Registered No: 3473956

Scotts Holdings Limited

Annual Report

for the year ended 30 September 2000

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for the year ended 30 September 2000

Contents

Scotts Holdings Limited

Directors and Advisors

Directors

N Kirkbride
E Claggett
A van Winden

Auditors

PricewaterhouseCoopers
The Atrium
St Georges Street
Norwich
NR3 1AG

Secretary and registered office

Clifford Chance
200 Aldesgate Street
London
EC1A 4JJ

Solicitors

Clifford Chance
200 Aldesgate Street
London
EC1A 4JJ

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

Directors' report
for the year ended 30 September 2000

The directors present their report and the audited financial statements for the year ended 30 September 2000.

Principal activities
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 5.

The directors consider that the loss for the year is not going to continue and that the Group will return to a profitable position in future years.

Dividends
No dividends have been paid in the year (1999 : nil). The directors do not recommend a final dividend for the year ended 30 September 2000 (1999 : nil).

Directors
The directors of the company during the year and any subsequent changes since 30 September 2000 are as follows:

	Appointed	Resigned
M Reed	12/12/97	18/09/01
E Claggett	25/06/99	
N Kirkbride	25/06/99	
A van Winden	18/09/01	
P Elsden	25/06/99	30/06/00

The directors' beneficial interests in loan notes are as follows:

Name	Company in which interest held	Loan Notes at 01.10.99 £'000	Repaid in the year £'000	Loan Notes at 30.09.00 £'000
M Reed	OM Scott International Investments Limited	32	15	17

No other director held any interests in Scotts Holdings Limited or its subsidiary undertakings.

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.

Statement of directors' responsibilities
The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit and loss of the group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 2000. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors
A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the next annual general meeting.

By order of the board

A van Winden
Director

Auditors' report to the members of Scotts Holdings Limited

We have audited the financial statements on pages 5 to 24.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the annual report. As described on page 3, this includes the responsibility for preparing 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 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 United Kingdom Companies Act. We also report to you 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion
We conducted our audit in accordance with 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 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.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Norwich 27 January 2001

Consolidated profit and loss account for the year ended 30 September 2000

	Notes	2000 £'000	1999 £'000
Turnover – continuing operations	2	**122,147**	122,604
Cost of sales		**(63,888)**	(61,352)
Gross profit		**58,259**	61,252
Distribution costs		**(33,785)**	(33,289)
Administrative expenses		**(18,668)**	(15,734)
Other operating income		**427**	-
Operating profit from continuing operations		**6,233**	12,229
Interest receivable		**167**	126
Interest payable and similar charges	6	**(8,962)**	(8,414)
(Loss)/profit on ordinary activities before taxation	7	**(2,562)**	3,941
Tax on (loss)/profit on ordinary activities	8	**(1,013)**	(2,290)
(Loss)/profit on ordinary activities after taxation	9	**(3,575)**	1,651
Retained (loss)/profit for the year	20	**(3,575)**	1,651

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

Reconciliation of movements in shareholders' deficit

	2000 £'000	1999 £'000
(Loss)/profit for the financial year	**(3,575)**	1,651
Exchange loss on translation of overseas subsidiaries	**(1,027)**	(674)
Unrealised gain on part disposal of subsidiary	**620**	-
Opening shareholders' deficit	**(37,771)**	(38,748)
Closing shareholders' deficit	**(41,753)**	(37,771)

Statement of total recognised gains and losses

	2000 £'000	1999 £'000
(Loss)/profit for the year on ordinary activities after taxation	**(3,575)**	1,651
Currency translation differences on foreign net investments	**(1,027)**	(674)
Unrealised gain on part disposal of subsidiary (note 25)	**620**	-
Total recognised (losses) and gains in the year	**(3,982)**	977

Balance sheets at 30 September 2000

	Notes	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Fixed assets					
Intangible assets	10	15,078	-	15,699	-
Tangible assets	11	18,285	-	18,951	-
Investments	12	-	39,758	-	39,758
		33,363	39,758	34,650	39,758
Current assets					
Stocks	13	19,741	-	19,923	-
Debtors: amounts falling due after one year	14	121	-	281	-
Debtors: amounts falling due within one year	14	27,221	22,111	31,857	27,237
Cash at bank and in hand		1,222	-	2,480	-
		48,305	22,111	54,541	27,237
Creditors: amounts falling due within one year	15	(94,555)	(70,318)	(94,202)	(72,442)
Net current liabilities		(46,250)	(48,207)	(39,661)	(45,205)
Total assets less current liabilities		(12,887)	(8,449)	(5,011)	(5,447)
Creditors: amounts falling due after more than one year	16	(25,709)	-	(29,725)	-
Provisions for liabilities and charges	17	(3,157)	-	(3,035)	-
Net liabilities		(41,753)	(8,449)	(37,771)	(5,447)
Capital and reserves					
Called up share capital	19	-	-	-	-
Profit and loss account	20	(41,753)	(8,449)	(37,771)	(5,447)
Deficit on equity shareholders' funds		(41,753)	(8,449)	(37,771)	(5,447)

