

# Capital Gardens Limited

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 December 2020



# Capital Gardens Limited

## Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15 to 27

# Capital Gardens Limited

## Company Information

<b>Directors</b>	C Campbell-Preston
	A Lamarche
	M C Dairymple (Non-Executive)
	E C Schneider (Non-Executive)
	E A Schneider (Non-Executive)
<b>Company secretary</b>	C Campbell-Preston
<b>Registered office</b>	The Garden Centre at Alexandra Palace Alexandra Palace Way London N22 7BB
<b>Auditors</b>	Hawsons Chartered Accountants Statutory Auditors Jubilee House 32 Duncan Close Moulton Park Northampton NN3 6WL

# Capital Gardens Limited

## Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020

### Fair review of the business

Capital Gardens Ltd is a plant-centric retail garden centre group currently owning and operating 5 garden centres in London and the southeast of England, along with a garden maintenance business in north London.

Capital Gardens sells high quality plants, gardening products and sundries, garden furniture and leisure products and giftware. There are cafés in three centres.

The business has weathered the economic and pandemic storm seen in 2020 and managed to prosper over the year. The two new centres of Studley Green (2018) and Sherfield (2019) have now been incorporated successfully into the group. It is expected these centres will enhance the profitability of the business in the coming years. Due to the uncertain trading climate in 2020 significant planned developments were put on hold in 2020. These were commenced in January 2021 with the building of an extension for a new exit to the shop at Neal's. The works to upgrade this centre will continue into 2021.

Group turnover was up 12.5% compared to 2019 with all the centres performing strongly. Gross profit percentage was 52% at £4.83m. Profit before tax was £811k up from £289k in 2019.

Furlough wages were taken during the periods when the business had to close and when staff were absent due to Covid restrictions. Around two thirds of these funds were given back in two tranches, one in 2020 and the other in 2021 to the employees as a bonus. All employees were kept on full pay with the usual accrued holiday throughout any lockdown periods.

Throughout 2020 Capital Gardens concentrated heavily on its ongoing business operations and through careful planning and central buying maintained a good supply of products to our customers throughout the year. This was demonstrated over the Christmas trading period when full advantage was taken of the favourable trading conditions when other competitor retailers were closed.

During the period, as a precaution against possible lockdowns the Company took a loan of £625k under the Government's Coronavirus Business Interruption Scheme and agreed a freeze with the Company's bankers on the loan repayments on the long-term loan of £1.52m.

The Group's long-term strategy continues to be to grow the business through both organic growth of the existing centres and the acquisition of other garden centres and the possible acquisition of suitable land for the construction of plant-centric garden retail centres. The existing garden centres will be upgraded where relevant and all cafés refurbished with improved offers.

Sales in 2021 have continued to improve compared to the last full year of trade in 2019. In 2021, following the appointment in 2020 of new Non-Executive Director Elisabeth Schneider, who has retail experience, the business's concentration has been the upgrading of both the Board and central administration team through the recruitment of a focused and experienced (and dare we say it – a younger!) team to take the company forward.

The company's key financial and other performance indicators during the year were as follows.

	Unit	2020	2019
Revenue	£	9,340,652	8,299,293
Gross profit margin	%	52	51
Profit before tax	£	811,206	288,644

## Capital Gardens Limited

### Strategic Report for the Year Ended 31 December 2020

#### Principal risks and uncertainties

Liquidity of the business improved in 2020 with cash at the bank of £2,928,123 compared with £1,342,251 in 2019. Total loans and borrowings were £2,145,521 in 2020 with £1,120,178 due after five years. The company continually monitors the cash position to see if the mixture of short-term debt finance to long term debt requires any changes

The Board regularly reviews the risks facing the business and takes mitigation measures where appropriate. The main external risks are economic decline, leading to a reduction in consumer spending, a change in the weather conditions and the additional risks caused by Covid – 19. The business operates a comprehensive test regime in order to minimise the risk of any Covid infection spreading within the workforce.

Plant disease, at present *Xylella fastidiosa*, also poses a risk and the business has measures in place backed up by DERFA to monitor this risk.

Approved by the Board and signed on its behalf by:



C Campbell-Preston  
Director

27 September 2021

# Capital Gardens Limited

## Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

### Principal activity

The principal activity of the group is the running of garden centres and a garden maintenance business

### Strategic report

Some items required under Schedule 7 of the Statutory Instruments 2008 No. 410 are included within the Strategic Report.

