

**Company Registration No. 03473956**

**Scotts Holdings Limited**

**Annual Report and Financial Statements**

**30 September 2012**

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# **Scotts Holdings Limited**

## **Report and financial statements 2012**

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# **Scotts Holdings Limited**

## **Report and financial statements 2012**

### **Officers and professional advisers**

#### **Directors**

M Breddy  
A DeLuca  
D Larson

#### **Secretary**

TMF Corporate Administration Services Ltd  
Pellipar House  
1<sup>st</sup> Floor  
9 Cloak Lane  
London  
EC4R 2RU

#### **Registered office**

Salisbury House  
Weyside Park  
Catteshall Lane  
Godalming  
Surrey  
GU7 1XE

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

# **Scotts Holdings Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 September 2012

### **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 7

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 £1,047,000 (2011 £3,914,000 profit) Dividends of £nil (2011 £22,000,000) have been received in the year The directors do not recommend a final dividend for the year (2011 £nil)

### **Events after the balance sheet date**

In February 2013, following a review by the Group of the most appropriate capital structure to support the growth of the UK business, the company issued an additional 80,000,000 ordinary shares of £1 each to its immediate parent undertaking Scotts Sierra Investments Inc The company used £70,000,000 of the proceeds of this issue to subscribe for 7,000,000,000 ordinary shares of £0.01 each in its wholly owned subsidiary Levington Group Limited The remainder of the proceeds was used to settle amounts due to fellow group undertakings

### **Going concern**

At 30 September 2012 the company had substantial liabilities and net current liabilities which arose due to direct utilisation of £118,000,000 from a third party worldwide revolving credit facility which was then lent onwards to finance the working capital requirements of the UK business This revolving credit facility, for up to \$1,700,000,000, arranged at a group level by its ultimate parent undertaking, the Scotts Miracle-Gro Company (the "Group"), is committed until June 2016 In addition the Group has provided a letter of support to the company indicating it will provide such financial support as may be required to enable the company to meet its obligations as they fall due for a period of at least 12 months

As mentioned above, in February 2013, following a review by the Group of the most appropriate capital structure to support the growth of the UK business, the Group further demonstrated its continued strong commitment to the UK market by subscribing for a £80,000,000 issue of ordinary shares by the company The company used £70,000,000 of the proceeds of this issue to subscribe for 7,000,000,000 ordinary shares of £0.01 each in its wholly owned subsidiary Levington Group Limited with the remaining £10,000,000 of the proceeds used to settle amounts due to fellow group undertakings, strengthening the company's balance sheet

The company and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities

After making enquiries, the directors have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

### **Directors**

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

Mr M Breddy  
Mrs A DeLuca  
Mr D Larson

The company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report

# Scotts Holdings Limited

## Directors' report

### Auditor

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 auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting

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

Mr M Breddy  
Director



9<sup>th</sup> July 2013

# **Scotts Holdings Limited**

## **Directors' responsibilities statement**

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). 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, 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 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.

## **Independent auditor's report to the members of Scotts Holdings Limited**

We have audited the financial statements of Scotts Holdings Limited for the year ended 30 September 2012 which comprise the profit and loss account, the reconciliation in movements in shareholders' deficit, the balance sheet and the related notes 1 to 15. 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).

This report is made solely to the company's members, 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 members 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 members 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, 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.

### **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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- 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.

## **Independent auditor's report to the members of Scotts Holdings Limited (continued)**

### **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 or



Edward Hanson (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

10 JULY 2013



# **Scotts Holdings Limited**

## **Profit and loss account** **Year ended 30 September 2012**

	Notes	2012 £'000	2011 £'000
Administrative expenses			
- excluding impairment of investments		48	(369)
- impairment of investments	7	-	(17,540)
Total administrative expenses		48	(17,909)
<b>Operating profit/(loss)</b>	4	48	(17,909)
Income from shares in group undertaking		-	22,000
Interest receivable from group undertakings		2,724	1,993
Interest payable and similar charges	5	(3,819)	(2,170)
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,047)	3,914
Tax on (loss)/profit on ordinary activities	6	-	-
<b>(Loss)/profit for the financial year after taxation</b>	12	(1,047)	3,914

All results are derived from continuing operations

There are no recognised gains or losses, other than the loss attributable to the shareholder of the company for the year of £1,047,000 (2011 profit of £3,914,000) Accordingly, no statement of total recognised gains and losses is presented