The financial statements on pages 5 to 24 were approved by the board of directors on 25 January 2002 and were signed on its behalf by:

A Van Winden
Director

Notes to the financial statements for the year ended 30 September 2000

1 Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies that have been consistently applied are set out below.

Going Concern

The financial statements have been drawn up on a going concern basis, as the parent company, Scotts Sierra Investments Inc. has provided a letter of support to enable Scotts Holdings Limited and subsidiary companies to meet their liabilities for at least 12 months from the date that the financial statements were approved.

Cashflow 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 cashflow 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.

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 2000. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date of acquisition.

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 (20 years unless otherwise indicated). Historic purchased goodwill was written off immediately to reserves for accounting periods ending on or before 30 September 1998.

Capitalised brands are stated at cost and relate to the acquisition of product brands by Scotts Horticulture Limited. Acquired brands are only recognised where title is clear, brand earnings are separately identifiable and the brand could be sold separately from the rest of the business. Amortisation is calculated to write off the cost on a straight line basis over its useful economic life (20 years unless otherwise indicated).

Tangible Fixed Assets

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

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. Peatlands are written off on an extraction basis over their estimated economic life. The principal annual rates used for depreciation are:

	%
Freehold Buildings	2 - $3^1/_3$
Plant and Machinery	10 - 15
Fixtures and Fittings	10 - 15
Computer Hardware and Software	20 - $33^1/_3$

Finance and Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing 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 as 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. 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.

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.'

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the future without being replaced.

Pension Costs

The group operates two defined benefit pension schemes, which are contracted out of the state scheme. The funds 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.

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. All 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 company.

2 Segmental analysis of turnover

	2000 £'000	1999 £'000
Geographical segment – by destination		
United Kingdom	81,596	83,358
Europe	35,682	32,807
Rest of the World	7,450	6,439
	124,728	122,604

All sales originate from Europe, of which £89,062,000 (1999: £93,951,000) is from the United Kingdom.

£2,156,000 (1999: £2,065,000) of the above relates to sales to companies that are part of the global Scotts Company group.

3 Directors' emoluments

No director received or became entitled to emoluments from the company.

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

	2000 £'000	1999 £'000
Aggregate emoluments	454	362
Amounts receivable for loss of office	146	-
	600	362

Retirement benefits are accruing to 2 directors (1999: 2) under the group's defined benefit scheme.

Emoluments payable to the highest paid director were as follows:

	2000 £'000	1999 £'000
Aggregate emoluments	201	138
Amounts receivable for loss of office	-	-
Accrued pension at period end	5	19

4 Employee information

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

	2000 Number	1999 Number
Production	307	313
Sales and Marketing	150	142
Administration (including management)	155	152
	612	607

Staff costs (for the above persons)

	2000 £'000	1999 £'000
Wages and salaries	15,049	14,625
Social security costs	1,360	1,228
Pensions and post retirement benefits (see note 18)	1,785	1,373
	18,165	17,226

5 Exceptional items

Exceptional items during the year relate to the closure of operations at Scotts' Swinefleet factory in Yorkshire. The major components of the exceptional expense that have been charged to administrative expenses are as follows:

	2000 £'000	1999 £'000
Redundancy and related costs	253	-
Provision for write-down of certain fixed assets	145	-
	398	-

6 Interest payable and similar charges

	2000 £'000	1999 £'000
On bank loans and overdrafts	8,816	8,141
On finance leases	15	16
On loan notes	131	257
	8,962	8,414

7 (Loss)/profit on ordinary activities before taxation

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year		
- Owned assets	2,527	2,551
- Leased assets	64	82
Amortisation of goodwill	816	827
Amortisation of brands	17	11
Auditors' remuneration for:		
-Audit (Company: £8,000 ; 1999 : £8,000)	165	150
-Other services to the company and its UK subsidiaries	155	159
Loss/(profit) on sale of assets	144	(10)
Hire of plant and machinery	1,424	1,043
Hire of other assets	691	677
Research and development	1,250	1,405

8 Tax on (loss)/profit on ordinary activities

	2000 £'000	1999 £'000
United Kingdom taxation		
Corporation tax at 30% (1999 : 30.5%)		
Current	-	1
Deferred	85	852
Adjustment in respect of PY		
Deferred	(302)	-
Overseas taxation		
Corporate tax at local rates	1,230	1,437
	1,013	2,290

The company has no tax charge for the year (1999: nil) and unrelieved tax losses of approximately £8,132,000 (1999: £5,130,000).

