Dobbies Garden Centres Limited

Annual Report and Financial Statements

For the 52 weeks ended 24 February 2019

Registered Number:SC010975

DOBBIES GARDEN CENTRES LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2019

The Directors present their Strategic Report of Dobbies Garden Centres Limited (the "Company") for the 52 weeks ended 24 February 2019 (prior period 52 weeks ended 25 February 2018).

Business review and principal activities

The principal activity of the Company is the operation of garden centres in the United Kingdom.

The Directors' strategic plan is to lead the future of garden centre retailing. Dobbies differentiates itself as a leading destination garden centre group through range authority, a best-in-class hospitality experience and strong concession relationships. Growth, both through acquisition and organically, will provide the platform to shape that future.

In line with this plan, the Company acquired a further six garden centres (including Woodcote Green Nurseries (Holdings) Limited, who own Woodcote Green Nurseries Limited, one of the UK's top garden centres) and disposed of two non-core assets during the year. The Company has since acquired a further 31 centres following the year end resulting in a total estate of 69 centres.

Results and dividends

The results for the year show net sales of £161.5m (2018: £148.3m) and a profit before tax of £0.1m (2018: profit of £5.1m), with underlying operating profit before exceptional items of £2.4m (2018: £3.1m). The Directors do not recommend payment of a dividend for the 52 weeks ended 24 February 2019 (2018: £nil). The retained loss for the 52 weeks ended 24 February 2019 amounted to £0.8m (2018: Profit £5.6m).

Principal risks and uncertainties

We manage our key risks strategically at Dobbies Garden Centres Group Limited (the "Group") Board level and operationally via weekly senior leadership team meetings. Our key risks are as follows:

These risks can be categorised as:

- Weather
- Supply chain
- Competition
- Interest rate and foreign exchange risk
- Cyber security and data protection
- Brexit

Weather: This is a key risk to the Group due to the seasonal nature of the sale of plants, gardening and outdoor living products. Adverse weather can lead to reduced footfall, impacting both profit and stock levels. Contingency plans are in place.

Supply chain: We have a diversified international supply chain which is managed through a rigorous procurement process with end-to-end safety checks and quality assurance processes. We have ensured that there is no risk of a single point of failure risk.

Competition: The Group competes with a variety of retailers including other garden centres, DIY retailers and, in some categories, supermarkets and discount retailers. We closely monitor our position and remain competitive on range, value, quality and service.

Interest rate and foreign exchange risk: Some of our products are globally sourced and as such we are exposed to the risks associated with international trade. We hedge our exposure and manage risk through forward contracts and an interest rate cap.

Cyber security and data protection: These continue to be managed by robust IT security measures and the implementation of a GDPR compliance programme in 2018.

Principal risks and uncertainties (continued)

Brexit: As at the date of this report, the terms on which the UK will depart from the EU ("Brexit") remain uncertain. Brexit does not pose a significant risk to the Group but may have an impact upon supply chain and foreign exchange risk. On the basis that customs procedures are in place and tariff rates are adjusted to ensure no net increase in duty costs to consumers, we believe there will be no resultant material cost increases or operational disruption. As a contingency, our key overseas suppliers have provided assurance in relation to alternative delivery plans. We continue to monitor the position and will manage these risks and uncertainties appropriately.

Key performance indicators (KPIs)

We use a variety of KPI's to monitor and drive the performance of the business, in addition to sales, profit and free cash. These include footfall (up 3%), garden centre transactions (down 0.2%), garden centre ATV (up 5.7%), restaurant transactions (up 0.2%) and restaurant ATV (down 0.2%).

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.

By order of the Board

DM Harding

Debbie Harding
Company Secretary
27 November 2019

DOBBIES GARDEN CENTRES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2019

The Directors present their Report and the audited financial statements of Dobbies Garden Centres Limited (the "Company") for the 52 weeks ended 24 February 2019 (prior period 52 weeks ended 25 February 2018).

Business performance, future outlook and principal risks and uncertainties

The results for the year are set out in the Income Statement on page 10. 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 (2018: nil).

Future outlook

The acquisition of six new garden centres in the current financial year, followed by a further 31 after the year end, brings several significant new opportunities.

