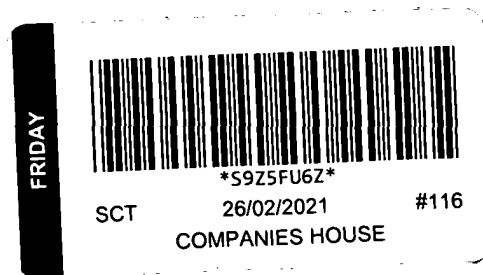


Dobbies Garden Centres Limited
Annual Report and Financial Statements
For the 53 weeks ended 1 March 2020
Registered Number:SC010975



COMPANIES HOUSE
26 FEB 2021
EDINBURGH MAILBOX

DOBBIES GARDEN CENTRES LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020

The Directors present their Strategic Report of Dobbies Garden Centres Limited (the "Company") for the 53 weeks ended 1 March 2020 (prior 52 week period ended 24 February 2019).

Business review and principal activities

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

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

The Company has set an ambitious growth strategy, which is planned to be achieved through acquisitions and organic expansion of its existing sites. In line with this plan, the Company acquired a further thirty-one garden centres and disposed of one non-core asset during the year.

The acquisition led to a step change in the business in both scale and geographical spread; Dobbies is now the largest Garden Centre Group in the UK. It is appropriate at this point to acknowledge the substantial efforts of team members across the business in both the acquisition and subsequent integration process and we thank them sincerely for their support in realising this ambition.

Results and dividends

The results for the period show net sales of £235.0m (2019: £161.5m) and a loss before tax of £22.9m (2019: profit of £0.1m), with underlying operating profit before exceptional items of £7.5m (2019: £2.4m) being an increase of 212% during the year. The loss incurred in the period includes £6.9m (2019: £3.4m) exceptional costs associated with the acquisition and subsequent integration into the enlarged business. The acquisition completed after the peak trading season and the Directors expect an improved operating performance over a twelve month period. Furthermore, a number of actions have been taken to reduce the cost base of the Company. The Directors do not recommend payment of a dividend for the 53 weeks ended 1 March 2020 (2019: £nil). The retained loss for the 53 weeks ended 1 March 2020 was £21.9m (2019: £0.8m).

Principal risks and uncertainties

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

- Weather
- Supply chain
- Competition
- Interest rate and foreign exchange risk
- Cyber security and data protection
- Brexit
- Further COVID-19 impact

Weather: This is a key risk to the Group due to the seasonal nature of the sale of plants, gardening and outdoor living products. Adverse weather can lead to reduced footfall, impacting both profit and stock levels. Our indoor retail and hospitality offerings help to make our offering less reliant on fine weather.

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

DOBBIES GARDEN CENTRES LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020 (continued)

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

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

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

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

Further COVID-19 impact: The current pandemic creates a risk that further lockdowns may be required that result in the temporary closure of some of our stores. We will continue to adhere to Government guidance on this and take all necessary steps to safeguard the health and wellbeing of our staff and customers. Additionally, the Directors will continue to closely monitor the balance sheet position, the COVID-19 pandemic, the borrowing facilities available to the Group and projected trading performance of the business. Further detail is provided in the Going Concern section of the Directors report on page 6 and in note 29.

Key performance indicators (KPIs)

We use a variety of KPIs for internal performance management to monitor and drive the performance of the business, such as sales, conversion, Average Transaction value (ATV) and underlying profit.

Sales for the period are £235.0m (2019: £161.5m) reflecting the additional stores acquired in the year. On a like-for-like basis sales increased 5.6% in the period with conversion improving by 100bps and ATV +3.3% and transactions +2.2%. Underlying operating profit was £7.5m (2019: £2.4m), including only a part year contribution from the centres acquired during the period.

Corporate Governance Arrangements

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to include a statement of its corporate governance arrangements in this annual report for the financial year ending on 1 March 2020 ("FY20").

The Company has adopted the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018), which will apply to our reporting for FY20 and subsequent years. Corporate Governance arrangements are set at a Dobbies Garden Centres Group Limited (the "Group") Board level. We set out below how the Principles were applied during FY20.

Principle 1: Purpose and leadership

Our purpose is to deliver sustainable growth for all of our stakeholders by leading the future of garden centre retailing. We achieve this by:

- Operating the business in line with a strategic business plan;
- Adopting a "customer first" approach;
- Operating best-in-class garden centres and restaurants;
- Developing a robust and efficient platform to support our growth;

DOBBIES GARDEN CENTRES LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020 (continued)

Corporate Governance Arrangements (continued)

- Sourcing good-quality products only from suppliers who comply with our ethical trading policy;
- Maintaining strong relationships with our suppliers, service providers and other stakeholders; and
- Ensuring that our company values are reflected in everything that we do through our Ways of Working (WoW) framework.

Principle 2: Board composition

Details of our Board members can be found on page 8.

Our Chairman leads the Board and takes account of the views of all Directors. Although there are no independent directors on the Board, our Directors are experienced business leaders and consider the interests of a broad range of stakeholders in their decision-making processes. Having led and held senior executive positions in other leading businesses, the Directors bring extensive experience in retail, hospitality, leisure and financial services to the Group.

Below the Board, the Chief Executive Officer has responsibility for all operational matters, supported by the Chief Financial Officer and Senior Leadership Team ("SLT"). The SLT members have clearly defined responsibilities and bring operational expertise and experience to the Group. Furthermore, the SLT presents regular briefings to the Board in relation to business issues and developments. This approach enables the Board to make informed decisions on key matters, including strategy and risk management.

Principle 3: Board responsibilities

Decisions are made in accordance with the principles of the Group's shareholders' agreement and the constitutional documents for each member of the Group. In reaching their decisions, the Directors also have regard to the Group's obligations to its financial and other stakeholders. In accordance with the Company's articles of association and applicable law, the Directors will not take part in any discussion or decision in which they have a conflict of interest. The Company Secretary guides the Directors in relation to such matters.

The Directors receive detailed reports relating to the operations and performance of the Group via weekly updates and monthly Board meetings. The Remuneration and Audit Committees also support the Board in its decision-making processes.

Principle 4: Opportunity and risk

The Group has a comprehensive financial review process, including annual budgets, business plans and regular forecasting. There are a range of performance indicators which are tracked by the SLT and managed through regular operational meetings and action plans. All Directors receive regular and timely information to enable them to perform their duties, including information on the Group's operational and financial performance, customer service, health and safety performance and forward trends. Board meetings are held monthly in order to review these. Furthermore, the Board reviews medium and long-term strategy on a regular basis and engages directly with shareholders for their views. In this way, the Board assesses the prospects of the Group using all the information at its disposal.

