Company Registration No. 01391377

GROSVENOR GARDEN CENTRE

Report and Financial Statements

31 December 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Thompstone (Chairman)
B S Bowden
J O Hagger
G W Parry
F G Thompstone
S J Spencer

SECRETARY

S H Carss

REGISTERED OFFICE

Grosvenor Garden Centre
Wrexham Road
Belgrave
Chester
CH4 9EB

BANKERS

NatWest plc
City of London
PO Box 12258
1 Princess Street
EC2R 8PA

SOLICITORS

Bremner Sons and Corlett
1 Cross Hall Street
Liverpool
L1 6DH

AUDITORS

Deloitte & Touche
Chartered Accountants
Liverpool

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2002.

CONSTITUTION

The company is unlimited having share capital.

PRINCIPAL ACTIVITIES

The company's principal activity is the retailing of gardening and leisure products from its garden centre, located at Belgrave, near Chester.

The directors do not anticipate any significant change in the activities of the company.

DIRECTORS

The directors of the company during the year were:

M Thompstone (Chairman)
B S Bowden
J O Hagger
G W Parry
F G Thompstone
S J Spencer

FIXED ASSETS

The movements in fixed assets during the year are set out in note 6 to the financial statements.

RESULTS AND FUTURE PROSPECTS

The results for the year are set out in the profit and loss account on page 6. Profit on ordinary activities after taxation was £30,000 compared with a loss of £170,000 in 2001.

The Board are pleased with the 2002 performance, with turnover growth of almost 20% reflecting the major investment made in the business over the last few years. The garden retail sector is currently enjoying rapid growth and we anticipate that this will continue in coming years. Our policy of investing in facilities and people for long term growth, and our focus on providing quality products and services at reasonable prices, gives us confidence that we will continue to be able to outperform the market.

POST BALANCE SHEET EVENT

On 18 July 2003 the company issued £1,000,000 of share capital by way of a rights issue to its existing shareholders. The proceeds have been used to repay part of the loan from The Fourth Duke of Westminster's 1964 Settlement.

DIRECTORS' INTERESTS IN SHARE AND LOAN CAPITAL

None of the directors held any interest in the share and loan capital of the company at any time during the year (2001 - same).

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year amounted to £Nil (2001 - £57).

DIRECTORS' REPORT

AUDITORS

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

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

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

S Camm

Secretary

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Deloitte
& Touche

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GROSVENOR GARDEN CENTRE

We have audited the financial statements of Grosvenor Garden Centre for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes 1 to 22. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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.

Basis of 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 company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Liverpool

24 July 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	1	4,479	3,749
Cost of sales		2,211	1,933
Gross profit		2,268	1,816
Administrative expenses		2,197	1,968
OPERATING PROFIT/(LOSS)	3	71	(152)
Interest payable and similar charges	4	17	18
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		54	(170)
Tax on profit/(loss) on ordinary activities	5	24	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	30	(170)

The company has no recognised gains or losses other than the result for the financial year and preceding year. *Accordingly a Statement of Total Recognised Gains and Losses has not been prepared.*

All activities derive from continuing operations.

BALANCE SHEET
31 December 2002

	Note	£'000	2002 £'000	£'000	2001 £'000
FIXED ASSETS					
Tangible assets	6		2,412		2,236
CURRENT ASSETS					
Stocks	7	484		413	
Debtors	8	133		62	
Cash at bank and in hand		15		10	
		632		485	
CREDITORS: amounts falling due within one year	9	(1,076)		(1,033)	
NET CURRENT LIABILITIES			(444)		(548)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,968		1,688
FINANCED BY:					
Creditors: amounts falling due after more than one year	10		1,975		1,725
CAPITAL AND RESERVES					
Called up share capital - equity	12	840		840	
Share premium account	13	210		210	
Profit and loss account	13	(1,057)		(1,087)	
Equity shareholders' funds	14		(7)		(37)
CAPITAL EMPLOYED			1,968		1,688