## **Scotts Holdings Limited**

### **Reconciliation of movements in shareholders' deficit Year ended 30 September 2012**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Shareholders' deficit at 1 October	(28,762)	(47,170)
Capital contribution	-	14,494
(Loss)/profit for the year	<u>(1,047)</u>	<u>3,914</u>
Shareholders' deficit at 30 September	<u><u>(29,809)</u></u>	<u><u>(28,762)</u></u>

# **Scotts Holdings Limited**

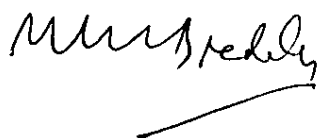
## **Balance sheet** **30 September 2012**

	Notes	2012 £'000	Restated 2011 £'000
<b>Fixed assets</b>			
Investments	7	31,298	31,298
<b>Current assets</b>			
Debtors	8	71,913	58,968
<b>Creditors amounts falling due within one year</b>	9	(133,020)	(119,028)
<b>Net current liabilities</b>		(61,107)	(60,060)
<b>Net liabilities</b>		(29,809)	(28,762)
<b>Capital and reserves</b>			
Called up share capital	10	25,000	25,000
Capital contribution	11	18,575	18,575
Profit and loss account	12	(73,384)	(72,337)
<b>Shareholders' deficit</b>		(29,809)	(28,762)

The financial statements of Scotts Holdings Limited registered number 03473956 were approved by the Board of Directors on 9<sup>th</sup> July 2013

Signed on behalf of the Board of Directors

Mr M Breddy  
Director



# Scotts Holdings Limited

## Notes to the accounts Year ended 30 September 2012

### 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.

#### Going concern

As set out in the directors' report on page 3, the accounts have been prepared on the going concern basis.

#### Consolidation

The company is exempt under section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements. The company and its subsidiaries are included in the consolidated accounts of The Scotts Miracle-Gro Company, a company which is resident in the United States of America. Its accounts are drawn up in a manner considered to be equivalent to UK GAAP consolidated accounts, as required by the EU Seventh Directive.

#### 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 100% of the voting rights are controlled within the group.

#### Prior period adjustment

In September 2006 the company raised additional equity of £25,000,000 from its parent undertaking Scotts Sierra Investments Inc, which was presented as a capital contribution within capital and reserves. During the year the directors have concluded that legally this equity constitutes share capital. As such they have represented this £25,000,000 as share capital within capital and reserves and restated comparative figures for 2011 accordingly. The restatement has had no effect on the results or financial position of the company in either the current or preceding periods.

#### 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.

#### Investments in subsidiary undertakings

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

#### 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 on these are taken to the profit and loss account in the period in which they arise.

# Scotts Holdings Limited

## Notes to the accounts Year ended 30 September 2012

### 2. Information regarding employees

The company has no employees (2011 none) other than the directors

### 3. Directors' remuneration and transactions

The directors of the Company are also directors of the Company's subsidiary The Scotts Company (UK) Limited, and received from that company remuneration as set out below. It is not practical to allocate the directors' remuneration between amounts received for services as directors of Scotts Holdings Limited and for services in respect of The Scotts Company (UK) Limited.

	2012 £'000	2011 £'000
<b>Directors' remuneration</b>		
Emoluments	201	261
Company contributions to money purchase pension schemes	10	14
Compensation for loss of office	-	129
	<u>211</u>	<u>404</u>

#### The number of directors who.

	No.	No.
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	1	2
Exercised options over shares in the company	1	-
Had awards receivable in the form of shares under a long-term incentive scheme	1	2
	<u>1</u>	<u>2</u>

#### Remuneration of the highest paid director

	£'000	£'000
Emoluments	201	194
Company contributions to money purchase pension schemes	10	10
	<u>211</u>	<u>204</u>

The highest paid director is not a member of The Scotts Company (UK) Limited's defined benefit pension scheme.

### 4. Operating profit/(loss)

	2012 £'000	2011 £'000
Is stated after charging		
Auditor's remuneration		
The analysis of auditors remuneration is as follows		
- Fee payable to the company's auditor for the audit of the company's annual accounts	45	42
- Tax services	-	1
	<u>45</u>	<u>1</u>
- Total non-audit fees		

# Scotts Holdings Limited

## Notes to the accounts Year ended 30 September 2012

### 5 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loans and overdrafts	2,275	1,018
Loans from fellow group undertakings	1,544	1,152
	<u>3,819</u>	<u>2,170</u>

### 6. Tax on (loss)/profit on ordinary activities

No tax is payable by reference to the results for the year (2011 £nil)