The Board also has responsibility for determining the nature and extent of the principal risks the Group is willing to take to achieve its strategic objectives, and for the Group's internal control framework. The Audit Committee oversees the Group's risk management and internal control systems and the effectiveness of all material controls. The principle risks, and mitigating factors, of the Group are disclosed in the Strategic report on page 2.

DOBBIES GARDEN CENTRES LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020 (continued)

Corporate Governance Arrangements (continued)

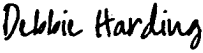
Principle 5: Remuneration

The Remuneration Committee ensures that levels of compensation across the Group are sufficiently competitive to retain talent within the Group, as well as benchmarking the remuneration packages of the executive Directors and SLT. Additionally, the Remuneration Committee reviews the Group's performance with regard to diversity and inclusion criteria, including annual review of the Group's Gender Pay Gap report. Our most recent report had a median pay gap of 0.2%, comparing favourable to a retail sector average of 9.1%.

Principle 6: Stakeholder relationships and engagement

The Board places great emphasis on communication and engagement with the Group's shareholders and team members. The Chairman and Chief Executive Officer engage regularly with major shareholders to discuss the Group's performance, strategic issues and shareholder investment objectives, and provide regular and comprehensive feedback to the Board. In addition, the Board participates in site visits and conferences for team members and suppliers, most recently in February 2020.

By order of the Board

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Debbie Harding
Company Secretary
17 December 2020

DOBBIES GARDEN CENTRES LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020

The Directors present their Report and the audited financial statements of Dobbies Garden Centres Limited (the "Company") for the 53 weeks ended 1 March 2020 (prior period 52 weeks ended 24 February 2019).

Business performance and principal risks and uncertainties

The results for the year are set out in the Income Statement on page 13. The results for the period and principal risks and uncertainties have been discussed in the Strategic report on page 2.

Political contributions

There were no political donations for the period (2019: nil).

Future developments

The Company continues to differentiate its retail experience and evolve its hospitality offerings. As the UK's leading garden centre retailer, we are committed to strengthening this position through further investment in our existing estate and the development of new opportunities. Examples of these include:

- *Sainsbury's wholesale grocery partnership* - On 16 July 2020, the Company announced an exclusive wholesale partnership with Sainsbury's to bring a range of high-quality food and grocery products into the Company's garden centres. The partnership with Sainsbury's complements the Company's strategy of offering the best possible ranges and convenience to customers while continuing to grow the business and lead the future of garden centre retailing.
- *New store development* - On 2 June 2020, the Company signed an agreement to open a new 75,000sq ft flagship garden centre near Tewkesbury in Gloucestershire. The new store will be the largest garden centre in South West England for the Company and the fourth largest in the UK. The garden centre will be on the same overall site of the proposed Designer Outlet Cotswolds that will feature circa 90 retail units, restaurants and cafes. Works are due to commence during 2021 with an estimated opening date in Autumn 2022.

Going concern

These financial statements have been prepared on a going concern basis. The Board of Directors of the Company are required to state if it is appropriate to adopt the going concern basis of accounting in preparing the financial statements over a period of at least 12 months from the date of approval of the financial statements.

The parent undertaking, Dobbies Garden Centres Group Limited (the "Group"), has provided a letter of support confirming it will provide financial support to enable the Company to meet its obligations as and when they fall due for a period of 12 months from the date of approval of the financial statements.

As a result of the COVID-19 pandemic declared in March 2020, and the resulting actions taken by the UK Government, there has been a temporary but significant impact on the operations and financial performance of the Company.

On 23 March 2020, the UK Government ordered the closure of all of the Company's garden centres and restaurants and our garden centres closed on 24 March in line with this guidance.

During this period, the Board pursued several courses of action to ensure the financial stability of the Company. These included the temporary suspension of capital projects, negotiation of deferred rent terms with landlords, utilisation of the UK Government's job retention scheme, review of operating costs, temporary suspension of capital projects, deferral of tax liabilities and promotion of the Company's online retail offering.

By the end of May 2020, the Welsh, UK, Northern Irish and Scottish Governments had authorised the re-opening of all of the Group's garden centres. Restaurants remained temporarily closed but, where permitted, offered a takeaway menu. By the end of July 2020, and following updated guidance from the relevant Governments, the Company had re-opened all its restaurants.

DOBBIES GARDEN CENTRES LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020 (continued)

Going concern (continued)

Since re-opening, trade of the Company's garden centres has exceeded initial expectations as the Company benefits from consumers who are keen to enjoy the remainder of the gardening season following a period of lockdown. The Company has been designated an essential retailer in both English and Scottish legislation, providing assurance of continuity of trade during periods of restriction and/or lockdown. 66 of our 68 centres are in England or Scotland and the Directors are therefore confident in being able to operate the majority of the business through a period of wider restrictions.

As at the balance sheet date of 1 March 2020 the Company showed net current liabilities of £37.6m (2019: £25.4m) and net assets of £135.0m (2019: £155.8m).

Financial projections have been prepared by the Company to support the going concern assumption and sensitivities applied to ascertain the robustness of the assumptions made. Given the current uncertainty created by the COVID 19 pandemic, the scenarios included the reduction in sales across retail and restaurant, the potential impact of loss of some concession income, the potential impact of short term store closures due to local lock downs and the mitigating actions that are available in these circumstances to preserve the financial stability of the Company. We have modelled scenarios, including a severe downside case on our forecasts, and reverse stress tests on cash flow forecasts. In all instances, the Company has demonstrated its ability to meet its liabilities as they fall due.

The Directors continue to closely monitor the balance sheet position, the COVID-19 pandemic, the borrowing facilities available to the Company and projected trading performance of the business and conclude that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Enhancing our governance

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

The Board places great emphasis on communication and engagement with its key stakeholders, including team members, customers, suppliers and service providers. The Board reviews the outcomes of customer insight and engagement projects regularly and monitors net promoter scores. The Directors participate in the Company's conferences for team members and suppliers, meet with team members on site visits and hold regular meetings with key suppliers.

Furthermore, the Board has acted upon the outcomes of a recent team member engagement survey, including the endorsement of updated "ways of working" which are now embedded across the business and form part of everyday decision-making processes. The views of team members are welcomed and actively encouraged. The Chief Executive Officer leads an informal weekly "huddle" to engage with team members and to provide updates on business performance and priorities. All new team members complete a comprehensive induction and training process. Annual performance and development reviews are undertaken across the business.

By engaging with stakeholders in these ways, the Board is cognisant of their contributions to the Company and makes decisions which are aligned with customer sentiment, take account of the views of team members and are supportive of the Company's suppliers.

