Trellis Capital Limited

Annual Report 2013

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Overview

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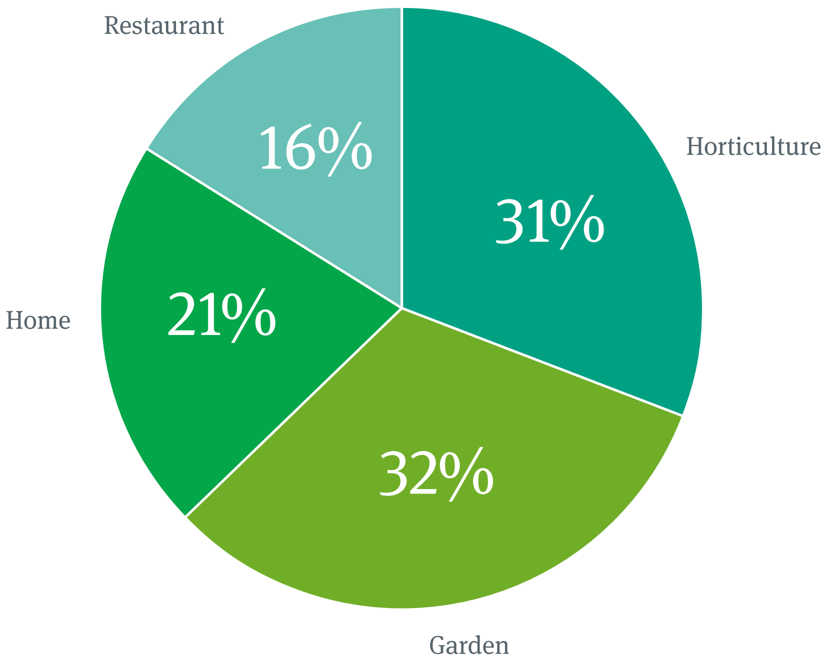
Highlights of the year

Group performance

	2013A[I] Group 2013 £'m	2012PF[II] Group 2012 £'m	2012A[I] Group 2012 £'m
Revenue[I]	276.2	259.2	178.1
Concession income[I]	14.4	13.5	9.0
Operating profit[I]	22.0	28.1	17.1
Reported EBITDA[III]	42.7	28.3	25.5
Net assets[I]	38.3	20.0	20.0

2013 Revenue by Category



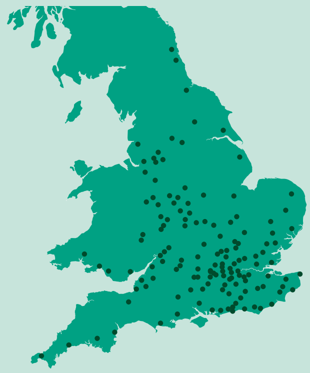
I Figures as stated in the financial statements (excluding Pro-forma, please see note II).
II 2012 Pro-forma results for the 12 month period ending 30 December 2012 (including 4 months of trading pre the acquisition of The Garden Centre Group).
III Reported EBITDA defined as earnings before Interest, Tax, Depreciation, Amortisation and Exceptionals – see note 8 for full reconciliation.

The year in numbers

Number of Centres

139

10 increase on prior year



Number of Gardening Club members

Over

2.4m

0.2m increase on prior year

Group reported EBITDA[III]

£42.7m

£17.2m increase on prior year

Number of employees[IV]

Circa

5,650

650 increase on prior year

Capital investment

£13.4m

£5m increase on prior year

Growth in reported EBITDA

51%

vs 2012 on a pro forma basis

IV Average number of employees on payroll during the year. Employee numbers as per note 9 are based on full time equivalent.

Chairman's statement

"2013 was a year of successful progress and development for the business. Major improvements have led to the profitability of the business significantly increasing at both the gross margin and EBITDA level."

Stephen Murphy
Chairman

Overview
I am pleased to present the financial statements and accompanying report for Trellis Capital Limited and its subsidiaries (the 'Group') for the year ending 29 December 2013. This represents the first full year of trading since the Group acquired The Garden Centre Group Limited in April 2012.

During the year the Group successfully completed several business acquisitions. Bolton Garden Centre was acquired from Barton Grange Group in the first half of the year, followed by Cheddar and Lechlade Garden Centres from Park Garden Centres Ltd, and a further seven sites were added following the acquisition of the Garden and Leisure Group from Louis Delhaize Group. These acquisitions further strengthen the market position of the Group, and the Board are confident that these will deliver a strong return.

Performance
2013 was a year of successful progress and development for the business. As an industry we are significantly impacted by the weather, and this was a year of mixed patterns, with the UK experiencing the second coldest spring on record, followed by the warmest summer since 2004. The country was then hit by storms towards the end of the year, all of which cumulated in a challenging trading environment for 2013. However the Group was able to maintain like-for-like sales in line with prior year whilst making significant progress on cost control measures and margin initiatives. These major improvements have led to the profitability of the business significantly increasing at both the gross margin and EBITDA level. This represents a great achievement for the business, and gives a good reflection of what the Board consider to be a very successful year.

Executive management team
During the year we have continued the focus on further strengthening of the executive management team and I am therefore pleased to have welcomed the following additions during the year:

Frank Hayes has joined as Commercial Director from Betts Group. Frank will lead the Group's efforts to build and convert a pipeline of new concession partners as well as managing our existing partner portfolio.

Sarah Biggers fills the role of HR Director, bringing with her a wealth of experience from Virgin Group, where she helped to drive transformations across a number of their business units.

Sarah Fuller joined as Marketing Director from Waitrose. Sarah brings depth of retail experience and will lead the marketing, brand loyalty, online and customer service function of the Group.

Colin Hughes has joined the Group as Retail Operations Director having previously worked for Marks and Spencer and Pret A Manger. Colin will lead the initiative to drive improved and consistent retail standards throughout the business and the delivery of leading standards of customer service across the retail estate.

Dan Zinner joins as Trading Director, responsible for buying, supply chain and visual merchandising, taking over from Stephen Pitcher who has left the firm after five years. We thank Stephen for his significant contribution and wish him well for the future. Dan comes to us from Clicks Group, a South African retail group with a focus on the health and beauty sector, and McKinsey & Company.

Jason Danciger has joined as the Food and Beverage Director to oversee our portfolio of now 99 restaurants. He brings with him a wealth of relevant experience, having spent the last five years as the Head of Hospitality at Marks and Spencer and before that at Spirit Group and Roux Fine Dining.

Finally, I am also pleased to say that in January 2014, we were able to enhance the Executive Leadership team with the recruitment of Stephen Masters as Estate Director. Stephen joins us from Gap Inc where he held the position of Vice President for Real Estate and Store Development. Stephen has extensive experience in the UK real estate sector having previously worked for ASDA, Disney and Burton Group.

The Board believes that the enhancements made to the executive management team ensure the Group now has the appropriate skills and experience at the senior executive level to drive the business forward and aid future development. We will continue to strengthen management at levels below this as part of our strategy to further improve the performance of the business and the value and quality we give to our customers.

Looking ahead

During 2013 we have made significant progress with our three pillar growth strategy – Building Operational Excellence, Driving Revenue Growth and Driving Sector Consolidation (through sector consolidation). The Group has also acted to strengthen its core operating business through initiatives introduced to improve profitability, and the appointments made during the year have helped to enrich the executive management team. Over the next year we will look to build on our recent success through implementing several improvement programmes and initiatives designed around the Group strategy. Significant investment is planned into centres to help strengthen the core business, we have started driving sector consolidation through the acquisitions made and further acquisitions will be made where favourable to the Group. We will also pursue all opportunities to help drive like-for-like sales.

I am also pleased to report that our ongoing commitment to a comprehensive Corporate Responsibility Strategy – including an objective to minimise our environmental impact – has generated impressive results for the year. We have successfully increased the level of recycling to 57% of total waste, up from 35% in the previous year. In addition to this we have reduced our annual carbon footprint by 4% as a result from initiatives including replacing fluorescent light bulbs with LED lighting and reducing electricity consumption overall. We also have several further initiatives underway including real time water use monitoring.

We continue to make progress across other areas of such as Charity and Community and Marketplace initiatives, and I am pleased to be able to say more on these in our Corporate Responsibility Report.
Read more on page 33.

Outlook

Overall, we see further market opportunity and signs of a recovering economy in 2014 and we hope that together these offer significant potential to grow and develop our business – both for this year and beyond.

I therefore look forward to reporting the Group's results for 2014 and what I hope will be another year of significant strategic progress.

Finally, I would like to thank all my colleagues at every level in The Garden Centre Group for their continued hard work and support in the first full year of new ownership. Their enthusiasm, knowledge, hard work and commitment to customer service greatly assisted the achievement of a strong set of results in a year of extreme weather, economic uncertainty and significant transition.

Stephen Murphy
Chairman
1 April 2014

Chief Executive's report

"Strong financial results have been underpinned by a significant strengthening of the executive management team."

Kevin Bradshaw
Chief Executive Officer

Overview
In my first full year as Chief Executive, I am delighted with the overall performance of the Group. 2013 was a very challenging year for the Garden Centre industry with significant variations in weather patterns through both spring and summer trading periods.

Against these challenging conditions, the Group delivered a positive increase in like-for-like sales[V] of 0.6%, while strongly exceeding prior year performance on all key profit and margin metrics:

Gross Margin **increased by 3.7%** to
53.2%
(2012: 49.5%)

Reported EBITDA margin **increased from 14.3%** to
15.5%

Operating profit **increased by £4.9 million** to
£22.0 million
(2012: £17.1 million)

Reported EBITDA **increased by £17.8 million** to
£42.7 million
(2012: £25.5 million)

These strong financial results have been underpinned by a significant strengthening of the executive management team, numerous operational improvements during the year and a wide range of environmental achievements which have further strengthened our position as a sustainable and responsible retailer.

Key business areas
Garden centres
The unsettled weather during 2013 impacted this area of the business most significantly, with a particular challenge on transaction volumes from the extremely cold spring. Consequently, management focused on improving the flexibility of our business model ensuring that the short term fluctuations in demand could be matched by rapid and appropriate flexing of the cost base particularly in the areas of marketing and garden centre labour. Pricing initiatives, coupled with a more rigorous approach to executing key promotions served to increase gross margins, as did a strong focus on refining business mix and reducing the cost of goods sold via improving rigour behind tendering processes.

Restaurants
The restaurant business trades far more evenly through the year with volumes largely independent of the weather or season. Restaurant gross margins saw strong improvement (margin of 77% compared to 72.4% in 2012) as a result of both ingredient sourcing and price initiatives. Sales growth of 2.5% was realised without the deployment of significant development capital expenditure. Following the appointment of a new Food and Beverage Director, again, numerous initiatives are now being implemented to drive growth which I expect to take effect in the next two years.

Concession income
Our income from concessions has increased by 7.4% versus last year on a pro forma basis. This is a strong result and was driven through the introduction of many new concession partners including WH Smiths, Laithwaite's Wines, Viners and Bonmarche. There is still significant room for growth in this area as we continue to improve the sales density from our own sourced product ranges and release space for concessions. Supporting this growth is the further investment of experienced resource to source and implement new concession partnerships.

V Like-for-like sales growth in 2013 excludes results for Bolton, Cheddar and Lechlade garden centres which were acquired during the year.

Business strategy
The overarching strategy for the Group is outlined on page 18. It is focused on strengthening the core business, building like-for-like sales, and continuing to drive consolidation in the market place via acquisition. I am confident that this strategy will help to affirm our position as a leading player in the market for garden products, and grow our market share significantly. We have already made great strides on the implementation of the strategy during 2013. A comprehensive review of operational processes is now complete and has resulted in a more flexible and efficient operating base which is capable of delivering a substantially higher margin. Numerous initiatives are in place across the Garden Centre and Restaurant businesses to drive like-for-like sales growth. While these initiatives will take time to gain momentum, I am confident that they will deliver strong organic growth over the coming years. During the course of 2013, significant gains have been made in strengthening our ability to identify, acquire and integrate new acquisitions. We will continue to build our capability in this regard and use operating cash flow to consolidate the sector and add attractive sites to our estate.

