

Registered No: 3473956

Scotts Holdings Limited
Annual Report
for the year ended 30 September 2002



Scotts Holdings Limited

Annual report for the year ended 30 September 2002

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Directors and Advisors

Directors

J Wyatt
E Claggett
A van Winden

Auditors

PricewaterhouseCoopers LLP
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
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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 2002

The directors present their report and the audited financial statements for the year ended 30 September 2002.

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 the operating result for the year to be satisfactory and the present level of activity will be sustained for the foreseeable future.

In April 2002, the group agreed the early handover of a large area of UK peat land to English Nature for regeneration. The group has agreed to discontinue harvesting peat from four sites immediately and will cease extraction on half of the Hatfield Moors with the remainder being handed over to English Nature by September 2004. The group will receive over the length of the agreement total consideration of £18,320,000 representing the assignment of the interest in land, compensation for not harvesting, sale of existing peat stock and restoration.

The group has access to adequate supplies of growing media to ensure demand is met for company products for the foreseeable future.

During the year the assets and trade of Corwen Home and Garden Limited, a subsidiary, were sold to a third party, Corwen Neat Crown Limited. The company no longer trades.

Dividends

No dividends have been paid in the year (2001: nil). The directors do not recommend a final dividend for the year ended 30 September 2002 (2001: nil).

Directors

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

E Claggett	
N Kirkbride	(resigned 29 November 2002)
A van Winden	
J Wyatt	(appointed 29 November 2002)

No 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

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company and group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1b 'Adoption of FRS 19'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP), PricewaterhouseCoopers resigned as auditors and the Directors appointed PricewaterhouseCoopers LLP to fill the resulting casual vacancy. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



A van Winden

Director

30 September 2003

Independent auditors' report to the members of Scotts Holdings Limited

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets, the statement of recognised gains and losses, reconciliation in movement in shareholders' deficit and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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.

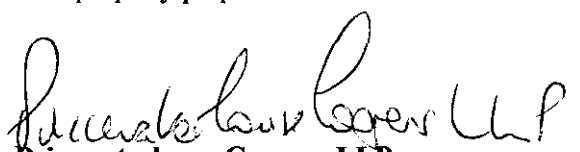
Basis of audit opinion

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 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 affairs of the company and the group at 30 September 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

15 October 2003

**Consolidated profit and loss account
for the year ended 30 September 2002**

	Notes	2002 £'000	2001* £'000
Turnover – continuing operations	2	124,952	127,429
Cost of sales		<u>(66,317)</u>	<u>(68,822)</u>
Gross profit		58,635	58,607
Distribution costs		(34,472)	(35,600)
Administrative expenses	5	(18,784)	(20,014)
Other operating income		<u>355</u>	348
Operating profit - continuing operations		5,734	3,341
Profit on sale of fixed assets		13,634	-
Interest receivable		226	479
Interest payable and similar charges	6	<u>(6,852)</u>	<u>(9,004)</u>
Profit/(loss) on ordinary activities before taxation	7	12,742	(5,184)
Tax on profit/(loss) on ordinary activities	8	<u>(3,627)</u>	856
Profit/(loss) on ordinary activities after taxation		9,115	(4,328)
Retained profit/(loss) for the year	20	<u>9,115</u>	<u>(4,328)</u>

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

* Restated – see notes 1b and 1c

Reconciliation of movements in shareholders' deficit

	2002 £'000	2001* £'000
Opening shareholder's deficit as previously reported	(46,151)	(41,753)
Prior year adjustment (note 1b)	3,696	2,601
Prior year adjustment – distribution costs (note 1c)	(633)	-
Opening Shareholders' funds as restated	(43,088)	(39,152)
Profit/(loss) for the year	9,115	(4,328)
Exchange profit on translation of overseas subsidiaries	273	392
Closing shareholders' deficit	<u>(33,700)</u>	<u>(43,088)</u>

Statement of total recognised gains and losses

	2002 £'000	2001* £'000
Profit/(loss) for the year on ordinary activities after taxation	9,115	(4,328)
Currency translation differences on foreign net investments	273	392
Total recognised gains/(losses) in the year	9,388	<u>(3,936)</u>
Prior year adjustment (note 1b and 1c)	3,063	
Total recognised gains since last annual report	<u>12,451</u>	

