cost for the employer for the financial period ending 30 September 2005 was £551,000 (2004: £687,000). During the period, the employer has made regular contributions of £724,000 (2004: £632,000) to the scheme and paid £Nil (2004: £83,000) in respect of early retirement augmentations made in the previous year. There is a provision of £16,000 (2004: £189,000) in the group balance sheet as at 30 September 2005 arising from the accumulated difference between the contributions paid to the scheme and the corresponding pension costs.

Transitional disclosures required by FRS 17

The latest formal valuation of the Scheme was carried out as at 5 April 2003. The valuation of liabilities detailed below has been derived by projecting forward the position from 5 April 2003 to 30 September 2005.

Contributions over the three years ending 30 September 2005 were paid as follows:

	From 1 April 2001 % Pensionable Pay	Prior to 31 March 2001 % Pensionable Pay
Company	17.6	14.3
Members (average)	4.4	3.4

The revised contribution rate has been derived using a funding method, which recognises that the Scheme is closed to new entrants and whose active membership can therefore be expected to exhibit a steadily increasing average age profile.

FRS 17 requires that the present value of pension liabilities be calculated by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS 17 value of liabilities at 30 September 2005 was approximately £17,450,000 (2004: £15,629,000) and the market value of assets was £13,640,000 (2004: £11,055,000), giving a Scheme deficit of £3,810,000 (2004: £4,574,000).

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

	2005	2004	2003
Discount rate	5.00%	5.50%	5.25%
Pay growth	4.00%	4.55%	4.35%
RPI	2.70%	2.80%	2.60%
Pension-in deferment increases	2.70%	2.80%	2.60%
Pension-in payment increases	2.70%	2.80%	2.60%

Deferred pensions are revalued to retirement age in line with statutory requirements.

Notes to the accounts
Year ended 30 September 2005

17. Pension (continued)

The market value of the assets of the Scheme together with the expected rate of return over the following year is as follows:

	2005 Expected return	2005 £'000	2004 Expected return	2004 £'000	2003 Expected return	2003 £'000
Equities	7.4%	9,690	6.3%	8,446	6.7% pa	7,684
Bonds	4.6%	3,853	3.8%	2,487	4.0% pa	2,196
Other	4.2%	97	2.6%	122	3.7% pa	125
Market value of scheme assets		13,640		11,055		10,005
Present value of scheme liabilities		(17,450)		(15,629)		(15,327)
Deficit in scheme		(3,810)		(4,574)		(5,322)
Related deferred tax asset		-		-		-
Net pension liability		(3,810)		(4,574)		(5,322)

No deferred tax asset has been shown due to uncertainty of its recoverability.

Analysis of the amount that would be charged to operating profit under FRS 17

	2005 £'000	2004 £'000
Current service cost	171	304
Total operating charge	171	304

Analysis of other finance expense under FRS 17

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(639)	(616)
Interest on pension liabilities	859	812
Net expense	220	196

The total charge through profit on ordinary activities before taxation if FRS 17 were adopted in full would be £391,000 (2004: £500,000).

Notes to the accounts
Year ended 30 September 2005

17. Pension (continued)

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL) under FRS 17

	2005 £'000	2004 £'000
Actual return less expected return on assets	1,600	241
Experience gains and losses on liabilities	-	(255)
Changes in assumptions	(1,169)	547
Actuarial gain recognised in STRGL	431	533

Details of experience gains and losses for the year to 30 September 2005

	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	1,600	241	642
Percentage of scheme assets	12.0%	2.2%	6.4%
Experience gains and losses on scheme liabilities:			
Amount (£'000)	-	(255)	871
Percentage of scheme liabilities	-	1.6%	(5.7%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£'000)	431	533	150
Percentage of the present value of the scheme liabilities	(2.0%)	(3.4%)	(1.0%)

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(4,574)	(5,322)
Movement in year:		
Current service cost	(171)	(304)
Contributions	724	715
Finance costs	(220)	(196)
Actuarial loss	431	533
Deficit in scheme at end of year	(3,810)	(4,574)

Foreign Schemes

Pension costs relating to foreign schemes are charged in accordance with local best practice using different accounting policies. The group's largest foreign scheme is in the Netherlands, which is of the defined benefit type and which requires contributions to be made to a separately administered fund. This scheme is accounted for using the applicable Dutch accounting standard. The cost of obtaining actuarial valuations for the purpose of SSAP 24 'Accounting for pension costs' is considered to be out of proportion to the benefits to be gained. The pension cost for foreign schemes during the year was £495,000 (2004: £635,000) and a balance of £146,000 (2004: £134,000) is included in provisions for liabilities and charges. The pension cost is based on contribution rates dictated to Scotts International BV by the pension actuary.

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

17. Pension (continued)

Transitional disclosures required by FRS 17

The latest formal valuation of the Scheme was carried out as at 30 September 2002.

Employer's contributions are 5% of gross pay.

FRS 17 requires that the present value of pension liabilities be calculated by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS 17 value of liabilities at 30 September 2004 was approximately £11,179,000 (2004: £7,717,000) and the market value of assets was £6,314,000 (2004: £5,247,000), giving a Scheme deficit of £4,865,000 (2004: £2,470,000).

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

	2005	2004	2003
Discount rate	5.00%	5.00%	5.25%
Pay growth	3.00%	3.00%	3.00%
RPI	2.00%	2.00%	2.00%
Pension-in payment increases	2.00%	2.00%	2.00%

Deferred pensions are revalued to retirement age in line with statutory requirements.