### Directors of the group

The directors who held office during the year were as follows.

C Campbell-Preston

A Lamarche

M C Dalrymple (Non-Executive)

E C Schneider (Non-Executive)

E A Schneider (Non-Executive) (appointed 16 October 2020)

### Dividends

The directors do not recommend payment of a dividend (2019: £nil).

### Disclosure of information to the auditors

The directors of the company who held office at the date of the approval of this Annual Report as set out above confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Reappointment of auditors

The auditors, Hawsons Chartered Accountants, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



C Campbell-Preston  
Director

27 September 2021

## **Capital Gardens Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting 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; 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Capital Gardens Limited

## Independent Auditor's Report to the Members of Capital Gardens Limited

### Opinion

We have audited the financial statements of Capital Gardens Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the notes to the financial statements, 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's profit for the year 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. We are independent of the group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## Capital Gardens Limited

### Independent Auditor's Report to the Members of Capital Gardens Limited

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

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

- the information given in the Strategic Report and 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 our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of Directors' Responsibilities set out on page 5, 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.

#### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006 and Employment Law regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates. In addition to this, we have also identified the following principal risk areas:

- Revenue recognition - there are two components to this risk, being revenue completeness and revenue cut-off;
- Going concern - an area that requires enhanced scrutiny in the context of the challenging economic conditions caused by the COVID-19 pandemic;
- Inventory valuation - there is a risk that inventory cannot be sold at the values held within the accounts, and that related inventory provisions are insufficient to cover any reductions in value.

## Capital Gardens Limited

### Independent Auditor's Report to the Members of Capital Gardens Limited

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Robustly challenging management's assessment of going concern;
- Reviewing slower moving items within inventories, to determine whether an impairment of value is indicated;
- Reviewing existing inventory provisions to determine whether they are sufficient for expected wastage levels of inventories.

There are inherent limitations in the audit procedures described above and the more removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk](http://www.frc.org.uk). 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.

*Hawsons*

**David Owens**

**Senior Statutory Auditor**

For and on behalf of Hawsons Chartered Accountants

Statutory Auditor

Jubilee House

32 Duncan Close

Moulton Park

Northampton

NN3 6WL

29 September 2021

Capital Gardens Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 Continuing operations £	2020 Discontinued operations £	2020 Total £	2019 Continuing operations £	2019 Discontinued operations £	2019 Total £
Revenue		9,340,652	-	9,340,652	8,050,845	248,448	8,299,293
Cost of sales		(4,517,743)	(2,588)	(4,520,331)	(3,876,829)	(164,433)	(4,041,262)
Gross profit/(loss)		4,822,909	(2,588)	4,820,321	4,174,016	84,015	4,258,031
Distribution costs		(156,629)	-	(156,629)	(167,984)	(1,665)	(169,649)
Administrative expenses		(4,116,797)	(723)	(4,117,520)	(3,595,991)	(177,967)	(3,773,958)
Other operating income	4	315,722	-	315,722	-	-	-
Operating profit/(loss)	3	865,205	(3,311)	861,894	410,041	(95,617)	314,424
Interest payable and similar charges	5	(50,688)	-	(50,688)	(25,780)	-	(25,780)
Profit/(loss) before tax		814,517	(3,311)	811,206	384,261	(95,617)	288,644
Taxation	8	(183,248)	-	(183,248)	(144,563)	30,067	(114,496)
Profit/(loss) for the financial year		631,269	(3,311)	627,958	239,698	(65,550)	174,148
Total comprehensive income for the financial year		631,269	(3,311)	627,958	239,698	(65,550)	174,148

During the year, the group's subsidiary, Garden 123 Limited (formerly Capital Christmas Trees Limited) ceased trading. The results of Garden 123 Limited have been included as discontinued operations as above.

The remaining results of the group were derived from continuing operations.

