

Garden Centre Property Development Trading Limited

Annual Report and Financial Statements

31 December 2017

Registered Company Number: 04118745



Garden Centre Property Development Trading Limited
Registered Number: 04118745

Annual Report and financial statements for the year ended 31 December 2017

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Garden Centre Property Development Trading Limited

Registered Number: 04118745

Officers and professional advisers

Directors

Anthony Jones

Richard MacLachlan

Company secretary

Laura Harradine-Greene

Registered office

Wyevale Garden Centres

Syon Park

London Road

Brentford

Middlesex

England

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Auditor

KPMG LLP

Arlington Business Park

Theale

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RG7 4SD

United Kingdom

Garden Centre Property Development Trading Limited
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Strategic report

The Directors present their annual report and the audited financial statements for Garden Centre Property Development Trading Limited for the year ended 31 December 2017. This financial year consists of a 53 week period that will be known as a 'year' for the purposes of these accounts (2016: 25 December 2016). The results of the Company are consolidated into Wyevale Garden Centres Capital Limited (The "Group") and the principal activity of the Group is the operation of garden centres in the United Kingdom.

Business review

The Directors are satisfied with the performance of the Company during the year as it continues to support the rest of the Group through its role as property holding company.

Key Performance Indicators ("KPIs")

As the purpose of the Company is to support other Group entities, it is the opinion of the Directors that, other than those set out in the profit and loss account for the year, there are no Key Performance Indicators for the Company whose disclosure is necessary for an understanding of the development, performance or position of the business.

Financial Result

The Directors consider the financial position at the end of the year and the result for the year to be in line with their expectation.

- Operating profit was £0.7 million (2016: £1.9 million loss).
- Profit before tax for the year was £0.4 million (2016: £2.1 million loss).
- Profit for the financial year was £0.4 million (2016: £2.2 million loss).
- Net assets at the financial year end were £7.9 million (2016: £7.5 million).

Profit on disposal of £2.7 million was recorded in 2017 relating to sale of Handcross Garden Centre.

Principal risks and uncertainties

The Directors consider the risk profile of the Company to be closely aligned to that of the overall Group as the property portfolio is managed based on the performance and requirements of the overall business, therefore the Group strategy towards risk and uncertainty is presented below.

There are a number of potential risks and uncertainties, which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historic results.

The Directors view the following as the principal risks to the Group:

- weather;
- liquidity risk, interest rate risk, foreign exchange risk and access to funding;
- price;
- credit; and
- "Brexit"

Strategic report (continued)

Principal risks and uncertainties (continued)

Weather

One of the main risks to the Group is the weather due to the nature of the principal activity of the Group which is highly seasonal. The horticulture area of the business and associated garden products is particularly susceptible to the weather with adverse weather having a negative impact on the performance mainly around our peak season, Spring – Summer.

The Directors seek to mitigate this risk by continuing to invest in the Group's restaurants and concessions which are less weather dependent, as well as other less weather dependent own retail product categories. Additionally, flexibility has been built in to the Group's cost structure to enable the business to respond to specific issues when necessary.

Liquidity risk, interest rate risk, foreign exchange risk and access to funding

Day-to-day operations of the business rely on there being adequate access to funding and maintaining liquidity, as well as enabling future business investment and growth. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group is subject to two covenant tests relating to an asset cover ratio and a net leverage ratio. The net leverage ratio will not be tested until June 2019 and thereafter on a quarterly basis. Should the Group fail to meet the covenant tests then the Group's principal financing facilities may be withdrawn. Accordingly the Board monitors carefully the forecast covenant compliance.

The Directors manage liquidity risk by maintaining adequate reserves and banking facilities in the Group, by monitoring actual and forecast cash flows continuously and matching the maturity profiles of borrowings and undrawn facilities that the Group has at its disposal to reduce further liquidity risk. The Board approves treasury policies which are controlled on a day-to-day basis by senior management within defined guidelines and limits.

The Group borrows in sterling at floating rates of interest, based on LIBOR and a commercial margin. At the start of 2017, the Group had an interest rate swap arrangement in place that expired on 31 March 2017. The Group buys forward rate foreign currency contracts when necessary and hedges against the movement in the United States dollar exchange rate by purchasing forward rate foreign exchange contracts for the total amount required.