* Restated – see notes 1b and 1c

Balance sheets at 30 September 2002

		Group 2002 £'000	Company 2002 £'000	Group 2001* £'000	Company 2001* £'000
	Notes				
Fixed assets					
Intangible assets	10	13,435	-	14,241	-
Tangible assets	11	15,709	-	18,411	-
Investments	12	-	39,758	-	39,758
		29,144	39,758	32,652	39,758
Current assets					
Stocks	13	19,620	-	21,716	-
Debtors: amounts falling due after one year	14	113	-	116	-
Debtors: amounts falling due within one year	14	27,814	31,090	32,603	41,866
Cash at bank and in hand		13,103	-	2,491	-
		60,650	31,090	56,926	41,866
Creditors: amounts falling due within one year	15	(97,377)	(69,233)	(119,199)	(90,180)
Net current liabilities		(36,727)	(38,143)	(62,273)	(48,314)
Total assets less current liabilities		(7,583)	1,615	(29,621)	(8,556)
Creditors: amounts falling due after one year	16	(21,517)	(16,503)	(7,161)	-
Provisions for liabilities and charges	17	(4,600)	-	(6,306)	-
Net liabilities		(33,700)	(14,888)	(43,088)	(8,556)
Capital and reserves					
Called up share capital	19	-	-	-	-
Profit and loss account	20	(33,700)	(14,888)	(43,088)	(8,556)
Deficit on equity shareholders' funds		(33,700)	(14,888)	(43,088)	(8,556)

The financial statements on pages 5 to 31 were approved by the board of directors on 30 September 2003 and were signed on its behalf by:


A van Winden
Director

* Restated – see notes 1b and 1c

**Notes to the financial statements
for the year ended 30 September 2002****1 Principal Accounting Policies****a) 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 are set out below.

b) Adoption of FRS 19

In accordance with Financial Reporting Standard No 19, Deferred Tax, an undiscounted provision is made for deferred tax using the incremental liability method for timing differences between profits as stated in the financial statements and as computed for taxation purposes. The company's previous accounting policy was to make provision for deferred tax balances to the extent that it was probable that a liability or asset would arise. The effect of this change in accounting policy has been treated as a prior year adjustment and the comparative figures for the year ended 30 September 2001 have been adjusted accordingly. The effect of this change is to increase the group's profits for the year ended 30 September 2001 by £1,095,000 and to increase net assets at 30 September 2001 by £3,696,000 (2000: £2,601,000). Profits for the period ended 30 September 2002 are decreased by £3,696,000 as a result of this change in policy.

c) Prior year adjustment

A fundamental error over the recording of distribution costs was reported for the year in Scotts Horticulture Limited, an overseas subsidiary company. A prior year adjustment of £633,000 has been charged through distribution costs in the group accounts. As a result net assets of the group at 30 September 2001 are reduced by £633,000.

d) Discontinued activities

During the year the assets and trade of Corwen Home and Garden Limited were sold to Neat Crown Limited. The discontinuance of these activities has not materially changed the nature and focus of the group's operations or the markets within which it operates, it has therefore not been disclosed as discontinued operations on the face of the profit and loss account.

e) 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.

f) 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.

g) 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 2002. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date of acquisition or when control is deemed to pass.

h) 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).

i) 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 $\frac{1}{3}$
Plant and Machinery	10 - 15
Fixtures and Fittings	10 - 15
Computer Hardware and Software	20 - 33 $\frac{1}{3}$

j) 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.

k) 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.

l) 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.

m) Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied.

n) 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.'

o) Pension Costs

The group operates three 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.

The cost of defined contribution schemes in operation are charged to the profit and loss account as incurred.

p) Research and Development

Research and development expenditure is written off as incurred.

q) 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 group.

2 Segmental analysis of turnover

	2002 £'000	2001 £'000
Geographical segment – by destination		
United Kingdom	81,495	82,147
Europe	36,068	36,927
Rest of the World	7,389	8,355
	<u>124,952</u>	<u>127,429</u>

All sales originate from Europe, of which £84,648,00 (2001: £86,279,000) is from the United Kingdom.