# Capital Gardens Limited

(Registration number: 03073194)

## Consolidated Statement of Financial Position as at 31 December 2020

	Note	2020 £	2019 £
<b>Non-Current Assets</b>			
Intangible assets	9	46,354	47,916
Property, Plant and Equipment	10	2,865,332	2,891,796
		<u>2,911,686</u>	<u>2,939,712</u>
<b>Current assets</b>			
Inventories	12	1,233,216	1,142,495
Trade and other receivables	14	173,079	243,572
Cash at bank and in hand		2,928,123	1,342,251
		<u>4,334,418</u>	<u>2,728,318</u>
Creditors: Amounts falling due within one year	16	<u>(1,897,790)</u>	<u>(1,474,323)</u>
Net current assets		<u>2,436,628</u>	<u>1,253,995</u>
Total assets less current liabilities		5,348,314	4,193,707
Non-current liabilities	16	(2,004,719)	(1,485,105)
Provisions for liabilities	18	<u>(169,339)</u>	<u>(162,304)</u>
Net assets		<u>3,174,256</u>	<u>2,546,298</u>
<b>Equity</b>			
Called up share capital	20	60,642	60,642
Share premium		6,081	6,081
Retained earnings		<u>3,107,533</u>	<u>2,479,575</u>
Total equity		<u>3,174,256</u>	<u>2,546,298</u>

Approved and authorised by the Board and signed on its behalf by

  
C Campbell-Preston

Director

27 September 2021

# Capital Gardens Limited

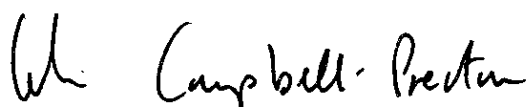
(Registration number: 03073194)

## Statement of Financial Position as at 31 December 2020

	Note	2020 £	2019 £
<b>Non-Current Assets</b>			
Intangible assets	9	46,354	47,916
Property, Plant and Equipment	10	2,209,371	2,228,329
Investments	11	<u>2</u>	<u>2</u>
		<u>2,255,727</u>	<u>2,276,247</u>
<b>Current assets</b>			
Inventories	12	1,233,066	1,142,345
Trade and other receivables	14	855,835	901,650
Cash at bank and in hand		<u>2,926,402</u>	<u>1,091,803</u>
		5,015,303	3,135,888
Current liabilities	16	<u>(1,819,933)</u>	<u>(1,126,462)</u>
Net current assets		<u>3,195,370</u>	<u>2,009,426</u>
Total assets less current liabilities		5,451,097	4,285,673
Non-current liabilities	16	(2,004,719)	(1,485,105)
Provisions for liabilities	18	<u>(169,339)</u>	<u>(162,304)</u>
Net assets		<u><u>3,277,039</u></u>	<u><u>2,638,264</u></u>
<b>Equity</b>			
Called up share capital	20	60,642	60,642
Share premium reserve		6,081	6,081
Retained earnings		<u>3,210,316</u>	<u>2,571,541</u>
Total equity		<u><u>3,277,039</u></u>	<u><u>2,638,264</u></u>

The company made a profit after tax for the financial year of £638,775 (2019 - profit of £177,472).

Approved and authorised by the Board and signed on its behalf by



C Campbell-Preston

Director

27 September 2021

# Capital Gardens Limited

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2020	60,642	6,081	2,479,575	2,546,298
Total comprehensive income	-	-	627,958	627,958
At 31 December 2020	<u>60,642</u>	<u>6,081</u>	<u>3,107,533</u>	<u>3,174,256</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2019	60,100	-	2,305,427	2,365,527
Total comprehensive income	-	-	174,148	174,148
New share capital subscribed	<u>542</u>	<u>6,081</u>	<u>-</u>	<u>6,623</u>
31 December 2019	<u>60,642</u>	<u>6,081</u>	<u>2,479,575</u>	<u>2,546,298</u>

# Capital Gardens Limited

## Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2020	60,642	6,081	2,571,541	2,638,264
Total comprehensive income	-	-	638,775	638,775
At 31 December 2020	<u>60,642</u>	<u>6,081</u>	<u>3,210,316</u>	<u>3,277,039</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2019	60,100	-	2,394,069	2,454,169
Total comprehensive income	-	-	177,472	177,472
New share capital subscribed	542	6,081	-	6,623
31 December 2019	<u>60,642</u>	<u>6,081</u>	<u>2,571,541</u>	<u>2,638,264</u>