The market value of the assets of the Scheme together with the expected rate of return over the following year is as follows:

	2005 Expected return	2005 £'000	2004 Expected return	2004 £'000	2003 Expected return	2003 £'000
Bonds	5%	6,314	6%	5,247	6%	4,342
Market value of scheme assets		6,314		5,247		4,342
Present value of scheme liabilities		(11,179)		(7,717)		(6,685)
Deficit in scheme		(4,865)		(2,470)		(2,343)
Related deferred tax asset		-		-		-
Net pension liability		(4,865)		(2,470)		(2,343)

Analysis of the amount that would be charged to operating profit under FRS 17

	2005 £'000	2004 £'000
Current service cost	461	439
Total operating charge	461	439

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

17. Pension (continued)

Analysis of other finance income under FRS 17

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(304)	(273)
Interest on pension liabilities	382	342
Net cost	78	69

The total charge through profit on ordinary activities before taxation if FRS 17 were adopted in full would be £539,000 (2004: £508,000).

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL) under FRS 17

	2005 £'000	2004 £'000
Actual return less expected return on assets	(92)	121
Changes in assumptions	(2,551)	(327)
Actuarial loss recognised in STRGL	(2,643)	(206)

Details of experience gains and losses for the year to 30 September 2005

	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	(92)	121	(65)
Percentage of scheme assets	(1.5%)	2.3%	(1.5%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£'000)	(2,643)	(206)	(572)
Percentage of the present value of the scheme liabilities	23.6%	2.7%	8.6%

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(2,470)	(2,343)
Exchange difference	-	51
Movement in year:		
Current service cost	(461)	(439)
Contributions	787	536
Finance cost	(78)	(69)
Actuarial loss	(2,643)	(206)
Deficit in scheme at end of year	(4,865)	(2,470)

Scotts Holdings Limited

Notes to the accounts
Year ended 30 September 2005

17. **Pension (continued)**

Summary of all schemes

	Cost for year		(Liability)/asset at 30 September	
	2005	**2004**	**2005**	**2004**
	£'000	**£'000**	**£'000**	**£'000**
Liability under:				
SSAP 24				
The Scotts Company Scheme	910	1,183	1,475	189
Miracle Garden Care Scheme	551	687	(16)	(189)
Scotts International Scheme	495	635	(146)	(134)
Defined Contribution Schemes	46	26	-	-
	2,002	2,531	1,313	(134)
FRS 17 disclosures				
The Scotts Company Scheme	671	1,120	(8,572)	(11,283)
Miracle Garden Care Scheme	391	500	(3,810)	(4,574)
Scotts International Scheme	539	508	(4,865)	(2,470)
Defined Contribution Schemes	54	54	-	-
Total under FRS 17	1,655	2,182	(17,247)	(18,327)

FRS 17 impact on group balance sheet

	2005	2004
	£'000	**£'000**
Net liabilities		
Net liabilities excluding FRS 17 pension liability	(42,446)	(34,750)
Gross pension scheme liabilities under FRS 17	(17,247)	(18,327)
Pension scheme (assets)/liabilities under SSAP 24	(1,313)	134
Net liabilities including pension liability	(61,006)	(52,943)

	2005	2004
	£'000	**£'000**
Profit and loss account deficit		
Profit and loss account deficit excluding FRS 17 pension liability	(42,446)	(34,750)
Gross pension scheme liabilities under FRS 17	(17,247)	(18,327)
Pension scheme (asset) / liabilities under SSAP 24	(1,313)	134
Profit and loss deficit including pension liability	(61,006)	(52,943)

18. Called up share capital

	2005 £	2004 £
Authorised, called up, allotted and fully paid:		
6 ordinary shares of £1 each	6	6

19. Reserves

Group	**Profit and loss account £'000**
At 1 October 2004	(34,750)
Retained loss for the year	(6,316)
Currency translation differences	(123)
At 30 September 2005	(41,189)

Positive purchased goodwill arising prior to the implementation of FRS 10 eliminated against group profit and loss reserves totals £36,082,000 (2004: £36,082,000). This will be charged in the profit and loss account on any subsequent disposal of the business to which it relates, so as to reduce the reported profit or increase the reported loss on any such disposal.

Company	**Profit and loss account £'000**
At 1 October 2004	(18,758)
Retained loss for the year (note 8)	(12,909)
At 30 September 2005	(31,667)

20. Capital commitments

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted but not provided for	258	-	190	-

Notes to the accounts
Year ended 30 September 2005

21. Financial commitments

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 Land and buildings £'000	2005 Other £'000	2004 Land and buildings £'000	2004 Other £'000
Expiring within one year	247	964	30	989
Expiring between two and five years	-	2,267	46	1,182
Expiring outside five years	-	1,647	-	493
	247	4,878	76	2,664

22. Ultimate holding company

The company is a subsidiary undertaking of The Scotts Company incorporated in the state of Ohio. The Scotts Company is considered by the directors to be the ultimate controlling party.

The largest group in which the results of the company are consolidated is headed by The Scotts Company. The consolidated accounts of The Scotts Company are available to the public and may be obtained from The Scotts Company, 14111 Scottslawn Road, Marysville, Ohio 43041 USA.

The immediate parent company is Scotts Sierra Investments Inc., incorporated in the US, by virtue of its interest in 100% of the equity of Scotts Holdings Limited.

23. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party disclosures" not to disclose transactions with other group companies where these have been eliminated on consolidation. In addition, the company has taken advantage of a further exemption available under FRS 8 not to disclose transactions with other group companies as the company is a 100% owned subsidiary of The Scotts Company whose financial statements are publicly available.