£1,652,000 (2001: £4,061,000) 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:

	2002 £'000	2001 £'000
Aggregate emoluments	574	354
	<u>574</u>	<u>354</u>

Retirement benefits are accruing to 2 directors (2001: 2) under the group's defined benefit scheme.

Emoluments payable to the highest paid director were as follows:

	2002 £'000	2001 £'000
Aggregate emoluments	287	235
Accrued pension at period end	17	11

4 Employee information

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

	2002 Number	2001 Number
Production	245	252
Sales and Marketing	147	167
Administration (including management)	159	162
	551	581

Staff costs (for the above persons)

	2002 £'000	2001 £'000
Wages and salaries	15,498	15,904
Social security costs	1,394	1,451
Pensions and post retirement benefits (see note 18)	1,679	1,598
	18,571	18,953

5 Administrative expenses - Exceptional items

Exceptional items during the year relate to restructuring costs associated with streamlining UK and European operations. Exceptional items in the prior year relate to the consolidation of operations. The major components of the exceptional expense that have been charged to administrative expenses are as follows:

	2002 £'000	2001 £'000
Redundancy and related costs	2,528	4,072
Release of prior year provisions	(861)	-
Other restructuring costs	-	89
	1,667	4,161

6 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	6,041	8,356
Inter-company loans	792	589
Finance leases	11	9
Loan notes	8	50
	6,852	9,004

7 Profit/(loss) on ordinary activities before taxation

	2002	2001
	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year		
- Owned assets	2,954	2,835
- Leased assets	39	39
Amortisation of goodwill	813	813
Amortisation of brands	15	21
Auditors' remuneration for:		
-Audit (Company: £25,000; 2001: £25,000)	183	209
-Other services to the company and its UK subsidiaries	160	89
Hire of plant and machinery	1,105	1,513
Hire of other assets	924	801
Research and development	1,098	1,093

8 Tax on profit/(loss) on ordinary activities

	2002	2001*
	£'000	£'000
Current - current year	443	-
- prior year	(101)	(84)
- overseas	544	74
	886	(10)
Deferred - current year	2,877	(1,043)
- prior year	(136)	197
	2,741	(846)
	3,627	(856)

There is no current UK corporation tax charge in 2001 due to the availability of losses. The taxable profits arising on the sale of fixed assets are included above.

* Restated – see note 1b

The current tax charge for the period differs from the standard rate of Corporation Tax of 30%. The differences are explained below:

	2002 £'000	2001* £'000
Profit / (loss) on ordinary activities before tax	12,742	(5,184)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax of 30% (2001: 30%)	3,823	(1,555)
Effects of:		
Permanent differences	289	217
Increase in short term timing differences	460	282
Decrease in accelerated capital allowances	80	(172)
Utilisation of brought forward losses	(3,204)	1,095
Losses previously not recognised but utilised	(730)	-
Losses incurred not recognised	110	70
Other timing differences	(77)	-
Higher rates on overseas earnings	135	53
Current tax charge/(credit) for the year	886	(10)

9 Profit/(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 £6,332,000 (2001: loss £2,585,000).

10 Intangible assets

Group

	Goodwill £'000	Brands £'000	Total £'000
Cost			
At 1 October 2001	16,310	424	16,734
Exchange differences	-	25	25
At 30 September 2002	16,310	449	16,759
Amortisation			
At 1 October 2001	2,445	48	2,493
Charge for the year	813	15	828
Exchange differences	-	3	3
At 30 September 2002	3,258	66	3,324
Net book value at 30 September 2002	13,052	383	13,435
Net book value at 1 October 2001	13,865	376	14,241

The company has no intangible assets (2001: nil).