DOBBIES GARDEN CENTRES LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 1 MARCH 2020 (continued)

Research and development

The Company does not undertake any research and development activities (2019: none).

Employees

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

The Company had 4,193 employees on average during the 53 weeks ended 1 March 2020 (2019: 2,811).

Directors and their interests

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

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

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

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

Disclosure of information to auditors

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

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

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

By order of the Board

DocuSigned by:

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Debbie Harding
Company Secretary
17 December 2020

DOBBIES GARDEN CENTRES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE 53 WEEKS ENDED 1 MARCH 2020

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

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

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

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

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

Opinion

We have audited the financial statements of Dobbies Garden Centres Limited for the year ended 1 March 2020 which comprise the income statement, the statement of financial position, the statement of changes in equity and the related notes 1 to 30, 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 FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 1 March 2020 and of its loss 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

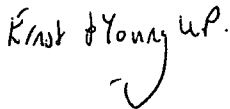
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
17 December 2020

DOBBIES GARDEN CENTRES LIMITED**Income Statement****For the 53 weeks ended 1 March 2020**

	Notes	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Turnover		234,989	161,475
Cost of sales		(114,927)	(81,834)
Gross profit		120,062	79,641
Administrative expenses		(131,296)	(87,751)
Other operating income		11,753	7,145
Operating profit/(loss)	5	519	(965)
Analysed as:			
Underlying operating profit		7,466	2,391
Exceptional items	7	(6,947)	(3,356)
		519	(965)
Net (loss)/gain on disposal of assets	8	(11)	415
Finance income	9	6,714	6,240
Finance costs	10	(30,164)	(5,597)
(Loss)/profit on ordinary activities before tax		(22,942)	93
Tax credit/(charge)	11	998	(923)
Loss for the financial period		(21,944)	(830)

All results relate to continuing operations.

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

The notes on pages 16 to 43 form part of these financial statements.

DOBBIES GARDEN CENTRES LIMITED**Statement of Financial Position****As at 1 March 2020**

	Notes	2020 £000	2019 £000
Non-current assets			
Intangible fixed assets	13	18,300	7,914
Property, plant and equipment	14	181,292	72,557
Right-of-use assets	28	281,181	-
Investments	16	33,185	33,185
Amounts due from other group companies	17	193,973	187,304
Prepaid rent		-	562
Deferred tax asset	25	-	153
Total non-current assets		707,931	301,675
Current assets			
Inventory	18	44,032	23,677
Debtors: amounts falling due within one year	19	47,792	4,369
Cash at bank and in hand		6,806	7,478
Total current assets		98,630	35,524
Total assets		806,561	337,199
Current liabilities			
Creditors: amounts falling due within one year	20	(134,831)	(60,848)
Lease liabilities	28	(1,654)	-
Deferred consideration		(98)	(98)
Total current liabilities		(136,583)	(60,946)
Net current liabilities		(37,953)	(25,422)
Total assets less current liabilities		669,978	276,253
Non-current liabilities			
Interest bearing loans and borrowings	22	(51,949)	-
Amounts due to other group companies	21	(179,844)	(119,467)
Lease liabilities	28	(284,676)	-
Deferred tax	25	(15,844)	-
Provisions	24	(3,167)	(1,021)
Total non-current liabilities		(535,480)	(120,488)
Total liabilities		(672,063)	(181,434)
Net assets		134,498	155,765
Capital and reserves			
Share capital	26	1,704	1,704
Share premium		122,159	122,159
Retained earnings		10,635	31,902
Total equity		134,498	155,765

The financial statements on pages 13 to 43 were approved by the Board of Directors on 17 December 2020 and were signed on its behalf by:

Fiona Larkin, Director

DocuSigned by:

Fiona Larkin

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Dobbies Garden Centres Limited, Registered Number: SC010975

DOBBIES GARDEN CENTRES LIMITED**Statement of Changes in Equity****As at 1 March 2020**

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
As at 25 February 2018	1,704	122,159	32,732	156,595
Loss for the year	-	-	(830)	(830)
As at 24 February 2019	1,704	122,159	31,902	155,765
Effect of adoption of IFRS16	-	-	677	677
As at 24 February 2019 (restated)	1,704	122,159	32,579	156,442
Loss for the period	-	-	(21,944)	(21,944)
As at 1 March 2020	1,704	122,159	10,635	134,498

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

1. Authorisation of financial statements and compliance with FRS 101

The financial statements of Dobbies Garden Centres Limited (the "Company") for the 53 weeks ended 1 March 2020 were approved by the board of directors on 17 December 2020 and the Statement of Financial Position was signed on the board's behalf by Fiona Larkin.

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

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

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

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

The company is a qualifying entity for the purposes of FRS 101. Note 30 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. IFRS 16 'Leases' is a new standard that amends FRS 101 that has been issued by the IASB.

The parent undertaking, Dobbies Garden Centres Group Limited (the "Group"), has provided a letter of support confirming it will provide financial support to enable the Company to meet its obligations as and when they fall due for a period of 12 months from the date of approval of the financial statements.

New interpretations and amendments to existing standards that have been adopted by the Company

IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

New interpretations and amendments to existing standards that have been adopted by the Company (continued)

IFRS 16 'Leases' (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 25 February 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 25 February 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adopting IFRS 16 as at 25 February 2019 (increase/(decrease)) is, as follows:

	£000
Right-of-use asset	177,188
Prepayments	(562)
Total assets	<u>176,626</u>
Lease liabilities	175,810
Deferred tax liabilities	139
Total liabilities	<u>175,949</u>
Retained earnings	<u>677</u>
Total equity	<u>677</u>

The Company has lease contracts for property and various items of plant and machinery and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to note 2.2 (o) *Leases* for the accounting policy prior to 25 February 2019.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. This is explained in more detail within our accounting policies. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 25 February 2019.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid lease

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

New interpretations and amendments to existing standards that have been adopted by the Company (continued)

IFRS 16 'Leases' (continued)

payments and dilapidations provisions previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 25 February 2019:

- Right-of-use assets of £177.2m were recognised and presented separately in the statement of financial position;
- Lease liabilities of £175.8m were recognised;
- Prepayments of £0.6m were derecognised;
- Deferred tax liabilities increased by £0.1m because of the deferred tax impact of the changes in assets and liabilities;
- The net effect of these adjustments (credit of £0.7m) had been adjusted to retained earnings.