# Capital Gardens Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Profit for the year		627,958	174,148
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	213,579	161,113
Profit on disposal of property plant and equipment		-	(11,387)
Finance costs	5	50,688	25,780
Income tax expense	8	183,248	114,496
		<u>1,075,473</u>	<u>464,150</u>
Working capital adjustments			
Increase in inventories	12	(90,721)	(336,855)
Decrease/(increase) in trade and other receivables	14	70,493	(47,422)
Increase in trade and other payables	16	205,470	245,014
Cash generated from operations		1,260,715	324,887
Income taxes paid	8	(11,970)	(91,819)
Net cash flow from operating activities		<u>1,248,745</u>	<u>233,068</u>
<b>Cash flows from investing activities</b>			
Acquisitions of property plant and equipment	10	(185,553)	(1,894,941)
Proceeds from sale of property plant and equipment		-	11,387
Net cash flows from investing activities		<u>(185,553)</u>	<u>(1,883,554)</u>
<b>Cash flows from financing activities</b>			
Interest paid	5	(50,688)	(25,780)
Issue of new shares		-	6,623
Issue of new loan		625,000	1,614,400
Loan repayments		(51,632)	(42,247)
Net cash flows from financing activities		<u>522,680</u>	<u>1,552,996</u>
Net increase/(decrease) in cash and cash equivalents		1,585,872	(97,490)
Cash and cash equivalents at 1 January		<u>1,342,251</u>	<u>1,439,741</u>
Cash and cash equivalents at 31 December		<u><u>2,928,123</u></u>	<u><u>1,342,251</u></u>



# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 1 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

Capital Gardens Limited is a company limited by shares incorporated in England within the United Kingdom. The address of the registered office is given on page 1 of these financial statements.

The financial statements are presented in sterling, which is the functional currency of the company

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that, as disclosed in the accounting policies, certain items are shown at fair value.

#### Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020.

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the Statement of Comprehensive Income includes the results of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Where the parent does not hold more than half of the share capital of an entity, it will be considered to be a subsidiary and included in the consolidation if the parent retains more than half of the voting rights or exercises control over the operation of the entity.

#### Going concern

After due consideration of all relevant factors, including the impact of the current COVID-19 pandemic, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Revenue recognition

Revenue arises from the sale of goods and services, net of value added tax, to outside customers at invoiced amounts. Revenue is recognised when goods or services are received by the customer.

#### Government grants

Grants that do not impose specified future performance-related conditions are recognised in income when the grant proceeds are received or receivable. Grants that impose specified future performance-related conditions are recognised in income only when the performance-related conditions are met. Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

#### Goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of the entity's identifiable assets and liabilities.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

#### Asset class

Goodwill

#### Amortisation method and rate

Over 32 years

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 1 Accounting policies (continued)

#### Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Freehold property	1% straight line basis
Freehold property improvements	2% straight line basis
Leasehold property improvements	10%-20% straight line basis
Fixtures and fittings	20% straight line basis
Plant and machinery	20%-33.3% straight line basis
Motor vehicles	20%-25% straight line basis

#### Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

#### Inventories

Inventories are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving inventories. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

#### Creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Comprehensive Income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 1 Accounting policies (continued)

#### Deferred tax

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the Statement of Financial Position date.

Deferred tax is measured at the rates that are expected to apply in the periods when timing differences are expected to reverse, based on the tax rates and law enacted at the Statement of Financial Position date.

#### Operating leases

Rentals payable under operating leases are charged in the Statement of Profit and Loss on a straight line basis over the lease term.

#### Pensions

The group operates a defined contribution scheme. Contributions are recognised in the Statement of Profit and Loss in the period in which they become payable in accordance with rules of the scheme.

### 2 Profit attributable to members of the company

Capital Gardens Limited has not presented a company profit and loss account as permitted by Section 408 of the Companies Act 2008.