The Company continues to differentiate its retail offer and is evolving its hospitality offerings. For example, soft play facilities have proven to be extremely popular with customers and continue to be rolled out across the estate. There is a strong concessions pipeline and continued income growth is expected.

Going concern

As at the balance sheet date of 24 February 2019 the company showed a current net liabilities position of £25.5m (25 February 2018: current net liabilities of £13.2m).

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.

In addition, the Group has a further £47.8m of finance facilities in place which are available to the Company as required. This comprises a £15m revolving credit facility, a £15m accordion facility and a £17.8m capital expenditure facility. After the year end, the Group drew down £11.0m from the revolving credit facility, this was repaid in full on 28 May 2019, and £8.2m from the capital expenditure facility. On 20 May 2019 the Group's Senior Term and Revolving Facilities agreement was updated to provide additional facilities.

Research and development

The Company does not undertake any research and development activities (2018: none).

Employees

The Company depends on the skills and commitment of its employees in order to achieve its objectives and has a learning and development programme in place. The Group is committed to equal opportunities and all decisions are based on merit. Internal communications are designed to ensure that employees are well informed about the business.

The Company had 2,811 employees on average during the 52 weeks ended 24 February 2019 (2018: 2,789).

DOBBIES GARDEN CENTRES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2019 (continued)

Directors and their interests

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

Andrew Bracey
David Burgess
Aidan Clegg
Neil Currie
Elizabeth Sharon Glass (appointed 9 August 2018; resigned 20 March 2019)
Frederick Goltz
Graeme Jenkins
Fiona Larkin (appointed 24 October 2019)
Nicholas Marshall (resigned 9 August 2018)

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

The Company has maintained a directors' and officers' liability insurance policy throughout the financial period which includes cover for the Directors of the Company.

Disclosure of information to auditors

Each Director who is a Director of the Company at the date of approval of this Annual Report and Financial Statements 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.

EY LLP offer themselves for reappointment as auditors in accordance with section 485(4) of the Companies Act 2006. A resolution to reappoint them will be proposed at a forthcoming Board meeting.

By order of the Board

DMHarding

Debbie Harding
Company Secretary
27 November 2019

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

Opinion

We have audited the financial statements of Dobbies Garden Centres Limited for the 52 week period ended 24 February 2019 which comprise the Income Statement, the Statement of Financial Position and the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. 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".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 24 February 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOBBIES GARDEN CENTRES LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOBBIES GARDEN CENTRES LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Edinburgh
29 November 2019

DOBBIES GARDEN CENTRES LIMITED

Income Statement

For the 52 weeks ended 24 February 2019

	Notes	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Turnover		161,475	148,294
Cost of sales		(81,834)	(74,494)
Gross profit		**79,641**	**73,800**
Administrative expenses		(87,751)	(79,657)
Other operating income		7,145	6,776
Operating (loss)/profit	5	**(965)**	**919**

Analysed as:			
Underlying operating profit		2,391	3,102
Exceptional items	7	(3,356)	(2,183)
		(965)	**919**

Investment income	8	-	1,616
Net gain on disposal of assets	9	415	273
Finance income	10	6,240	5,761
Finance costs	11	(5,597)	(3,516)
Profit on ordinary activities before tax		**93**	**5,053**
Tax (charge)/credit	12	(923)	520
(Loss)/Profit for the financial year		**(830)**	**5,573**

All results relate to continuing operations.

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

The notes on pages 13 to 29 form part of these financial statements.