The lease liabilities as at 25 February 2019 can be reconciled to the operating lease commitments as of 24 February 2019, as follows:

	£000
Operating lease commitments as at 24 February 2019	271,278
Leases not included in commitments at 24 February 2019	2,444
Restated operating commitments at 24 February 2019	273,722
Less: discount effect of using incremental borrowing rate	(109,152)
Add: Effect of rental increases and lease extensions	11,240
Total liabilities	175,810

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment: (i) the share based payment arrangement concerns the instruments of another group entity;
- The requirements of paragraphs 62, B64(d), B64l, B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (iii) paragraph 118(e) of IAS 38 Intangible Assets; and
- (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 130(f)(ii) to 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- The requirements of paragraphs 52, 58, 89 (second sentence only), 90, 91 and 93 of IFRS 16 Leases.

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

2.2 Summary of significant accounting policies

a) Going concern

The COVID-19 pandemic declared in March 2020 has had a significant impact on the Company's trading results in 2020. Actions were taken by the Board during this period to secure the financial stability of the Company.

Financial projections have been prepared by the Company to support the going concern assumption and sensitivities applied to ascertain the robustness of the assumptions made. Given the current uncertainty created by the COVID 19 pandemic, the scenarios included the reduction in sales across retail and restaurant, the potential impact of loss of some concession income, the potential impact of short term store closures due to local lock downs and the mitigating actions that are available in these circumstances to preserve the financial stability of the Company. We have modelled scenarios, including a severe downside case on our forecasts, and reverse stress tests on cash flow forecasts. In all instances, the Company has demonstrated its ability to meet its liabilities as they fall due.

The Directors continue to closely monitor the balance sheet position, the COVID-19 pandemic, the borrowing facilities available to the Company and projected trading performance of the business and conclude that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis

Please see the disclosure in the Directors' Report and note 29, which sets out the Directors' rationale for the adoption of the going concern basis in the preparation of the financial statements.

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

b) Business combinations and goodwill (continued)

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

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Goodwill in relation to the 31 newly acquired stores has not been allocated at a CGU level due to the timing of finalising the acquisition accounting. However, the 31 new stores have been included when assessing CGU's for indications of impairment.

c) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

d) Revenue recognition

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

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

e) Other operating income

Other operating income consists of income from concession partners.

f) Adjusted accounting measures

The Company considers adjusted performance measures, to provide an ongoing and consistent basis on which to measure underlying business performance by excluding items that are materially non-recurring, uncontrollable or exceptional. These measures are not defined or specified under International Financial Reporting Standards (IFRS).

Exceptional items

Transactions will be classified as exceptional items if they are considered unusual due to their size or nature and include, but are not limited to, restructuring activities such as significant changes resulting from reorganisation of the estate; acquisition costs including professional fees and integration costs; and gains or losses associated with changes to deferred and contingent consideration on acquisitions.

g) Current taxation

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

h) Group relief on taxation

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

i) Deferred tax

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

i) Deferred tax (continued)

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Current tax and deferred tax for the year

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

k) Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings recognised at the date of the acquisition of Dobbies Garden Centres Limited and the thirty-one garden centres that were acquired in the current financial year. Depreciation is provided to write off costs or valuation of tangible fixed assets less their residuals on a straight-line basis over the anticipated useful economic lives of the assets.

The following depreciation rates were applied for the Company:

- Freehold land is not depreciated.
- Freehold and Leasehold buildings are depreciated over 40 years at a uniform rate at 2.5% of cost.
- Leasehold land is depreciated by equal annual instalments over the unexpired period of the lease.
- Fixtures and fittings, computer hardware and motor vehicles – at rates varying from 7% to 33%.

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

l) Non-current assets held for sale

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

m) Fixed asset investments

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

n) Impairment of fixed assets and goodwill

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

o) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of the accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 2.1. For any new contracts entered into on or after 25 February 2019, the Company considers whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

Company as a lessee: The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities for lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets:

- The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.
- Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.
- If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
- Right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2.2(n).

Lease liabilities:

- At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

o) Leases (continued)

- In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease, or where this is not readily determinable, its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets:

- The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Under IAS 17

- In the comparative period, assets held under finance leases, which transferred to the Company substantially all the risks and benefits incidental to ownership of the leased item, were capitalised at the inception of the lease, with a corresponding liability recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments were apportioned between the reduction of the lease liability and finance charges in the profit and loss so as to achieve a constant rate of interest on the remaining balance of the liability.
- Leases where the lessor retained a significant portion of the risks and benefits of ownership of the asset were classified as operating leases and rentals payable were charged in the profit and loss on a straight-line basis over the lease term.

Company as a lessor: The Company's accounting policy under IFRS 16 has not changed from the comparative period. Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

p) Inventory

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

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

q) Foreign currencies

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

r) Pensions

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

s) Borrowing costs

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

t) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Computer software is amortised at a rate of 33.3%. Internally generated intangibles have been capitalised and amortised through the profit and loss through administration expenses. The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

u) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

v) Financial assets

Initial recognition and measurement

In accordance with IFRS 9 'Financial Instruments', the Company classifies all of its financial assets as either amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL").

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

In order for a financial asset to be classified and measured at amortised cost or FVOCI it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is performed at an instrument level. The business model assessment reflects how the Company manages the risks relating to the underlying financial assets, including whether the Company's principal objective is to collect the contractual cash flows arising from the instruments (amortised cost); to sell the financial instruments (FVPL); or a combination of both objectives (FVOCI).

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables which are initially recognised at their transaction price as determined under IFRS 15 and are subsequently stated at amortised cost using the effective interest method, less allowance for expected credit losses.

Financial assets at fair value through profit or loss ("FVPL")

Financial assets at fair value through profit or loss include any financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either a) the Company has transferred substantially all the risks and rewards of the asset, or b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

2.2 Summary of significant accounting policies (continued)

v) Financial assets (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables and contract assets, the Company has adopted the simplified approach under IFRS 9 and therefore does not track changes in credit risk but instead establishes provisions to reflect the lifetime expected credit loss. Expected credit losses are a probability-weighted estimate of cash shortfalls over the expected life of the trade receivables.

Definition of default

The Company defines a default when an account is 90 days or more past its due date. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovering the contractual cash flows.

w) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Company. This category generally applies to interest-bearing loans and borrowings and after initial recognition, are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss. For more information, refer to note 22.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

3. Significant accounting judgements, estimates and assumptions

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

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

Impairment testing and valuation of certain non-current assets

The Company reviews the carrying amounts of its goodwill and specific property, plant and equipment assets to determine whether any impairment of the carrying value of those assets requires to be recorded. In conducting its reviews, the Company makes judgements and estimates behind the calculation of the recoverable amount of the cash generating units (CGU's). The Company has determined that for the purposes of impairment testing, each store is a cash-generating unit and they are tested for impairment only if there are indications of impairment at the balance sheet date.