These financial statements were approved by the Board of Directors on 28th July 2003

Signed on behalf of the Board of Directors

- Director

CASHFLOW STATEMENT
31 December 2002

	Note	£'000	2002 £'000	£'000	2001 £'000
Net cash inflow from operating activities	16		277		152
Returns on investments and servicing of finance					
Interest paid		(17)		(18)	
Net cash outflow from returns on investments and servicing of finance			(17)		(18)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(476)		(988)	
Net cash outflow from capital expenditure and financial investment			(476)		(988)
Cash outflow before financing			(216)		(854)
Financing					
Debt due within one year:					
Other loans paid		-		(300)	
Debt due after one year:					
Bank loans paid		-		(1,000)	
Other loans advanced		250		1,725	
Capital element of finance lease rentals	18	(34)		(32)	
Net cash inflow from financing	17,18		216		393
Increase/(decrease) in cash	18		-		(461)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with the provisions of the Companies Act 1985 and applicable accounting standards.

Turnover

Turnover comprises amounts receivable, net of VAT, from the sale of goods and provisions of services from the Garden Centre, located at Belgrave, near Chester.

Tangible fixed assets

Leasehold property is depreciated on a straight line basis over its useful economic life of 10 - 25 years.

Plant and equipment are depreciated on a straight line basis so as to spread their cost over their expected useful lives at rates of 12.5% to 25% per annum.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leases

The obligations under finance leases and hire purchase contracts are secured on assets concerned. Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding and are charged to the profit and loss account.

Rents payable under operating leases are charged to the profit and loss account as incurred.

Pension costs

Pension costs are charged to the profit and loss account on a systematic basis over the period expected to benefit from the service of the employees concerned.

Deferred taxation

This is the first year of adoption of FRS 19 (Deferred Tax). FRS 19 requires full provision to be made for deferred tax, as stated below. It replaces the "partial provision" rules previously allowed under Statement of Standard Accounting Practice No. 15. This change had no material impact on the company and hence there is no restatement of the opening reserves.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or 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 financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments		
Fees	10	16
Other emoluments	121	80
Pension costs	14	9
	145	105
Number of directors who are members of defined benefit scheme	2	2

	No	No
Average number of persons employed		
Admin	12	12
Other	57	48
	69	60

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	991	850
Social security costs	62	55
Pension costs	57	54
	1,110	959

3. OPERATING PROFIT/(LOSS)

	2002 £'000	2001 £'000
Operating profit/(loss) is after charging:		
Depreciation		
Owned assets	93	80
Leased assets	207	172
Rentals under operating leases		
Other operating leases	59	55
Auditors' remuneration - audit	8	8

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
On bank overdraft	17	18

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

5. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
United Kingdom corporation tax at 30% (2001 30%) based on the profit/ (loss) for the period	24	-

Factors affecting the tax charge for the current period

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2001: 30%).

The differences are explained below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	54	(170)
Tax at 30% thereon	(16)	51
Expenses not deductible for tax purposes	(4)	(9)
Capital allowances in excess of depreciation	(4)	(16)
Movement in short term timing differences	-	9
Losses carried forward	-	(35)
Current tax charge for the period	(24)	-

A deferred tax asset has not been recognised in respect of timing differences relating to losses brought forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £47,000 (2001: £98,000)

6. TANGIBLE FIXED ASSETS

	Leasehold *land and* buildings £'000	*Plant and* equipment £'000	Total £'000
Cost or valuation			
At 1 January 2002	2,312	980	3,292
Additions	253	223	476
At 31 December 2002	2,565	1,203	3,768
Accumulated depreciation			
At 1 January 2002	505	551	1,056
Charge for the year	190	110	300
At 31 December 2002	695	661	1,356
Net book value			
At 31 December 2002	1,870	542	2,412
At 1st January 2002	1,807	429	2,236

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TANGIBLE FIXED ASSETS (continued)

Land and buildings wholly comprise leasehold property which has less than 50 years unexpired.