9 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss after tax for the financial year was £3,002,000 (1999 : loss £3,338,000).

10 Intangible assets

Group

	Goodwill	Brand	Total
	£'000	£'000	£'000
Cost			
At 1 October 1999	16,310	216	16,526
Additions	-	228	228
Exchange differences	-	(17)	(17)
At 30 September 2000	16,310	427	16,737
Amortisation			
At 1 October 1999	816	11	827
Charge for the year	816	17	833
Exchange differences	-	(1)	(1)
At 30 September 2000	1,632	27	1,659
Net book value at 30 September 2000	**14,678**	**400**	**15,078**
Net book value at 1 October 1999	15,494	205	15,699

The company has no intangible assets (1999 : nil).

11 Tangible fixed assets

Group

	Land & Buildings £'000	Peatlands £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Total £'000
Cost					
At 1 October 1999	7,475	2,801	10,220	2,297	22,793
Disposals	(584)	-	(584)	(63)	(1,231)
Additions	318	108	2,467	195	3,088
Exchange differences	(299)	-	(62)	(19)	(380)
At 30 September 2000	**6,910**	**2,909**	**12,041**	**2,410**	**24,270**
Depreciation					
At 1 October 1999	571	311	2,403	557	3,842
Charge for year	493	172	1,494	431	2,590
Disposals	(279)	-	(104)	(32)	(415)
Exchange differences	(8)	-	(14)	(10)	(32)
At 30 September 2000	**777**	**483**	**3,779**	**946**	**5,985**
Net book value at 30 September 2000	**6,133**	**2,426**	**8,262**	**1,464**	**18,285**
Net book value at 1 October 1999	7,532	2,490	7,265	1,664	18,951

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

Depreciation has not been charged on freehold land, which is included at a cost of £1,120,000 (1999 : £1,215,000).

The net book value of plant and machinery includes an amount of £179,000 (1999 : £48,000) in respect of assets held under finance leases.

Company

Scotts Holdings Limited does not own any tangible fixed assets in its own right.

12 Fixed asset investments

Company	**2000** £'000	**1999** £'000
At 30 September	39,758	39,758

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 Trustees Limited	England & Wales	Dormant	Ordinary	100	-
Murphy Home & Garden Limited	England & Wales	Dormant	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	-
Levington Horticulture Limited	England & Wales	Dormant	Ordinary	100	-
O M Scott & Sons Limited	England & Wales	Distribution of gardening products	Ordinary	100	-

Scotts Holdings Limited

Name of undertaking	Country of incorporation or registration	Principal Activity	Description of shares	Proportion of nominal value of issued shares held by: Group %	Company %
Scotts Italia srl	Italy	Distribution of gardening products	Ordinary	95	-
Miracle Garden Care Limited	England & Wales	Dormant	Ordinary	100	-
Miracle Holdings Limited	England & Wales	Dormant	Ordinary and preference	100	-
Corwen Home & Garden Limited (formerly Phostrogen Limited)	England & Wales	Manufacture of garden fertilisers	Ordinary	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	-

The above companies operate principally in their country of incorporation.

During the year a subsidiary of Scotts International BV, Scotts Belgium BVBA was sold to Scotts-Sierra Investments Inc. There was no profit or loss on disposal. Additionally, Scotts OM Espana SA was acquired by Scotts International BV on 7 April 2000 by way of issuing one additional ordinary share. As a result, the group has disposed of part of its interest in Scotts International BV. A gain of £620,000 has been recognised on this disposal (see note 25.).

All subsidiary undertakings are included in these consolidated financial statements.