Changes to the estimates and assumptions on factors such as discount rates and growth rates could impact the assessed recoverable value of CGU's and consequently impact the Company's income statement and balance sheet.

Goodwill in relation to the 31 newly acquired stores has not been allocated at a CGU level due to the timing of finalising acquisition accounting. The 31 new stores have however been included when assessing CGU's for indications of impairment.

The carrying value of goodwill as at period the end was £16.2m (2019: £7.3m), as disclosed in note 13.

The carrying value of property, plant and equipment as at period the end was £181.3m (2019: £72.6m), as disclosed in note 14.

Further detail of the calculation basis and key assumptions used in the impairment review and the sensitivity of this assessment to key assumptions is disclosed at Note 15.

Business combinations

The Company is required to make a judgement as to the fair value of net assets acquired during business combinations. The scale of the transactions in the current year have a significant impact on the shape of the overall financial statements. In assessing the fair value of assets and liabilities acquired, the Company engaged external valuation experts. Judgement has also been applied in the determination of the remaining useful life and the residual value of assets acquired.

Inventories

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

Taxation

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

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

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

During the year, six properties were the subject of sale and finance leaseback arrangements. Following an assessment, the Company concluded that the requirements of IFRS15 to transfer control had been met and therefore right of use assets were recognised in accordance with IFRS 16.

Estimates and assumptions: The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate

In instances where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Segmental reporting

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

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

5. Operating profit

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	7,271	2,709
Depreciation of right-of-use asset	12,659	-
Amortisation of intangible fixed assets	229	229
Cost of inventories recognised as an expense (included in cost of sales)	107,417	74,547
Operating lease charges payable to group companies	-	11,306
Operating lease charges payable to third parties	-	956
Services provided by the Company's auditor:		
Fees payable for the audit	305	99
Taxation services	71	184

6. Staff costs

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

	Average number of employees		Average number of full-time equivalents	
	53 weeks to 1 March 2020	52 weeks to 24 February 2019	53 weeks to 1 March 2020	52 weeks to 24 February 2019
Office and management	586	481	567	478
Other employees	3,607	2,330	1,615	1,507
Total	4,193	2,811	2,182	1,985

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Wages and salaries	56,293	37,598
Social security costs	3,645	2,385
Other pension costs	1,092	712
Staff costs	61,030	40,695

Directors emoluments

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Aggregate emoluments	295	287
Highest paid director – total aggregate emoluments	231	227

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

7. Exceptional items

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Restructuring costs	307	73
Acquisition costs	6,440	3,283
Other	200	-
	6,947	3,356

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

a) Acquisition costs – the Group incurred costs during the 53 weeks ended 1 March 2020 associated with the acquisition of thirty-one garden centres from Wyevale Garden Centres Limited of £4.1m; and integration costs associated with these acquisitions of £2.3m. (2019: acquisition of Woodcote Green Nurseries (Holdings) Ltd and five garden centres from Wyevale Garden Centres Ltd of £2.6m; integration costs associated with these acquisitions of £0.4m; and abortive acquisition costs of £0.3m).

b) Restructuring costs – during the 53 weeks ended 1 March 2020, and as a result of the significant increase in the size of the Company, a review of the Head Office team structure was completed. This review resulted in the creation of new positions. The costs associated with the recruiting of these positions of £0.3m has been treated as non-recurring (2019: £0.1m of costs associated with restructuring the operational management; and other one-off costs associated with property financing and projects).

c) Other – costs incurred by the Company during the year relating to store closures, staff training relating to the development of new IT systems and exceptional professional fees.

8. Net (loss)/gain on sale of fixed assets

The net loss on disposal of fixed assets for the 53 weeks ended 1 March 2020 was £11,000 (2019: gain of £415,000).

9. Finance income

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Interest receivable on loans to group companies	6,669	6,222
Interest receivable on bank deposits	45	18
Total finance income	6,714	6,240

10. Finance costs

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Interest payable on loans from group companies	9,558	5,570
Finance charge on dilapidations provision	31	27
Ground rent financing	1,416	-
IFRS16 Interest on lease liabilities	19,159	-
Total finance costs	30,164	5,597

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

11. Income tax

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
Current tax:		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	771
Total current tax charge/(credit)	-	771
Deferred tax:		
Current year	(549)	999
Adjustments in respect of prior years	(507)	(742)
Effect of changes in tax rates	58	(105)
Total deferred tax credit	(998)	152
Tax charge/(credit) for the year	(998)	923

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

	53 weeks to 1 March 2020 £000	52 weeks to 24 February 2019 £000
(Loss)/profit for the period– continuing activities	(22,942)	93
Tax on profit at standard UK tax rate of 19.00% (2019: 19.00%)	(4,359)	18
Effects of:		
Adjustments in respect of prior years	(507)	29
Expenses not deductible	1,202	818
Deferred tax on interest not recognised and losses	2,608	-
Tax rate changes	58	58
Tax (credit)/charge for the year	(998)	923

12. Business combinations

Acquisition of thirty-one garden centres

Between the months of May and September 2019, the Company acquired the trade and assets of 31 garden centres from Wyevalle Garden Centres Limited for a total consideration of £145.6m. The acquisition is in line with the Company's strategy to be the leading garden centre retailer in the UK and to grow its operations both organically and by acquisition.

The table on the following page summarises the consideration to acquire the thirty-one garden centres and the provisional amounts of identified assets acquired and liabilities assumed at the acquisition date.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

12. Business combinations (continued)

Recognised amounts of net assets acquired and liabilities assumed	£000
Property, plant and equipment	150,045
Right-of-use asset	54,640
Inventories	4,467
Prepayments and other receivables	340
Accruals and other payables	(2,705)
Lease liabilities	(53,184)
Deferred tax	(16,856)
Identifiable net assets	136,747
 Resulting goodwill	 8,847
Total consideration	145,594
 Satisfied by:	
Cash	136,500
Inventory consideration	9,094
Total consideration to be transferred	145,594
 Purchase consideration paid	 145,594
Net cash flow on acquisition	145,594

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

A dilapidations provision of £1.5m was recognised in relation to the estimated future cost of restoring certain leased properties acquired back to their original state. In accordance with IFRS 16, this has been included within the right of use asset calculation.

During the current period, the Company incurred £2.2m of third party acquisition related costs in respect of this acquisition. These expenses are included within administrative expenses in the Income statement for the period to 1 March 2020.