The land and buildings were valued on 31 December 1997 by external valuers, Gerald Eve, on the basis of Existing Use Value in accordance with the Appraisal and Valuation manual of the Royal Institution of Chartered Surveyors. The land and buildings are included in these accounts at that valuation, which was £1,092,000 plus the cost of subsequent additions. The directors have taken advantage of the transitional rules of FRS 15 "Tangible Fixed Assets" to retain the land and buildings at this value and as such the valuation has not been updated. The directors consider the current open market value of the land and buildings to be in excess of the carrying value in the accounts.

The historical cost of the land and building was not available.

Included in plant and equipment is £18k (2001: £75k) in respect of assets held under hire purchase or finance leases.

7. STOCKS

	2002 £'000	2001 £,000
Goods for resale	484	413

The replacement value is not materially different from the above.

8. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	44	27
Other debtors	-	3
Prepayments and accrued income	89	32
	133	62

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Bank overdraft	363	358
Trade creditors	500	457
Obligations under finance leases	22	56
Corporation tax	24	-
Other creditors including taxation and social security (note 11)	102	107
Accruals and deferred income	65	55
	1,076	1,033

The bank overdraft is unsecured.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Wholly repayable within five years		
Loan from controlling party (note 19)	1,975	1,725

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2002 £'000	2001 £'000
This heading includes:		
Taxation and social security	92	98

12. SHARE CAPITAL

	2002 £'000	2001 £'000
At 31 December		
Authorised		
1,000,000 (2001 – 1,000,000) ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
840,000 (2001 – 840,000) ordinary shares of £1 each	840	840

The liability of the shareholders is unlimited.

13. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £'000	Share premium account £'000
Balance at 1 January	(1,087)	210
Retained profit for the year	*30*	-
Balance at 31 December	(1,057)	210

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit/(loss) for the financial year	30	(170)
Opening shareholders' funds	(37)	133
Closing shareholders' funds	(7)	(37)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. OPERATING LEASE COMMITMENTS

The company is committed to making the following payments during the next year:	2002 Land and buildings £'000	2001 Land and buildings £'000
Annual commitments under operating leases which expire after five years – rent payable	60	55

16. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating profit/(loss)	71	(152)
Depreciation	300	252
Increase in stock	(71)	(39)
(Increase)/decrease in debtors	(71)	9
Increase in creditors	48	82
Net cash inflow from operating activities	277	152

17. RECONCILIATION OF INCREASE/(DECREASE) IN CASH TO MOVEMENT IN NET DEBT

	2002 £'000	2001 £'000
Increase /(decrease) in cash in year	-	(461)
Cash inflow from increase in debt and lease financing	(216)	(393)
Change in net debt resulting from cash flows	(216)	(854)
New finance leases	-	(88)
Net debt at 1 January	(2,129)	(1,187)
Net debt at 31 December	(2,345)	(2,129)

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2002 £'000	Cash Flow £'000	Other non cash changes £'000	At 31 December 2002 £'000
Cash at bank and in hand	10	5		15
Overdrafts	(358)	(5)		(363)
		-		
Debt due after one year	(1,725)	(250)		(1,975)
Finance leases	(56)	34		(22)
		(216)		
Total	(2,129)	(216)	-	(2,345)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. PENSION SCHEME

Grosvenor Garden Centre does not maintain a separate pension scheme. Its employees continue to be members of the Grosvenor Estates Pension Scheme (GEPS), a defined benefit pension scheme, or the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution pension scheme.

GEPS

Benefits are based on final pensionable remuneration. The scheme is funded, the assets being held by trustees.

The pension cost charge amounted to £26,925 (2001 - £24,973) representing the amount assessed in accordance with the advice of a qualified actuary as being appropriate to spread the cost of pensions over the working lives of employees, including directors.