Price risk

Due to the nature of the Group's business being retail it is heavily dependent on suppliers and their associated cost prices. If suppliers were to increase their prices the business would have to decide whether to pass these prices on to customers (if they thought this would not impact demand) or whether to seek alternative suppliers.

The Group has good relationships with all main suppliers having developed relationships over many years. The size and scale of the Group's business means that it is well placed in negotiating prices and contracts are for a sufficient term to reduce any exposure to price changes.

Garden Centre Property Development Trading Limited

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Strategic report (continued)

Principal risks and uncertainties (continued)

Credit risk

The Company's principal financial assets are trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's credit risk is attributable to inter-company receivables, which are not considered to bear significant risk.

"Brexit" risk

Management believes the United Kingdom European Membership referendum on 23rd June 2016, which resulted in the decision to "leave the European Union" is a risk to the Group. Although there may be new opportunities arising from new networks of trade agreements, the Company will continue to assess the transition arrangements in relation to Article 50 and new regulatory frameworks, in order to pro-actively mitigate any threats to growth, competitiveness and financial stability.

Management expect that the key risks and impact to the Company would lie in the overall impact Brexit may have on the UK economy and consumer confidence, as well as volatility of foreign exchange rates in respect of goods purchased from overseas in foreign currencies. The Company is not overly exposed to direct foreign exchange impacts on purchases as the majority of purchases are either domestic or contracted in pounds sterling however, the Company does have an additional indirect exposure through suppliers whose primary cost base is not in pounds sterling. Whilst an impact on labour availability is expected, the Company does not have a significant reliance on EU labour and therefore we anticipate that the impact on the overall business will be minimal. The Company will continue to monitor closely the financial impact of these risks and react as necessary.

Post balance sheet events

On 22 May 2018, the Wyevale Garden Centres Group was put up for sale by Terra Firma, the ultimate parent undertaking as it seeks to complete a full exit for investors from its third fund, TFCPIII. Christie & Co, the specialist business property advisor, has been appointed to explore a wide range of sales options for the business, from a sale of the whole business right through to individual garden centres.

Since the announcement of the sale process, a number of sale transactions have completed resulting in the sale of 4 garden centres in the Company, some of which have been sold as individual transactions and some have been part of larger transactions. The majority of the proceeds from these transactions have been used to repay a significant amount of Group external debt.

Going concern

The company has reported net current liabilities. The directors have prepared the accounts on the going concern basis because the company's ultimate parent company, Wyevale Garden Centres Capital Limited, intends to provide the necessary level of funding to the company to enable it to pay its debts as they become due or should the debtor seek repayment for a period of not less than twelve months from the signing of the Report and Financial Statements of the company for the year ended 31 December 2017. However, the directors also note that the Report and Financial Statements of Wyevale Garden Centres Capital Limited signed on 24 January 2019 include a material uncertainty in respect of going concern.

Strategic report (continued)

Going concern (continued)

The directors of the company have concluded that the financial position of Wyevale Garden Centres Capital Limited results in a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the company were unable to continue as a going concern. The full text of the disclosure included in the strategic report of the Wyevale Garden Centres Capital Limited financial statements is as follows:

The Group monitors cash flow very closely on a day-to-day basis with a range of tools comprising a short term 13 week forecast, a monthly budget/forecast and a longer term corporate model. Forecast covenant compliance is also monitored carefully. This enables the Board to assess whether the Group will be able to meet its liabilities as they fall due.

The Board are encouraged by the Group's proven ability to execute asset disposals throughout 2018, during which period, the Group successfully completed the disposal of 43 properties (plus two parcels of land) for £183 million pounds (plus £9m proceeds from sale of working capital) and there are further disposals underway. The Board note that this has enabled the Group to repay a significant amount of external debt.

The Group has also received interest from potential purchasers of the entire share capital of the Group. This interest is being considered in parallel with the process to sell specific assets from the Group.

On 19 December 2018, the Group secured a further amendment to the banking facility which included a new package of financial covenants to reflect the new financial position of the Group.