The profit retained for the year of the parent company amounted to £638,775 (2019: £177,472)

### 3 Operating profit

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	212,017	153,898
Profit on disposal of property, plant and equipment	-	(11,387)
Impairment loss on property, plant and equipment	-	5,652
Amortisation expense	1,562	1,563
Auditor's remuneration - The audit of the company's annual accounts	21,105	20,380
Operating lease expense - property	<u>142,130</u>	<u>142,130</u>

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2020 £	2019 £
CJRS income	307,675	-
CBILS business interruption payment	8,047	-
	<u>315,722</u>	<u>-</u>

### 5 Interest payable and similar charges

	2020 £	2019 £
Interest on bank overdrafts and borrowings	42,641	25,780
Interest expense on other finance liabilities	8,047	-
	<u>50,688</u>	<u>25,780</u>

### 6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £	2019 £
Wages and salaries	2,603,851	2,271,314
Social security costs	197,765	175,015
Pension costs, defined contribution scheme	52,662	57,246
Other employee expense	1,354	387
	<u>2,855,632</u>	<u>2,503,962</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Sales	135	115
Administration and support	9	10
	<u>144</u>	<u>125</u>

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration (including benefits in kind)	245,494	240,480
Contributions paid to money purchase schemes	31,842	32,700
	<u>277,336</u>	<u>273,180</u>

During the year the number of directors who were receiving benefits and share incentives was as follows.

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	149,877	155,037
Company contributions to money purchase pension schemes	<u>17,704</u>	<u>17,582</u>

### 8 Income tax

Tax charged/(credited) in the income statement

	2020 £	2019 £
<b>Current taxation</b>		
UK corporation tax	164,243	-
UK corporation tax adjustment to prior periods	<u>11,970</u>	<u>(705)</u>
	176,213	(705)
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>7,035</u>	<u>115,201</u>
Tax expense in the income statement	<u>183,248</u>	<u>114,496</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>811,206</u>	<u>288,644</u>
Corporation tax at standard rate	154,129	42,857
Effect of expense not deductible in determining taxable profit	304	20,780
Effect of tax losses	629	1,440
Increase/(decrease) in current tax from adjustment for prior periods	11,970	(705)
Tax increase from effect of capital allowances and depreciation	24,643	48,429
Tax (decrease)/increase from other short-term timing differences	<u>(8,427)</u>	<u>1,695</u>
Total tax charge	<u>183,248</u>	<u>114,496</u>

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 8 Income tax (continued)

#### Deferred tax

#### Group

Deferred tax assets and liabilities

	Liability £
<b>2020</b>	
Accelerated capital allowances	<u>169,339</u>
<b>2019</b>	Liability £
Accelerated capital allowances	<u>162,304</u>

### 9 Intangible assets

#### Group

	Goodwill £
<b>Cost</b>	
At 1 January 2020	<u>51,000</u>
At 31 December 2020	<u>51,000</u>
<b>Amortisation</b>	
At 1 January 2020	3,084
Amortisation charge	<u>1,562</u>
At 31 December 2020	<u>4,646</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>46,354</u>
31 December 2019	<u>47,916</u>

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 9 Intangible assets (continued)

#### Company

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 January 2020	50,000
At 31 December 2020	50,000
<b>Amortisation</b>	
At 1 January 2020	2,084
Amortisation charge	1,562
At 31 December 2020	3,646
<b>Carrying amount</b>	
At 31 December 2020	46,354
At 31 December 2019	47,916

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 10 Property, plant and equipment

#### Group

	Freehold land and buildings £	Leasehold properties and improvements £	Furniture, fittings and equipment £	Motor vehicles £	Office equipment £	Plant and machinery £	Total £
<b>Cost or valuation</b>							
At 1 January 2020	2,223,477	2,659,157	126,030	311,835	28,376	1,440,021	6,788,896
Additions	-	73,696	-	3,700	-	108,157	185,553
At 31 December 2020	2,223,477	2,732,853	126,030	315,535	28,376	1,548,178	6,974,449
<b>Depreciation</b>							
At 1 January 2020	93,957	2,224,776	78,028	232,012	25,607	1,242,720	3,897,100
Charge for the year	29,484	52,650	-	33,016	-	96,867	212,017
At 31 December 2020	123,441	2,277,426	78,028	265,028	25,607	1,339,587	4,109,117
<b>Carrying amount</b>							
At 31 December 2020	2,100,036	455,427	48,002	50,507	2,769	208,591	2,865,332
At 31 December 2019	2,129,520	434,381	48,002	79,823	2,769	197,301	2,891,796

Included within the net book value of Freehold land and buildings above is £2,100,036 (2019 - £2,129,520) in respect of freehold buildings. Included within the net book value of Leasehold properties and improvements is £220,199 (2019 - £207,752) in respect of long leasehold buildings.



# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 10 Property, plant and equipment (continued)

#### Company

	Land and buildings £	Motor vehicles £	Other property, plant and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2020	3,997,619	216,192	1,441,548	5,655,359
Additions	73,696	3,700	108,157	185,553
At 31 December 2020	4,071,315	219,892	1,549,705	5,840,912
<b>Depreciation</b>				
At 1 January 2020	2,096,647	136,369	1,194,014	3,427,030
Charge for the year	74,628	33,016	96,867	204,511
At 31 December 2020	2,171,275	169,385	1,290,881	3,631,541
<b>Carrying amount</b>				
At 31 December 2020	1,900,040	50,507	258,824	2,209,371
At 31 December 2019	1,900,972	79,823	247,534	2,228,329

Included within the net book value of land and buildings above is £1,443,248 (2019 - £1,465,226) in respect of freehold land and buildings and £220,199 (2019 - £207,752) in respect of long leasehold land and buildings. The remaining £236,593 (2019 - £227,994) relates to leasehold improvements.

### 11 Investments

#### Company

#### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of shares held		
			2020	2019	
Subsidiary undertakings					
Cap G (Investments) Limited	The Garden Centre @ Alexandra Palace, Alexandra Palace Way, London, England, N22 7BB	Ordinary	100%	100%	
Capital Garden Landscapes Limited	The Garden Centre @ Alexandra Palace, Alexandra Palace Way, London, England, N22 7BB	Ordinary	100%	100%	
Neal's Nurseries Limited	The Garden Centre @ Alexandra Palace, Alexandra Palace Way, London, England, N22 7BB	Ordinary	100%	100%	
Garden 123 Limited (formerly Capital Christmas Trees Limited)	The Garden Centre @ Alexandra Palace, Alexandra Palace Way, London, England, N22 7BB	Ordinary	50%	100%	

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 11 Investments (continued)

Undertaking	Registered office	Holding	Proportion of shares held	
Pines and Needles Limited	The Garden Centre @ Alexandra Palace, Alexandra Palace Way, London, England, N22 7BB	Ordinary	100%	100%

On 16 June 2020, Garden 123 Limited (formerly Capital Christmas Trees Limited) issued 1 ordinary share at par. This had the effect of reducing the shareholding of Capital Gardens Limited to 50%. There was no overall change to the control of Garden 123 Limited.

The principal activity of Cap G (Investments) Limited is that of a dormant company.

The principal activity of Capital Gardens Landscapes Limited is that of a dormant company.

The principal activity of Neal's Nurseries Limited is that of a dormant company.

Garden 123 Limited (formerly Capital Christmas Trees Limited) ceased trading on 1 January 2020. Prior to this, the principal activity of Garden 123 Limited was the sale of Christmas trees.

The principal activity of Pines and Needles Limited is that of a dormant company.

Pursuant to section 479A of the Companies Act 2006, the accounts for Cap G (Investments) Limited (Company number: 02428003) for the 2020 financial year, which are included in the consolidated financial statements of Capital Gardens Limited, have not been audited. This is permitted on the basis that Capital Gardens Limited guarantees all the outstanding liabilities to which Cap G (Investments) Limited is subject to as at the year end under section 479C.

Pursuant to section 479A of the Companies Act 2006, the accounts for Capital Gardens Landscapes Limited (Company number: 01776244) for the 2020 financial year, which are included in the consolidated financial statements of Capital Gardens Limited, have not been audited. This is permitted on the basis that Capital Gardens Limited guarantees all the outstanding liabilities to which Capital Gardens Landscapes Limited is subject to as at the year end under section 479C.

Pursuant to section 479A of the Companies Act 2006, the accounts for Neal's Nurseries Limited (Company number: 00561211) for the 2020 financial year, which are included in the consolidated financial statements of Capital Gardens Limited, have not been audited. This is permitted on the basis that Capital Gardens Limited guarantees all the outstanding liabilities to which Neal's Nurseries Limited is subject to as at the year end under section 479C.

Pursuant to section 479A of the Companies Act 2006, the accounts for Garden 123 Limited (Company number: 10917232) for the 2020 financial year, which are included in the consolidated financial statements of Capital Gardens Limited, have not been audited. This is permitted on the basis that Capital Gardens Limited guarantees all the outstanding liabilities to which Garden 123 Limited is subject to as at the year end under section 479C.

