

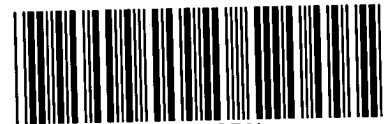
**DOBBIES GARDEN CENTRES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the 52 weeks ended 26 February 2017**

**Registered Number: SC010975**



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## **DOBBIES GARDEN CENTRES LIMITED**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2017**

The Directors present their Strategic Report of Dobbies Garden Centres Limited (the "Company") for the 52 weeks ended 26 February 2017 (Prior period 52 weeks ended 28 February 2016).

#### **Business review and principal activities**

On 20 July 2016, Tesco Group concluded the sale of Dobbies Garden Centres to DanAtAugusta Bidco Limited, a company ultimately controlled by DanAtAugusta Equityco Limited for £218m gross of pre-disposal dividends on a cash and debt free basis. The sale represented the entire share capital of Dobbies Garden Centres Limited.

The structure of the group was reviewed with the transaction and this resulted in a disposal of £165.5m of property to another group company, DanAtAugusta Proco1 Limited, in the period and subsequent lease back.

The principal activity of the Company is the operation of garden centres in the United Kingdom. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

#### **Results and dividends**

The results for the period show a pre-tax profit of £8.4m (2016: profit of £14.5m) and net sales of £151.0m (2016: £153.7m).

Special dividends of £7.5m were paid to Tesco plc as part of the sale process. This equates to 43.8p per share. Excluding the special dividends, the Directors do not recommend payment of a dividend for the 52 weeks ended 26 February 2017 (2016: £nil).

The retained profit for the 52 weeks ended 26 February 2017 amounted to £5.7m after the special dividend of £7.5m (2016: profit £15.7m).

#### **Principal risks and uncertainties**

A full risk review was conducted with the executive team and senior managers in February 2017. Key risks were identified and action plans for each of the risks were agreed with the Audit Committee.

These risks can be categorised as:

- Delivery of projects supporting the business strategy
- Weather
- Supply chain
- Competition
- Interest rate and foreign exchange risk
- Cyber security and data protection

*Delivery of projects supporting the business strategy:* Successfully executing the projects which underpin the business strategy is a key area of management focus.

*Weather:* One of the main areas of risk to the Company is weather, due to the seasonal nature of sales plants and gardening products. Adverse weather can lead to reduced footfall in our stores, adversely impacting both profit and stock levels. A "bad weather" set of contingency plans have been formulated to help mitigate any risks in this area.

*Supply chain:* Some of the Company's products are globally sourced and as such we are exposed to the risks associated with international trade. The directors have put in place measures to ensure that we have the highest quality assurance processes around sourcing of products. We also use forward contracts to hedge any foreign currency exposure. Throughout our entire supply chain the directors ensure that there is no over reliance on one supplier or single point of failure risk.

*Competition:* The Company competes with a variety of retailers including other garden centres, DIY and home retailers and in some areas supermarkets. The directors closely monitor developments within the market, to ensure the Company remains competitive on range, value, quality and service.

## STRATEGIC REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2017 (continued)

### Principal risks and uncertainties (continued)

*Interest rate and foreign exchange risk:* The directors manage interest rate risk through an interest rate cap and foreign exchange risk through forward contracts hedging any exposure.

*Cyber security and data protection:* The directors have identified cyber security and data protection as a key risk area. The Company mitigates this risk through the use of anti-virus software, fully managed firewalls and the use of third party penetration testing.

### Key performance indicators (KPI's)

We use a variety of KPI's to monitor and drive the performance of the business, in addition to sales, profit (EBITDAR) and free cash. These include footfall (down year-on-year by 1.2%), Garden centre transactions (down 2.8%), Garden centre ATV (up 1.9%), Restaurant transactions (up 0.7%) and Restaurant ATV (down 1.7%).

We communicate regularly with our staff, suppliers and concession partners to ensure we are all focused on providing the best possible service to our customers.

### Subsequent events

On 1 May 2017, Dobbies Garden Centres Limited signed an agreement with Speciality Stores, a subsidiary of Ocado, to improve the online offer for our customers.