Key assets of the Group
Our employees are fundamental to the success of the business. We employ a wide range of highly skilled individuals whose dedication and loyalty to the business is reflected by the high proportion that have been with us for over 10 years. We reward our staff with opportunities for progress and development where possible. We offer access to management leadership programmes, and offer employees flexibility to move within the business. For those who are just starting their careers with the Group, we offer two award-winning apprenticeship programmes, of which I'm very proud.

Our centres are also key assets. We will continue to invest in the existing estate in order to develop outstanding leisure and retail environments while optimising the competitive position for each centre in its local market. This investment programme, titled 'Snowflake' to reflect the individual development of each site, is an exciting project for the business, and offers the opportunity to significantly broaden the appeal of our centres in their catchments.

We own a number of brand names and identities that each carry a rich history and appeal to their customers. Over the next 12 months we will be looking carefully at our brand identity to ensure we have a consistent image across all our centres and are instantly recognisable to our customers.

Finally, our strategy includes key initiatives to deliver a strong multi-channel offering. We already offer a 'Click and Collect' and home delivery service via the web, and we will invest to expand this further as our customers increasingly look for a multi-channel experience for their garden purchases.

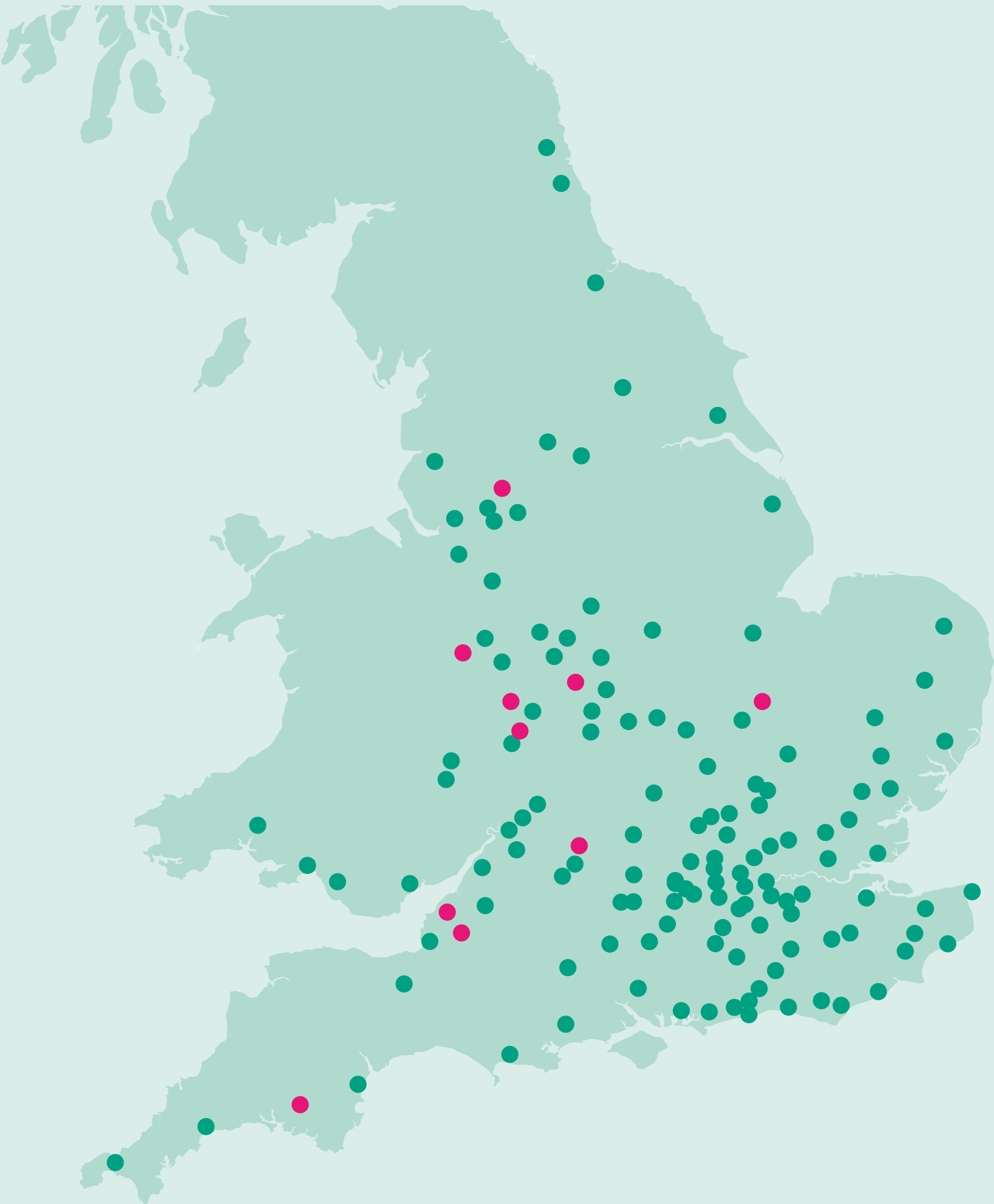
Future outlook
Overall, I am very excited about the future prospects for the Group. Our strategy brings a sharp focus on the most valuable opportunities to build and develop the business. We have had a year of outstanding success, and I look forward to building on this and driving the Group further forward over the next twelve months. There will, of course, be continued challenges with 2014 again looking to have an unsettled start to the year with regard to the weather. However, I'm confident that we are well placed to cope with these challenges, and will be able to grow significantly in value over the coming years.

Kevin Bradshaw
Chief Executive Officer
1 April 2014

Location of garden centres

The Garden Centre Group is proud of its heritage and the unique histories of its 139* garden centres as well as its contribution to the growth of the UK garden industry.

*as of 29 December 2013



● Existing centres ● Our new garden centres

Strategic report

The Group operates in the garden products market and has established a leading role in the garden centre sub segment. Our approach to driving growth is based on three pillars: strengthening our core business, driving like-for-like sales and driving sector consolidation.

Who we are

The primary function of the Group is the operation of garden centres. The Group generates revenues in three key ways:

1
The sale of gardening and associated retail product offerings

2
From on-site restaurants

3
Concession income from sub-letting space to third party retailers

The Group's product offering is extensive, with products on offer including:

Plants
Fertilisers
Tools
Garden sheds
Wellington boots
Garden furniture
Food
Giftware and cards
Pet supplies

We sell our products through retail, Internet and wholesale operations (via our nurseries) in the UK.

The Group story

1932

Harry Williamson establishes Wyevale Nursery

1966

Wyevale Nursery expanded into one of the earliest 'garden centres'

1987

Listed on the London Stock Exchange

2000

Acquisition of Country Gardens Plc

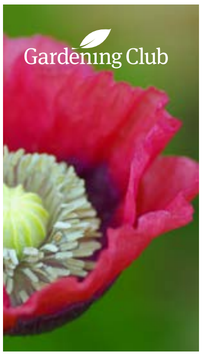
2006

De-listed from London Stock Exchange

2009

Company renamed as The Garden Centre Group

Rebranding of centres and launch of Gardening Club



2010

Garden Retail Awards

1 million Gardening Club members

2012

The Garden Centre Group is bought by Terra Firma

2013

Acquisition of three sites: Bolton Garden Centre, Cheddar Garden Centre and Lechlade Garden Centre

Acquisition of The Garden & Leisure Group adding seven large centres.

Our market

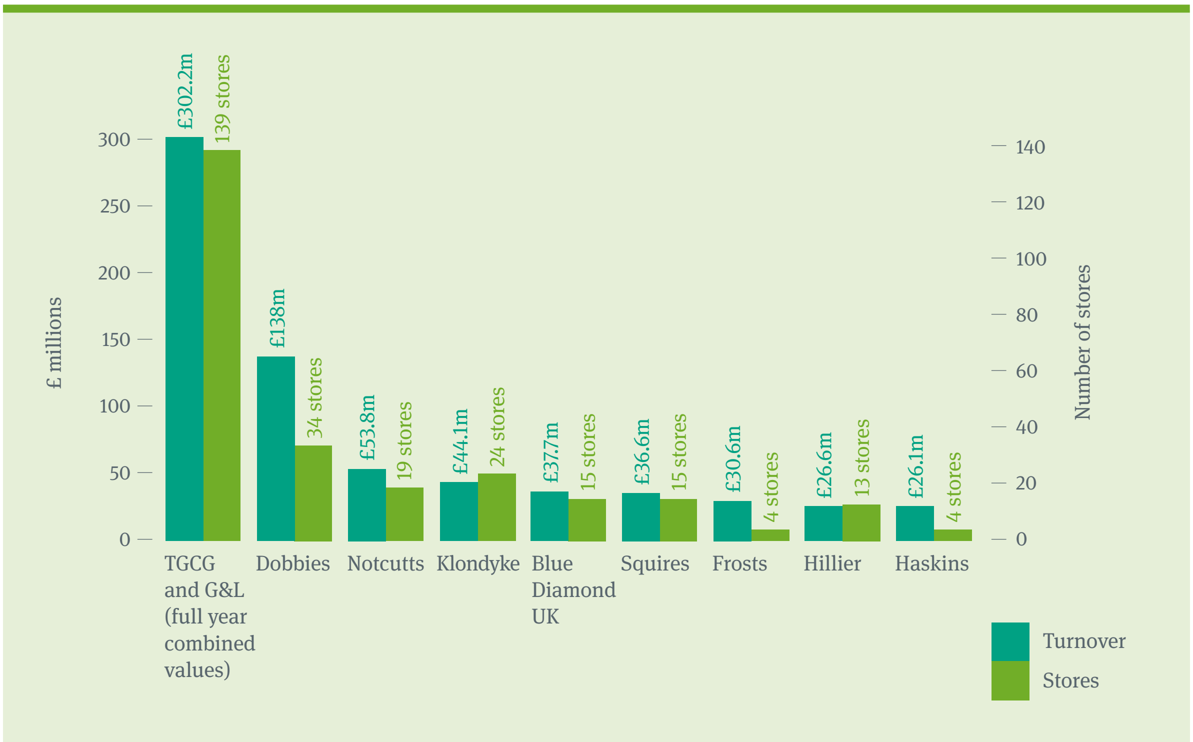
The garden product market was worth £4.2 billion in 2012, and Mintel estimates this to have risen to £4.9 billion in 2013. 31% of the 2012 spend was contributed by garden centres.

In addition to operating in the garden products market, the Group has also established a leading role in the garden centre sub segment. Revenue generated by the top ten largest garden centre chains operating in this sub-segment was £696.0 million in 2012/13, of which The Garden Centre Group and Garden and Leisure Group represents 43% of this gardening sector sub-segment (source: Revenue figures extracted from the latest financial statements of the 10 largest operators as shown in the following table).

The garden product market was worth £4.9 billion in 2013.

Mintel 2013

Leading garden centre chains by revenue and store numbers



Source: Individual companies latest Annual Reports, plus detail of store numbers from company websites

With regard to the garden sector sub-sector there are around 1,000 garden centres in the UK. 267 of these are owned by chains, of which approximately 52% are owned by the Group.

During 2013 The Garden Centre Group brought the total number of centres in the portfolio to 139.

Garden centres are diversifying, adding more ranges and concessionaires as well as dramatically improving their restaurant offer.

We were the first garden specialist to offer a 'Click and Collect' service for plants.

Gardening products market

Garden centres and DIY multiples dominate the gardening products market, with respective shares of 32% and 31% in 2012. Garden centres steadily gained share from DIY multiples over the five years from 2006 to 2010, benefiting from increasing differentiation and their strength in the categories with the strongest growth, plants and plant care.