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 25% (2011 27%) The differences are explained below

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before tax	(1,047)	3,914
(Loss)/profit on ordinary activities multiplied by standard rate of UK corporation tax of 25% (2011 27%)	(262)	1,057
Effects of		
Losses surrendered to other group companies not paid for	-	-
Permanent differences	138	(1,148)
Other short term timing differences	(38)	(141)
Current year losses not recognised	162	232
Current tax for the year	<u>-</u>	<u>-</u>

There are approximately £15,541,131 (2011 £14,938,313) of taxable losses and other deductible timing differences of £nil (2011 £150,071) for which a potential deferred tax asset has not been recognised in the financial statements due to insufficient evidence of future taxable profits

The Finance Act 2011 provided for a reduction in the main rate of UK corporation tax from 26% to 25%, effective from 1 April 2012, which was substantively enacted on 5 July 2011 This rate was reflected in the calculation of deferred tax at 30 September 2011

The 2012 Budget (delivered on 21 March 2012) reduced the main rate of UK corporation tax by a further 1% to 24%, with effect from 1 April 2012 Additionally, a further reduction in the corporation tax rate to 23%, effective from 1 April 2013, was substantively enacted on 3 July 2012 This reduced rate has been reflected in the calculation of deferred tax at 30 September 2012

A reduction in the main tax rate to 21% from 1 April 2014 was announced in the UK Government's 2012 Autumn Statement and a further reduction to 20% from 1 April 2015 was announced in the 2013 Budget However, these further reductions to the tax rate have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements

# Scotts Holdings Limited

## Notes to the accounts Year ended 30 September 2012

### 7 Fixed asset investments

	2012 £'000	2011 £'000
Subsidiary undertakings	31,298	31,298
<b>Cost</b>		<b>£'000</b>
At 1 October 2011		90,596
Additions		-
At 30 September 2012		90,596
<b>Provisions for impairment</b>		
At 1 October 2011		59,298
Impairment charge in the year		-
At 30 September 2012		59,298
<b>Net book value</b>		
At 1 October 2011 and 30 September 2012		31,298

The impairment provision is against the carrying value of the investments in Levington Group Limited and Scotts Horticulture Limited

### 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
The Scotts Company (Manufacturing) Limited	England and Wales	Manufacture of garden care products	Ordinary	100	-
Humax Horticulture Limited	England and Wales	Dormant	Ordinary	100	-
Scotts Horticulture Limited	Ireland	Distribution of gardening products	Ordinary	100	100

The above companies operate principally in their country of incorporation

# **Scotts Holdings Limited**

## **Notes to the accounts Year ended 30 September 2012**

### **8. Debtors**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from group undertakings	<u>71,913</u>	<u>58,968</u>

### **9 Creditors amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	118,000	3,000
Amounts due to group undertakings	14,794	115,797
Accruals	226	231
	<u>133,020</u>	<u>119,028</u>

The interest rate on the bank loan was 2.7871%

### **10. Called up share capital**

	<b>2012</b>	<b>Restated 2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised:</b> 30,000,000 ordinary shares of £1 each		
<b>Called up, allotted and fully paid:</b> 25,000,006 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

Comparative amounts for 2011 have been restated (see note 1)

### **11. Capital contribution**

	<b>2012</b>	<b>Restated 2011</b>
	<b>£'000</b>	<b>£'000</b>
Capital contribution from parent company	<u>18,575</u>	<u>18,575</u>

Comparative amounts for 2011 have been restated (see note 1)

### **12 Profit and loss account**

	<b>£'000</b>
At 1 October 2011	(72,337)
Retained loss for the year	<u>(1,047)</u>
At 30 September 2012	<u>(73,384)</u>



# **Scotts Holdings Limited**

## **Notes to the accounts Year ended 30 September 2012**

### **13. 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. 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.

### **14. Immediate and ultimate parent company**

The company is a subsidiary undertaking of The Scotts Miracle-Gro Company incorporated in the state of Ohio, USA. 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.

### **15. Post balance sheet events**

In February 2013, following a review by the Group of the most appropriate capital structure to support the growth of the UK business, the company issued an additional 80,000,000 ordinary shares of £1 each to its immediate parent undertaking Scotts Sierra Investments Inc. The company used £70,000,000 of the proceeds of this issue to subscribe for 7,000,000,000 ordinary shares of £0.01 each in its wholly owned subsidiary Levington Group Limited. The remainder of the proceeds was used to settle amounts due to fellow group undertakings.