On behalf of the Board

30 November 2017



Graeme Jenkins  
Director

Dobbies Garden Centres Limited  
Registered Number: SC010975  
Registered Office: Melville Nursery,  
Lasswade, Midlothian, EH18 1AZ

## **DOBBIES GARDEN CENTRES LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2017**

The Directors present their Report and the audited financial statements of Dobbies Garden Centres Limited (the "Company") for the 52 weeks ended 26 February 2017 (Prior period 52 weeks ended 28 February 2016).

#### **Business performance, future outlook and principal risks and uncertainties**

The results for the year are set out in the income statement on page 9. The results for the period, future developments and principal risks and uncertainties have been discussed in the Strategic report on page 2.

#### **Political contributions**

There were no political donations for the period (2016: nil).

#### **Future outlook**

The Company's underlying performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

#### **Going concern**

The Directors have closely considered the balance sheet position, the borrowing facilities available to the Company and Group and projected trading performance of the business and conclude that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

As at the balance sheet date of 26 February 2017 the company showed a current net liabilities position of £3.3m (28 February 2016: Current net liabilities of £51.7m).

#### **Research and development**

The Company does not undertake any research and development activities (2016: none).

#### **Employees**

The Company depends on the skills and commitment of its employees in order to achieve its objectives.

Ongoing training programmes seek to ensure that employees understand the Company's customer service objectives and strive to achieve them.

The Company's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, marital status, race, age, sexual preference and orientation, colour, creed, ethnic origin, religion or belief, or disability. All decisions are based on merit.

Internal communications are designed to ensure that employees are well informed about the business.

The Company had 2,789 employees on average during the 52 weeks ended 26 February 2017 (2016: 2,766).

## **DOBBIES GARDEN CENTRES LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2017 (continued)**

#### **Directors and their interests**

The following Directors served during the period and up to the date of signing the financial statements.

Andrew Bracey (Appointed 20/07/16)  
Aidan Clegg (Appointed 20/07/16)  
Neil Currie (Appointed 20/07/2016)  
David Burgess (Appointed 20/07/16)  
Frederick Goltz (Appointed 20/07/16)  
John Campbell (Appointed 19/07/16, Resigned 24/04/17)  
Graeme Jenkins (Appointed 22/12/16)  
Nicholas Marshall (Appointed 03/03/17)  
Lorraine Robertson (Appointed 24/04/17)  
Jonathan Cleland (Appointed 15/09/16, Resigned 03/03/17)  
Andrew King (Resigned 19/07/16)

None of the Directors had any disclosable interests in the Company during this period.

Tesco PLC maintained a directors' and officers' liability insurance policy throughout the period of 29 February 2016 to 20 July 2016. The Company has maintained a directors' and officers' liability insurance policy from 20 July 2016 to date.

#### **Disclosure of information to auditors**

Each Director who is a Director of the Company at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Pursuant to section 487 of the Companies Act 2006, EY LLP are the newly appointed auditor from 10 February 2017.

On behalf of the Board

30 November 2017



Graeme Jenkins  
Director  
Dobbies Garden Centres Limited  
Registered Number: SC010975  
Registered Office: Melville Nursery,  
Lasswade, Midlothian, EH18 1AZ

## **DOBBIES GARDEN CENTRES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOBBIES GARDEN CENTRES LIMITED**

We have audited the financial statements of Dobbies Garden Centres Limited for the period ended 26 February 2017 which comprise the Profit and Loss Account, the Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 26 February 2017 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

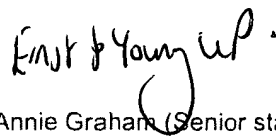
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.



Annie Graham (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Edinburgh

30 November 2017



# DOBBIES GARDEN CENTRES LIMITED

## Statement of profit and loss

For the 52 weeks ended 26 February 2017

	Notes	52 weeks to 26 Feb 2017	52 weeks to 28 Feb 2016
		£000's	£000's
Turnover		151,022	153,733
Cost of sales		(76,667)	(76,864)
<b>Gross profit</b>		<b>74,355</b>	<b>76,869</b>
Administrative expenses:			
Administrative expenses before exceptional items		(76,138)	(69,947)
Group restructuring costs		(2,931)	-
Other operating income		5,321	5,076
<b>Operating profit</b>		<b>607</b>	<b>11,998</b>
Net gain on disposal of assets	6	6,479	2,508
Interest receivable and similar income	8	3,294	27
Interest payable and similar charges	9	(1,978)	(18)
<b>Profit on ordinary activities before taxation</b>		<b>8,402</b>	<b>14,515</b>
Tax credit	10	4,777	1,213
<b>Profit for the financial period</b>		<b>13,179</b>	<b>15,728</b>

All results relate to continuing operations.