The Board has assessed the ability of the Group to meet its liabilities as they fall due for a period of 12 months from the date of approval of these financial statements. The Board note that there is a material uncertainty concerning the ability of the Group to meet its liabilities as they fall due as this is, in part, potentially dependent on the sale of a small number of garden centres. Full details can be found in note 3 to the financial statements together with details of the plans the group are following in response to these uncertainties, which may include the sale of the Group.

The Directors have a reasonable expectation that the plans in place will ensure the Group will have sufficient liquidity to meet its commitments as and when the liabilities fall due and have concluded that the preparation of the financial statements on a going concern basis is appropriate.

Full details can be found in note 3 to the financial statements.

Approved by the Board of Directors on 11 February 2019 and signed on behalf of the Board:



Anthony Jones
Director

Garden Centre Property Development Trading Limited
Registered Number: 04118745

Directors' report

Principal activity

The principal activities of the Company during the year were that of a property holding company for the Group.

Directors

The Directors who served during the year and subsequently were as follows:

Roger McLaughlan (resigned 1st February 2019)
Anthony Jones
Richard MacLachlan (appointed 1st February 2019)

Officers

The Company Secretaries who served during the year and subsequently were:

Laura Harradine-Greene (appointed 1st February 2018)
Mary Elizabeth Bourlet (resigned 1st February 2018)

Dividends

The Company paid £nil dividends in the year (2016: £nil)

Health and safety

The Group, of which the Company is a member, has a policy to protect, so far as is reasonably practical, the health and safety and welfare of all of its employees, customers and other visitors to its premises and to comply with relevant health and safety legislation. The Group has a comprehensive health and safety policy which is reviewed and updated regularly. Risk assessments are undertaken to assess hazards and whom they affect. A formal structure of audit and management reporting exists with a monitoring process which is regularly reviewed by the Directors.

Environmental policy

The Group, of which the Company is a member, is committed to reducing the impact on the environment of the products it sells and continues actively to promote peat-free growing media, FSC timber and is working with suppliers to engage on the key issues affecting their products. The Group is also committed to reducing its CRC emissions and the Directors have adopted a policy to reduce emissions within each garden centre and to invest in energy saving initiatives.

Employee involvement

The Group, of which the Company is a member, has an open policy on the communication of information to employees concerning factors affecting their interests as employees and also the development of the Group. It consults employees on a regular basis to ensure that their views are taken into account in making decisions on matters likely to affect their interests.

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Directors' report (continued)

Disabled employees

The Group, of which the Company is a member, has a policy to give full and fair consideration to suitable applications for employment by disabled persons, having regard to particular aptitudes and abilities. Disabled employees are eligible to participate in all training, career development and promotion opportunities available to all staff. Opportunities also exist for employees of the Group who become disabled, to continue their employment or to be trained in other positions in the Group.

Policy on payment of suppliers

The Group, of which the Company is a member, has a policy concerning the payment of suppliers to agree terms of payment at the start of business with each supplier and to adhere to these terms in accordance with the contractual obligations.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

KPMG LLP has expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors on 11 February 2019 and signed on behalf of the Board:



Anthony Jones
Director

Statement of Directors' responsibilities in respect of the Strategic Report, The Directors' Report and the financial statements

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 year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Garden Centre Property Development Trading Limited

Opinion

We have audited the financial statements of Garden Centre Property Development Trading Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and loss account, Statement of comprehensive income/(expense), Balance sheet and Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements. This note explains that the company is reliant on the parent for financial support but the ultimate parent company has reported uncertainties over its ability to meet its own liabilities as they fall due, which is, in part, potentially dependent on the sale of a small number of garden centres and other plans the group are following in response to these uncertainties, which may include the sale of the group. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and parent company were unable to continue as a going concern.

Our opinion is not modified or qualified in respect of this matter.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent auditor's report to the members of Garden Centre Property Development Trading Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

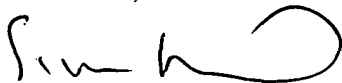
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Garden Centre Property Development Trading Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



**Simon Baxter (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

13 February 2019

Garden Centre Property Development Trading Limited
Registered Number: 04118745

Profit and loss account
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Turnover	4	663	648
Operating expenses		(2)	(2,518)
Non-recurring items included within operating expenses:			
Impairment charge for the year	5	2,475	2,247
Sale of assets	5	(2,653)	-
Operating profit/(loss)	6	661	(1,870)
Interest payable and similar charges	7	(225)	(259)
Profit/(loss) before tax		436	(2,129)
Tax charge	8	(4)	(83)
Profit/(loss) for the financial year		432	(2,212)

All of the results are from continuing operations.