DOBBIES GARDEN CENTRES LIMITED

Statement of Financial Position

As at 24 February 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Intangible fixed assets	14	7,914	711
Property, plant and equipment	15	72,557	31,160
Investments	16	33,185	-
Amounts due from other group companies	17	187,304	181,082
Prepaid rent		562	689
Deferred tax asset	24	153	4,402
Total non-current assets		**301,675**	**218,044**
Current assets			
Inventory	18	23,677	20,178
Debtors: amounts falling due within one year	19	4,369	10,951
Cash at bank and in hand		7,478	7,313
Total current assets		**35,524**	**38,442**
Total assets		**337,199**	**256,486**
Current liabilities			
Creditors: amounts falling due within one year	20	(60,848)	(51,605)
Deferred consideration	13	(98)	-
Total current liabilities		**(60,946)**	**(51,605)**
Net current liabilities		**(25,422)**	**(13,163)**
Total assets less current liabilities		**276,253**	**204,881**
Non-current liabilities			
Amounts due to other group companies	21	(119,467)	(47,470)
Provisions	22	(1,021)	(816)
Total non-current liabilities		**(120,488)**	**(48,286)**
Total liabilities		**(181,434)**	**(99,891)**
Net assets		**155,765**	**156,595**
Capital and reserves			
Share capital	25	1,704	1,704
Share premium		122,159	122,159
Retained earnings		31,902	32,732
Total equity		**155,765**	**156,595**

The financial statements on pages 10 to 29 were approved by the Board of Directors on 27 November 2019 and were signed on its behalf by:

Fiona Larkin
Director
Dobbies Garden Centres Limited, Registered Number: SC010975

DOBBIES GARDEN CENTRES LIMITED

Statement of Changes in Equity
As at 24 February 2019

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
As at 26 February 2017	**1,704**	**122,159**	**27,159**	**151,022**
Profit for the year	-	-	5,573	**5,573**
As at 25 February 2018	**1,704**	**122,159**	**32,732**	**156,595**
(Loss)/Profit for the year	-	-	(830)	**(830)**
As at 24 February 2019	**1,704**	**122,159**	**31,902**	**155,765**

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 24 February 2019 were approved by the board of directors on 27 November 2019 and the Statement of Financial Position was signed on the board's behalf by Graeme Jenkins.

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 Fourth Floor, 22-23 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 28 gives details of the company's parent and from where it's consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. IFRS 16 'Leases' is a new standard that amends FRS 101 that has been issued by the IASB which has an effective date after the date of these financial statements and has not been adopted early.

IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases. The effective date for this standard is 1 January 2019 and it becomes effective for the Company on 25 February 2019.

The adoption of IFRS 16 will result in the Company recognising a right-of-use asset and lease liability for all contracts that are, or contain, a lease. For leases currently classified as operating leases, the Company currently does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing the total future commitment. As at 24 February 2019, the Company has non-cancellable operating lease commitments of £271,278,000 (2018: £208,614,000).

The Company intends to transition to IFRS 16 applying the modified retrospective method, with no restatement of prior year comparatives, and will therefore recognise leases on the balance sheet as of 25 February 2019. The Company intends to apply the practical expedient in IFRS 16.C3 and so will not reassess whether a contract is, or contains a lease, on the date of initial application.

Notes to the financial statements

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adopting IFRS16 will result in the recognition of a right-of-use asset and corresponding liability on the balance sheet for each lease, with the associated depreciation and interest expense being recognised in the Income Statement over the period of the lease. The right-of-use asset will be assessed for impairment under IAS 36 at the date of the initial application.

The following policy choices on transition to IFRS 16 on 25 February 2019 have been made:

- The Company plans to apply IFRS 16 initially on 25 February 2019 using the modified retrospective approach
- The value of the right-of-use asset recognised on the initial application of IFRS 16 will be equal to the lease liability, adjusted for prepaid or accrued rentals
- The Company intends to use the practical expedient not to recognise short-term leases (with a term of less than 12 months) and low-value leases (where the value of the underlying asset when new is less than £3,500). These leases will continue to be classified as operating leases under IAS 17
- The lease liability at 25 February 2019 will be measured at the present value of unpaid lease payments applying an appropriate incremental borrowing rate based on the rate of interest obtainable by the Group on its external borrowings

Based on the preliminary assessment of the impact of the adoption of IFRS 16:

- There will be recognition of a right-of-use asset of £129.9m and a lease liability of £129.3m as at 25 February 2019
- It is estimated that in the next financial year that operating lease charges will reduce by £14.4m and be replaced by an increased interest charge of £11.5m and an increased depreciation charge of £6.8m

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), B64I, 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; and
  (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D 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 and 18A 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 130(f)(ii) to 130(f)(iii), 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.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

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) Business combinations and goodwill

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is tested for impairment at least once per year.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

c) 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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

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

d) 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 net of returns and discount. Commission income is recorded based on the terms of the contracts.

