

Company Registration No. 3473956

Scotts Holdings Limited

Report and Financial Statements

30 September 2007

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Scotts Holdings Limited

Report and financial statements 2007

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Scotts Holdings Limited

Report and financial statements 2007

Officers and professional advisers

Directors

E Claggett
M Rust
M Breddy

Secretary

Clifford Chance LLP

Registered office

Salisbury House
Weyside Park
Catershall Lane
Godalming
Surrey
GU7 1XE

Scotts Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2007. The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246 (4) of the Companies Act 1985.

Principal activities

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

Review of business

The 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.

Results and dividends

The loss for the year is £3,810,000 (2006 loss - £32,489,000) which has been transferred from reserves. No dividends have been paid in the year (2006 £nil). The directors do not recommend a final dividend for the year ended 30 September 2007 (2006 £nil).

Events after the balance sheet date

There have been no significant events since the balance sheet date.

Directors and their interests

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

Mr E Claggett
Mr N Rust
Mr M Breddy

None of the directors held any interests in the shares of the company or its holding company during the year.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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



Mr N Rust
Director

20/3/2008

Scotts Holdings Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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 2007 which comprise the profit and loss account, the reconciliation in movement in shareholders' deficit, the balance sheet and the related notes 1 to 13. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company, 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.

Independent auditors' report to the members of Scotts Holdings Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

20th March 2008

Scotts Holdings Limited

Profit and loss account Year ended 30 September 2007

	Notes	2007 £'000	2006 £'000
Administrative expenses		107	258
Other operating (expenses)/ income	3	(77)	1,619
Operating profit	3	30	1,877
Amounts written off investment		-	(31,758)
Interest receivable from group undertakings		1,470	2,941
Interest payable and similar charges	4	(5,310)	(5,549)
Loss on ordinary activities before taxation		(3,810)	(32,489)
Tax on loss on ordinary activities	5	-	-
Retained loss for the financial year	11	(3,810)	(32,489)

All results are derived from continuing operations

There are no recognised gains or losses in either year other than the loss for the year as shown above, therefore no separate statement of total recognised gains and losses has been presented

Scotts Holdings Limited

Reconciliation of movements in shareholders' deficit Year ended 30 September 2007

	2007 £'000	2006 £'000
Opening shareholders' deficit	(39,156)	(31,667)
Loss for the year	(3,810)	(32,489)
Capital contribution	-	25,000
Closing shareholders' deficit	<u>(42,966)</u>	<u>(39,156)</u>

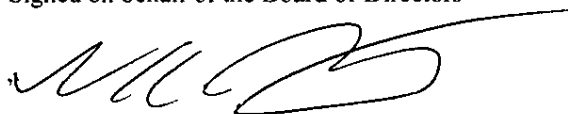
Scotts Holdings Limited

Balance sheet **30 September 2007**

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	6	33,000	33,000
Current assets			
Debtors	7	17,516	21,262
Creditors: amounts falling due within one year	8	(93,482)	(93,418)
Net current liabilities		(75,966)	(72,156)
Net liabilities		(42,966)	(39,156)
Capital and reserves			
Called up share capital	9	-	-
Capital contribution	10	25,000	25,000
Profit and loss account	11	(67,966)	(64,156)
Shareholders' deficit		(42,966)	(39,156)

These financial statements were approved by the Board of Directors on 20/3/2008

Signed on behalf of the Board of Directors



Mr N Rust

Director

Scotts Holdings Limited

Notes to the accounts

Year ended 30 September 2007

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.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost less provision for impairment.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of The Scotts Miracle-Gro 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.

Group accounts

At the end of the financial year was exempt from the obligation to prepare and deliver group accounts and has taken advantage of S228A of the Companies Act, 'Exemption for parent companies included in non-EEA group accounts'. Details of the parent undertaking which draws up relevant group accounts are detailed in note 13.

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.

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 tax assets and liabilities are not discounted.