The accompanying notes form an integral part of these financial statements.

Garden Centre Property Development Trading Limited
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Statement of comprehensive income/(expense)
For the year ended 31 December 2017

	2017	2016
	£'000	£'000
Profit/(loss) for the financial year	432	(2,212)
Total comprehensive income/(loss) for the year attributable to the Owners of the Company	<u>432</u>	<u>(2,212)</u>

The accompanying notes form an integral part of these financial statements.

Garden Centre Property Development Trading Limited
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Balance sheet
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investment properties	10	8,430	12,144
Investments	11	148	148
		<u>8,578</u>	<u>12,292</u>
Current assets			
Debtors - due within one year	12	-	112
Deferred tax asset	15	13	11
Cash at bank		47	525
		<u>60</u>	<u>648</u>
Creditors: Amounts falling due within one year:			
Trade and other payables	13	(749)	(371)
Borrowings	14	-	(353)
		<u>(749)</u>	<u>(724)</u>
Net current liabilities		<u>(689)</u>	<u>(77)</u>
Creditors: Amounts falling due after more than one year:			
Borrowings	14	-	(4,759)
Net assets		<u>7,889</u>	<u>7,457</u>
Capital and reserves			
Called-up share capital	16	1,292	1,292
Share premium account		11,949	11,949
Capital redemption reserve		13	13
Share option reserve		-	-
Retained deficit		(5,365)	(5,797)
Total shareholders' funds		<u>7,889</u>	<u>7,457</u>

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 11 February 2019. They were signed on its behalf by:



Anthony Jones
Director

Garden Centre Property Development Trading Limited*Registered Number: 04118745***Statement of changes in equity****As at 31 December 2017**

	Share capital account £'000	Share premium account £'000	Capital redemption reserve £'000	Share option reserve £'000	Profit and loss account £'000	Total £'000
Balance at 27 December 2015 restated	1,292	11,949	13	398	(3,983)	9,669
Transfer of reserves	-	-	-	(398)	398	-
Total comprehensive loss for the year	-	-	-	-	(2,212)	(2,212)
Balance at 25 December 2016	1,292	11,949	13	-	(5,797)	7,457
Total comprehensive profit for the year	-	-	-	-	432	432
Balance at 31 December 2017	1,292	11,949	13	-	(5,365)	7,889

The accompanying notes form an integral part of these financial statements.

Garden Centre Property Development Trading Limited
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Notes to the financial statements
For the year ended 31 December 2017

1. General information

Garden Centre Property Development Trading Limited is a Company incorporated in the United Kingdom under the Companies Act 2006.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Wyevale Garden Centres Capital Limited. The group accounts of Wyevale Garden Centres Capital Limited are available to the public and can be obtained as set out in note 19.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared financial statements in accordance with FRS 101 (Financial Reporting Standard 101 "Reduced Disclosure Framework" as issued by the Financial Reporting Council consistently in the current and prior year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information of certain assets, financial instruments, presentation of a cash-flow statement, standards not yet effective and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Wyevale Garden Centres Capital Limited. The Group accounts of Wyevale Garden Centres Capital Limited are available to the public and can be obtained as set out in note 19.

The financial statements have been prepared under the historical cost basis.

The Company has opted to apply Section 390 (3) of the Companies Act 2006. This permits the Company to end its financial year on 31 December 2017 (2016: 25 December 2016) as it is not more than 7 days after or before the end of the year dated 31 December 2017 (2016: 31 December 2016).