The Company operates a loyalty programme which allows customers to accumulate points when they purchase products which are then converted into vouchers every six months. Following the adoption of IFRS 15, it has been concluded that the loyalty programme gives rise to a separate performance obligation since it provides a material right to the customer. The Company is required to allocate a portion of the transaction price to the loyalty programme based on the relative standalone selling price, with the balance of the transaction price being released from deferred revenue in line with expected redemption rates.

e) Other operating income

Other operating income consists of income from concession partners.

f) Exceptional items

The Company considers that underlying operating profit is the most useful non-statutory profit measure of operating performance since it eliminates the impact of certain non-recurring items which it deems to be exceptional. Transactions will be classified as exceptional items if they relate to company restructuring activities such as significant changes to operational management and other one-off costs associated with the reorganisation of the estate; acquisition costs including professional fees and integration costs; and gains or losses associated with changes to deferred and contingent consideration on acquisitions.

g) 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.

h) Group relief on taxation

The Company is a member of a group for the purposes of group relief under Part 5 of the Corporation Tax Act 2010. Payment is received for group relief losses surrendered to other group companies and payment is charged for group relief losses claimed from other group companies. The value of the payment is determined by the amount of corporation tax saved by reason of the group relief being surrendered or claimed.

i) 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.

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

i) Deferred tax (continued)

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.

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.

j) 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.

k) Property, plant and equipment

Land and buildings are measured at cost less accumulated depreciation on buildings.

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.

2.2 Summary of significant accounting policies (continued)

l) 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.

m) Fixed asset investments

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

n) 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 indicators of impairment in accordance with IAS 36 "Impairment of Assets". Any impairment is recognised in the Income Statement in the period in which it occurs.

o) 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.

p) 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 Income Statement for the period.

q) Pensions

The Company operates a defined contribution scheme. Contributions to this scheme are charged to the Income Statement as they become payable.

r) 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.

2.2 Summary of significant accounting policies (continued)

s) 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.

t) 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 present obligation resulting in a dilapidations provision in which 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.

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 or estimates have had the most significant effect on amounts recognised in the financial statements:

Carrying value of goodwill

The Company is required to a make a judgement as to whether there is any impairment of goodwill. This requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and to select a suitable discount rate in order to calculate the present value. Full details of the assumptions used are disclosed in note 14. As at period end, the carrying value was £7.1m (2018: £nil).

3. Significant accounting judgements, estimates and assumptions (continued)

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 £72.6m (2018: £31.2m) as disclosed in note 15.

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

Operating profit is stated after charging:	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Depreciation of tangible fixed assets	2,709	2,485
Amortisation of intangible fixed assets	229	226
Cost of inventories recognised as an expense (included in cost of sales)	74,547	72,374
Operating lease charges payable to group companies	11,306	11,310
Operating lease charges payable to third parties	956	22
Services provided by the Company's auditor:		
Fees payable for the audit	99	80
Taxation services	184	50

6. Staff costs

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

	Average number of employees		Average number of full-time equivalents	
	52 weeks to 24 February 2019	52 weeks to 25 February 2018	52 weeks to 24 February 2019	52 weeks to 25 February 2018
Office and management	481	463	478	454
Other employees	2,330	2,270	1,507	1,436
Total	**2,811**	**2,733**	**1,985**	**1,890**

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Wages and salaries	37,598	35,784
Social security costs	2,385	2,329
Other pension costs	712	628
Staff costs	**40,695**	**38,741**

Directors emoluments

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Aggregate emoluments	287	660
Highest paid director – total aggregate emoluments	227	202

Notes to the financial statements

7. Exceptional items

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Restructuring costs	73	1,848
Acquisition costs	3,283	335
	3,356	**2,183**

The items below were deemed to be non-recurring and have been disclosed separately to ensure the underlying performance of the business is clearly identified:

a) Restructuring costs – during the year to 24 February 2019 the Company incurred £0.1m of costs associated with restructuring the operational management; and other one-off costs associated with property financing and projects (2018: £1.8m of costs associated with restructuring the operational management).

b) Acquisition costs – the Company incurred costs during the year to 24 February 2019 associated with the acquisition of Woodcote Green Nurseries (Holdings) Ltd and five garden centres from Wyevale Garden Centres Ltd of £2.6m; integration costs associated with these acquisitions of £0.4m; and abortive acquisition costs of £0.3m (2018 - abortive acquisition costs £0.3m).