13 Stocks

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Raw materials and consumables	7,576	-	10,042	-
Work in progress	3,809	-	2,719	-
Finished goods and goods for resale	8,356	-	7,162	-
	19,741	-	19,923	-

14 Debtors

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Amounts falling due after one year				
Prepayments	121	-	281	-
	121	-	281	-
Amounts falling due within one year				
Trade debtors	22,377	-	23,299	-
Amounts due by group undertakings	2,513	22,111	4,167	27,144
VAT recoverable	566	-	908	-
Corporate tax recoverable	415	-	1,378	-
Other debtors	507	-	173	-
Prepayments and accrued income	843	-	1,932	93
	27,221	22,111	31,857	27,237

15 Creditors: amounts falling due within one year

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Bank loans and overdafts (see below)	64,462	59,062	61,457	56,810
Loan notes (see below)	2,135	1,816	3,640	3,261
Trade creditors	12,244	-	8,014	-
Amounts due to group undertakings	7,240	9,184	13,534	12,292
Obligations under finance leases (see below)	30	-	92	-
Corporation tax	159	-	347	-
Other taxation and social security	354	-	267	-
Other creditors	111	-	745	-
Accruals	7,820	256	6,106	79
	94,555	70,318	94,202	72,442

Bank loans are part of the corporate borrowing facility arranged by The Scotts Company.

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.

The loan notes were issued at par in the year ending 30 September 1998 for £5,283,000. This amount was fully received by the company.

16 Creditors: amounts falling due after more than one year

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Bank loans	25,571	-	29,678	-
Obligations under finance leases	138	-	-	-
Accruals and deferred income	-	-	47	-
	25,709	-	29,725	-

Bank loans

Repayable as follows:	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
In one year or less	64,462	59,062	59,989	56,810
Between one and two years	5,565	-	4,107	-
Between two and five years	20,006	-	17,754	-
In five years or more	-	-	7,817	-
	90,033	59,062	89,667	56,810

The bank loans are repayable by instalments and in full by 30 June 2005. The average rate of interest is 2.51% above LIBOR.

Finance leases

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
The net finance lease obligations to which the group is committed are amounts falling due in:				
Less than one year	30	-	92	-
Between two and five years inclusive	138	-	-	-
	168	-	92	-

17 Provisions for liabilities and charges

Group	Pensions (note 18) £'000	Environmental Provisions £'000	Restructure and Integration £'000	Deferred Tax £'000	Total £'000
At 1 October 1999	364	2,092	73	506	3,035
Asset at 1 October 1999	(579)	-	-	-	(579)
Profit and loss account	1,574	-	471	(217)	2,180
Utilised in year	-	(1,098)	-	-	(1,450)
Exchange differences	(29)	-	-	-	(29)
At 30 September 2000	**1,330**	**994**	**544**	**289**	**3,157**

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

Environmental Provision

The environmental provision, which was acquired with the acquisition of the Levington Group on 12 December 1997, relates to a number of required remedial works at certain UK sites.

It is anticipated that the environmental provision will be utilised as follows:

	2000 £'000	1999 £'000
Within one year	272	1,098
Between two and five years	722	994
	994	2,092

Deferred Tax

The deferred taxation recognised in the financial statements and the amount unprovided of the total potential liability/(asset) are as follows.

	Group Amount provided 30 Sept 2000 £'000	**Group Amount unprovided 30 Sept 2000 £'000**	Group Amount Provided 30 Sept 1999 £'000	Group Amount unprovided 30 Sept 1999 £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	289	228	520	-
Losses	-	(3,490)	-	(1,539)
Other	-	(338)	(14)	-
	289	(3,600)	506	(1,539)

Company

The company has no provisions for liabilities and charges or unrecognised deferred tax assets or liabilities.

18 Pensions

The group operates three pension schemes in the Europe, the schemes are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds.

The pension cost for the group for the first scheme for the year ending 30 September 2000 was £949,000 including variation from actual contributions of £686,000 (1999 : £633,000 variations £414,000). As a result of the pension fund surplus arising on an earlier valuation and in accordance with the advice of an actuary, the company has made reduced contributions to the pension scheme for the two years ended 30 September 2000. A provision of £984,000 (1999: £579,000 asset) is included in provisions for liabilities and charges, representing the excess of the accumulated pension cost over the amount of contributions funded during the year (see note 17).

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was on 30 September 1998. 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 8.25% per annum, dividend increases would be 4% per annum, that salary increases would average 6% per annum and that present and future pensions would increase at the rate of 3.5% per annum.

The pension scheme value at the date of valuation amounted to £14,900,000. The actuarial value of the assets of the scheme was sufficient to cover 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The second pension scheme operates providing 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 valuation of the scheme was carried out as at 5 April 2000. For the purposes of deriving the pension cost, the results of this valuation have been updated to reflect the position as at the start of the financial year. 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 7% per annum, a post-retirement investment rate of 5.5% per annum, a long term rate of growth in pensionable earnings of 4.5% per annum and increases to pensions in payment of 2.75% per annum. The valuation also took into account updated mortality tables.