*Restated – see note 1b

11 Tangible fixed assets

Group

	Land & Buildings £'000	Peatlands £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Total £'000
Cost					
At 1 October 2001	7,151	2,899	14,164	2,976	27,190
Disposals	(60)	(1,061)	(763)	(115)	(1,999)
Additions	368	-	1,278	109	1,755
Transfers	(1,566)	84	1,665	(183)	-
Exchange differences	54	-	56	13	123
At 30 September 2002	<u>5,947</u>	<u>1,922</u>	<u>16,400</u>	<u>2,800</u>	<u>27,069</u>
Depreciation					
At 1 October 2001	1,294	679	5,406	1,400	8,779
Charge for year	516	230	1,720	527	2,993
Disposals	(22)	(104)	(210)	(107)	(443)
Transfers	(639)	-	639	-	-
Exchange differences	(6)	-	17	20	31
At 30 September 2002	<u>1,143</u>	<u>805</u>	<u>7,572</u>	<u>1,840</u>	<u>11,360</u>
Net book value at 30 September 2002	<u>4,804</u>	<u>1,117</u>	<u>8,828</u>	<u>960</u>	<u>15,709</u>
Net book value at 1 October 2001	<u>5,857</u>	<u>2,220</u>	<u>8,758</u>	<u>1,576</u>	<u>18,411</u>

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 (2001: £1,120,000).

The net book value of plant and machinery includes an amount of £101,000 (2001: £140,000) in respect of assets held under finance leases.

Company

Scotts Holdings Limited does not own any tangible fixed assets in its own right (2001: nil).

12 Fixed asset investments

Company	2002 £'000	2001 £'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	-
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 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	-
Scotts Profi Handels GmbH	Austria	Distribution of gardening products	Ordinary	100	-

The above companies operate principally in their country of incorporation.

All subsidiary undertakings are included in these consolidated financial statements.

13 Stocks

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Raw materials and consumables	7,628	-	7,884	-
Work in progress	3,305	-	5,481	-
Finished goods and goods for resale	8,687	-	8,351	-
	<u>19,620</u>	<u>-</u>	<u>21,716</u>	<u>-</u>

14 Debtors

	Group 2002 £'000	Company 2002 £'000	Group 2001* £'000	Company 2001* £'000
Amounts falling due after one year				
Prepayments	113	-	116	-
	113	-	116	-
Amounts falling due within one year				
Trade debtors	17,105	-	20,962	-
Amounts due by group undertakings	4,888	31,090	5,279	38,748
VAT recoverable	1,787	-	848	-
Corporate tax recoverable	-	-	275	-
Deferred tax	417	-	3,158	3,118
Other debtors	2,409	-	343	-
Prepayments and accrued income	1,208	-	1,738	-
	27,814	31,090	32,603	41,866

15 Creditors: amounts falling due within one year

	Group 2002 £'000	Company 2002 £'000	Group 2001* £'000	Company 2001 £'000
Bank loans (see below)	9,351	7,228	69,122	60,482
Loan notes (see below)	1,681	1,529	1,926	1,656
Trade creditors	10,351	-	10,505	-
Amounts due to group undertakings	61,002	56,941	25,583	26,741
Obligations under finance leases	41	-	39	-
Corporation tax	450	-	263	-
Other taxation and social security	313	-	74	-
Other creditors	212	-	162	-
Accruals	13,976	3,535	11,525	1,301
	97,377	69,233	119,199	90,180

Bank loans are part of the corporate borrowing facility arranged by The Scotts Company Inc. The facility is secured over the assets of The Scotts Company Inc.

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.

* Restated – see notes 1b and 1c

16 Creditors: amounts falling due after more than one year

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Bank loans	21,339	16,503	6,955	-
Obligations under finance leases	58	-	86	-
Accruals and deferred income	120	-	120	-
	<u>21,517</u>	<u>16,503</u>	<u>7,161</u>	<u>-</u>

Bank loans

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Repayable as follows:				
In one year or less	9,351	7,228	69,122	60,482
Between one and two years	9,347	7,228	2,119	-
Between two and five years	11,992	9,275	4,836	-
In five years or more	-	-	-	-
	<u>30,690</u>	<u>23,731</u>	<u>76,077</u>	<u>60,482</u>

Rates of interest on the bank loans varied depending on the origin of currency and percentage points above local base rate. The bank loans form part of a secured corporate borrowing facility arranged by The Scotts Company.