8. Investment income

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Dividends from Edinburgh Butterfly Farm Limited	-	1,616

9. Net gain on sale of fixed assets

The net gain on disposal of fixed assets for the 52 weeks ended 24 February 2019 was £0.4m (2018: £0.3m).

10. Finance income

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Interest receivable on loans to group companies	6,222	5,735
Interest receivable on bank deposits	18	26
Total finance income	**6,240**	**5,761**

11. Finance costs

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Interest payable on loans from group companies	5,570	3,516
Finance charge on provision	27	-
Total finance costs	**5,597**	**3,516**

Notes to the financial statements

12. Income tax

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Current tax:		
Current tax on profits for the year	-	39
Adjustments in respect of prior years	771	(61)
Total current tax charge/(credit)	**771**	**(22)**
Deferred tax:		
Current year	999	987
Adjustments in respect of prior years	(742)	(1,231)
Effect of changes in tax rates	(105)	(254)
Total deferred tax credit	**152**	**(498)**
Tax charge/(credit) for the year	**923**	**(520)**

Factors affecting the total tax charge for the current period. The charge for the year can be reconciled to the profit in the Income Statement as follows:

	52 weeks to 24 February 2019 £000	52 weeks to 25 February 2018 £000
Profit for the year– continuing activities	**23**	**5,053**
Tax on profit at standard UK tax rate of 19.00% (2018: 19.09%)	18	965
Effects of:		
Adjustments in respect of prior years	29	(1,292)
Expenses not deductible	818	370
Non-taxable income	-	(309)
Tax rate changes	58	(254)
Tax charge/(credit) for the year	**923**	**(520)**

The main rate of corporation tax reduced from 20% to 19%, effective from 1 April 2017. The Finance Act included legislation to further reduce the rate of corporation tax to 17%, effective from 1 April 2020. The deferred tax asset in the accounts has been recognised at the rate at which timing differences are expected to reverse.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

13. Business combinations

Acquisition of five garden centres

On 31 October 2018, the Company acquired the five garden centre trade and assets of Gloucester, Heighley Gate, Huntingdon, Woodbridge and Woodlands from Wyevale Garden Centres Limited for a total consideration of £37.4m. The acquisition is in line with the Group's strategy to be the leading garden centre retailer in the UK and to grow its operations both organically and by acquisition.

The following table summarises the consideration to acquire the five garden centres and the provisional amounts of identified assets acquired and liabilities assumed at the acquisition date.

Recognised amounts of net assets acquired and liabilities assumed	**£000**
Property, plant and equipment	32,892
Inventories	1,556
Cash and cash equivalents	39
Prepayments and other receivables	218
Accruals and other payables	(224)
Dilapidations provision	(178)
Deferred tax	(4,084)
Identifiable net assets	**30,219**
Goodwill	7,141
Total consideration	**37,360**
Satisfied by:	
Cash	37,223
Deferred consideration - paid	39
Deferred consideration – still to be paid	98
Total consideration to be transferred	**37,360**
Purchase consideration paid	(37,262)
Net cash acquired	39
Net cash flow on acquisition	**(37,223)**

The goodwill arising on the acquisition is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge of the management and staff, together with benefits to the Company in merging the business with its existing infrastructure and the anticipated future operating synergies from the combination. The goodwill is not expected to be deducted for tax purposes.

A dilapidations provision of £178,000 was recognised in relation to the estimated future cost of restoring certain leased properties back to their original state.

During the current period the Company incurred £2.0m of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Income Statement for the period to 24 February 2019.

The fair value of the net assets acquired is provisional.