Going concern

The company has reported net current liabilities. The directors have prepared the accounts on the going concern basis because the company's ultimate parent company, Wyevale Garden Centres Capital Limited, intends to provide the necessary level of funding to the company to enable it to pay its debts as they become due for a period of not less than twelve months from the signing of the Report and Financial Statements of the company for the year ended 31 December 2017. However, the directors also note that the Report and Financial Statements of Wyevale Garden Centres Capital Limited signed on 24 January 2019 include a material uncertainty in respect of going concern. The directors of the company have therefore concluded that the financial position of Wyevale Garden Centres Capital Limited results in a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the company were unable to continue as a going concern. The full text of the disclosure included in the basis of preparation of the Wyevale Garden Centres Capital Limited financial statements (note 3) is as follows:

Notes to financial statements (continued)
For the year ended 31 December 2017

1. General information (continued)

Going concern (continued)

The financial statements are prepared on a going concern basis notwithstanding that the Group has reported an operating loss of £60.4 million for the year ended 31 December 2017 (2016: £74.1 million), which includes £59.2 million of non-recurring items, primarily the non-cash write down of the carrying value of fixed assets. Accordingly, cash from operating activities is significantly improved with an inflow of £2.4 million in the year ended 31 December 2017 (2016: £23.5 million outflow).

The Board has prepared cash flow forecasts for the period ending 31 January 2020 and assessed the ability of the Group and Company to meet its liabilities as they fall due in the 12 month period from the date of the approval of these financial statements. In making this assessment the Board considered the following factors.

(a) Strategic developments since year end

On 22 May 2018, the Group was put up for sale by Terra Firma, the ultimate parent undertaking as it seeks to complete a full exit for investors from its third fund, TFCP III. Christie & Co, the specialist business property advisor, was appointed to explore a wide range of sales options for the business, from a sale of the whole business to any of the 145 individual garden centres.

The Sale Process has been successful for the Group. First round bids were received on 26 June 2018 and there were over 1,000 offers on the 145 centres for sale (£148 at the start of the year). At the date of the approval of the financial statements 43 sites have been sold (plus 2 parcels of excess land), for gross proceeds of £183 million and there are further site disposals underway.

The Group has also received interest from potential purchasers of the entire share capital of the Group. This interest is being considered in parallel with the process to sell specific assets from the Group. Until this process is finalised there remains some uncertainty around the future financial position of the Group.

In the period since 31 December 2017, debt has reduced considerably. A £120 million term loan provided by one lender has been fully repaid from disposal proceeds, and the Revolving Credit Facility has been partially repaid.

The Group's lenders have been extremely supportive throughout the year and agreed to several amendments to the banking facilities. On 19 December 2018, the Group secured a further amendment to the banking facility which included a new package of financial covenants to reflect the new financial position of the Group.

Full details of the maturity of the Group's facilities can be found in note 18. None of the Group's financing facilities as at 31 December 2017 mature within 12 months of the date of approval of these financial statements.

As at the date of the approval of the financial statements the Group had drawn £18.6 million from its £19.5 million (reduced from £30.0m at year end) Revolving Credit Facility but had cash balances of £17.6 million available to the business along with other cash balances of £2.7 million (predominantly cash in transit) and is not in breach of any of its financial covenants.

Notes to financial statements (continued)
For the year ended 31 December 2017

1. General information (continued)

Going concern (continued)

(b) Risks and uncertainties

The current cash flow forecasts, which incorporate the seasonality of the business suggest the Group may experience liquidity issues from time to time during the 12 month period from the date of approval of these financial statements if anticipated asset disposals are not realised. However if a small number of disposal transactions that are already at an advanced stage but not yet exchanged are realised the risk that the Group may experience liquidity issues will be significantly reduced. As the sales depend on external factors there remains a risk that the number of sales necessary will not be concluded in a manner that enables the Group to manage liquidity to enable liabilities to be paid as they fall due.

Whilst care is taken to ensure cash flow forecasts are as representative as possible of the likely outcome, there are also some uncertainties with regards to the achievement of the underlying operational forecasts. This is particularly relevant in the sector within which the Group operates, as despite being a highly resilient sector which is experiencing growth, it is a highly seasonal sector that is also subject to weather related volatility within the key selling seasons. Historical trends demonstrate that any material variation to expectations at key points in the season, be that positive or negative, tend to return to minor year-on-year variations by the time the year is finished.