The fair value of the net assets acquired is provisional.

Pro-forma full year information

The following summary presents the Company as if the businesses acquired during the period had been acquired on 25 February 2019. The amounts include the results of the acquired businesses, depreciation of the acquired property, plant and equipment. The amounts do not include any possible synergies from the acquisition. The information is provided for information purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of the future results of the combined businesses.

	Pro-forma 53 weeks to 1 March 2020 £000
Revenue	279,495
Loss after tax for the period	(11,434)

DOBBIES GARDEN CENTRES LIMITED**Notes to the financial statements****13. Intangible fixed assets**

	Goodwill £000	Computer Software £000	Total £000
Cost			
As at 25 February 2018	1,842	4,604	6,446
Acquisitions	7,141	-	7,141
Additions	-	291	291
As at 24 February 2019	8,983	4,895	13,878
Acquisitions	8,847	-	8,847
Additions	-	1,768	1,768
As at 1 March 2020	17,830	6,663	24,493
Accumulated amortisation			
As at 25 February 2018	(1,652)	(4,083)	(5,735)
Charge for the year	-	(229)	(229)
As at 24 February 2019	(1,652)	(4,312)	(5,964)
Charge for the year	-	(229)	(229)
As at 1 March 2020	(1,652)	(4,541)	(6,193)
Net book value			
As at 24 February 2019	7,331	583	7,914
As at 1 March 2020	16,178	2,122	18,300

Goodwill acquired through business combinations has been allocated at acquisition to cash generating units ("CGUs") that are expected to benefit from the business combination which is each individual garden centre. For Goodwill impairment testing purposes, groups of units are measured. Groups have been determined based on acquisition date resulting in two groups which are referred to as generation four and generation five.

Goodwill in relation to the 31 newly acquired stores has not been allocated at a CGU level due to the timing of finalising acquisition accounting. The 31 new stores have however been included when assessing CGU's for indications of impairment. The carrying amount of the goodwill has been allocated to each business combination as follows:

	2020 £000	2019 £000
Generation four (Gloucester, Heighley Gate, Huntingdon, Woodbridge and Woodlands)	7,141	7,141
Generation five (31 garden centres from Wyevalle Garden Centres Limited)	8,847	-
	15,988	7,141

The Company tests goodwill annually for impairment or more frequently if there are indications that these might be impaired. See note 15 for further details.

DOBBIES GARDEN CENTRES LIMITED**Notes to the financial statements****14. Property, plant and equipment**

	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
As at 25 February 2018	12,610	24,242	185	22,135	59,172
Acquisitions	24,990	5,882	-	2,020	32,892
Additions	6,219	198	113	6,617	13,147
Disposals	(1,921)	-	(49)	(530)	(2,500)
As at 24 February 2019	41,898	30,322	249	30,242	102,711
Acquisitions	140,458	337	-	9,250	150,045
Additions	3,656	2,542	51	19,151	25,400
Disposals	(54,405)	-	-	(5,186)	(59,591)
As at 1 March 2020	131,607	33,201	300	53,457	218,565
Accumulated depreciation					
As at 25 February 2018	(1,333)	(11,641)	(139)	(14,899)	(28,012)
Charge for the year	(410)	(372)	(25)	(1,902)	(2,709)
Disposals	176	-	47	344	567
As at 24 February 2019	(1,567)	(12,013)	(117)	(16,457)	(30,154)
Charge for the year	(1,813)	(769)	(51)	(4,638)	(7,271)
Disposals	170	-	-	(18)	152
As at 1 March 2020	(3,210)	(12,782)	(168)	(21,113)	(37,273)
Net book value					
As at 24 February 2019	40,331	18,309	132	13,785	72,557
As at 1 March 2020	128,397	20,419	132	32,344	181,292

In June 2019, six properties, comprising Heighley Gate, Woodbridge, Havant Garden, Pennine, Hare Hatch and Leicester were the subject of sale and leaseback arrangements with a resulting disposal of property, plant and equipment at a net book value of £59.4m. These sale and leaseback arrangements enabled the Company to access more capital while continuing to occupy the stores.

On 8 February 2019 the Company disposed on its non-core garden centre assets at Westerwood and Kinross which were held in property, plant and equipment at a net book value of £2.5m and in inventories at £0.4m. Total sale proceeds were £2.5m with deferred consideration of £0.1m.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

15. Impairment testing

a) Goodwill impairment reviews

Goodwill acquired through business combinations is allocated when information is available to make an appropriate allocation to cash generating units ("CGU's"). The recoverable amounts of the CGUs are determined by reference to the value in use ("VIU") calculations.

These calculations use future cash flow projections based on financial forecasts approved by the Directors. The value in use calculations use a post-tax discount rate of 8.8% (pre-tax discount rate of 9.4%) based on the Company's weighted average post tax cost of capital and having considered uncertainty risk attributable to the CGUs.

Value in use calculations are based on Board approved forecasts for the next three years with the growth rates for year four and five assumed to be 3.5%. The growth rate used to extrapolate the cash flows beyond the five-year period is 2%. The Directors believe that these growth rates are achievable based on current market expectations.

The recoverable amount of goodwill continues to exceed its' carrying value based on the impairment test; therefore, no impairment has been recognised.

Sensitivity analysis - while cash flow projections are subject to inherent uncertainty, a 1% reduction in the growth rate was modelled, which indicated an impairment of £1.8m in generation four stores. Similarly, a 1% increase in the post-tax discount rate to 9.8% also indicated an impairment of £4.2m in generation four stores.

b) PPE – asset testing

Where an indicator of impairment at a CGU level exists, the recoverable amounts are determined by reference to VIU calculations. The calculations use, as their starting point, pre-tax cash flow projections based on Board approved forecasts for the next three years. These forecasts are based on past experience and reflects the Company's forward view of markets, prices, risks and its strategic objectives.

Where triggers of impairment have been identified the Directors have concluded that the recoverable values of these CGU's exceeded their carrying amount.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of VIU is most sensitive to the following assumptions:

- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Discount rates

The discount rate is based on the weighted average cost of capital (WACC). The WACC takes into account the cost of debt and equity. The Capital Asset Pricing Model (CAPM) framework has been used to estimate the cost of equity. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

A rise in the post-tax discount rate to 9.8% (i.e., +1%) still indicated headroom.

Growth rates

The growth rates are in line with market expectations. The Directors however recognise that growth rates are subject to inherent uncertainty. Sensitivity analysis on the key assumptions in the VIU calculation has been undertaken. This found that there is a more than adequate amount of headroom before an impairment would be triggered. Increasing WACC by 1% reduces overall headroom (across all 5 stores) from £37.9m to £29.8m. Reducing growth rate to 1% reduces overall headroom (across all 5 stores) from £37.9m to £31.7m.

