Gardenbook Projects Limited

Report and Accounts

30 September 2002

ERNST & YOUNG

Registered No: 2875522

Directors
M B Owen
A J Norton
H R Bilton
A R Lovelady

Secretary
A R Lovelady

Auditors
Ernst & Young LLP
Silkhouse Court
Tithebarn Street
Liverpool
L2 2LE

Ernst & Young

Directors' report

The directors present their report and accounts for the year ended 30 September 2002.

Results and dividends

The profit for the year, after taxation, amounted to £70,637. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year was property investment in the United Kingdom

The directors consider the results and state of affairs to be satisfactory.

Directors and their interests

The directors at 30 September 2002 and their interests in the share capital of the company were as follows:

	Class of share	*At 30 September 2002*	*At 1 October 2001 or subsequent date of appointment*
M B Owen	"A" Ordinary shares	–	–
	"B" Ordinary shares	–	–
A J Norton	"A" Ordinary shares	–	–
	"B" Ordinary shares	100	–
H R Bilton	"A" Ordinary shares	–	–
	"B" Ordinary shares	100	–
A R Lovelady	"A" Ordinary shares	–	–
	"B" Ordinary shares	–	–

M B Owen and A R Lovelady are directors of Ethel Austin Investment Properties Limited, which owns the company's "A" ordinary shares. A J Norton and H R Bilton are directors of American Golf Discount Centre Limited, which held the company's "B" share capital until 17 July 2002.

Directors' report

The interests of directors in the share capital of the ultimate parent undertaking referred to in note 18 were as follows.

	Class of share	*At 30 September 2002*		*At 30 September 2001*	
		Beneficial	*Non beneficial*	*Beneficial*	*Non beneficial*
M B Owen	Ordinary shares	1,503,741	446,259	1,500,000	450,000
	Preference shares	3,000	-	3,000	-

Fixed assets

The company's investment properties were revalued on 30 September 2002 by the directors. The valuations totalling £3,320,000 have been incorporated in these accounts.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

A R Lovelady
Secretary
Vth June 2003

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Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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.

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Independent auditors' report

to the members of Gardenbook Projects Limited

We have audited the company's accounts for the year ended 30 September 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These accounts have been prepared on the basis of 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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 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 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

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Independent auditors' report

to the members of Gardenbook Projects Limited (continued)

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Liverpool

3 July 2003

Profit and loss account
for the year ended 30 September 2002

	Notes	2002 £	2001 £
Turnover	2	313,239	445,884
Cost of sales		31,095	40,773
Gross profit		282,144	405,111
Administrative expenses		63,943	18,266
Other operating income		–	(3,807)
Operating profit	3	218,201	390,652
Profit/(loss) on disposal of investment properties	4	144,353	(54,414)
		362,554	336,238
Bank interest receivable	7	201	–
Interest payable	8	(276,733)	(460,484)
Profit/(loss) on ordinary activities before taxation		86,022	(124,246)
Tax on profit/(loss) on ordinary activities	9	15,385	42,000
Profit retained/(loss) for the financial year		70,637	(166,246)

Statement of total recognised gains and losses
for the year ended 30 September 2002

	2002	*2001*
	£	*£*
Profit/(loss) for the financial year	70,637	(166,246)
Unrealised surplus on revaluation of investment properties	390,000	3,197
Total gains and losses recognised since the last annual report	460,637	(163,049)

Note of historical cost profits and losses
for the year ended 30 September 2002

	2002	*2001*
	£	*£*
Reported profit/(loss) on ordinary activities before taxation	86,022	(124,246)
Realisation of property revaluation surpluses of earlier years	161,325	314,278
Historical cost profit on ordinary activities before taxation	247,347	190,032
Historical cost profit for the year retained after taxation and dividends	231,962	148,032

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Balance sheet
at 30 September 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	10	5,084,052	6,066,740
Current assets			
Debtors	11	91,484	626,330
Creditors: amounts falling due within one year	12	227,997	279,477
Net current (liabilities)/assets		(136,513)	346,853
Total assets less current liabilities		4,947,539	6,413,593
Creditors: amounts falling due after more than one year	13	3,870,706	5,797,397
		1,076,833	616,196
Capital and reserves			
Called up share capital	16	1,000	1,000
Revaluation reserve	17	899,640	670,965
Profit and loss account	17	176,193	(55,769)
Equity shareholders' funds	17	1,076,833	616,196

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A R Lovelady
Director

1st June 2003

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Notes to the accounts
at 30 September 2002

1. Accounting policies
Basis of preparation
The accounts are prepared under the historical cost convention, modified to include the revaluation of investment properties.

In preparing the accounts, the company has adopted FRS 19 'Deferred Taxation'. Adoption of this standard has not required any revision to the accounts in either the current or prior year.

The true and fair override provisions of the Companies Act 1985 have been invoked, see "investment properties" below.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the accounts on the grounds that the company is small.

Depreciation
No depreciation is provided on investment properties in accordance with Statement of Standard Accounting Practice No. 19.

Investment properties
Investment properties are accounted for in accordance with SSAP 19, as follows:

(i) Investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, unless a deficit, or its reversal on an individual property is expected to be permanent, in which case it is recognised in the profit and loss account for the year. The revaluation of investment properties takes into account the provisions of abstract 28 from the Urgent Issues Task Force where operating lease incentives apply to a particular investment property.

(ii) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Notes to the accounts
at 30 September 2002

1. Accounting policies (continued)
Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in a liability to pay tax.

Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover
Turnover represents the amount of gross rents and charges receivable and arises from one continuing activity of property investment in the United Kingdom.