The achievement of operational forecasts is also impacted by consumer sentiment and this can have an adverse effect on consumer spending at the Group. Further, the Group's sales projections, the key driver of future financial performance, assume sales uplifts against specific actions and initiatives, the return for which cannot be guaranteed. The changes in the business composition since 31 December 2017 may also mean that actual outcomes could vary more greatly from forecast in the short term until a stable operating base is firmly established. Failure to achieve operational forecasts may have further implications in respect of the Group's liquidity, as well as its compliance with its obligations in respect of its borrowing facilities, particularly in respect of financial covenants.

(c) Conclusion

Whilst there are risks and uncertainties as outlined above, the Directors are greatly encouraged by the achievements in 2018, and believe that the actions currently underway will reduce these potential risks and uncertainties, enabling the Group to have adequate resources to continue to meet its liabilities as and when they fall due in the 12 month period from the date of approval of these financial statements. The directors therefore believe that it remains appropriate to prepare these financial statements on a going concern basis.

Nevertheless, the directors have considered ISA 570 and concluded that the circumstances outlined above, including the requirement to sell additional sites and the possibility of the sale of the group, lead to material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group and Company were unable to continue as a going concern.

Notes to financial statements (continued)
For the year ended 31 December 2017

2. Significant accounting policies

The principal accounting policies adopted are set out as follows:

Turnover

Rental income is accrued on a time basis and is recognised within 'turnover'.

Operating profit

Operating profit is stated after charging non-recurring costs but before investment income and finance costs.

Non-recurring items

Non-recurring items are incremental items of income or expenditure included within the operating results of the Group but which, individually or, if of a similar nature, in aggregate should, in the opinion of the Directors, be disclosed separately to assist an understanding the underlying performance of the Group.

Investment property

Investment property assets are carried at cost less accumulated depreciation and any recognised impairment in value. Depreciation is charged on investment property on a straight-line basis over its expected useful life:

- Freehold buildings Over 50 years on cost less residual value

The estimated residual values of assets are determined by the directors by reference to the on-going review of the condition of the assets and consideration of other factors relevant to the market values excluding inflation. Annual impairment tests are performed on these properties. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Impairment of assets

The Company reviews the carrying amounts of its assets annually to determine whether those assets have suffered an impairment loss. If any such loss exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using the Group's weighted average cost of capital.

Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the Group's cash generating units.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Notes to financial statements (continued)
For the year ended 31 December 2017

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax payable currently and deferred tax.

Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited to equity directly, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. The Company has determined the classes of financial assets and liabilities to be other receivables and other payables.

Financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Notes to financial statements (continued)
For the year ended 31 December 2017

2. Significant accounting policies (continued)

Financial assets (continued)

Other receivables

Other receivables are measured at initial recognition at their fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired.

Financial liabilities

Other payables

Other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Share capital represents the Ordinary shares issued by the Company and are recorded at the proceeds received less direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies which are described above, management have not made any significant judgements that affect the amounts recognised in the financial statements aside from the application of the assumptions below.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation and carrying amounts of investment property

Calculating the depreciation charge and hence the carrying value for investment property requires estimates to be made of the useful lives of the assets. The estimates are based on the Group's experience of similar assets. Details are set out in note 2.

Impairment of assets

Determining whether assets are impaired requires an assessment of the cash generating units ("CGU") to which assets have been allocated and an estimation of the value in use of the CGU to which assets have been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate to calculate present value.

Tax provisions

Assessing the outcome of uncertain tax positions requires judgements to be made regarding the result of negotiations with and enquiries from tax authorities. The assessments made are based on advice from independent tax advisers and the status of on-going discussions with the relevant tax authorities.

Garden Centre Property Development Trading Limited
Registered Number: 04118745

Notes to financial statements (continued)
For the year ended 31 December 2017

4. Turnover

	2017 £'000	2016 £'000
Rental income	663	648

5. Non-recurring items

	2017 £'000	2016 £'000
Impairment charge for the year	2,475	2,247
Sale of assets	(2,653)	-
	(178)	2,247

An impairment loss of £2,475,000 (2016: £2,247,000) was recorded as a result of the Company's annual impairment review of investment properties. Refer to note 10 for further details.

Profit from sale of assets relates to the profit on disposal of Handcross Garden Centre, owned by the Company.