DOBBIES GARDEN CENTRES LIMITED**Notes to the financial statements****16. Investments**

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

Subsidiary undertaking	Country of incorporation	% shares held	Nature of business	
Woodcote Green Nurseries (Holdings) Limited	England	100%	Investment company	
Woodcote Green Nurseries Limited	England	100%	Garden centre retailer	
			2020	2019
			£000	£000
Investments				
Woodcote Green Nurseries (Holdings) Limited			33,185	33,185

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

The process to hive up Woodcote Green Nurseries (Holdings) to the Company commenced at the end of October 2020.

17. Trade and other receivables due after one year

	2020	2019
	£000	£000
Amounts due from other group companies	193,973	187,304

Amounts owed by group companies £194.0m (2019: £187.3m) represents an intercompany loan payable by DanAtAugusta Propco1 Limited for the transfer of the Group's portfolio of garden centres. Interest is charged at an interest rate of 3.58% (2019: 3.48%) in line with the rate payable on the ground rent lease funding.

18. Inventory

	2020	2019
	£000	£000
Goods for resale	44,032	23,677

19. Trade and other receivables due within one year

	2020	2019
	£000	£000
Trade debtors	1,057	761
Prepayments	563	432
Other receivables	5,609	2,728
Corporation tax	437	437
Amounts due from other group companies	40,126	11
	47,792	4,369

Current amounts due from other group companies of £40.1m (2019: £11k) is made up of amounts owed by DanAtAugusta Bidco Limited for the settlement of interest payments on external loans; and the settlement of employee costs, including restructuring costs.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

20. Trade and other payables due within one year

	2020 £000	2019 £000
Trade creditors	(39,630)	(24,215)
Other taxation and social security	(2,704)	(6,431)
Other creditors and provisions	(28,445)	(16,817)
Amounts due to other group companies	(64,052)	(13,385)
	(134,831)	(60,848)

Intercompany amounts due within one year of £64.1m (2019: £13.4m) relates to £40.4m (2019: £29.2m) of rental charges payable to DanAtAugusta Propco3 Limited; plus £19.7m (2019: £nil) in relation to the BBC Pension Trust property sale proceeds received on behalf of DanAtAugusta Propco3 Limited; plus £8.7m (2019: £8.3m) in relation to ground rent cash receipts paid on behalf of DanAtAugusta Propco3 Limited; £2.9m (2019: £2.0m) of payments for group relief owed to Dobbies Garden Centres Group; plus £2.2m (2019: £0.6m) being the net amount of cash transfers and recharges owed to Woodcote Green Nurseries Limited and finally £1.0m (2019: £1.0m) in relation to sale proceeds from the disposal of a property at net book value to from DanAtAugusta Propco1 Limited; offset by £10.8m (2019: £7.4m) of ground rent paid on behalf of DanAtAugusta Propco3 Limited.

21. Trade and other payables due after one year

	2020 £000	2019 £000
Amounts due to other group companies	(179,844)	(119,467)

Non-current amounts owed to group companies of £179.8m (2019: £119.5m) is made up of loans payable to DanAtAugusta Bidco Limited and the associated interest which is charged at a rate of 8.0% (2019: 8.0%).

22. Borrowings

	2020 £000	2019 £000
Ground rent lease funding with SGSS TDS (Nominee 1) Limited and SGSS TDS (Nominee 2) Limited	(34,733)	-
Ground rent lease funding with CBRE Global Investors Trustee Limited and Akzo Nobel CIF Nominees Limited	(17,364)	-
Capitalised debt fees	148	-
Secured borrowings	(51,949)	-

On 20 May 2019, the Company secured £17.4m of ground rent lease funding with CBRE Global Investors Trustee Limited and Akzo Nobel CIF Nominees Limited charged at an interest rate of 2.6% which is subject to an annual inflationary increase. This ground rent lease funding relates to four garden centres acquired as part of the thirty one store acquisition during the year. The head lease for the ground rent funding runs for 150 years. £0.1m of fees in relation to the loan have been capitalised and are being amortised on a straight-line basis over 150 years.

On 28 May 2019, the Company secured £34.7m of ground rent lease funding with SGSS TDS (Nominee 1) Limited and SGSS TDS (Nominee 2) Limited charged at an interest rate of 2.8% which is subject to an annual inflationary increase. This ground rent lease funding relates to ten garden centres acquired as part of the thirty one store acquisition during the year. The head lease for the ground rent funding runs for 125 years. £0.1m of fees in relation to the loan have been capitalised and are being amortised on a straight-line basis over 125 years.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

23. Financial Instruments

		2020 £000	2019 £000
Financial assets at amortised cost			
Trade and other receivables		48,173	4,369
Total financial assets - current		48,173	4,369
	Repayment date	2020 £000	2019 £000
Current interest bearing loans and borrowings before capitalised borrowing costs			
Lease liabilities	2021	(1,654)	-
Total Current interest bearing loans and borrowings before capitalised borrowing costs		(1,654)	-
Non-current interest bearing loans and borrowings before capitalised borrowing costs			
Ground rent transaction	125 years	(34,733)	-
Ground rent transaction	150 years	(17,364)	-
Lease liabilities	2022-2089	(284,676)	-
Total non-current interest bearing loans and borrowings before capitalised borrowing costs		(336,773)	-
Other financial liabilities at amortised cost, other than interest bearing loans and borrowings			
Trade and other payables		(134,831)	(60,848)
Total financial liabilities - current		(134,831)	(60,848)

Loans and receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its concession partners and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by using the Company's policy, procedures and control relating to customer credit risk management.

Liquidity risk

The Company manages liquidity risk through regular short and long term cash forecasting combined with ensuring that there are adequate facilities available. The Company has a £15m revolving credit facility which it can use to manage short term liquidity requirements.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

DOBBIES GARDEN CENTRES LIMITED**Notes to the financial statements****24. Provisions**

	2020 £000	2019 £000
Dilapidations provision		
Opening	(1,021)	(816)
Acquisitions	(2,115)	(178)
Finance charge during the year	(31)	(27)
	(3,167)	(1,021)

25. Deferred tax

	2020 £000	2019 £000
Deferred tax (liabilities)/assets:		
Deferred tax asset at start of period	153	4,402
Adjustment in respect of prior years	507	729
Effect of adoption of IFRS16	(139)	-
Acquired following business combination	(16,856)	(4,084)
Deferred tax credited/(charged) to Income Statement	491	(894)
Deferred tax (liability)/asset at end of period	(15,844)	153
 Deferred tax at the period end comprises:		
Fixed assets	(15,876)	16
Effect of adoption of IFRS16	(139)	-
Temporary trading differences	221	221
Rollover gains	(50)	(84)
Deferred tax (liability)/asset at end of period	(15,844)	153

26. Issued share capital

	2020 Number	2019 Number
Share capital (authorised, issued and fully paid)		
- Ordinary shares of £0.10 each	17,038,509	17,038,509
	2020 £000	2019 £000
Share capital (authorised, issued and fully paid)		
- Ordinary shares of £0.10 each	1,704	1,704

27. Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund and contribution costs for the year which were charged to the Income Statement were £1.1m (2019: £0.7m). Outstanding pension contributions at the year-end amounted to £0.2m (2019: £0.1m).