There are no gains or losses other than those shown in the Income Statement above, and as such no Statement of Comprehensive Income has been produced.

The notes on pages 12 to 26 form part of these financial statements.

# DOBBIES GARDEN CENTRES LIMITED

## Statement of financial position

As at 26 February 2017

	Notes	2017 £000's	2016 £000's
<b>Non-current assets</b>			
Intangible fixed assets	11	647	1,601
Tangible fixed assets	12	26,853	197,510
Amounts due from other group companies	15	172,085	-
Prepaid rent		815	-
Investments	13	13	13
Deferred tax asset	21	3,904	-
		<b>204,317</b>	<b>199,124</b>
<b>Current assets</b>			
Inventory	14	18,710	18,251
Assets held for sale	12	1,000	-
Debtors: amounts falling due within one year	16	2,597	6,152
Amounts due from other group companies	16	9,181	-
Cash at bank and in hand		8,785	4,641
		<b>40,273</b>	<b>29,044</b>
Creditors: amounts falling due within one year	17	(36,406)	(80,733)
Amounts due from other group companies	17	(7,209)	-
		<b>(43,615)</b>	<b>(80,733)</b>
<b>Net current assets / (liabilities)</b>		<b>(3,342)</b>	<b>(51,689)</b>
<b>Total assets less current liabilities</b>		<b>200,975</b>	<b>147,435</b>
Amounts due to other group companies	18	(49,137)	(183)
Provisions	19	(816)	-
Deferred tax liability	21	-	(898)
		<b>(49,953)</b>	<b>(1,081)</b>
<b>Net assets</b>		<b>151,022</b>	<b>146,354</b>
<b>Capital and reserves</b>			
Called-up share capital	22	1,704	1,704
Share premium		122,159	122,159
Retained earnings		27,159	22,491
<b>Total equity</b>		<b>151,022</b>	<b>146,354</b>

The financial statements were approved by the Board of Directors on 30 November 2017 and were signed on its behalf by:



Graeme Jenkins  
Director  
Dobbies Garden Centres Limited  
Registered Number: SC010975

## DOBBIES GARDEN CENTRES LIMITED

### Statement of changes in equity for the 52 week period ended 26 February 2017

	£000's	£000's	£000's	£000's
Balance as at 28 February 2016	1,704	122,159	22,491	146,354
Retained profit	-	-	13,179	13,179
Dividends	-	-	(7,461)	(7,461)
Share based payment release	-	-	(1,050)	(1,050)
Balance as at 26 February 2017	1,704	122,159	27,159	151,022

# **DOBBIES GARDEN CENTRES LIMITED**

## **Notes to the financial statements**

### **1. Authorisation of financial statements and compliance with FRS 101**

The financial statements of Dobbies Garden Centres Limited (the "Company") for the 52 weeks ended 26 February 2017 were approved by the board of directors on 30 November 2017 and the balance sheet was signed on the board's behalf by Graeme Jenkins. Dobbies Garden Centres Limited is incorporated and domiciled in Scotland.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it was a wholly owned subsidiary of Dobbies Garden Centres Group Limited at the balance sheet date.

Dobbies Garden Centres Limited (the Company) is a limited company, limited by shares, incorporated and domiciled in the United Kingdom. The results of Dobbies Garden Centres Limited are included in the consolidated financial statements of Dobbies Garden Centres Group Limited which are available from 22-23, Fourth Floor, Old Burlington Street, London, United Kingdom, W1S 2JJ.

The principal accounting policies adopted by the Company are set out in note 2. These have been applied consistently throughout the period.