Garden centres

The garden centre sub-sector, once dominated by independents and small chains, has been consolidating into fewer but larger multiple groups. The Garden Centre Group itself acquired the lease of Westonbirt Arboretum in 2012 to bring the number of sites it operates to 129. During 2013 the Group has acquired the trade and assets of Bolton, Cheddar and Lechlade garden centres, and also acquired the Garden and Leisure Group, with their seven sites, bringing the total number of centres in the portfolio to 139. Garden centres are destination stores for garden goods and their strengths include a wide assortment, good standards of plant care and strong product knowledge and reputation. Increasingly garden centres are diversifying, adding more ranges and concessionaires as well as dramatically improving their restaurant offer.

DIY chains

For the future development of the Group, DIY chains pose a potential challenge as they are well placed to grow their market share of garden products using their expertise to develop stronger portfolios of own-label goods. These groups have also recognised the importance of building a strong online service. However, the industry also faces intensifying competition from the grocery multiples entering the gardening market as well as dramatic improvements in retail standards among the garden multiples.

Mail order / Internet

There are well-established mail order and direct selling specialists in gardening, especially for plants and seeds. There is a growing online presence for garden goods, with market share increasing from 9.4% to 9.9% between 2011 and 2012 (Source: Mintel report July 2013). Consumers are using online shopping for garden products and increasingly they will expect to be able to use the Internet and have the option to buy online and choose from a range of ways to collect or take delivery of the goods. Over the last few years the Group has increased investment in its website and is the first garden specialist to offer a 'Click and Collect' service for plants.

Our market (continued)

Market seasonality

The unpredictable UK weather is the single most critical influencer of garden centre sales. It has been said that in recent years the weather patterns have been more extreme than usual. In 2011 the warm, dry spring created a mini-boom for garden retailers, but the gains were quickly lost in the summer as July turned wetter and cooler once more. In 2012, after one of the driest winters on record in the South and East of England, this part of the UK had its first widespread hosepipe ban for 20 years. Ironically, the summer was one of the wettest in history, severely impacting sales in 2012 across the industry and the wider retail market. 2013 brought with it the coldest March on record, followed by the highest average temperatures in August since 2004. The cold start to the spring led to difficult trading conditions for garden retailers, however this was compensated by the favourable weather during the summer season. (Source: Mintel report May 2012/July 2013 and Met Office website).

Future expectations on the market

Mintel projects the garden product market to grow on average by 2.8% per annum over the next five years. The market is expected to prosper due to an increase in the 55-74 age group, which is a key demographic for the market. The popularity of 'Grow Your Own' is also expected to continue growing, as consumers become more conscientious of the source of produce, and also the cost benefit given the current economic climate. It is expected that the trend in growth of online sales will continue, with two key trends emerging in e-commerce: firstly more retailers are making websites available for mobile shoppers, and secondly there is recognition that consumers want multi-channel options so there is flexibility on how they shop, pay, take delivery or collect items. These factors play heavily into the Group strategy, which is discussed in further detail on page 18.

Our strategy includes initiatives which will help to 'weather-proof' the business.

Mintel projects the garden product market to grow on average by 2.8% per annum over the next five years.

Impact on the Group

Having reviewed all of the market data discussed above, the Directors believe that the Group is well placed to compete in this market. The portfolio of the garden centre sites would be difficult to replicate given planning restrictions and limited availability of attractive sites. The expertise and knowledge of the employees within our centres coupled with the quality of our products enables the Group to be able to differentiate itself from its competitors.

The three pillar strategy discussed on page 18 and 19 has been designed to secure the Group's position as the leading garden centre operator, and also to react to the market conditions identified above. The strategy includes initiatives which will help to 'weather-proof' the business, including increasing the presence of concession partners and expanding the food and beverage offerings.

The Group strategy also focuses on our multi-channel offering which will expand our market reach. A 'Click and Collect' service has already been introduced, allowing customers to order online and be able to collect their goods from anyone of our garden centres and the business is exploring ways to further expand its online offerings. The Group has also increased its offer of home-delivery goods.

The Group's strategy of focusing the business on plants, quality products and improved standards across its centres remains unchanged, and the three pillar approach will help to further build on this.

Composition of Group companies
The Group, currently owned by Terra Firma Capital Partners III L.P., a private equity partnership, is made up of several fully owned subsidiary companies, with one main trading entity, The Garden Centre Group Trading Limited and two main property companies, The Garden Centre Group Holdings Limited and Wyevale Acquisition Borrowers Limited. The Group also has a 29.8% share in Garden Centre Property Development Trading Plc (GCPDT) and a 50% joint venture interest in Blooms Property Limited Partnership. The newly acquired Garden and Leisure Group (the parent of which is EHGT Limited), is owned by the Garden Centre Group Trading Limited.

The Group's business model and our strategy

The Group sells high quality products to its customers, employing nationally circa 5,650 employees (circa 3,300 full time equivalents). Our buying team carefully selects our suppliers using their knowledge of local markets and our customers. Our team's experience and our considerable buying power enable us to purchase at competitive prices whilst retaining an emphasis on quality and reliability of our supply chain. The Group's key income is through the sale of garden and leisure products, however revenues are also generated from the restaurants and concessions that operate from each of the sites. Please see the 'Our strategy' section below for more in depth details on the Group's business model.

Our strategy

The Group's approach to driving growth is based on three pillars:

Strengthen the core business

- Strengthen Leadership
- Improve gross margin
- Focus on operating costs
- Maximise return on space

Drive like-for-like sales

- Expand multichannel offering
- Increase range of own brand product
- Improve marketing effectiveness

Drive sector consolidation

- Continue to make acquisitions where terms are attractive

Our progress towards strategy

Strengthen the core business
A number of appointments have been made during the year that have brought a wealth of skill and experience to the executive management team. This additional level of expertise means the Group is well placed to drive forward the business. A number of cost control and margin initiatives have also been introduced, which has resulted in a significant increase in both gross and EBITDA margin. There are a number of further targeted projects in place which are expected to generate future margin improvements. These include: reviewing space utilisation at centres, engaging with additional concessions where appropriate, expanding and focusing on the quality of the food and beverage offerings.

Drive like-for-like sales
The Group has introduced a 'Click and Collect' service which allows for plants to be ordered online and collected in any one of its 139 stores (excluding seven Garden and Leisure sites at present). The Group plans to expand the online offering further, and review the most effective methods of distribution based on the profile of the Group's customers. Several further projects are underway to help expand the own brand offering, and measuring the effectiveness of our marketing in order to ensure the maximum return on the Group investment in this area.

Drive sector consolidation
During the year the Group has made several strategic acquisitions that are expected to generate a strong level of return. The Group intends to continue to make acquisitions where the terms prove favourable and complement the existing portfolio. There is significant opportunity in the market to continue this trend of external growth.

Appointments have been made during the year that have brought a wealth of skill and experience to the executive management team.

Our people

We recognise that our knowledgeable and dedicated employees are fundamental to our success as a business. We strive to hire and retain the best people by offering an industry leading training and development programme alongside a strong support network across the Group. Our training and development framework includes two different apprenticeship schemes, innovative e-learning and management development programmes. In order to offer the appropriate support to our employees, we offer flexible working, run a confidential employee hotline, and recently launched the Employee Assistance Programme, a service which includes advice on debt, retirement, legal advice and short-term counselling. Further details on our employment policies is given on pages 36 to 37.

Further information
For details on the Group key performance indicators, principle risks and uncertainties and an overall fair review of the business, please refer to the Financial review, commencing on page 21.

For details on future developments for the business, please see the Chairman's statement commencing on Page 6.

Approved by the Board of Directors on 1 April 2014 and signed on behalf of the Board:

Lorenzo Levi
Director

Financial review

Although the overall revenue figures have increased only marginally on a like-for-like basis (increase of 0.6%), the profitability of the business has significantly improved.

Papaver somniferum
Poppy

Chief Financial Officer's report

Operating performance
Throughout 2013 there has been significant focus on the financial performance of the Group. Although the overall revenue figures have increased only marginally on a like-for-like basis (increase of 0.6%), the profitability of the business has significantly improved. The Directors consider reported EBITDA to be the key profitability indicator for the business, which as a percentage of sales has increased by 1.2% to 15.5% (2012: 14.3%). This reflects an extensive programme of cost control and profitability initiatives that have been introduced in the current year. This programme is to continue into 2014, with further benefit to the margin expected to be generated.

Quality of earnings
The reported EBITDA of £42.7 million (2012: £25.5 million) excludes certain items which management consider to be exceptional in nature.

The key exceptional item which has a positive impact to profit was a £1.8 million profit made on the sale of land that was excess to requirements at our Northampton site. The site was sold to a large national retailer, who have built a store next to the garden centre. This is expected to benefit the centre as there will be additional passing trade.

The key exceptional items which have negatively impacted the profit for the year include costs associated with reviewing our pricing strategy and cost base, one-off costs for estate optimisation and costs incurred with finding and appointing the new executive management team. These are all considered to be non-recurring items that should be excluded from the results to get a true picture of the underlying profitability of the Group. Furthermore, all these costs are expected to generate significant future benefit, as this expense was required to restructure the cost base and ensure the appropriate assets were in place to drive future growth.

The underlying operating profit includes the unwinding of unfavourable lease provisions. This will continue to unwind over the remaining life of the leases, and is expected to be fully utilised by 2055.

	2013 £'000	Period from 9 February to 30 December 2012 £'000 Restated*
Acquisition costs	(1,789)	(13,373)
Group restructuring costs	(2,001)	(1,518)
Transformational projects	(3,671)	-
Pension restructuring costs	(742)	-
Unfavourable lease provision	640	-
One-off administrative costs	(849)	(130)
Profit on disposal of property plant and equipment	1,752	-
Negative goodwill	582	16,797
Impairment charge	-	(7,000)
Release of deferred consideration	-	7,000
	(6,078)	**1,776**

* Please see note 33 for details on the prior year restatement.

Capital expense and acquisitions
During the year a total of £13.4 million has been spent on tangible assets for the business (2012: £8.4 million). We have also spent a total of £35.4 million on acquisitions (2012: £nil). This included three single centre trade and asset purchases in addition to the share acquisition of the Garden and Leisure Group, which added a further seven centres to the Group. £5.4 million of goodwill was recognised overall for these acquisitions, representing the excess consideration over the fair value of assets and liabilities recognised.

Cash flow
Overall there has been a net increase in cash and cash equivalents of £0.2 million. This however includes a total expense on acquisitions of £35.4 million, and £13.4 million spent on capital expenditure compared to £nil and £8.4 million respectively in 2012. This investing activity is expected to have significant impact on the growth of the business, which will help to generate higher future cash flows.

The underlying operating cash flow was £37.8 million, up £29.2 million on prior year. Management consider this a strong result, and show that the underlying business is highly cash generative, with 88.5% of reported EBITDA being converted to cash.

The underlying operating cash flow was £37.8 million, up £29.2 million on prior year.

	2013 £'000	2012A £'000
Net cash from operating activities	37,806	8,595
Net cash used in investing activities	(46,543)	(8,336)
Net cash generated from financing activities	8,949	31,386
Net increase in cash and cash equivalents	212	31,645
Cash and cash equivalents at beginning of year	31,645	-
Cash and cash equivalents at end of year	31,857	31,645

Chief Financial Officer's report (continued)

Net debt
The net debt as at 29 December 2013 is £273.1 million (2012:£254.9 million). The Group has made repayments on the external loans of £4.2 million. The Group has a further capital investment facility of £30.0 million, £26.5 million of which currently remains undrawn. As management were able to structure the current year acquisitions through issuing a further £25.0 million of share capital, the additional loan facility was not required to be utilised by the business in the current year, leaving the Group in a strong position moving into 2014 to be able to continue to finance its strategy of market consolidation.