2. Information regarding employees

The company has no employees (2006 nil) other than the directors.

No director received emoluments for services to the company during the current or prior year.

Scotts Holdings Limited

Notes to the accounts Year ended 30 September 2007

3 Operating profit

	2007 £'000	2006 £'000
Is stated after charging/(crediting)		
Expense re-charged to group companies	77	(1,619)
Auditors' remuneration for Audit	26	26

4. Interest payable and similar charges

	2007 £'000	2006 £'000
Bank loans and overdrafts	4,440	4,853
Loans from fellow group undertakings	870	696
	5,310	5,549

During the prior year the company entered into two interest rate swaps. These swaps mature on 15 November 2008 and 17 November 2008 respectively. The fair value of these swaps and the notional value of the swaps at year end is £396,409 (2006 £267,932) and £28.8m (2006 £28.8m) respectively.

5. Tax on loss on ordinary activities

No tax is payable by reference to the results for the year (2006 £nil)

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.

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(3,810)	(32,489)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2006 30%)	1,143	9,747
Effects of		
Losses surrendered to other group companies	(115)	-
Permanent differences	(36)	(9,527)
Losses carried forward	(992)	(220)
Current tax for the year	-	-

There is approximately £7,757,000 (2006 £4,431,000) of taxable losses not recognised in the financial statements as the directors regard their recoverability as uncertain.

Scotts Holdings Limited

Notes to the accounts Year ended 30 September 2007

6. Fixed asset investments

	2007 £'000	2006 £'000
Subsidiary undertakings	<u>33,000</u>	<u>33,000</u>
Cost		£'000
At 1 October 2006 and 30 September 2007		<u>74,758</u>
Provisions for impairment		
At 1 October 2006 and 30 September 2007		<u>41,758</u>
Net book value		
At 30 September 2006 and 30 September 2007		<u>33,000</u>

The impairment provision is against the carrying value of the investment in The Scotts Company (UK) Limited

Scotts Holdings Limited

Notes to the accounts Year ended 30 September 2007

6. 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 and Wales	Production and distribution of gardening products	Ordinary	100	-
Levington Group Limited	England and Wales	Holding company	Ordinary	100	100
OM Scotts International Investments Limited	England and 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 and Wales	Manufacture of garden fertilisers	Dormant	100	-
The Scotts Company (Manufacturing) Limited	England and 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	-

The above companies operate principally in their country of incorporation

Scotts Holdings Limited

Notes to the accounts Year ended 30 September 2007

7. Debtors

	2007 £'000	2006 £'000
Amounts due by group undertakings	17,472	21,218
Other debtors	44	44
	<u>17,516</u>	<u>21,262</u>

8 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank loans	31,800	46,100
Amounts due to group undertakings	61,345	46,934
Accruals	337	384
	<u>93,482</u>	<u>93,418</u>

Bank loans consist of two short term loans amounting to £3,000,000 and £28,800,000. The interest rates on the loans vary from 7.7% to 7.95%.

9 Called up share capital

	2007 £	2006 £
Authorised, called up, allotted and fully paid: 6 ordinary shares of £1 each	<u>6</u>	<u>6</u>

10. Capital contribution

	2007 £'000	2006 £'000
Waiver of intercompany debt	<u>25,000</u>	<u>25,000</u>

11. Profit and loss account

	£'000
At 1 October 2006	(64,156)
Retained loss for the year	<u>(3,810)</u>
At 30 September 2007	<u>(67,966)</u>

Scotts Holdings Limited

Notes to the accounts

Year ended 30 September 2007

12. 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.

13 Ultimate holding company

The company is a subsidiary undertaking of The Scotts Miracle-Gro Company incorporated in the state of Ohio. The Scotts Miracle-Gro 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 Miracle-Gro Company. The consolidated accounts of The Scotts Miracle-Gro Company are available to the public and may be obtained from The Scotts Miracle-Gro 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.