Finance leases

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
The net finance lease obligations to which the group is committed are amounts falling due in:				
Less than one year	41	-	39	-
Between two and five years inclusive	58	-	86	-
	<u>99</u>	<u>-</u>	<u>125</u>	<u>-</u>

17 Provisions for liabilities and charges

Group	Pensions (note 18) £'000	Environ- mental Provisions £'000	Restructure and Integration £'000	Total £'000
At 1 October 2001	1,342	721	4,243	6,306
Profit and loss account	(220)	-	2,244	2,024
Utilised in year	-	(201)	(2,706)	(2,907)
Released in year	-	-	(861)	(861)
Exchange differences	5	-	33	38
At 30 September 2002	<u>1,127</u>	<u>520</u>	<u>2,953</u>	<u>4,600</u>

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:

	2002 £'000	2001 £'000
Within one year	520	375
Between two and five years	-	346
	<u>520</u>	<u>721</u>

The company holds no provisions.

Deferred Tax

The deferred taxation recognised in the financial statements is as follows:

	Group Amount Provided 2002 £'000	Company Amount Provided 2002 £'000	Group Amount Provided 2001* £'000	Company Amount Provided 2001* £'000
Tax effect of timing differences:				
Excess of tax allowances over qualifying depreciation	414	-	494	-
Losses	-	-	(3,204)	(3,118)
Short term timing differences	(1,028)	-	(568)	-
Other	197	-	120	-
Deferred tax asset	<u>(417)</u>	<u>-</u>	<u>(3,158)</u>	<u>(3,118)</u>

	Group 2002 £'000	Company 2002 £'000	Group 2001* £'000	Company 2001* £'000
As at 1 October	(3,158)	(3,118)	(2,312)	(2,153)
Charge / (release) to profit and loss account	<u>2,741</u>	<u>3,118</u>	<u>(846)</u>	<u>(965)</u>
Deferred tax asset as at 30 September	<u>(417)</u>	<u>-</u>	<u>(3,158)</u>	<u>(3,118)</u>

There is approximately £180,000 (2001: £70,000) of taxable losses not recognised in the financial statements as the directors regard their recoverability as uncertain.

Losses of £730,000 (2001: nil) that have not previously been recognised under FRS 19 were utilised during the year.

* Restated – see note 1b

18 Pensions

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

The Scotts Company (UK) Pension Scheme

The pension cost for the company for the year ending 30 September 2002 was £612,000 including variation from actual contributions of £239,000 (2001 : £631,000 variations £119,000 favourable). A provision of £763,000 (2001 : £1,002,000) 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.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the market value methodology. The latest actuarial valuation of the scheme was on 1 July 2000. 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 6.5% per annum, dividend increases would be 4% per annum, that salary increases would average 4.5% per annum and that present and future pensions would increase at the rate of 2.5% per annum.

The pension scheme value at the date of valuation amounted to £28,970,000. The actuarial value of the assets of the scheme was sufficient to cover 130% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Transitional disclosures required by FRS17

The latest formal valuation of the Scheme was carried out as at 1 July 2000. The valuation of liabilities detailed below has been derived by projecting forward the position from 1 July 2000 to 30 September 2002.

The below contribution rate has been derived using a funding method, which recognises that the Scheme is closed to new entrants and whose active membership can therefore be expected to exhibit a steadily increasing average age profile.

	Prior to 28 February 2001	From 1 March 2001	From 1 October 2002
	% Pensionable Pay	% Pensionable Pay	% Pensionable Pay
Company	4.5	13.5	16.5
Members	4.5	4.5	4.5

FRS17 gives the present value of pension liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS 17 value of liabilities at 30 September 2002 was approximately £32,700,000 (2001: £26,236,000) and the market value of assets was £18,651,000 (2001: £21,837,000), giving a Scheme deficit of £14,049,000 (2001: £4,399,000).