### **2. Significant accounting policies**

#### **2.1 Basis of preparation**

These financial statements have been prepared on a going concern basis, and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 24 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 2.1 Basis of preparation (continued)

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment:
  - (i) the share based payment arrangement concerns the instruments of another group entity;
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.
- The requirements of IFRS 7 Financial Instruments: Disclosures.
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
  - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

### 2.2 Summary of significant accounting policies

#### a) Going concern

The Directors have closely considered the balance sheet position, the borrowing facilities available to the company and projected trading performance of the business and conclude that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

#### b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# **DOBBIES GARDEN CENTRES LIMITED**

## **Notes to the financial statements**

### **2.2 Summary of significant accounting policies (continued)**

#### **c) Revenue recognition**

Revenue consists of sales through retail outlets. Revenue is reported net of returns, vouchers and value added taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Commission income is recorded based on the terms of the contracts.

#### **d) Loyalty programme**

The cost of the loyalty programme rewards is treated as a cost of sale, with an accrual equal to the estimated fair value of the points issued recognised when the original transaction occurs. On redemption, the cost of redemption is offset against the accrual.

The fair value of the points awarded is determined with reference to the cost of redemption.

#### **e) Other operating income**

Other operating income consists of income from concession partners.

#### **f) Current taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

#### **g) Group relief on taxation**

The Group may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the profit or loss.

#### **h) Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax asset arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# **DOBBIES GARDEN CENTRES LIMITED**

## **Notes to the financial statements**

### **2.2 Summary of significant accounting policies (continued)**

#### **h) Deferred tax (continued)**

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss, except when it relates to items charged or credited in other comprehensive income, in which case deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **i) Current tax and deferred tax for the year**

Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **j) Property, plant and equipment**

Land and buildings are measured at fair value less accumulated depreciation on buildings recognised at the date of the acquisition of Dobbies Garden Centres Limited.

Depreciation is provided to write off costs or valuation of tangible fixed assets less their residuals on a straight-line basis over the anticipated useful economic lives of the assets.

The following depreciation rates were applied for the Company:

- Freehold land is not depreciated.
- Freehold and Leasehold buildings are depreciated over 40 years at a uniform rate at 2.5% of cost.
- Leasehold land is depreciated by equal annual instalments over the unexpired period of the lease.
- Fixtures and fittings, computer hardware and motor vehicles – at rates varying from 10% to 33%.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### **k) Non-current assets held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

#### **l) Fixed asset investments**

Fixed asset investments in subsidiaries and associates are stated at cost plus incidental expenses less where appropriate provisions for impairment.

## **DOBBIES GARDEN CENTRES LIMITED**

### **Notes to the financial statements**

#### **2.2 Summary of significant accounting policies (continued)**

##### **m) Impairment of fixed assets and goodwill**

At each balance sheet date the Company reviews the carrying amounts of the fixed assets and goodwill to determine whether there is any need for impairment in accordance with IAS 36 "Impairment of Assets". Any impairment is recognised in the profit and loss in the period in which it occurs.

##### **n) Inventory**

Inventory is valued at the lower of cost and net realisable value. Inventory in stores are calculated at retail prices and reduced by appropriate margins to take into account factors such as obsolescence seasonality and damage using the weighted average cost basis.

An inventory provision is booked for cases where the realisable value from sale of the inventory is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors including the age of the inventory item, prevailing sales prices of items and losses associated with slow moving inventory items.

##### **o) Foreign currencies**

Transactions in foreign currencies are translated into pounds sterling at the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into pounds sterling at the exchange rates prevailing at the Balance Sheet date. All foreign exchange differences are taken to the Profit and loss for the period.

##### **p) Pensions**

The Company operates a defined contribution scheme. Contributions to this scheme are charged to the Profit and Loss Account as they become payable.

##### **q) Borrowing costs**

Borrowing costs directly attributable to the issue of financial liabilities or the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



# **DOBBIES GARDEN CENTRES LIMITED**

## **Notes to the financial statements**

### **2.2 Summary of significant accounting policies (continued)**

#### **r) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Computer software is amortised at a rate of 25%. Internally generated intangibles have been capitalised and amortised through the profit and loss through administration expenses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets, which is administration expenses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### **s) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

The Company has a dilapidations provision in which made assumptions have been made in arriving at its best estimate of the likely costs to "make good" premises which are currently occupied under leases. Such estimates involve management forecasting the average restoration costs.