6. Operating profit/(loss) for the financial year

	2017 £'000	2016 £'000
Operating profit/(loss) for the year has been arrived at after charging:		
Depreciation charge for the year (Note 10)	97	97
Auditor's remuneration for audit services (see below)	5	5

Fees for the audit of the Company for the year ended 31 December 2017 of £5,000 (25 December 2016: £5,000) were borne by another Group company. Fees paid to the Company's auditor for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of Wyevalc Garden Centres Capital Limited are required to disclose non-audit fees on a consolidated basis.

7. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest on bank overdrafts and loans	189	249
Inter-company interest payable	36	10
	225	259

Notes to financial statements (continued)
For the year ended 31 December 2017

8. Tax on profit/(loss)

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

	2017 £'000	2016 £'000
Current tax:		
Current tax on profits for the year	77	123
Adjustment in respect of previous year	(74)	(51)
	<u>3</u>	<u>72</u>
Deferred tax:		
Current year	5	11
Adjustment in respect of previous year	(3)	-
Effect of changes in tax rates	(1)	-
	<u>1</u>	<u>11</u>
Taxation charge	<u><u>4</u></u>	<u><u>83</u></u>

The charge for the year can be reconciled to the profit/ (loss) in the profit and loss account as follows:

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

	2017 £'000	2016 £'000
Profit/(Loss) before tax	<u>436</u>	<u>(2,129)</u>
Tax at the UK corporation tax rate of 19.25% (2015: 20%)	84	(426)
Costs disallowed	(2)	559
Prior year adjustment - corporation tax	(77)	(51)
Deferred tax change of rate	(1)	1
Current tax charge for the year	<u><u>4</u></u>	<u><u>83</u></u>

The prior year adjustments primarily relate to the reallocation of group relief between companies following a review completed in 2017.

Notes to financial statements (continued)
For the year ended 31 December 2017

9. Staff costs

The Directors and executive management team are paid by other group companies and received total emoluments of £2,578,000 during the year (2016: £3,284,000) but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, five of these individuals were accruing benefits under a defined contributions scheme (2016: nine).

10. Investment properties

	Freehold land and buildings
	£'000
Cost	
At 25 December 2016	14,586
Disposals	<u>(1,165)</u>
At 31 December 2017	<u>13,421</u>
Accumulated depreciation	
At 25 December 2016	2,442
Depreciation charge	97
Eliminated on disposal	<u>(23)</u>
Impairment charge	<u>2,475</u>
At 31 December 2017	<u>4,991</u>
Carrying amount	
At 25 December 2016	<u>12,144</u>
At 31 December 2017	<u>8,430</u>

Impairment of investment properties

The Company has determined that for the purposes of impairment testing, each centre is a cash-generating unit ("CGU"). The Group tests each CGU annually for impairment or more frequently if there are indications that the CGU might be impaired. The recoverable amounts of the CGU are based on the higher of value in use or fair value less costs of disposal. Fair values for the Group's properties were determined with the assistance of independent, professional advisors where appropriate.

The key assumptions for the value in use calculation are the discount rates, growth rates and cash flow forecasts. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Company. The growth rates are based on the Group's five year forecast, after excluding future profits generated from future capital expenditure.

Garden Centre Property Development Trading Limited
Registered Number: 04118745

Notes to financial statements (continued)
For the year ended 31 December 2017

10. Investment properties (continued)

The Group prepares detailed cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and assumes a growth rate applied into perpetuity of 2.8% (2016: 2.5%). These Group financial budgets include the properties owned by the Company.

A total impairment loss of £2.5 million (2016: £2.2 million) has been recognised in the year reflecting fluctuations expected from centre level performance in addition to the continuing challenging economic conditions. These losses were included as a non-recurring item in 2016 and 2017 within 'operating expenses'.

The fair value of investment properties held at historical cost was £11.1 million at 31 December 2017 based on the 2017 external valuation exercise (2016: £14.6 million).

11. Investments in subsidiaries

£'000

At 25 December 2016 and 31 December 2017

148

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is shown below.