3. Operating profit
This is stated after charging:

	2002	*2001*
	£	*£*
Auditors' remuneration - audit services	2,775	2,610

4. Exceptional items

	2002	*2001*
	£	*£*
Profit / (loss) on disposal of investment properties	144,353	(54,414)

The tax arising on the net chargeable gain is £34,200.

5. Staff costs

	2002	*2001*
	£	*£*
Wages and salaries	50,000	–
Social security costs	5,809	–
	55,809	–

The company has no employees other than directors.

Notes to the accounts
at 30 September 2002

6. Directors' emoluments

	2002 £	2001 £
Emoluments	50,000	–

7. Interest receivable

	2002 £	2001 £
Bank interest receivable	201	–

8. Interest payable

	2002 £	2001 £
Bank loan	107,501	189,857
Group undertaking	169,232	270,627
	276,733	460,484

9. Tax

(a) Tax on profit or (loss) on ordinary activities

The tax charge is made up as follows:

	2002 £	2001 £
Current tax:		
UK corporation tax	16,500	42,000
Tax (over)/under provided in previous years	(1,115)	–
Total current tax (note 9(c))	15,385	42,000

(b) Tax included in statement of total recognised gains and losses

No deferred tax has been recognised in respect of the unrealised surplus on the property revaluations as there was no binding agreement to sell the properties at the balance sheet date.

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Notes to the accounts
at 30 September 2002

9. Tax (continued)
(c) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below:

	2002 £	*2001* £
Profit/(loss) on ordinary activities before taxation	86,022	(124,246)
Profit/(loss) on ordinary activities multiplied by rate of tax	25,807	(37,274)
Chargeable gains	34,156	79,433
Other timing differences	(157)	800
Income not taxable	–	(959)
Adjustments in respect of prior years	(1,115)	–
Income not taxable - profit on disposal of fixed assets	(43,306)	–
Total current tax (note 9(a))	15,385	42,000

(d) Factors that may affect future tax charges

If the investment properties were sold for the amount of their valuations, a tax liability of approximately £166,000 would arise.

10. Tangible fixed assets

	Land and Buildings		
	Freehold development property £	*Freehold investment properties* £	*Total* £
Cost or valuation:			
At 1 October 2001	1,606,740	4,460,000	6,066,740
Additions	342,204	5,675	347,879
Surplus on revaluation	–	390,000	390,000
Disposals	(184,892)	(1,535,675)	(1,720,567)
At 30 September 2002	1,764,052	3,320,000	5,084,052
Depreciation	–	–	–
Net book value:			
At 30 September 2002	1,764,052	3,320,000	5,084,052
At 1 October 2001	1,606,740	4,460,000	6,066,740

The freehold investment properties were valued by the directors on the basis of an open market value at 30 September 2002. The cost of the properties was £2,420,360 (2001 £3,848,256).

Notes to the accounts
at 30 September 2002

11. Debtors

	2002 £	2001 £
Trade debtors	75,975	619,470
Other debtors	10,961	–
Prepayments and accrued income	4,548	6,860
	91,484	626,330

12. Creditors: amounts falling due within one year

	2002 £	2001 £
Current instalment due on bank loan (note 14)	62,688	79,630
Trade creditors	66,202	131,801
Corporation tax	8,350	42,000
Other taxation and social security	–	13,800
Accruals and deferred income	90,757	12,246
	227,997	279,477

13. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans	1,767,527	2,019,403
Amounts owed to group undertakings	2,103,179	3,777,994
Total loans (note 14)	3,870,706	5,797,397

14. Loans

Creditors include finance capital which is due for repayment as follows:

	2002 £	2001 £
Amounts repayable:		
In one year or less or on demand	62,688	79,630
In more than one year but not more than two years	64,680	99,883
In more than two years but not more than five years	208,676	312,477
	336,044	491,990
In more than five years	3,597,350	5,385,037
	3,933,394	5,877,027

The bank loans are secured by legal charges over the freehold properties owned by the company. They are repayable in quarterly instalments at commercial rates.

The loan from the group undertaking is available for five years if required.

Notes to the accounts
at 30 September 2002

15. Related party transactions
A J Norton and H R Bilton are directors of American Golf Discount Centre Limited which leases some of the company's investment properties.

The rent received from American Golf Discount Centre Limited during the year was £305,167 (2001 £393,431).

16. Share capital

	Authorised 2002	Authorised 2001
	£	£
'A' Ordinary shares shares of £1 each	800	800
'B' Ordinary shares shares of £1 each	200	200
	1,000	1,000

	Allotted, called up and fully paid			
	2002		2001	
	No.	£	No.	£
'A' Ordinary shares shares of £1 each	800	800	800	800
'B' Ordinary shares shares of £1 each	200	200	200	200
		1,000		1,000

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Revaluation reserve*	*Profit and loss account*	*Total share-holders' funds*
	£	£	£	£
At 1 October 2000	1,000	985,243	(203,801)	782,442
Loss for the year	–	–	(166,246)	(166,246)
Realised on sale of investment properties	–	(314,278)	314,278	–
At 30 September 2001	1,000	670,965	(55,769)	616,196
Profit for the year	–	–	70,637	70,637
Revaluation of fixed assets	–	390,000	–	390,000
Realised on sale of investment properties	–	(161,325)	161,325	–
At 30 September 2002	1,000	899,640	176,193	1,076,833

18. Ultimate parent company
The company's immediate parent undertaking is Ethel Austin Investment Properties Limited and the ultimate parent undertaking is Ethel Austin Investments Limited.

Copies of the group accounts of Ethel Austin Investments Limited may be obtained from North House, 17 North John Street, Liverpool, L2 5EA.

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