## **DOBBIES GARDEN CENTRES LIMITED**

### **Notes to the financial statements**

#### **3. Significant accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

##### **Carrying value of property, plant and equipment**

The Company has determined that for the purposes of impairment testing, each store is a cash-generating unit. Cash-generating units are tested for impairment if there are indications of impairment at the balance sheet date. As at period end, the carrying value was £26.9m.

##### **Inventories**

An inventory provision is booked for cases where the realisable value from sale of the inventory is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors including the age of inventory, prevailing sales prices, the seasonality of the sales profile and losses associated with slow moving inventory.

##### **Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### **4. Segmental reporting**

The Company operates within one business segment being that of the operation of garden centres and associated activities with business transacted in the United Kingdom

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 5. Operating profit

	52 weeks to 26 Feb 2017 £000's	52 weeks to 28 Feb 2016 £000's
<b>Operating profit/(loss) is stated after charging / (crediting)</b>		
Wages and salaries	35,554	33,749
Social security costs	2,147	2,356
Other pension costs	590	563
Share based payment expense	-	1,324
<b>Staff costs</b>	<b>38,291</b>	<b>37,992</b>
Depreciation of tangible fixed assets	5,318	9,235
Amortisation of intangible assets	267	90
Cost of inventories recognised as an expense (included in cost of sales)	69,346	70,900
Ground rent payable to group companies under operating leases	6,606	-
Operating lease charges	22	22
<b>Services provided by the Company's auditor</b>	<b>£000's</b>	<b>£000's</b>
Fees payable for the audit	94	43
Taxation services	40	-

The average monthly number of persons employed (including Directors) by operating segment during the current and prior financial periods was:

	Average number of employees		Average number of full- time equivalents	
	52 weeks to 26 Feb 2017	52 weeks to 28 Feb 2016	52 weeks to 26 Feb 2017	52 weeks to 28 Feb 2016
Office and management	482	515	474	512
Other employees	2,307	2,251	1,453	1,370
<b>Total</b>	<b>2,789</b>	<b>2,766</b>	<b>1,927</b>	<b>1,882</b>

### 6. Net gain on sale of fixed assets

The net gain on sale on fixed assets for the 52 weeks ended 26 February 2017 was £6.5m (2016: £2.5m gain).

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 7. Directors emoluments

	52 weeks to 26 Feb 2017 £000's	52 weeks to 28 Feb 2016 £000's
Aggregate emoluments	520	814

	52 weeks to 26 Feb 2017 £000's	52 weeks to 28 Feb 2016 £000's
Total aggregate emoluments	180	814

### 8. Interest receivable

	52 weeks to 26 Feb 2017 £000's	52 weeks to 28 Feb 2016 £000's
Interest receivable on loans to group companies	3,254	-
Interest receivable on bank deposits	40	27
<b>Total interest receivable</b>	<b>3,294</b>	<b>27</b>

### 9. Interest payable

	52 weeks to 26 Feb 2017 £000's	52 weeks to 28 Feb 2016 £000's
Interest payable on loans from group companies	1,978	18
<b>Total interest payable</b>	<b>1,978</b>	<b>18</b>

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 10. Income tax

	52 weeks to 26 Feb 2017 £000's	52 weeks to 28 Feb 2016 £000's
<b>Current tax:</b>		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	26	(570)
<b>Total current tax</b>	<b>26</b>	<b>(570)</b>
<b>Deferred tax:</b>		
Current year	(6,066)	(705)
Adjustment in respect of previous periods	427	99
Effect of changes in tax rates	836	(37)
<b>Total deferred tax</b>	<b>(4,803)</b>	<b>(643)</b>
<b>Tax per income statement</b>	<b>(4,777)</b>	<b>(1,213)</b>

### Factors affecting total tax charge for the current period

The charge for the year can be reconciled to the profit per the income statement as follows:

<b>Profit for the period - continuing activities</b>	<b>8,402</b>	<b>14,516</b>
Tax on profit at standard UK tax rate of 20.00% (2016: 20.25%)	1,680	2,917
<b>Effects of:</b>		
Adjustments in respect of prior years	453	(471)
Expenses not deductible	296	(489)
Profit on disposal of non qualifying fixed assets	(3,828)	
Group restructuring costs	259	
Tax rate changes	836	(37)
Effects of group relief / other reliefs	(1,878)	(3,133)
Transfer of qualifying assets to group companies	(2,595)	
<b>Tax credit for the period</b>	<b>(4,777)</b>	<b>(1,213)</b>
<b>Income tax credit reported in the income statement</b>	<b>(4,777)</b>	<b>(1,213)</b>

Deferred tax has been recognised at the rate at which the temporary differences are expected to reverse. The main rate of corporation tax reduced from 21% to 20%, effective from 1 April 2015. The Finance Act (No 2) 2015, which was substantively enacted on 26 October 2015, includes legislation to reduce the main rate of corporation tax to 19%, effective from 1 April 2017, and to 18%, effective from 1 April 2020. The Finance Act 2016, substantively enacted on 6 September 2016, includes legislation that will further reduce the main rate of corporation tax to 17%, effective from 1 April 2020.

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 11. Intangibles

	Goodwill £000's	Computer Software £000's	Total £000's
<b>Cost</b>			
At 28 February 2016	6,379	4,719	11,098
Disposals	(4,537)	(420)	(4,957)
Additions at cost	-	15	15
<b>At 26 February 2017</b>	<b>1,842</b>	<b>4,314</b>	<b>6,156</b>
<b>Accumulated depreciation</b>			
At 28 February 2016	(5,863)	(3,634)	(9,497)
Release of impairment on disposals	4,211	44	4,255
Charge for the period	-	(267)	(267)
<b>At 26 February 2017</b>	<b>(1,652)</b>	<b>(3,857)</b>	<b>(5,509)</b>
<b>Net book value</b>			
<b>At 26 February 2017</b>	<b>190</b>	<b>457</b>	<b>647</b>
At 28 February 2016	516	1,085	1,601

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 12. Tangible fixed assets

	Freehold Land & Buildings £000's	Leasehold Land & Buildings £000's	Motor Vehicles £000's	Fixtures and Fittings £000's	Total £000's
<b>Cost</b>					
At 28 February 2016	210,035	36,106	1,090	76,050	323,281
Additions	3,784	22	27	2,568	6,401
Disposals	(203,313)	(9,143)	(919)	(60,639)	(274,014)
Transfers out to assets held for sale	-	(2,750)	(8)	(464)	(3,222)
<b>At 26 February 2017</b>	<b>10,506</b>	<b>24,235</b>	<b>190</b>	<b>17,515</b>	<b>52,446</b>
<b>Accumulated depreciation</b>					
At 28 February 2016	(40,458)	(19,755)	(974)	(64,584)	(125,771)
Charge for the period	(1,504)	(344)	(40)	(3,430)	(5,318)
Disposals	40,857	7,084	842	54,491	103,274
Transfers out to assets held for sale	-	1,750	8	464	2,222
<b>At 26 February 2017</b>	<b>(1,105)</b>	<b>(11,265)</b>	<b>(164)</b>	<b>(13,059)</b>	<b>(25,593)</b>
<b>Net book value</b>					
<b>At 26 February 2017</b>	<b>9,401</b>	<b>12,970</b>	<b>26</b>	<b>4,456</b>	<b>26,853</b>
At 28 February 2016	169,577	16,351	116	11,466	197,510

Assets held for sale of £1,000k relates to a leasehold site in Aberdeen which was held for sale with the proceeds of any sale to be paid to Tesco plc as part of the deferred consideration on the sale of Dobbies Garden Centres Limited.