The Group is required to meet three specific covenants under the bank loan facility: cash flow cover, leverage cover and fixed charge cover. The Group has met these requirements with sufficient headroom during the year, and projections show that these will continue to be met for the foreseeable future.

The Group is in a strong position moving into 2014 to be able to continue to finance its strategy of market consolidation.

	2013 £'000	2012 £'000
Debt	304,984	286,517
Cash	**(31,857)**	**(31,645)**
Net debt	273,127	254,872
Total equity	49,365	24,365
Net debt : equity ratio	**5.5:1**	**10.5:1**

Pensions
The Group has implemented two schemes during the current year to help manage the pension liability. The first scheme involved offering members an enhanced transfer value based on their current fund if they agreed to transfer from the Group's scheme to one run by a third party. The second scheme involved offering advice to members through an independent financial advisor on their future options for their fund to help them maximise the return on their investments. Overall these schemes have benefited individuals as they are able to maximise their future income, and helped to reduce the Group's pension exposure through transferring liabilities to third parties. The closing liability amounted to £1.4 million at the year end, down £1.0 million on 30 December 2012 (2012: £2.4 million).


Narcissus
Daffodil

Agapanthus 'Lilliput'
African lily

Prior year adjustment to goodwill
During 2012 Trellis Capital Limited completed the acquisition of The Garden Centre Group Limited. Within the 2012 Annual Report and Financial statements, provisional values were allocated to the fair value accounting for this acquisition. In 2013, new information has come to light which has meant the provisional values have been revised. There are two areas where the provisional values have been revised:

- **Dilapidations**
  As at the point of acquisition, insufficient information was available to draw a clear conclusion on the level of commitment the Group was exposed to in terms of dilapidations. A full review of the estate has been completed in 2013, giving a clearer picture of the liability inherited through the acquisition, and therefore the acquisition accounting has been adjusted to reflect an appropriate provision. More detail is provided in note 25

- **Unfavourable lease provision**
  A provision was recognised on acquisition reflecting the additional rent the Group is committed to over and above what would be considered a current market rate. This provision was originally made net of tax, however it is now considered more appropriate to recognise gross, and a deferred tax asset has been recognised separately. This adjustment has the effect of increasing the provision and tax asset, and therefore has no overall net impact on the reserves

After making these adjustments, the accounting for the acquisition of The Garden Centre Group is now considered final.

Nils Steinmeyer
Chief Financial Officer
1 April 2014

Financial review (continued)

Financial Highlights	2013[VII] £'000	2012PF[VI] £'000	2012A[VII] £'000
Revenue	276,208	259,234	178,088
Gross Margin	146,904	128,860	88,167
Gross Margin %	53.2%	49.7%	49.5%
Concession income	14,343	13,435	8,988
Profit / (loss) for the period after tax	(8,207)	(4,026)*	(1,601)*
Reported EBITDA	42,743	28,321	25,543
Net assets	38,349	19,980*	19,980*

* Figures quoted are after prior year restatement. Please see note 33 for details of restatement.

Reported EBITDA for the financial year	Note	2013[VII] £'000	2012PF[VI] £'000	2012A[VII] £'000
Operating profit		21,960	28,148	17,143
Adjustments for items not included in EBITDA:				
Exceptional items	6	6,078	(14,846)	(1,776)
Depreciation expense		14,623	14,930	10,103
Amortisation expense		35	47	31
Share of results of associate and jointly controlled entity		47	42	42
Reported EBITDA		**42,743**	**28,321**	**25,543**

VI 2012 Pro-forma results for 12 months of operation in 2012 (including 4 months of trading pre the acquisition of The Garden Centre Group)
VII Figures as per the financial statements

Revenue
The Group generated revenue of £276.2 million for the year ending 29 December 2013. On a full year pro-forma basis, revenue has increased 6.6% on prior year. Although increased, the majority of growth has been generated through acquisitions with the organic growth in revenue being 0.6% driven by the difficult trading conditions experienced during the year arising from the unsettled weather. A very cold first quarter led to lower footfall which was compensated by favourable weather during the summer. However stormy weather over the winter season also meant a difficult end to the year. This therefore resulted in a final revenue figure which was broadly in line with prior year.

Gross margin
The Group generated gross margin of £146.9 million (53.2%) for the year to 29 December 2013. When compared to 2012 on a full year pro-forma basis, gross profit increased by £18.0 million, which represents an increase in gross margin percentage by 3.7%. This is a reflection of the successful cost control and margin improvement initiatives that have been introduced during the year, which include sourcing new suppliers for restaurants and introducing new pricing initiatives.

Concession income
On a pro-forma basis, concession income grew by £0.9 million to £14.3 million, reflecting the Group's emphasis on 'weather proofing' the business, and to concession out product lines not considered 'core' business activity. The Group has sought not only to counter the impact of the weather by increasing concession income revenues, with the introduction of unmanned concessions within its stores, but also to see the concession offering as an additional driver for increasing footfall to the garden centres.

Reported EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items)
The Group recorded a reported EBITDA (refer to note 8) of £42.7 million year to 29 December 2013 this being an increase of £14.4 million, compared to 2012 EBITDA of £28.3 million on a full year pro-forma basis. The main drivers causing this increase were the cost initiatives as highlighted previously together with the unwind of the unfavourable lease provision. The Directors are satisfied with the result, seeing this an indicator of the success achieved during the year, and the progress made by the Group.

Interest
During the period, the Group incurred finance costs of £34.1 million (2012:£19.3 million), of which £17.9 million (2012:£11.4 million) are not due for payment within the next 12 months. This increase reflects the full year impact of the shareholder loan, plus the additional capital amount due to the inclusion of last years accrued interest in the balance.

Profit before and after tax
The Group recorded a loss before tax of £11.8 million (2012: loss of £2.1 million) and a tax credit of £3.5 million (2012: credit of £0.5 million) resulting in loss after tax of £8.2 million (2012: loss of £1.6 million).

Capital expenditure
During the year, £13.4 million was invested in the estate (2012:£8.4 million), comprising £2.2 million on land and buildings (2012:£1.4 million) and £11.2 million on plant and equipment (2012:£7.0 million).

Financial review (continued)

Financial position

The Group's Balance sheet as at 29 December 2013 can be summarised as follows:

	Net assets 29-Dec-13 £'000	Net assets 30-Dec-12 £'000 Restated*
Non-Current assets	374,494	332,326
Cash and cash equivalents	31,857	31,645
Other current assets	55,139	41,923
Current liabilities (excluding borrowings)	(61,481)	(48,912)
Retirement benefit obligations	(1,418)	(2,433)
Deferred tax	(7,633)	(6,913)
Borrowings – external	(137,568)	(137,038)
Borrowings – shareholder loan	(167,416)	(149,479)
Other non-current liabilities	(47,625)	(41,137)
	38,349	**19,980**

* Please see note 33 for details on the prior year restatement.

The Group ended the period with £31.9 million cash and cash equivalents.

Cosmos bipinnatus Semi-double white

Capital structure

Strong financial capital management is an integral part of the Directors' strategy to achieve the Group's stated objectives. The Group's treasury function is controlled on a day-to-day basis by senior management within defined guidelines and limits as set out by the Board, which ensures that the Group has adequate liquidity in place on both a short term and long term basis.

During the year the Group issued a further £25.0 million ordinary shares at a nominal value of £1 each.

The Group has external bank debt of £137.6 million (2012: £137.0 million) and also has £167.4 million (2012: £149.5 million) of shareholder loans. The shareholder loan has a 10 year term, and is repayable in April 2022. Please see note 21 for details on the repayment terms of the external debt.

The Group has net debt of £273.1 million (2012: £254.9 million), which includes a shareholder loan of £167.4 million (includes accrued interest of £29.3 million) (2012: £149.5 million including accrued interest of £11.4 million). Excluding the shareholder loan, the Group's net debt is £105.7 million (2012: £105.4 million). The Group is able to borrow at competitive rates and therefore currently deems this to be the most effective way of raising finance.

Gearing (net debt/equity) –including shareholder loans equated to 5.5:1 (2012: 10.5:1). Gearing –excluding shareholder loans equated to 2.1:1 (2012: 4.3:1). The Directors consider that the Group's current gearing is appropriate.

Further information on the Group's capital structure is provided in note 22 to the financial statements, including details of how the Group manages risk in respect of capital, interest rates, foreign currencies and liquidity. A debt maturity profile is included in note 21.

Trellis Capital limited, the ultimate UK parent company in which the results of the Company and all of its subsidiaries are consolidated, has share capital of £49.4 million, being 49.4 million of £1 ordinary shares (2012: £24.4 million, being 24.4 million of £1 ordinary shares).

Cash flow

The Group generated operating cash flows of £37.8 million (2012: £8.6 million), driven by the strong reported EBITDA result for the year. (Refer to note 28).

Investing activities resulted in an outflow of £46.6 million (2012: £8.3 million), primarily due to £35.4 million outflow in relation to acquisitions made during the period (2012: £nil) (please see note 29).

Financing activities inflow was £8.9 million (2012: £31.4 million), due to:

- Interest and debt repayments of £17.3 million
- Offset by £25.0 million cash inflow for share capital issued to fund the acquisitions during the year

The Group ended the period with £31.9 million cash and cash equivalents.

Liquidity and investments

At 29 December 2013 the Group had debt facilities of £193.1 million (2012: £198.0 million) (refer to note 21) of which £55.5 million was undrawn (2012: £23.0 million). The undrawn facilities being £29.0 million of a revolving credit facility, that is available for use in the daily trading operations of the Group and £26.5 million available for use as development capital expenditure within the Group.

The Group has hedged its exposure to fluctuations in interest rates by taking out an interest rate swap, which fixes the underlying base rate on 90% of the Group's senior debt facilities to March 2017 at a rate of 1.48%.

Post Balance sheet events

There were no disclosable post Balance sheet events prior to the date of signature of this report and financial statements.

Financial review (continued)

Principal risks and uncertainties

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

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

- Weather
- Liquidity risk, interest rate risk, foreign exchange risk and access to funding
- Price
- Credit

Weather
The main risk to the Group is the weather due to the nature of the principal activity of the Group which is highly seasonal. The plant area of the business and associated garden products is particularly susceptible to the weather with adverse weather having a negative impact on the performance especially around our peak season, which is spring /summer.

The Directors seek to mitigate this risk by increasing its investment in restaurants and concessions which are less weather dependent. Additionally, flexibility has been built in to our cost structure to enable the business to respond to trading levels as necessary. Flexible pricing and specific product line initiatives can also be used to generate sales and increase footfall.

The Directors seek to mitigate this risk of the weather by increasing its investment in restaurants and concessions which are less weather dependent.

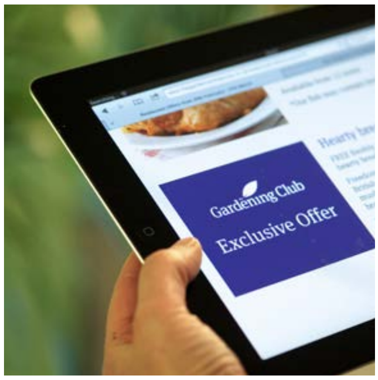
Liquidity risk, interest rate risk, foreign exchange risk and access to funding
Day-to-day operations of the business rely on there being adequate access to funding and maintaining liquidity, as well as enabling future business investment and growth. Ultimate responsibility for liquidity risk management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

The Directors manage liquidity risk by maintaining adequate reserves and banking facilities in the Group, by monitoring actual and forecast cash flows continuously and matching the maturity profiles of borrowings and undrawn facilities that the Group has at its disposal to reduce further liquidity risk.

The Group's treasury function is controlled on a day-to-day basis by senior management within defined guidelines and limits, as set out by the Finance Committee.