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

28. Leases

Company as a lessee

The Company has lease contracts for property, plant and machinery and other equipment used in its operations. Leases of property generally have lease terms between 15 and 70 years, while plant and machinery and other equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease property contracts that include extension and termination options and variable lease payments, which are further discussed below. The Company has used the practical expedient permitted under IFRS 16 not to reassess contracts that were previously deemed not to be a lease under IAS 17.

The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property	Plant & Machinery	Other equipment	Total
	£000	£000	£000	£000
As at 25 February 2019 (restated)	176,353	29	805	177,187
Additions	115,879	584	190	116,653
Depreciation expense	(12,109)	(218)	(332)	(12,659)
As at 1 March 2020	280,123	395	663	281,181

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period.

	£000
As at 25 February 2019 (restated)	175,810
Additions	112,570
Accretion of interest	19,159
Payments	(21,209)
As at 1 March 2020	286,330
Current	1,654
Non-current	284,676
	286,330

The following are the amounts recognised in profit or loss:

	2020 £000
Depreciation expense of right-of-use asset	12,659
Interest expense on lease liabilities	19,159
Expense relating to low-value and short-term leases	208
Variable lease payments	252
Total amount recognised in profit or loss	32,278

The Company had total cash outflows for leases of £21.6m in 2020.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

28. Leases (continued)

Property leases

The Company leases land and buildings for its office space and retail stores. Some leases provide for additional rent payments that are based on changes in price indices, or sales that the Company makes at a leased store in the period. The Company sub-leases some of its properties under operating leases.

Variable lease payments based on sales

Some leases of retail stores contain variable lease payments that are based on sales that the Company makes at the store. Fixed and variable rental payments for the period ended 1 March 2020 were as follows:

	Fixed payments £000	Variable payments £000	Total payments £000
Leases with lease payment based on sales	353	252	605

Sale and leaseback

In June 2019, six properties, comprising Heighley Gate, Woodbridge, Havant Garden, Pennine, Hare Hatch and Leicester were the subject of sale and leaseback arrangements, which generated proceeds of £57.3m, with a resulting disposal of property, plant and equipment at a net book value of £59.4m. These sale and leaseback arrangements enabled the Company to access more capital while continuing to occupy the stores. Refer to note 14 for further details.

Company as a lessor

Lease income from lease contracts in which the Company acts as a lessor is as below:

	2020 £000
Operating lease	
Lease income	11,364

29. Post balance sheet event

There were no significant events between the Statement of Financial Position date and the date of signing of the financial statements, affecting the company, which require adjustment to or disclosure in the financial statements. There are a number of non-adjusting events after the Statement of Financial Position date which are discussed in more detail below.

Business impact of COVID-19

As a result of the COVID-19 pandemic declared in March 2020, there has been a substantial impact on the Company's trading results post year end due to the lockdown imposed by the UK Government.

On 23 March 2020, the UK Government ordered the closure of all of the Company's garden centres and restaurants and our garden centres closed on 24 March in line with this guidance. During this period, the Board pursued several courses of action to ensure the financial stability of the Company. These included:

- Temporary suspension of capital projects;
- Negotiation of deferred rent terms with landlords;
- Deferral of UK tax liabilities;
- Utilisation of the UK Government's job retention scheme;
- Review of operating costs; and
- Promotion of the Company's on-line retail offering.

DOBBIES GARDEN CENTRES LIMITED

Notes to the financial statements

29. Post balance sheet event (continued)

By the end of May 2020, the Welsh, UK, Northern Irish and Scottish Governments had authorised the re-opening of all of the Company's garden centres. Restaurants remained temporarily closed but, where permitted, offered a takeaway menu. By the end of July 2020, and following updated guidance from the relevant Governments, the Company re-opened its restaurants.

Since re-opening, trade of the Company's garden centres has exceeded initial expectation as the Company benefit from consumers who are keen to enjoy the remainder of the gardening season following a period of lockdown. The Company has been designated an essential retailer in both English and Scottish legislation, providing assurance of continuity of trade during periods of restriction and/or lockdown. Sixty five of our sixty seven centres are in England or Scotland and the Directors are therefore confident in being able to operate the majority of the business through a period of wider restrictions. In the view of the Directors, consistent with many others in our industry, COVID-19 is considered to be a non-adjusting event after the reporting period and no adjustment is made in the financial statements as a result.

Having taken all these measures into account, as explained in note 2.2(a) of the financial statements, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

Sainsbury's wholesale grocery partnership

On 16 July 2020, the Company announced an exclusive wholesale partnership with Sainsbury's to bring a range of high-quality food and grocery products to the Company's garden centres. The partnership launched on 30 July 2020. The partnership with Sainsbury's complements the Company's strategy of offering the best possible ranges and convenience to customers while continuing to grow the business and lead the future of garden centre retailing.

New store development

On 2 June 2020, the Company signed an agreement to open a new 75,000sq ft flagship garden centre near Tewkesbury in Gloucestershire. The new store will be the largest garden centre in South West England for the Company and the fourth largest in the UK. The garden centre will be on the same overall site of the proposed Designer Outlet Cotswolds that will feature circa 90 retail units, restaurants and cafes. Works are due to commence during 2021 with an estimated opening date in Autumn 2022.

Woodcote Green hive up

Dobbies Garden Centres Group Limited Company has a 100% equity interest in Woodcote Green Nurseries (Holdings) Limited which in turn has a 100% equity interest in Woodcote Green Nurseries Limited. The process to hive up Woodcote Green Nurseries (Holdings) to the Company commenced at the end of October 2020.

There were no significant events between the Statement of Financial Position date and the date of signing of the financial statements, affecting the company, which require adjustment to or disclosure in the financial statements.

30. Ultimate parent undertaking and controlling parties

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

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