### 13. Fixed asset investments

	Group companies £000's
<b>Cost</b>	
At 28 February 2016	13
<b>At 26 February 2017</b>	<b>13</b>
<b>Net book value</b>	
At 28 February 2016	13
<b>At 26 February 2017</b>	<b>13</b>

The Directors believe that the carrying value of the other investments is supported by their underlying net assets

Details of the subsidiary undertaking at the period end is as follows:

Subsidiary undertaking	Country of incorporation	% shares held	Nature of business
Edinburgh Butterfly Farm Limited	Scotland	100%	Tourist Attraction

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 14. Inventory

	2017	2016
	£000's	£000's
Goods for resale	18,710	18,251

### 15. Trade and other receivables due after one year

	2017	2016
	£000's	£000's
Amounts due from group companies	172,085	-

### 16. Trade and other receivables due within one year

	2017	2016
	£000's	£000's
Trade debtors	530	760
Amounts owed by group companies	9,181	101
Prepayments	471	3,036
Corporation tax	-	1,866
Other receivables	1,596	389
<b>Total</b>	<b>11,778</b>	<b>6,152</b>

### 17. Trade and other payables due within one year

	2017	2016
	£000's	£000's
Trade creditors	(14,420)	(9,814)
Amounts owed to group undertakings	(7,209)	(60,069)
Other taxation and social security	(4,098)	(1,095)
Corporation tax creditor	(281)	-
Other creditors & provisions	(17,607)	(9,755)
<b>Total</b>	<b>(43,615)</b>	<b>(80,733)</b>

### 18. Trade and other payables due after one year

	2017	2016
	£000's	£000's
Amounts owed to group companies	(49,137)	(183)

### 19. Provisions

	2017	2016
	£000's	£000's
<b>Dilapidations provision</b>		
Opening	-	-
Created in the period	(816)	-
Utilised in the period	-	-
<b>Closing</b>	<b>(816)</b>	<b>-</b>



## DOBBIES GARDEN CENTRES LIMITED

### Notes to the financial statements

#### 20. Operating leases

The Company leases 28 garden centre properties from group companies. The aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

##### As at 26 February 2017

	Land & Buildings	Total
	£000's	£000's
No later than 1 year	11,324	11,324
Later than 1 year and no later than 5 years	45,297	45,297
Later than 5 years	163,259	163,259
<b>Total</b>	<b>219,880</b>	<b>219,880</b>

The Company leases a number of pieces of land under non-cancellable operating lease agreements. The lease terms are between 0 and 8 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

The aggregate minimum lease payments under non-cancellable operating leases are as follows:

##### As at 26 February 2017

	Land & Buildings	Total
	£000's	£000's
No later than 1 year	22	22
Later than 1 year and no later than 5 years	30	30
Later than 5 years	13	13
<b>Total</b>	<b>65</b>	<b>65</b>

##### As at 28 February 2016

	Land & Buildings	Total
	£000's	£000's
No later than 1 year	22	22
Later than 1 year and no later than 5 years	30	30
Later than 5 years	36	36
<b>Total</b>	<b>88</b>	<b>88</b>

# DOBBIES GARDEN CENTRES LIMITED

## Notes to the financial statements

### 21. Deferred tax

	2017 £000's	2016 £000's
<b>Deferred tax assets / (liabilities):</b>		
Provision at start of period	(898)	(1,542)
Adjustment in respect of prior years	(427)	(99)
Deferred tax charge to I/S for the period	5,229	743
Provision at end of period	<b>3,904</b>	<b>(898)</b>
 Fixed assets	 3,906	 (1,080)
Temporary differences trading	(2)	182
<b>Deferred tax asset / (liability) at end of period</b>	<b>3,904</b>	<b>(898)</b>

The deferred tax asset has been recognised in full on the basis there is sufficient evidence of future taxable profits within the company that will be offset against the reversal of the fixed asset temporary differences.

### 22. Issued share capital

	2017 £000's	2016 £000's
Allotted, called up and fully paid:		
17,038,509 Ordinary shares of 10p each (2016: 17,038,509)	<b>1,704</b>	<b>1,704</b>

### 23. Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund and contribution costs for the year which were charged to the Income Statement were £575,285 (2016: £523,970). Outstanding pension contributions at the year-end amounted to £89,197 (2016: £49,087).

### 24. Ultimate parent undertaking and controlling parties

The Company's immediate parent undertaking at the balance sheet date was DanAtAugusta Bidco Limited.

The Company's ultimate parent undertaking and controlling party at the balance sheet date was DanAtAugusta Equityco Limited, which is registered in Jersey. Its registered address is 22 Grenville Street, St Helier, Jersey, JE4 8PX.