Notes to the financial statements

14. Intangible fixed assets

	Goodwill £000	Computer Software £000	Total £000
Cost			
As at 26 February 2017	1,842	4,314	6,156
Additions	-	290	290
As at 25 February 2018	**1,842**	**4,604**	**6,446**
Acquisitions	7,141	-	7,141
Additions	-	291	291
As at 24 February 2019	**8,983**	**4,895**	**13,878**
Accumulated amortisation			
As at 26 February 2017	(1,652)	(3,857)	(5,509)
Charge for the year	-	(226)	(226)
As at 25 February 2018	**(1,652)**	**(4,083)**	**(5,735)**
Charge for the year	-	(229)	(229)
As at 24 February 2019	**(1,652)**	**(4,312)**	**(5,964)**
Net book value			
As at 25 February 2018	190	521	711
As at 24 February 2019	**7,331**	**583**	**7,914**

Goodwill acquired through business combinations has been allocated at acquisition to cash generating units ("CGUs") that are expected to benefit from the business combination which is each individual garden centre. The carrying amount of the goodwill has been allocated to each business combination as follows:

	2019 £000	2018 £000
Gloucester, Heighley Gate, Huntingdon, Woodbridge and Woodlands	7,141	-
Total Goodwill	**7,141**	**-**

The Company tests goodwill annually for impairment or more frequently if there are indications that these might be impaired. There has been no impairment to goodwill during the year. The basis of these impairment tests including key assumptions are as follows. The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use future cash flow projections based on financial forecasts approved by the Directors.

The key assumptions for these forecasts are those which contribute to operating cash which include revenue growth and gross margin; and capital expenditure. The value in use calculations use a post-tax discount rate of 8% (pre-tax discount rate 9%) based on the Group's weighted average post tax cost of capital and having considered uncertainty risk attributable to the CGUs. Value in use calculations are based on Board approved forecasts for the next three years with the growth rates for year four and five assumed to be 3.5% and the growth rates in the cash flows beyond the five year period assumed to be 2.0%.

Notes to the financial statements

15. Property, plant and equipment

	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
As at 26 February 2017	10,506	24,235	190	17,515	52,446
Additions	2,425	7	42	4,641	7,115
Disposals	(321)	-	(47)	(21)	(389)
As at 25 February 2018	**12,610**	**24,242**	**185**	**22,135**	**59,172**
Acquisitions	24,990	5,882	-	2,020	32,892
Additions	6,219	198	113	6,617	13,147
Disposals	(1,921)	-	(49)	(530)	(2,500)
As at 24 February 2019	**41,898**	**30,322**	**249**	**30,242**	**102,711**
Accumulated depreciation					
As at 26 February 2017	(1,105)	(11,265)	(164)	(13,059)	(25,593)
Charge for the year	(246)	(376)	(22)	(1,841)	(2,485)
Disposals	18	-	47	1	66
As at 25 February 2018	**(1,333)**	**(11,641)**	**(139)**	**(14,899)**	**(28,012)**
Charge for the year	(410)	(372)	(25)	(1,902)	(2,709)
Disposals	176	-	47	344	567
As at 24 February 2019	**(1,567)**	**(12,013)**	**(117)**	**(16,457)**	**(30,154)**
Net book value					
As at 25 February 2018	11,277	12,601	46	7,236	31,160
As at 24 February 2019	**40,331**	**18,309**	**132**	**13,785**	**72,557**

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

16. Fixed asset investments

On 27 May 2017 Edinburgh Butterfly Farm Limited ("EBF") filed a special resolution to apply for voluntary liquidation and as a result the cost of the investment in EBF has been written off. On 8 May 2019 the final meeting of the liquidation was held.

Details of the subsidiary undertakings at the period end are as follows:

Subsidiary undertaking	Country of incorporation	% shares held	Nature of business
Woodcote Green Nurseries (Holdings) Limited	England	100%	Investment company
Woodcote Green Nurseries Limited	England	100%	Garden centre retailer
Edinburgh Butterfly Farm Limited	Scotland	100%	Tourist attraction – in liquidation

	2019 £000	2018 £000
Investments		
Woodcote Green Nurseries (Holdings) Limited	33,185	-

Dobbies Garden Centres Group Limited Company has a 100% equity interest in Woodcote Green Nurseries (Holdings) Limited which in turn has a 100% equity interest in Woodcote Green Nurseries Limited. Woodcote Green Nurseries (Holdings) Limited was acquired on 2 November 2018 for a total consideration of £33.2m.