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

	2002	2001
Discount rate	5.50% pa	6.00% pa
Pay growth	4.00% pa	4.00% pa
RPI	2.50% pa	2.50% pa
Pension-in payment increases	2.50% pa	2.50% pa
Deferred pension increases	2.50% pa	2.50% pa

The market value of the assets of the Scheme together with the expected rate of return over the following year is as follows:

	2002 Expected Return	2002 £'000	2001 Expected Return	2001 £'000
Equities	8.5% pa	16,786	7.5% pa	19,872
Bonds	4.5% pa	1,679	5.5% pa	1,747
Other	4.5% pa	186	5.0% pa	218
Market value of scheme assets		<u>18,651</u>		<u>21,837</u>
Present value of scheme liabilities		<u>(32,700)</u>		<u>(26,236)</u>
Deficit in scheme		<u>(14,049)</u>		<u>(4,399)</u>
Related deferred tax asset		<u>4,215</u>		<u>1,320</u>
Net pension liability		<u>(9,834)</u>		<u>(3,079)</u>

Analysis of the amount charged to operating profit

	Year to 30 September 2002 £'000
Current service cost	1,113
Curtailment cost	<u>1,200</u>
Total operating charge	<u>2,313</u>

Analysis of other finance income

	Year to 30 September 2002 £'000
Expected return on pension scheme assets	(1,680)
Interest on pension liabilities	<u>1,606</u>
Net return	<u>(74)</u>

The total charge through profit on ordinary activities before taxation if FRS 17 were adopted in full would be £2,239,000.

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 30 September 2002 £'000
Actual return less expected return on assets	(4,841)
Experience gains and losses on liabilities	(589)
Changes in assumptions	(2,832)
Actuarial (loss) recognised in STRGL	<u>(8,262)</u>

Details of experience gains and losses for the year to 30 September 2002

Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(4,841)
Percentage of scheme assets	(26.0%)
Experience gains and losses on scheme liabilities:	
Amount (£'000)	(589)
Percentage of the present value of the scheme liabilities	(1.8%)
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(8,262)
Percentage of the present value of the scheme liabilities	(25.3%)

Movement in deficit during the year

	Year to 30 September 2002 £'000
Deficit in scheme at beginning of year	(4,399)
Movement in year:	
Current service cost	(1,113)
Contributions	851
Curtailment cost	(1,200)
Net return on assets	74
Actuarial loss	<u>(8,262)</u>
Deficit in scheme at end of year	<u>(14,049)</u>

The Miracle Garden Company Pension Scheme

The 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 triennial valuation of the scheme was carried out as at 5 April 2000. 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 a subsequent roll forward valuation on 1 October 2001 the market value of the assets of the scheme under the above assumptions was £9,320,000 which, at that date, represented 81% 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 2002 was £535,000 (2001: £357,000). There is a provision of £231,000 (2001: £8,000) in the employer's balance sheet as at 30 September 2002 arising from the accumulated difference between the contributions paid to the scheme and the corresponding pension costs.

Transitional disclosures required by FRS17

The latest formal valuation of the Scheme was carried out as at 5 April 2000. The valuation of liabilities detailed below has been derived by projecting forward the position from 5 April 2000 to 30 September 2002.

Contributions over the year ending 30 September 2002 were paid as follows:

	Prior to 31 March 2001 % Pensionable Pay	From 1 April 2001 % Pensionable Pay
Company	14.3	17.6
Members (average)	3.4	4.4

The revised contribution rate has been derived using a funding method, which recognises that the Scheme is closed to new entrants and whose active membership can therefore be expected to exhibit a steadily increasing average age profile.

FRS17 gives the present value of pension liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS 17 value of liabilities at 30 September 2002 was approximately £13,987,000 (2001: £11,424,000) and the market value of assets was £8,361,000 (2001: £9,320,000), giving a Scheme deficit of £5,626,000 (2001: £2,104,000).

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

	2002	2001
Discount rate	5.50% pa	6.10% pa
Pay growth	4.00% pa	4.25% pa
RPI	2.25% pa	2.50% pa
Pension-in payment increases	2.25% pa	2.50% pa

Deferred pensions are revalued to retirement age in line with statutory requirements. The market value of the assets of the Scheme together with the expected rate of return over the following year is as follows:

	2002 Expected Return	2002 £'000	2001 Expected Return	2001 £'000
Equities	6.5% pa	6,083	7.0% pa	7,094
Bonds	4.3% pa	2,050	5.5% pa	1,941
Other	5.0% pa	228	5.0% pa	285
Market value of scheme assets		<u>8,361</u>		<u>9,320</u>
Present value of scheme liabilities		<u>(13,987)</u>		<u>(11,424)</u>
Deficit in scheme		(5,626)		(2,104)
Related deferred tax asset		<u>1,688</u>		<u>631</u>
Net pension liability		<u>(3,938)</u>		<u>(1,473)</u>