Independent qualified actuaries complete valuations of the GEPS at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The scheme is due for valuation at 31 December 2002. The results of this valuation will determine the contributions paid into the scheme with effect from 2003. An indication of the valuation of the scheme on an FRS 17 basis is given below.

Until 31 December 2002 contributions have been determined according to the actuarial valuation that was carried out at 31 December 1999 using the projected unit fund method. The most important actuarial assumptions were that investment returns would be 0.5% to 1.5% above the rate of inflationary salary increases, 3.875% higher than the annual increase in the present and future pensions in payment and that returns from equities (assumed to be the whole portfolio before retirement and 50% of the portfolio held after retirement) would be 3.5% higher than the annual increase in dividend income over the relevant period. This does not take into account any impact of the fall in general stock market values since 31 December 1999. Any such impact will be reflected in the next SSAP 24 financial valuations at 31 December 2002.

At 31 December 1999, the market value of the GEPS assets was £70.4m and the actuarial valuation was sufficient to cover 105% of the benefits that had accrued to members after allowing for expected increases in earnings. The surplus of assets over liabilities is being amortised over an average service lifetime of 14 years, with the variation being calculated as a percentage of salary. From 1 January 2000, this resulted in a regular cost of 22.3% and a variation of 2.7%.

Financial Reporting Standard FRS17 "Retirement Benefits" sets out a different basis for valuing pension scheme liabilities, in particular the discount rates used. FRS17 has a phased implementation period, and until it is fully adopted it requires certain supplementary disclosures to be given in the notes to the accounts. During this period the accounting treatment for retirement benefits in the financial statements remains on the existing basis (in accordance with SSAP 24) which is explained above.

Although GEPS is a defined benefit scheme, it is a multi-employer scheme and the group's share of the underlying assets and liabilities cannot be identified. As a result, FRS 17 requires that the scheme is accounted for on a contributions basis and therefore the defined benefit disclosures are not required. However, the actuarial valuations for the scheme as a whole have been updated at 31 December 2002 by an independent qualified actuary in accordance with the basis set out in FRS17. The valuations indicate a deficit of £14.9m (2001 £2.4m surplus) for the whole scheme. The deficit at 31 December 2002 suggests that employer contributions to the scheme as a whole will need to increase by approximately £1.5m from 2003 onwards.

GEMPS

Contributions are made by the employers and are invested in independently administered life assurance policies or pension plans.

The pension cost charge amounted to £30,368 (2001 - £29,346), representing employers contributions payable in the year.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

20. RELATED PARTY TRANSACTIONS

Grosvenor Garden Centre received management services from wholly owned subsidiary undertakings of Grosvenor Group Holdings Limited of £21,007 (2001 - £27,539), from the controlling party, The Fourth Duke of Westminster's 1964 Settlement of £21,696 (2001 - £23,149), and from Realty Insurances Limited of £36,884 (2001 - £31,078). Grosvenor Garden Centre made payments to The Fourth Duke of Westminster's 1964 Settlement in respect of rent amounting to £57,500 (2001 - £55,000).

Grosvenor Group Holdings Limited and Realty Insurances Limited are related to the Grosvenor Garden Centre due to their association with other Grosvenor companies and trusts.

The Fourth Duke of Westminster's 1964 Settlement provided a further interest free loan of £250,000 to the company during the year. The total loan of £1,975,000 (2001 £1,725,000) is repayable after more than one year at 31 December 2002. There are no set repayment terms although the loan must be repaid in full by 2 January 2006.

21. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Company is The Fourth Duke of Westminster's 1964 Settlement.

22. POST BALANCE SHEET EVENT

On 18 July 2003 the company issued £1,000,000 of share capital by way of a rights issue to its existing shareholders. The proceeds have been used to repay part of the loan from The Fourth Duke of Westminster's 1964 Settlement.