The Group borrows in sterling at floating rates of interest, based on LIBOR and a commercial margin. It has an interest rate swap arrangement in place as at 29 December 2013 that expires on 31 March 2017 and buys forward rate foreign currency contracts when necessary. An element of the Group's supplies is purchased in foreign currency and forward foreign currency contracts are taken out when necessary. The Group hedges against the movement in the United States dollar exchange rate by purchasing forward rate foreign contracts for the total amount required.

At 29 December 2013, the Group had fixed its interest rates for approximately 90% (2012: 90%) of its core senior debt (refer to note 21). No other speculative positions have been taken in respect of interest rates, financial instruments or foreign currency transactions.



> The Group has a good rapport with our main suppliers having developed relationships over many years.

Price risk
Due to the nature of the business the Group is heavily dependent on its suppliers and their associated cost prices. If suppliers were to increase their prices the business would have to decide whether to pass these price increases on to our customers or whether to seek alternative suppliers.

The Group has a good rapport with our main suppliers having developed relationships over many years. The size and scale of our business means that we are well placed in negotiating prices.

Credit risk
Due to the business relying on external funding, there is a risk that the Group may not be able to meet these commitments as they fall due.

The following covenants are in place to ensure the Group does not default on any of its financial commitments which are tested on a quarterly basis:

- Fixed charge cover
- Cash flow cover
- Senior leverage ratio

The Group has processes in place to monitor these continuously (see Going Concern section on page 32).

Future development

The executive management team are confident that the Group is well positioned to drive forward the three pillar strategy, enabling continued growth while maintaining a focus on maximising profitability through expanding the level of concession engagement, refining and expanding the food and beverage offering, and on-going cost control. Other initiatives including increasing the level of own brand products and reviewing the multi-channel offer are expected to result in opportunities to increase the like-for-like sales.

The Group is also committed to further reducing its carbon footprint and increasing its presence in the local community through increased charitable activities and investment in environmentally friendly projects, such as the use of real time water metering, further increased level of recycling, reduced energy used on heating among other initiatives.

Financial review (continued)

Key performance indicators (KPIs)

The Directors monitor the performance of the Group over four main financial KPIs:

- Like-for-like sales growth
- Gross margin percentage increase/decrease
- Concession income
- Reported EBITDA

These KPIs are applied on a Group wide basis and the performance on these targets for the year ended 29 December 2013 (8 month period to 30 December 2012) is set out below:

- Growth in like-for-like sales[VIII] of 0.6% (2012: n/a)
- Gross profit margin was up 3.7% on 2012 (2012: n/a)
- Concession income was £14.3 million (2012: £9.0 million) (refer to note 4)
- Reported EBITDA (refer to note 8) was £42.7 million (2012: £25.5 million)

The Directors also monitor non-financial KPIs across the Group, the main one being linked to employee retention. Over 720 members of staff having been with the Group for longer than 10 years, of which at least 140 have served for over 20 years, and the Directors view this as a very positive performance.

Going concern basis

On 24 April 2012 the Group entered into new debt facilities comprising £160.0 million of new bank debt, of which £95.0 million expires in 2018 and £65.0 million expires in 2019. The Group also has £38.0 million unsecured loan notes which expire in April 2022 and an unsecured loan from its parent company of £138.1 million, expiring in April 2022. As at 29 December 2013 the Group had drawn down £137.6 million of its external debt facility, of which £4.2 million has been repaid by year end (2012: nil).

There are three financial covenants attached to the external debt which are tested on a quarterly basis, all of which are expected to be met for at least 12 months from the date of signing these financial statements based on the Directors' review and financial projections.

The Group is expecting to continue to grow over the coming years, generating cash flow and improving profitability. Based on the financial projections, the new debt facilities available and a review of covenant compliance, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signing these financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

VIII Like-for-like sales growth in 2013 excludes results for Bolton, Cheddar and Lechlade garden centres which were acquired during the year.

Corporate responsibility

Our ambition is to be a catalyst for change in the horticultural industry, where gardens can play a part in responding to some of the environmental and social challenges seen in the UK today.

Astrantia major 'Hapsden Blood'
Great masterwort

Core values

At The Garden Centre Group we believe that gardens are intrinsically linked to the environment and local communities and play a key part in supporting more sustainable lifestyles. Our ambition is to be a catalyst for change in the horticulture industry, where gardens can play a part in responding to some of the environmental and social challenges seen in the UK today. This report highlights the early steps of our Corporate responsibility (CR) journey and whilst we are pleased with the progress we are making, we recognise that there is still a long way to go to fully achieve our ambitions.

In 2012 we set the priority of establishing CR as a core value of the Group addressing both environmental and social impacts. We believe that taking a lead on important issues helps build loyalty amongst our customers and employees and attracts new customers to our garden centres, delivering a positive effect on the business. Many of the actions taken so far helped to reduce our environmental impact, while also reducing cost.

Building on the solid progress made in 2012 in reducing energy and water usage, decreasing the usage of peat, sustainable timber sourcing, charitable giving and employee development, we successfully launched a comprehensive CR strategy, 'Growing Together', in 2013.

Corporate responsibility is a core value of the Group addressing both environmental and social issues.

Phlomis fruticosa
Jerusalem sage

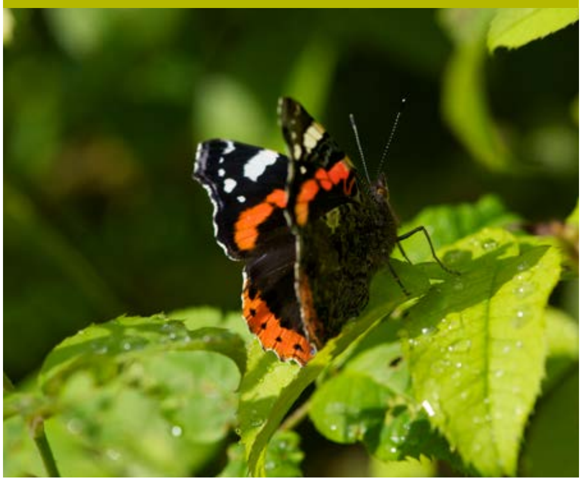
Growing Together has four principal ‘pillars’ that cover all aspects of our business:

Nurturing our people

How we treat our employees, foster their development and involve them in our corporate responsibility activities.

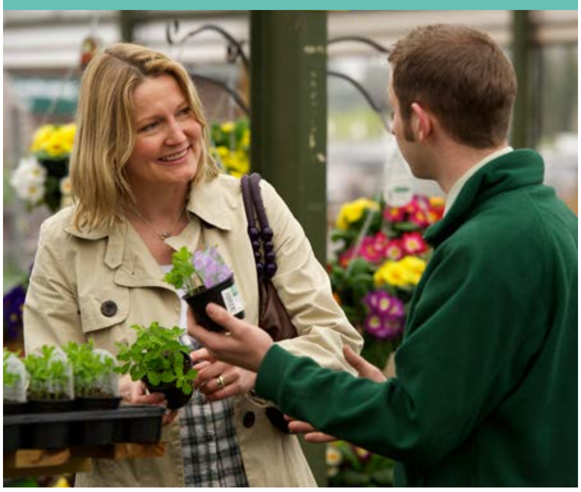
Protecting our planet

The impact of our direct operations on the environment.



Inspiring our customers and suppliers

The impact of the products we sell, including how we engage with our suppliers and customers.



Strengthening our communities

The impact of our business on local communities.

Core values (continued)

Driven by the hard work of our employees, we have made significant progress on a number of key initiatives during the year: 'Protecting our Planet', we increased our waste recycling rates from 35% in 2012 to 57% in 2013, and reduced our electricity consumption by 5% through the introduction of new LED lighting; under 'Strengthening our Communities', we raised over three times as much money for charity in 2013 as was done in 2012.

However, there is still a long way to go to achieve our goals. During 2014, we will continue to strengthen our strategy and ensure it is integrated into our business processes and embedded within all our garden centres through networks of Environment, Charity and Health & Safety 'Champions' – dedicated team members who have volunteered to take on additional responsibility to help deliver our CR goals throughout the operation.

We raised over three times as much money for charity in 2013 as in 2012.

Monarda
Bergamot

Pillar 1
Nurturing our people

We have a diverse and talented workforce (5,650 employees) and we are committed to treating them in a fair, supportive and ethical manner. We value their commitment to delighting our customers through the service they provide and the passion they demonstrate for our products for the garden, gifts and the food we serve in our restaurants.

In 2013, over 25% of our employees were under 21 years of age, and 10% were over 60 years of age. 59% of our employees are female, and we are proud that 41% of head office positions and 38% of our management positions are held by females.

Training and development
We want to make sure our employees are equipped with the knowledge and skills to help our customers and to support their own career goals. All employees have access to our award-winning e-learning system, which covers topics from induction, health and safety, horticulture and administration through to catering and customer service. Since the introduction of the e-learning system in 2010, our employees have completed over 300,000 modules and assessments. We will add further modules in the future to build upon this key personal development platform.

We also have two industry-leading apprenticeship programmes, in Garden Centre Operations and Horticulture (with the Pershore College of Horticulture) and Cookery (with Westminster Kingsway College). 84 apprentices were recruited in 2013 and the programme is making a major impact in providing new opportunities for young people and helping provide future management and leadership resource for the Company:

"Working at the garden centre has been an amazing opportunity! I have gained a lot of knowledge and can't wait to learn more. I love the hands-on approach – and helping customers' feels so rewarding."

Danielle Shipway, Braintree Garden Centre

Employee support
We strive to offer flexible working and remote working to our employees in times of change or personal difficulty. We know that personal or work-related stress can have a big effect on our employees' wellbeing, and we work to empower all our employees to discuss their circumstances and concerns with our management team.

In 2013, we launched an Employee Assistance Programme in partnership with The Retail Trust. The programme provides advice to employees, allowing them to remain anonymous. Services include debt, retirement and legal advice, and short-term counselling. We also run a confidential employee hotline so that our employees can raise concerns quickly and efficiently.

We will launch our first Employee Engagement Survey – 'Your View' – in 2014, which will give all employees the opportunity to tell us how they feel about working for the company and allow us to measure employee satisfaction and understand how we can become a better employer.

Health and Safety
We are committed to providing a safe retail environment for employees and customers at all our garden centres. Our safety management systems comply with UK Health and Safety legislation, and we seek to continuously improve our reporting and compliance standards.

In 2013, we saw great progress in driving Health and Safety reporting within the Group. We now have a dashboard incident reporting system so that we can see our Health and Safety data at a glance, and can measure how well our policies are being implemented.

In 2014, we will develop a network of Health and Safety 'Champions' to embed a better culture of safe working across the Group.

Employee volunteering
At the end of 2013, we agreed our first Volunteering Policy which allows full time employees one paid day per year to volunteer with local charities and community groups. In 2014, we will roll this out across the Group and improve the way we capture data on volunteering.

Core values (continued)

Pillar 2
Protecting our planet

We are a company for people who love gardens and the outdoors, so it is important to us that we are committed to minimising our impact on the environment.

Our key priorities are to reduce our consumption of electricity, gas, fuel and water, and minimise the amount of waste we produce.

Environmental footprint 2013 vs. 2012

	2013	2012
Carbon (tonnes CO2)*	25,758	26,747
Water (litres)	552,940	538,630
Waste (tonnes)	7,319	8,174
Waste recycled (%)	57	35

* Includes core electricity and core gas supplies

Carbon
Our carbon emissions reduced 4% in 2013, despite the first four months of the year experiencing record cold spells, resulting in more gas being used to heat our centres. The CO2 reduction has been achieved through reducing our electricity consumption.