Name	Country of incorporation	Percentage holding	Direct/Indirect
Gardenscape Supplies Limited	England & Wales	100%	Direct
Sage Recruitment Limited	England & Wales	100%	Direct
Prince's Garden Centres Limited	England & Wales	100%	Direct

The companies incorporated in England and Wales have the following registered address:

Wyevale Garden Centres
Syon Park
Brentford
Middlesex
England
TW8 8JF

Notes to financial statements (continued)
For the year ended 31 December 2017

12. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Other receivables	-	8
Corporation tax	-	104
	<u>-</u>	<u>112</u>

The Directors consider that the carrying amount of the other receivables approximates their fair value. Interest is charged on amounts owed by Group undertakings at 6.25% (2016: 6%).

13. Trade and other payables

	2017 £'000	2016 £'000
Amounts due to other Group companies	709	331
Other payables	40	40
Accruals	-	-
	<u>749</u>	<u>371</u>

The Directors consider that the carrying amount of the other payables approximates their fair value. Interest is charged on amounts due to Group undertakings at 6.25% (2016: 6%).

14. Borrowings

Secured borrowings at amortised cost:

	2017 £'000	2016 £'000
Term loan facility	<u>-</u>	<u>5,112</u>
The borrowings are repayable as follows:		
Due within one year	-	353
In the second to fifth years inclusive	-	4,759
After five years	<u>-</u>	<u>-</u>
Amount due for settlement after 12 months	<u>-</u>	<u>4,759</u>

The company's term loan facility was repaid in the year as part of the refinancing undertaken by the Group.

Garden Centre Property Development Trading Limited*Registered Number: 04118745***Notes to financial statements (continued)****For the year ended 31 December 2017****15. Deferred tax asset**

	Accelerated capital allowances	Total
	£'000	£'000
At 25 December 2016	11	11
Credit to income statement (Note 8)	5	5
Adjustment in respect of previous year	(3)	(3)
At 31 December 2017	13	13

As described in Note 8, the UK corporation tax rate reduced from 20% to 19% from 1 April 2017. In accordance with the Finance (No.2) Act 2016, the UK corporation rate will reduce from 19% to 17% from April 2020. As these changes had been substantively enacted at the Balance sheet date they are reflected in these financial statements.

16. Share capital

	2017	2016
	£'000	£'000
Allotted, called-up and fully paid:		
1,865,000 (2016: 1,865,000) 'A' ordinary shares of 10p each	187	187
11,055,367 (2016: 11,055,367) 'B' ordinary shares of 10p each	1,105	1,105
	<u>1,292</u>	<u>1,292</u>

The 'A' ordinary shares and 'B' ordinary shares constitute two separate classes of shares but rank pari passu to each other in all respects.

17. Remuneration of key management personnel and related party transactions

The Directors of the Company who are also the key management personnel are not remunerated by the Company. They are instead remunerated by the Group. The remuneration is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures in note 9.

At 31 December 2017 the Company was owed £nil (2016: £nil) from other Group undertakings and the Company owed £709,000 (2016: £331,000) to other Group companies (refer to notes 12 and 13).

The amounts outstanding are unsecured and will be settled in cash.

Notes to financial statements (continued)
For the year ended 31 December 2017

18. Post balance sheet events

On 22 May 2018, the Wyevale Garden Centres Group was put up for sale by Terra Firma, the ultimate parent undertaking as it seeks to complete a full exit for investors from its third fund, TFCPIII. Christie & Co, the specialist business property advisor, has been appointed to explore a wide range of sales options for the business, from a sale of the whole business right through to individual garden centres.

Since the announcement of the sale process, a number of sale transactions have completed resulting in the sale of 4 garden centres in the Company, some of which have been sold as individual transactions and some have been part of larger transactions. The majority of the proceeds from these transactions have been used to repay a significant amount of Group external debt.

19. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Garden Centres Holdings Limited, a company registered in Scotland.

The Company's ultimate parent undertaking is Wyevale Garden Centres Capital Limited, a company registered in England and Wales. This is the largest group in which the company's results are consolidated. Trellis Investments Limited is the smallest group in which company's results are consolidated.

Copies of the group financial statements of Wyevale Garden Centres Capital Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Company's ultimate owner is Terra Firma Holdings Limited a company registered in Guernsey, and the Directors consider Guy Hands to be the ultimate controlling party.