Analysis of the amount charged to operating profit

	Year to 30 September 2002 £'000
Current service cost	297
Curtailment cost	<u>603</u>
Total operating charge	<u>900</u>

Analysis of other finance income

	Year to 30 September 2002 £'000
Expected return on pension scheme assets	(639)
Interest on pension liabilities	<u>715</u>
Net return	<u>76</u>

The total charge through profit on ordinary activities before taxation if FRS 17 were adopted in full would be £976,000.

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 30 September 2002 £'000
Actual return less expected return on assets	(2,210)
Changes in assumptions	<u>(1,251)</u>
Actuarial (loss) recognised in STRGL	<u>(3,461)</u>

Details of experience gains and losses for the year to 30 September 2002

Difference between the expected and actual return on scheme assets:

Amount (£'000)	(2,210)
Percentage of scheme assets	(26.4%)

Total amount recognised in statement of total recognised gains and losses:

Amount (£'000)	(3,461)
Percentage of the present value of the scheme liabilities	(24.7%)

Movement in deficit during the year

	Year to 30 September 2002 £'000
Deficit in scheme at beginning of year	(2,104)
Movement in year:	
Current service cost	(297)
Contributions	312
Curtailment contribution	603
Curtailment cost	(603)
Net return on assets	(76)
Actuarial loss	(3,461)
Deficit in scheme at end of year	<u>(5,626)</u>

Foreign Schemes

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 £486,000 (2001: £610,000) and a balance of £133,000 (2001: £332,000) 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.

Transitional disclosures required by FRS17

The latest formal valuation of the Scheme was carried out as at 30 September 2002. The valuation of liabilities detailed below:

Employer's contributions are 5% of gross pay.

FRS17 gives the present value of pension liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS 17 value of liabilities at 30 September 2002 was approximately £4,878,000 (2001: £3,540,000) and the market value of assets was £3,243,000 (2001: £2,546,000), giving a Scheme deficit of £1,635,000 (2001: £994,000).

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

	2002	2001
Discount rate	5.50% pa	6.00% pa
Pay growth	3.00% pa	3.00% pa
RPI	2.00% pa	2.00% pa
Pension-in payment increases	2.00% pa	2.00% pa

Deferred pensions are revalued to retirement age in line with statutory requirements.

The market value of the assets of the Scheme together with the expected rate of return over the following year is as follows:

	2002 Expected Return	2002 £'000	2001 Expected Return	2001 £'000
Bonds	7.0%	3,243	6.0%	2,546
Market value of scheme assets		3,243		2,546
Present value of scheme liabilities		(4,878)		(3,540)
Deficit in scheme		(1,635)		(994)
Related deferred tax asset (at 35%)		572		348
Net pension liability		(1,063)		(646)

Analysis of the amount charged to operating profit

	Year to 30 September 2002 £'000
Current service cost	311
Total operating charge	311

Analysis of other finance income

	Year to 30 September 2002 £'000
Expected return on pension scheme assets	(181)
Interest on pension liabilities	232
Net return	51

The total charge through profit on ordinary activities before taxation if FRS 17 were adopted in full would be £362,000.

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 30 September 2002 £'000
Actual return less expected return on assets	(53)
Changes in assumptions	(704)
Actuarial (loss) recognised in STRGL	<u>(757)</u>

Details of experience gains and losses for the year to 30 September 2002

Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(53)
Percentage of scheme assets	(1.6%)
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(757)
Percentage of the present value of the scheme liabilities	(15.5%)

Movement in deficit during the year

	Year to 30 September 2002 £'000
Deficit in scheme at beginning of year	(994)
Exchange difference	(14)
Movement in year:	
Current service cost	(311)
Contributions	492
Net cost on scheme assets	(51)
Actuarial loss	<u>(757)</u>
Deficit in scheme at end of year	<u>(1,635)</u>