Our electricity consumption in 2013 was 5% lower than in 2012, with much of this reduction due to the replacement of fluorescent tube lighting with LED lights across most of our sites between January and August 2013. The LED bulbs use up to 75% less energy and last around six times longer than the old bulbs, reducing waste from discarded fluorescent tubes. We've also installed sensors in most of our centres that switch off the lights when there's enough natural light in the room.

In 2014, we are continuing with our series of energy saving pilot projects. For example, we're trialling a new energy system that regulates heating according to the season, weather and time of day, and could lead to considerable energy savings. We are also trialling solar energy on-site in garden centres.

Water
Our centres require a lot of water, and most of it is used to protect and nurture the plants we sell. Our annual water bill is substantial, so reducing water can also have a significant effect on our finances.

Despite an unusually hot summer in 2013 and the increased need for additional plant watering, our water consumption increased only slightly (by around 2.7%) compared to 2012. This was due to the water-saving initiatives put in place this year, including capillary matting under plants to conserve water, and real-time water meters in pilot centres which allow employees to monitor water consumption more closely.

Several of our garden centres harvest rainwater for plant irrigation and we are assessing the feasibility of expanding this across more of our garden centres. We have also installed grease management systems in many of our restaurants so that fats, oils and greases are removed at source, increasing the quality of effluent water leaving our sites.

Waste
We are very pleased with our progress on recycling in the last year. In 2013, our total waste footprint was 7,319 tonnes, a reduction of 10% compared to 2012. 57% of this waste was recycled, compared to 35% in 2012. Not only does this mean that more waste was diverted from landfill, but it reduced the Group's waste management costs by 14% in a single year. In 2014, we will continue to work with our employees and waste partners Biffa to increase the percentage of waste recycled.

Embedding our environmental activities at centre level
In late 2013, we began introducing an Environment Champion for every garden centre in our Group. These are employees who have volunteered to take on responsibility for this initiative and build engagement at centre level with our key goals. During the next year, Environment Champions will become an integral part of our drive to reduce the environmental impact of our operations. We will provide them with dedicated training, materials and support to help them inspire and motivate their colleagues to make a difference.

We also launched the 'Turn it Off' campaign across the Group, challenging our garden centres to reduce their energy and water consumption between November 2013 and March 2014 – the key winter period of intensive utility usage.

Environment Champions will become an integral part of our drive to reduce the environmental impact of our operations.

Core values (continued)

Pillar 3
Inspiring our customers and suppliers

Tackling our own environmental impact is important, but it is only part of the story. Our ambition is to act as a catalyst for change throughout our industry, working with suppliers and customers to bring about real change.

We are committed to sourcing ethical and sustainable products. 90% of our plants are grown in the UK, supporting the economy and reducing emissions from transport. We also encourage our customers to make more sustainable choices in their gardens by providing eco-friendly products, helping them save water, and inspiring them to grow their own food.

Timber and peat
Forests and peat bogs are two of the world's most important carbon stores, and need to be protected. 100% of the timber products we sell are Forest Stewardship Council (FSC) approved and certified, so we can be confident that the timber comes from forests that are sustainably managed.

In 2013, we equalised the price of peat and peat-free compost, helping to increase sales of peat-free growing media to 69% of the total category, up from 63% in 2012. We aim for 100% of our growing media to be peat-free ahead of the UK Government's 2020 target. In the meantime, all peat supplied to us must come from legal and sustainable sources.

More than 800 of our garden centre employees have been trained on the benefits of peat-free compost so that they have the right knowledge to change customers' perceptions of the need for peat. In 2014, we will also improve point-of sale communications and support our Environment Champions to drive sales of peat-free compost.

Packaging and transport
We are working to make sure that our packaging is as sustainable as possible. This means making sure products are not over-packaged and using recycled (and recyclable) materials wherever possible. We are proud of our role in helping develop a 100% recycled plastic tray for bedding plants, which has reduced our use of polystyrene by 33% over the past six years.

In 2013, we reviewed our delivery routes to see where we can reduce product transport miles to our garden centres. In 2014, we will pilot changes to these routes and roll out if successful.

Inspiring our customers to garden more sustainably
We want to help our customers understand how to garden sustainably. Over the past few years, we have actively encouraged customers to save water during the summer months through the use of water butts and micro-irrigation products. We have an extensive 'Grow Your Own' range offering over 1,100 varieties of fruit and vegetables. We also encourage customers to build havens for wildlife in their gardens via selling a wide range of wild bird care and other animal products.

In 2013, we removed two products from our shelves following evidence that the chemical compounds known as neonicotinoids are linked to declining bee populations, and launched a campaign to encourage customers to buy bee-attracting plants.

Pillar 4
Strengthening our communities

We want our garden centres to be a vital part of their local communities, providing jobs, local investment, access to open space and a place to meet. In our larger centres we have introduced Local Community Managers, who will forge closer links between their centre and the local community through organising events and liaising with local groups and charities. This isn't just good for the communities involved, it also helps us to identify and engage with potential new customers.

Maintaining and spending time in a garden promotes a sense of wellbeing, reduces stress and encourages gentle exercise. We help our customers enjoy the benefits of gardening through our Gardening Club, which has over 2.5 million members, and through free demonstrations and organised events in our centres.

We are also proud to provide skills-generating work experience in conjunction with local schools and colleges and we participate in local education projects and student research where possible.

Fundraising
We have a strong track record of supporting charities that are important to our customers and employees, and we significantly strengthened our support in 2013. We are delighted to have raised over three times as much money for the main charities we supported in 2013 as we did in 2012.

Fundraising in 2013 vs. 2012

	2013	2012
NSPCC	£314,000	£75,000
Alzheimer's Society	£31,000	£20,000
Macmillan Cancer Support	£39,000	£21,000
Total	**£384,000**	**£116,000**

We donate a proportion of the charges that we collect for our soft play areas to the National Society for the Prevention of Cruelty to Children (NSPCC). In 2013, we raised over £300,000, which enabled the NSPCC to answer around 80,000 calls to ChildLine from children in desperate need of support.

Although we have now selected a National Charity Partner (see below) we will continue to partner with the NSPCC in 2014 with the money raised going towards supporting therapy sessions for children who have been mistreated. These sessions often take place in gardens, which help the children relax and by being active and having fun in the garden it encourages them to talk about their experiences.

For the fourth year running, many of our garden centres participated in 'the world's biggest coffee morning', raising over £39,000 for Macmillan Cancer Support. We collected over £31,000 for Alzheimer's Society through local events and collection tins. Additionally, our centres raised thousands of pounds for local charities through events such as Christmas grottos, raffles and quiz nights. They also supported local projects through providing space for local events within our centres.

NSPCC Cruelty to children must stop. FULL STOP.

In aid of Alzheimer's Society Leading the fight against dementia

WE ARE MACMILLAN. CANCER SUPPORT

Core values (continued)

National charity partnership
At the end of 2013, we launched a new Community Investment Policy to bring focus and consistency to our fundraising. An important element of this policy is the development of a national charity partnership, 'Gardens for Good', which will allow our garden centres to unite behind a national cause where the physical garden space can bring benefits to individuals and local communities.

All of our employees have been given the opportunity to vote for our first national charity partner and have chosen Marie Curie Cancer Care, who will be our partner for the next two years. We believe that Marie Curie is a strong partner for The Garden Centre Group, because gardens play an important therapeutic role in the charity's care for terminally ill people in their own homes and in their hospices.

"Many people I care for love their gardens. I remember bringing a patient's bed downstairs to the drawing room so she could see out into her garden. I always say you have to live until you die and I think that gardens give people a lot of joy in their last days of their life at home."
Honor Wright, Marie Curie Nurse

We will work with Marie Curie to develop gardening-inspired fundraising and volunteering opportunities for our employees, customers and suppliers. The funds raised from the partnership will ensure that Marie Curie Nurses can provide care to terminally ill people in their own home or at one of their nine hospices, and support their families in communities across the country.

Embedding our charity activities in our local communities
In late 2013, we also began introducing a 'Charity Champion' for every garden centre in our Group. During the next year, these Champions will deliver fundraising initiatives within our National Charity Partnership, liaise with local charities and help support centre employees with fundraising and volunteering so we can help strengthen our local communities.

Marie Curie is a strong partner for the Group because gardens play an important therapeutic role in the charity's care for terminally ill people.

Marie Curie Cancer Care

National Charity Partner 2014
Charity Reg. No. 207994 England & Wales; SCO38731 Scotland

Narcissus 'Tête-à-tête' Daffodil

Corporate governance

Strong governance is of key importance to the Group. It is vital that the Board and executive management team set a clear example on how we expect to operate as a business. We continually look for how we can improve and develop as a business.

Caryopteris × clandonensis

Chairman's introduction

> "We pride ourselves on running an ethical, sustainable business."
>
> Stephen Murphy
> Chairman

Strong governance is of key importance to the Group. We pride ourselves on running an ethical, sustainable business that works closely with customers, suppliers and our employees to ensure that the Group maintains a reputable image amongst all stakeholders.

It is vital that the Board and executive management team set a clear example on how we expect to operate as a business. The individuals appointed to the executive management team in the current year are considered to reflect the key qualities we wish to see across our business, and we are confident that the management team will inspire the workforce and other partners to deliver the high quality of performance and service that is expected from a business of our calibre.

There have been a number of key achievements across the finance, audit, and nomination and remuneration committees during the year. Through working with internal audit, the audit committee has ensured that all our centres are operating at the high standards at which we expect. The finance committee have been involved with ensuring that the acquisitions made during the year have been appropriately structured, and played a key part in securing a further £25.0 million equity issue to our ultimate shareholder, Terra Firma. They have also played an integral part in the centre redevelopment programme, with involvement in reviewing all capital expenditure requested and planned improvements. The nomination and remuneration committee have been pivotal in securing the new appointments to the executive management team, and have also assisted in implementing incentive plans to ensure the long term commitment of key management.

The Board is fully committed to the governance of the Group, and understand the importance this plays in ensuring that the Group objectives are achieved in an appropriate manner which maintains our reputation and image. The committees we run are considered to be safeguards to ensure the right level of consideration is given to all decisions that the business makes, at all times considering the impact any action may have on the trust, integrity and value of the business. In order to ensure strong governance is maintained within the Group, the business follows the transparency principles set out within the Walker guidelines, which sets out suggested practices to implement to achieve best practice across the business. Implementation of the guidelines is on a voluntary basis, however management have taken the option to adopt these as it offers a strong structural framework for strong governance across the Group.

Overall, the Board and executive management team are pleased with the achievements made during the year. Between the Board and newly extended executive management team there is a wealth of experience, sufficient to guide the business forward and set the necessary tone for strong governance across the Group. We continually look for how we can improve and develop as a business, and are satisfied that we have the assets in place to drive forward improvement.

Stephen Murphy
Chairman
1 April 2014

The Board and Directors

Trellis Acquisition Limited, which is one of the Company's subsidiaries and the governance company of the Group ('Governance Board'), holds regular meetings to discuss the affairs of the Group and to maintain control of operations. The Board is responsible for devising the Group strategy, approving the annual budget and signing off the financial statements, significant investment decisions and setting limits for capital expenditure.

The non-executive Directors have been selected because they are deemed to be independent and have no relationship (business or otherwise) that could interfere with having an impartial view.

Each Director is considered to be able to devote sufficient time to the duties required of them.

The current balance between executive Board members and non-executive Board members is considered to be appropriate and effective in order to control and direct the business.

There are a number of sub-committees in place to support the Board, these being:

- Finance committee
- Audit committee
- Nomination and remuneration committee

The role of these committees is set out below. A record of the individual attendance by Directors to each meeting is set out on page 51.

The Board has delegated control of the day-to-day business running to the Chief Executive Officer, the Chief Financial Officer and the executive management team, the members of which are set out below.