17. Trade and other receivables due after one year

	2019 £000	2018 £000
Amounts due from other group companies	187,304	181,082

Amounts owed by group companies £187.3m (2018: £181.1m) represents an intercompany loan payable by DanAtAugust Propco1 Limited for the transfer of the Group's portfolio of garden centres. Interest is charged at an interest rate of 3.48% (2018: 3.37%) in line with the rate payable on the ground rent lease funding.

18. Inventory

	2019 £000	2018 £000
Goods for resale	23,677	20,178

19. Trade and other receivables due within one year

	2019 £000	2018 £000
Trade debtors	761	376
Prepayments	432	389
Other receivables	2,728	1,081
Corporation tax	437	-
Amounts due from other group companies	11	9,105
	4,369	**10,951**

Notes to the financial statements

20. Trade and other payables due within one year

	2019 £000	2018 £000
Trade creditors	(24,215)	(18,660)
Other taxation and social security	(6,431)	(3,015)
Corporation tax creditor	-	(81)
Other creditors and provisions	(16,817)	(16,026)
Amounts due to other group companies	(13,385)	(13,823)
	(60,918)	**(51,605)**

21. Trade and other payables due after one year

	2019 £000	2018 £000
Amounts due to other group companies	(119,467)	(47,470)

Non-current amounts owed to group companies of £119.5m (2018: £47.5m) is made up of loans payable to DanAtAugusta Bidco Limited and the associated interest which is charged at a rate of 8.0% (2018: 8.0%).

22. Provisions

	2019 £000	2018 £000
Dilapidations provision		
Opening	(816)	(816)
Acquisitions	(178)	-
Finance charge during the year	(27)	-
	(1,021)	**(816)**

23. Operating leases

The Company leases certain areas of land and buildings under non-cancellable operating lease agreements. During the year the Company assumed the operating lease liabilities at three garden centre sites following a business combination. The lease terms range from less than one year to the year 2025 for the car park operating leases and between the years 2037 and 2056 for the garden centre operating leases. Two of the garden centre leases have an option to renew for a further 10 years after 2040.

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

	Group Leases		External Leases	
	2019 £000	2018 £000	2019 £000	2018 £000
Land & Buildings				
No later than 1 year	11,250	11,324	2,820	22
Later than 1 year and no later than 5 years	45,000	45,297	11,305	30
Later than 5 years	139,688	151,935	61,215	6
Total	**195,938**	**208,556**	**75,340**	**58**

Payments of £11,306,000 (2018: £11,310,000) were made in the year to Group companies and payments of £956,000 (2018: £22,000) were made in the year to external parties.

Notes to the financial statements

24. Deferred tax

	2019 £000	2018 £000
Deferred tax (liabilities)/assets:		
Deferred tax asset at start of period	4,402	3,904
Adjustment in respect of prior years	729	1,231
Acquired following business combination	(4,084)	-
Deferred tax charge to Income Statement for the period	(894)	(733)
Deferred tax (liability)/asset at end of period	**(153)**	**4,402**

	2019 £000	2018 £000
Fixed assets	16	4,246
Temporary trading differences	221	240
Rollover gains	(84)	(84)
Deferred tax (liability)/asset at end of period	**(153)**	**4,402**

25. Issued share capital

	2019 Number	2018 Number
Share capital (authorised, issued and fully paid)		
- Ordinary shares of £0.10 each	17,038,509	17,038,509

	2019 £000	2018 £000
Share capital (authorised, issued and fully paid)		
- Ordinary shares of £0.10 each	1,704	1,704

26. 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 £0.7m (2018: £0.7m). Outstanding pension contributions at the year-end amounted to £0.1m (2018: £0.1m).

27. Post balance sheet event

On 9 April 2019, the Company entered into an agreement to acquire 31 garden centres from Wyevale Garden Centres Holdings Limited. As at 11 September 2019 the process to transfer all 31 stores was completed, broadening the geographical spread of the Dobbies Garden Centres Group and making it the largest garden centre retailer in the UK.

28. 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 at 22 Grenville Street, St Helier, Jersey, JE4 8PX.