Summary of all schemes

<i>Liability under:</i>	Cost for Year		Liability at 30 Sept		Deferred tax	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001* £'000
SSAP 24						
The Scotts Company Scheme	612	631	(763)	(1,002)	229	301
Miracle Garden Care Scheme	535	357	(231)	(8)	69	2
Scotts International Scheme	486	610	(133)	(332)	-	-
Defined Contribution Schemes	46	-	-	-	-	-
	1,679	1,598	(1,127)	(1,342)	298	303
FRS 12[^]						
The Scotts Company Scheme	1,047	-	(1,047)	-	235	-
Miracle Garden Care Scheme	-	703	(144)	(703)	-	158
	1,047	703	(1,191)	(703)	235	158
FRS 17 (if adopted)						
The Scotts Company Scheme	2,239	n/a	(14,049)	(4,399)	4,215	1,320
Miracle Garden Care Scheme	976	n/a	(5,626)	(2,104)	1,688	631
Scotts International Scheme	362	n/a	(1,635)	(994)	572	348
Defined Contribution Schemes	46	-	-	-	-	-
	3,623	n/a	(21,310)	(7,497)	6,475	2,299

[^] These pension costs have been accrued under the principles of FRS 12 and are included under the 'restructuring and integration' provision, they are not included under the SSAP 24 valuation provision as the last triennial valuation was completed prior to the obligating event occurring.

FRS17 impact on group balance sheet

	2002 £'000	2001* £'000
Net liabilities		
Net liabilities excluding FRS 17 pension liability	(33,700)	(43,088)
Gross pension scheme liabilities under FRS 17	(21,310)	(7,497)
Associated deferred tax asset	6,475	2,299
Pension scheme liabilities under SSAP 24	1,127	1,342
Past service costs held in provisions under FRS 12	1,191	703
Deferred tax asset held in current balance sheet under SSAP 24/FRS 12	(533)	(461)
Net liabilities including pension liability	(46,750)	(46,702)
	2002 £'000	2001* £'000
Profit and loss reserve		
Profit and loss reserve excluding FRS 17 pension liability	(33,700)	(43,088)
Gross pension scheme liabilities under FRS 17	(21,310)	(7,497)
Associated deferred tax asset	6,475	2,299
Pension scheme liabilities under SSAP 24	1,127	1,342
Past service costs held in provisions under FRS 12	1,191	703
Deferred tax asset held in current balance sheet under SSAP 24/FRS 12	(533)	(461)
Profit and loss deficit including pension liability	(46,750)	(46,702)

* Restated -- see notes 1b and 1c

19 Share capital

	2002 £'000	2001 £'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 1 October 2001 as previously reported	(46,151)
Prior year adjustment - deferred taxation (note 1b)	3,696
Prior year adjustment - distribution costs (note 1c)	(633)
At October 2001 as restated	(43,088)
Retained profit for the year	9,115
Currency translation differences	273
At 30 September 2002	(33,700)

Positive purchased goodwill arising prior to the implementation of FRS 10 eliminated against group profit and loss reserves totals £36,082,000 (2001: £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 1 October 2001 as previously reported	(11,674)
Prior year adjustment	3,118
At 1 October 2001 as restated	(8,556)
Retained loss for the year (note 9)	(6,332)
At 30 September 2002	(14,888)

* Restated - see notes 1b and 1c

21 Capital commitments

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Contracted but not provided for	60	-	333	-
	<u>60</u>	<u>-</u>	<u>333</u>	<u>-</u>

22 Financial commitments

At 30 September 2002 the group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 2002 £'000	Other 2002 £'000	Land and Buildings 2001 £'000	Other 2001 £'000
Expiring within one year	21	811	21	980
Expiring between two and five years	247	1,201	247	772
Expiring outside five years	-	565	-	-
	<u>268</u>	<u>2,577</u>	<u>268</u>	<u>1,752</u>

23 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, 14111 Scottslawn Road, Marysville, Ohio 43041 USA.

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.

24 Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party disclosures" not to disclose transactions with other group companies where these have been eliminated on consolidation. In addition, the company has taken advantage of a further exemption available under FRS 8 not to disclose transactions with other group companies as the company is a 100% owned subsidiary of The Scotts Company whose financial statements are publicly available.