Detailed information and Board papers have been prepared throughout the year covering all major aspects of the Group's operations, ensuring that these are reviewed according to an agenda. Both executive and non-executive Directors have unlimited access to legal advisers at the Group's expense and the company secretary and executives within the Group on any matter of concern to them in respect to their duties. Training (both on appointment of a new member and on an ongoing basis) is taken to be of paramount importance and enables members to keep up to date with relevant topics or new areas which have emerged which are of concern. The Company agrees to reimburse legal fees to the Directors if advice has been sought from an independent source in order to fulfil their duties.

The Board

	Trellis Capital Limited	Trellis Acquisition Limited			
Name	**Board**	**Board**	**Audit**	**Finance**	**Nomination and Remuneration**
Stephen Murphy	-	✓	✓	✓	✓
Kevin Bradshaw	-	✓	-	✓	-
Nils Steinmeyer*	✓*	✓	✓*	✓	✓
Stephen Pitcher*	-	✓*	-	✓*	-
Lorenzo Levi	✓	✓	✓	✓	✓
Julie Williamson	✓	✓	✓	✓	✓

* denotes a Director retired/resigned during the year.

The Board

Stephen Murphy
Chairman
Trellis Acquisitions Limited

Stephen Murphy has served as Chairman of the Group since 8 June 2012. Before joining the Group Stephen was Group CEO of the Virgin Group from 2005-2011, having succeeded the Founder, Sir Richard Branson. He oversaw the worldwide interests of Virgin Group and was responsible for global strategy.

Stephen is currently also Non-Executive Chairman of the Jumeirah Group, the UAE based international hospitality group, Chairman of the Learning Clinic, a UK medical technology business, Chairman of Byron Hamburgers Ltd, a leading UK gourmet burger restaurant chain, a Non-Executive Director of Ren Ren Inc., China's leading real name social network company, and a Non-Executive Director of the Business Growth Fund, a £2.5 billion UK investment fund supporting small and medium sized UK enterprises.

He is also an Advisory Partner at Ashcombe Advisers LLP, a specialist corporate finance and advisory business. He has previously worked for Mars Group Plc, Ford Motors and Unilever Plc.

Kevin Bradshaw
Chief Executive Officer
Trellis Acquisitions Limited

Kevin Bradshaw has served as CEO of the Group since 19 November 2012.

Prior to that, Kevin was the Managing Director of Avis UK and was additionally responsible for technology across Avis Europe Plc. As a member of the Avis Executive Board, he oversaw a significant turnaround of the UK operating business and undertook a transformation of the European technology organisation prior to the sale of Avis Europe in October 2011.

Previously, Kevin served as Managing Director of the Enterprise Information Division at Reuters Plc and grew a number of businesses supplying financial data to the world's leading institutional financial services companies.

Kevin started his career at the Kalchas Group, a firm of strategy consultants founded as a spin off from McKinsey and Bain & Company.

Nils Steinmeyer
Chief Financial Officer
Trellis Acquisitions Limited

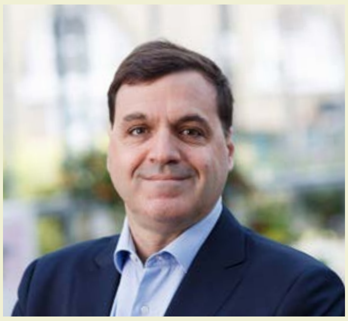
Nils joined on a permanent basis during the year, having been previously seconded from Terra Firma Capital Partners since the acquisition of The Garden Centre Group in 2012.

Nils's previous position at Terra Firma Capital Partners was Finance Director. He joined Terra Firma in 2003 as Financial Controller with a remit to align the financial management and reporting standards across the portfolio businesses.

Nils previously worked closely with several Terra Firma portfolio businesses, including Deutsche Annington, AWAS and Phoenix Natural Gas.

Prior to Terra Firma, Nils spent 11 years with General Electric Co. (USA) in a wide range of finance roles across various divisions of the company, including 5 years in businesses where General Electric was a minority shareholder.

Nils has a BSc from London School of Economics and an MBA from London Business School.



Lorenzo Levi
Non-Executive Director
Trellis Capital Limited

Lorenzo is an Operational Managing Director at Terra Firma Capital Partners. Since joining Terra Firma in 2002 he has been involved in a number of the firm's investments including Phoenix Natural Gas, AWAS, Tank & Rast, RTR and Odeon & UCI Cinemas.

Prior to joining Terra Firma his career ranged from sales management and corporate development roles for companies such as IBM and Nortel Networks to strategy work for management consultants Bain & Company.

He has a BSc in Electrical Engineering and a BSc in Economics from MIT as well as an MBA from Harvard.

Julie Williamson
Non-Executive Director
Trellis Capital Limited

Julie is a Financial Managing Director at Terra Firma Capital Partners Limited, adviser to the Terra Firma shareholders and currently focuses on the hospitality and leisure sectors. She led the team advising on Terra Firma's investment in The Garden Centre Group. She also led the team advising on the investment in Tank & Rast, another Terra Firma investment and was responsible for its refinancing in 2006 and the partial exit in 2007. Julie currently also sits on the Board of Odeon & UCI Cinemas Holdings Limited.

Prior to joining Terra Firma in 1998, Julie worked for Nomura International Plc where she headed the legal team that provided legal risk analysis and transaction execution support to the group. Prior to that, she was a partner in the Banking department of the law firm Winthrop & Weinstine.

Rupert Gavin
Non-Executive Director
Trellis Acquisitions Limited

In addition to the current Board members, Rupert Gavin has been appointed to the Board as a Non-Executive Director as from 16 January 2014. Rupert Gavin is the previous CEO of Odeon & UCI Cinemas, owned by Terra Firma. Prior to joining Odeon he held senior positions at the BBC, BT and Dixons.

The executive management team

Colin Hughes
Retail Operations Director

As Retail Operations Director, Colin heads the Garden Centre and Retail Operations teams within The Garden Centre Group, with overall responsibility for retail and operating standards, levels of customer service as well as the motivation and engagement of its 5000+ employees.

Before joining the Group, Colin most recently worked as an independent consultant providing interim operational and commercial cover as well as due diligence support to a range of businesses and private equity clients. He has previously held numerous retail operational roles for M&S, Pret A Manger and EAT, and has also served as a Non-Executive Director for a number of growing retail businesses. In his role as Retail Operations Director at both Pret A Manger and EAT, he was responsible for opening over 150 news sites throughout the UK. Prior to this at M&S Colin led several Board sponsored initiatives on customer service in stores and led store teams across the UK and Ireland in delivering a cultural change programme.

Colin is a graduate of The Queens University of Belfast and also holds an Executive MBA (prize winning) from Cranfield School of Management. He is a Fellow of The Chartered Management Institute and a graduate CIPD member.

Sarah Biggers
Human Resources Director

As Human Resources Director, Sarah heads the human resources, training and talent functions of The Garden Centre Group, with overall responsibility for managing the attraction, retention, motivation and development of its 5,000+ employees.

Before joining the Group, Sarah most recently worked as an independent consultant providing interim HR cover and strategic HR projects support to a range of businesses. Previously, Sarah worked for the Virgin Group. In her initial role as HR Manager for Virgin Active, she was responsible for putting in place the HR infrastructure in the early years of the company’s growth. Subsequently as Head of People for Virgin Management, Sarah led the teams responsible for delivering business partnering services to Virgin Management and Virgin’s smaller operating businesses, as well as managing key relationships and cross-group projects with HR teams across the Virgin Group.

Frank Hayes
Commercial Director

Frank is Commercial Director and is responsible for leading the concessions strategy of the business.

Frank was previously CEO and Commercial Director of Betts Group, a private equity backed global packaging manufacturer supplying the major FMCG companies. He led a restructuring of the business and its key customer relationships, which dramatically improved its profitability and cash position, enabling a refinancing and the successful sale of the business.

Prior to this, Frank was Managing Director of Spirit Food, the pub and restaurant division of Spirit Group. Before joining Spirit Group, Frank spent 13 years at Yum! Brands (previously PepsiCo Restaurants) in various international supply chain and general management roles including five years as General Manager of Yum!’s businesses in Spain and France. Frank started his career at Bain & Company, the leading firm of strategy consultants.

Sarah Fuller
Marketing Director

As Marketing Director, Sarah is responsible for The Garden Centre Group's marketing, including our 'Gardening Club' loyalty programme, customer insight, online activity and customer services.

Before joining the Group, Sarah was Head of Marketing Communications for Waitrose, where she was responsible for brand strategy, through-the-line communications, loyalty, publications and customer events.

Prior to Waitrose, Sarah held the position of Director of Marketing and Insight for AIRMILES at British Airways Group. Previously, Sarah spent five years at Telewest (now Virgin Media) in various marketing and product management roles. Sarah started her career at Procter & Gamble in their Health and Beauty Care division in a variety of marketing and brand management roles.

Dan Zinner
Trading Director

As Trading Director, Dan is responsible for the buying, supply chain and visual merchandising teams who manage products sold within our garden centres.

Before joining the Group, Dan worked for Clicks Group, Southern Africa's largest retail and wholesale group with a primary focus on the health and beauty sector. He was Head of Healthcare, responsible for overall healthcare industry strategy and relationships as well as £350 million of healthcare products and services offered in over 440 stores, 330 pharmacies and 125 full-time primary healthcare clinics. Dan was also Head of Business Development creating new subsidiary businesses, one which focused on sourcing and marketing own label prescription and over the counter medication.

Prior to working at Clicks, Dan spent a number of years at McKinsey & Company in London where his main focus was advising on strategic and transformational change across a broad range of consumer and retail industries.

Jason Danciger
Food and Beverage Director

Jason holds the position of Food and Beverage Director, and is responsible for overseeing the portfolio of 99 restaurants operated across the Group.

Jason has spent over a quarter of a century working in the catering and leisure industry, after a decade cooking with Roux Brothers, he drove the offer in a number of restaurants such as Café Rouge, Livebait, Dome, Bertorelli's, Chez Gerard, Slug & Lettuce and Scott's to name a few.

Prior to joining The Garden Centre Group, Jason's roles have included Director of Food at the Spirit group where he put pub food firmly on the map, which became a significant growth driver both for their 3,000 pubs and for the rest of the industry.

Jason later joined M&S and picked up a number of accolades for hospitality in M&S heading up over 100 restaurants and casual dining outlets and over 300 coffee shops in UK and over 60 global operations. Jason was also responsible for the rolling out of around 50 new deli counters adding theatre in their food halls as well as revitalising their in-store bakery operation, bringing a new award-winning design concept to over 450 stores in under 18 months stealing significant market growth.

Accountability and transparency

Directors' interests and compliance

At no time during the year was it deemed that any Director held a material interest in the Company or subsidiary undertaking, other than a third party indemnity provision between each Director and the Company, and service contracts between each executive Director and the Company. Directors' and officers' liability insurance has been held throughout the period in respect of the Group and its Directors. These provisions, which are qualifying third-party indemnity provisions as defined by Section 236 of the Companies Act 2006, were in force throughout the period and are currently in force. Details of the Directors' remuneration and interests in the shares of the Company are set out in note 9 of this report.

Directors' conflicts of interest

Procedures are in place in order to review any potential conflicts of interest that might arise on a regular basis. Subsequently, the Board feel confident that should any circumstances or potential situation arise which may result in a conflict of interest that they will be dealt with appropriately and in a timely manner in accordance with the Companies Act 2006 and the Company's Articles of Association. No such issues have materialised throughout the year.

Bribery Act 2010

Following the introduction of the Bribery Act 2010 which came into force across the UK on 1 July 2011, the Board has approved a formal Anti-Bribery Policy. The Act simplifies and strengthens UK legislation by removing a number of other pieces of legislation and replacing them with the crimes of bribery, being bribed, the bribery of foreign public officials, and the failure of a commercial organisation to prevent bribery, which if not complied with could expose the Group to unlimited fines.