At the valuation date the market value of the assets of the scheme was £11,500,000 which, at that date, represented 111% 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 2000 was £355,000 (1999 : £333,000). There is a pre-paid pension cost of £21,000 (1999 : £23,000) in the employer's balance sheet as at 30 September 2000 arising from the accumulated difference between the contributions paid to the scheme and the corresponding pension costs.

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 adjusting to the applicable UK accounting standard is considered to be out of proportion to the benefits to be gained. The pension cost for foreign schemes during the year was £481,000 (1999: £407,000) and a balance of £346,000 (1999: £364,000) 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.

19 Share capital

	2000 **£'000**	1999 £'000
Authorised 6 Ordinary shares of £1 each	-	-
Allotted, called up and fully paid:		
6 Ordinary shares of £1 each	-	-

20 Reserves

Group

	Profit and Loss Account £'000
At beginning of year	(37,771)
Retained loss for the year	(3,575)
Unrealised gain on part disposal of subsidiary	620
Currency translation differences	(1,027)
At 30 September 2000	(41,753)

Positive purchased goodwill arising prior to the implementation of FRS 10 eliminated against Group profit and loss reserves totals £36,082,000 (1999 : £36,082,000). This will be charged in the profit and loss account on subsequent disposal of the business to which it relates.

Company

	Profit and loss Account £'000
At beginning of year	(5,447)
Retained loss for the year	(3,002)
At 30 September 2000	(8,449)

21 Capital commitments

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Contracted but not provided for	-	-	837	-
	-	-	837	-

22 Contingent liability

The group has a contingent liability in relation to a VAT bond with the group's bankers. As at 30 September 2000, this amounted to £240,000 (1999 : £240,000).

23 Financial commitments

At 30 September 2000 the group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 2000 £'000	Other 2000 £'000	Land and Buildings 1999 £'000	Other 1999 £'000
Expiring within one year	-	493	51	449
Expiring between two and five years inclusive	618	1,017	4	700
Expiring in over five years	-	-	393	-
	618	1,510	448	1,149

24 Other contingency

In the year 2000, English Nature announced its intention of submitting to the UK Government, as its nature conservation advisors, numerous sites for classification as Special Areas of Conservation (SAC) under the European Commission's 'Habitat Directive' ("the Directive"). English Nature are considering including in these submissions a number of sites involving peat harvesting operations of The Scotts Company (UK) Limited. These submissions affect not only the Group but all major peat producers within England. The Group has entered a process with regards to its peat moors affected involving English Nature, the Department of the Environment and Transport for the Regions and the Local Planning Authorities. The whole process is likely to take many months and the outcome is uncertain. Ultimately, if sites are classified as SAC sites, the Group's right to extract peat may be revoked. If the Group's rights to extract peat are revoked or amended, legislation allows monies to be paid in consideration of the disposal of the extraction rights and compensation to those businesses affected.

25 Group acquisitions

On 7 April 2000, Scotts International BV, an indirect subsidiary of Scotts Holdings Limited acquired a 100% share holding of Scotts OM Espana SA from a fellow member of the Scotts Company Incorporated group.

The consideration for the purchase of the share capital of Scotts OM Espana SA was the issue of one ordinary share by Scotts International BV. The value of the consideration given is deemed to be £620,000. As a consequence, Scotts Holdings interest in Scotts International BV has fallen by an immaterial amount as 100% of the shareholding is no longer held within the group.

The fair value of shares acquired in Scotts OM Espana SA by the group is deemed to equal the net assets acquired of £620,000.

	Book value and fair value £'000
Tangible Fixed Assets	15
Stocks	217
Debtors	1,376
Cash	49
Total assets	1,657
Creditors	(1,037)
Net Assets acquired	**620**

In line with the exchanges of business rules of UITF 31 this unrealised gain on a deemed disposal of shares in Scotts International BV has been credited to reserves through the statement of total recognised gains and losses (see page 6).

From the date of acquisition to 30 September 2000 the acquisition has contributed £1,195,000 to turnover, £99,000 to operating profit, paid £15,000 in respect of interest and £30,000 in respect of taxation.

In the financial year to 30 September 1999, Scotts OM Espana SA had a profit after tax of £102,000.

26 Ultimate controlling party

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, 41 South High Street, Suite 3500, Columbus, Ohio 43215.

The immediate controlling party is considered to be Scotts Sierra Investments Inc. incorporated in the US by virtue of their interest in 100% of the equity of Scotts Holdings Limited.

27 Related party transactions

During the year, a director held loan notes with the company. These are disclosed in the Directors' Report on page 2. The loan notes carried a fixed rate of interest which was charged at a commercial rate.

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.