### 12 Inventories

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Goods held for resale	<u>1,233,216</u>	<u>1,142,495</u>	<u>1,233,066</u>	<u>1,142,345</u>

### 13 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Cash at bank	<u>2,928,123</u>	<u>1,342,251</u>	<u>2,926,402</u>	<u>1,091,893</u>

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 14 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade receivables	57,014	44,143	57,014	44,143
Other receivables	25,273	50,299	25,273	25,621
Receivables from related parties	-	-	682,756	682,756
Prepayments and accrued income	90,792	149,130	90,792	149,130
	<u>173,079</u>	<u>243,572</u>	<u>855,835</u>	<u>901,650</u>

### 15 Loans and borrowings

	<b>2020</b>	<b>Group</b>	<b>2020</b>	<b>Company</b>
	<b>£</b>	<b>2019</b>	<b>£</b>	<b>2019</b>
		<b>£</b>		<b>£</b>
<b>Non-current loans and borrowings</b>				
Bank borrowings	<u>2,004,719</u>	<u>1,485,105</u>	<u>2,004,719</u>	<u>1,485,105</u>
	<b>2020</b>	<b>Group</b>	<b>2020</b>	<b>Company</b>
	<b>£</b>	<b>2019</b>	<b>£</b>	<b>2019</b>
		<b>£</b>		<b>£</b>
<b>Current loans and borrowings</b>				
Bank borrowings	<u>140,802</u>	<u>87,048</u>	<u>140,802</u>	<u>87,048</u>

#### Group

Included in the loans and borrowings are the following amounts due after more than five years:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
After more than five years by instalments	1,120,178	1,109,286

#### Bank loans and overdrafts after five years

Borrowings comprises a loan of £625,000 (2019: £Nil) of which £72,917 is due after five years and on which interest is charged at a rate of £2.99% per annum, and an outstanding loan of £1,520,521 (2019: £1,572,153) of which £1,047,261 is due after five years and on which interest is charged at a rate of £3.19% per annum

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 16 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
<b>Due within one year</b>				
Loans and borrowings	140,802	87,048	140,802	87,048
Trade payables	821,274	886,785	775,315	664,041
Corporation tax	164,243	-	164,243	-
Other taxes and social security	405,212	250,165	405,212	230,431
Other payables	30,000	33,608	2	2
Accruals and deferred income	336,259	216,717	334,359	144,940
	<u>1,897,790</u>	<u>1,474,323</u>	<u>1,819,933</u>	<u>1,126,462</u>
<b>Due after one year</b>				
Loans and borrowings	<u>2,004,719</u>	<u>1,485,105</u>	<u>2,004,719</u>	<u>1,485,105</u>

### Security

On 31 March 2016 Barclays Bank PLC secured a fixed and floating charge of £1,520,521 against the Neals Nurseries garden centre property.

### 17 Obligations under leases and hire purchase contracts

#### Group and company

#### Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	142,130	142,130
Later than one year and not later than five years	352,288	430,918
Later than five years	930,500	994,000
	<u>1,424,918</u>	<u>1,567,048</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £142,130 (2019 - £142,130).

### 18 Deferred tax and other provisions

#### Group

	Deferred tax
	£
At 1 January 2020	162,304
Origination and reversal of timing differences	<u>7,035</u>
At 31 December 2020	<u>169,339</u>

# Capital Gardens Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 19 Pension and other schemes

#### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £52,662 (2019 - £57,246).

Contributions totalling £11,566 (2019 - £7,570) were payable to the scheme at the year end.

### 20 Share capital

#### Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>60,642</u>	<u>60,642</u>	<u>60,642</u>	<u>60,642</u>

### 21 Related party transactions

#### Group

#### Summary of transactions with subsidiaries

The company made loans totalling £63,083 to Garden 123 Limited (formerly Capital Christmas Trees Limited). Garden 123 Limited ceased trading on 1 January 2020, and the recoverability of this balance was called in to doubt. The loan has been provided for in full.

No interest has been charged in respect of this loan.

#### Loans to related parties

	Subsidiary £
<b>2020</b>	
At start of period	<u>63,083</u>
Provision for doubtful debts	<u>63,083</u>
<b>2019</b>	
At start of period	<u>63,083</u>
Provision for doubtful debts	<u>63,083</u>