The Group values its reputation for lawful and ethical business behaviour and is committed to maintaining high standards of integrity, transparency and accountability in all that the Group does. A policy has been prepared to give clear guidance to everyone within the Group on their responsibilities in observing and upholding the Group's position on anti-bribery.

The Group values its reputation for lawful and ethical business behaviour.

Clematis tangutica
Golden clematis

Committees

Director attendance at meetings held by Trellis Acquisitions Limited:

Name	Board	Finance	Audit	Nomination and Remuneration
Maximum number of meetings	14	17	2	11
Stephen Murphy	13	16	2	11
Kevin Bradshaw	13	15	-	-
Nils Steinmeyer	13	17	1	11
Stephen Pitcher*	10*	13*	-	-
Lorenzo Levi	13	17	2	11
Julie Williamson	14	17	2	11

* denotes that the director retired during the year and thus was not eligible to attend all meetings

Finance Committee

The Finance Committee is chaired by Julie Williamson. The powers of the Finance Committee, in so far as they are not reserved by the Governing Board (Trellis Acquisitions Limited Board of Directors), the Investor Entity (Terra Firma Capital Partners III L.P.) or by applicable law, or otherwise delegated to a special ad hoc committee, include the establishment of the Group's financial strategy and the general guidelines and policies for implementing such strategy, including:

- Financial and investment policy, including the capital structure of Group companies and the payment of dividends
- The management of foreign exchange, interest rate, liquidity, and other financial risk
- The management of credit risk and implementation of credit policies (where appropriate)
- Participation and acquisition/divestiture policy, including the acquisition and sale of individual participations of strategic importance
- Communication policy regarding the financial press, the financial community, and shareholders
- Acquisition and divestiture of material corporate premises, whether of a purchase, lease, or other contractual nature
- Submitting recommendations on matters to be decided or approved by the Governing Board (generally on the basis of proposals to the Finance Committee by the Chief Executive Officer and/or the executive management team, as the case may be)

Accountability and transparency (continued)

Finance Committee (continued)

Composition of the Finance Committee

Name	Date of appointment	Date of resignation
Stephen Murphy	08/06/2012	n/a
Kevin Bradshaw	19/11/2012	n/a
Julie Williamson	20/12/2011	n/a
Lorenzo Levi	05/03/2012	n/a
Nils Steinmeyer	05/03/2012	n/a
Stephen Pitcher	24/04/2012	31/07/2013

The Finance Committee may meet as often as its members deem necessary, but in any event not less than once in every calendar quarter.

The key areas of achievement for the finance committee during the year are:

- Review of all capital expenditure requirements during the year
- Completion of the acquisitions of three single site centres in addition to the Garden and Leisure Group
- Securing £25.0 million of additional equity from Terra Firma to fund the acquisitions

The focus for the committee going forwards into the next year will be:

- Reviewing and implementing the ongoing centre re-development programme
- Further acquisitions where the terms are favourable
- Optimising the capital structure to ensure the lowest possible finance cost

Audit Committee
The Audit Committee was chaired by Lorenzo Levi. The Audit Committee is appointed by the Board from the non-executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the key principles of the UK Corporate Governance Code. The terms of reference will be considered annually by the Audit Committee and then referred to the Board for approval.

The Audit Committee is responsible for, but not limited to the following:

- To advise the Governing Board regarding the appointment of the external auditor of the Company and any Group Company, and any questions of resignation or dismissal and to make recommendations to the Board regarding the amount of fees paid to the Company's auditor or the auditor of any Group Company
- To discuss with the Governing Company's and any Group Company's external auditors, before any audit commences, the nature and scope of the audit, to review the audit plan
- To review with the Governing Company's and any Group Company's external auditors the annual financial statements of the Company and the Group before submission to the Board, focusing particularly on:
  1. Any changes in accounting policies and practices
  2. Major accounting judgement areas which include but not limited to:
     – Acquisition accounting
     – Stock provisioning
     – Accounting for exceptional items
  3. Significant adjustments resulting from the audit (at year-end only)
  4. The going concern assumption
  5. Compliance with accounting standards
  6. Compliance with legal requirements
- To review the Governing Company's and any Group Company's external auditors' management letters, if any, and Management's response
- To recommend to the Governing Board appropriate policies of internal control:
  – To facilitate the Group's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives
  – To help ensure the quality of internal and external reporting
  – To help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business
- To decide on the implementation of the Group's internal audit program, and in such case, to ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate authority and standing within the Company and the Group
- To consider the major findings of the internal and external audit and Managers' response, and to take all necessary steps to clarify all matters it deems appropriate to submit to the Governing Board and to submit its recommendations to the Governing Board

Composition of the Audit Committee

Name	Date of appointment	Date of resignation
Stephen Murphy	08/06/2012	n/a
Lorenzo Levi	05/03/2012	n/a
Julie Williamson	20/12/2011	n/a
Nils Steinmeyer	05/03/2012	07/03/2013

The Audit Committee may meet as often as its members deem necessary, but in any event not less than twice in each calendar year.

Accountability and transparency (continued)

External auditor
The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring, the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and the day to day responsibility with the group Chief Financial Officer. It states that the external auditor is jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact. The policy also sets out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, including those pre-approved by the Audit Committee and those which require specific approval before they are contracted for, subject to de minimis levels.

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- The arrangements for ensuring the external auditor's independence and objectivity
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan
- The robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements
- The content of the external auditor's reporting on the internal control

Note 7 to the financial statements includes disclosure of the auditor's remuneration for the period, including analysis of audit services, audit related services and other non-audit services under those headings prescribed by law.

Internal audit function
The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit department. To fulfil these duties, the Committee reviewed:

- Internal Audit's terms of reference, reporting lines and access to the Audit Committee and all the members of the Board
- Internal Audit's plans and its achievement of the planned activity
- The results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution
- The level and nature of non-audit activity performed by Internal Audit

The Group's Whistleblowing Policy contains arrangements for the Group's Head of Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

> 100% of garden centres received acceptable Health and Safety audits on the first visit.

Key achievements of the Audit Committee
During the year, the following achievements have been made by the Committee:

- All Garden Centres have been visited by Internal Audit. 91% of all centres achieved an acceptable operational audit, and 100% achieving acceptable Health and Safety audits on the first visit
- An unmodified audit report has been issued

The focus for the Committee going forward will be to ensure that all garden centres receive top internal audit reports, and the Group continues to remain compliant will all accounting regulations.

Astrantia major
Great masterwort

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Stephen Murphy and also consists of two non-executive Directors and one executive Director. The Group has established a Remuneration Committee which is responsible for all matters concerning discretions or authorities in respect of:

- The organisational structure of the Company, any Group Company and the Group
- The appointment and termination of any Director, senior employee or manager
- The terms and conditions of appointment or employment of any Director, senior employee or manager
- Any policies relating to the appointment and termination of the Company or any Group Company
- Any policies relating to the terms and conditions of employment of any employees of the Company or any Group Company
- Any changes to the role of any Director or senior employee
- Any recommendation to the Governing Board in respect of the implementation of redundancies in excess of the applicable Delegated Authority Limit

The Nomination and Remuneration Committee will review recommendations and approve proposals from Directors in relation to policies in respect of the appointment, termination and terms and conditions of employment of employees of the Group generally.

Accountability and transparency (continued)

Composition of the Remuneration and Nomination Committee

Name	Date of appointment
Stephen Murphy	08/06/2012
Julie Williamson	20/12/2011
Lorenzo Levi	05/03/2012
Nils Steinmeyer	05/03/2012

The Nomination and Remuneration Committee may meet as often as its members deem necessary, but in any event not less than once a year.

Key achievements of the Nomination and Remuneration Committee
The Nomination and Remuneration Committee have played an integral part in the hire of the external management team during the year. The Committee was involved in agreeing appropriate reward for the individuals appointed.

Furthermore, the Committee has been involved in implementing a new LTIP scheme for the Board and executive management team which involves individuals investing in Trellis Management Limited, one of the Group companies, so that there is a vested interest in future success.

Directors' report

The Group is expecting to continue to grow over the coming years, generating cash flow and improving profitability. The Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Allium hollandicum 'Purple Sensation'

Directors' report

The Directors present their Annual Report and the audited financial statements for Trellis Capital Limited and its subsidiaries (together the 'Group') for the year ending 29 December 2013.

Principal activity
The principal activity of the Group is the operation of garden centres within the United Kingdom. In the previous year, Trellis Capital Limited acquired The Garden Centre Group Limited, the details of which are in note 29.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 15 to the financial statements.

Future developments
Details regarding the future prospects of the Group are set out in the 'Future Development' section on page 31.

Going concern
On 24 April 2012 the Group entered into new debt facilities comprising £160.0 million of new bank debt, of which £95.0 million expires in 2018 and £65.0 million expires in 2019. The Group also has £38.0 million unsecured loan notes which expire in April 2022 and an unsecured loan from its parent company of £138.1 million, expiring in April 2022. As at 29 December 2013 the group had drawn down £137.6 million of its external debt facility.

There are three financial covenants attached to the external debt which are tested on a quarterly basis, all of which are expected to be met for at least 12 months from the date of signing these financial statements based on the Directors' review and financial projections.

The Group is expecting to continue to grow over the coming years, generating cash flow and improving profitability. Based on the financial projections, the new facilities available and a review of covenant compliance, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signing these financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Vegetable seedlings

Directors

The Directors who served during the year and subsequently were:

- Julie Williamson
- Lorenzo Levi
- Nils Steinmeyer (resigned 20 October 2013)

Post Balance sheet events

There were no disclosable post Balance sheet events prior to the date of signature of this report and financial statements.

Dividends

The Group paid £nil dividends in the year.

Health and safety, environment and employee involvement

Information on health and safety, environment and employee involvement can be found on pages 33 to 42 in the Corporate responsibility section of this report.

Disabled employees

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

Policy on payment of suppliers

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

Donations

Refer to the Corporate responsibility section (page 41) for information on donations made by the Group.

Disclosure of information to auditor

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

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

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

Auditor

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

Approved by the Board of Directors and signed on behalf of the Board.

Lorenzo Levi
Director
1 April 2014

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare parent company financial statements under IFRSs as adopted by the European Union. 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 loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Select suitable accounting policies and apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

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


Strawberry plant


Strawberry

Financial statements and notes

Trellis Capital Limited is a company incorporated in the United Kingdom. The financial statements are prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards.

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Independent auditor's report

We have audited the Group and Parent Company financial statements of Trellis Capital Limited for the year ended 29 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 December 2013 and of the Group's loss for the year then ended
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 3 to the Group financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB) l.

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us or
- The Parent Company financial statements are not in agreement with the accounting records and returns or
- Certain disclosures of Directors' remuneration specified by law are not made or
- We have not received all the information and explanations we require for our audit

Jane Whitlock ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

2 April 2014

Consolidated Income statement

For the year ended 29 December 2013

	Note	2013 £'000 Acquisitions	2013 £'000 Continuing operations	2013 £'000 Total	Period from 9 February to 30 December 2012 £'000 Restated* Total
Revenue – sale of goods	3,4,5	14,397	261,811	276,208	178,088
Cost of sales		(10,588)	(118,716)	(129,304)	(89,921)
Gross profit		**3,809**	**143,095**	**146,904**	**88,167**
Sales and distribution costs		(5,858)	(110,942)	(116,800)	(71,498)
Administrative expenses		(3,334)	(20,048)	(23,382)	(10,053)
Exceptional items included within administrative expenses:					
Acquisition costs	6	(1,789)	-	(1,789)	(13,373)
Group restructuring costs	6	-	(2,001)	(2,001)	(1,518)
Transformational projects	6	-	(3,671)	(3,671)	-
Pension restructuring cost	6	-	(742)	(742)	-
Unfavourable lease provision	6	-	640	640	-
One- off administrative costs	6	(388)	(461)	(849)	(130)
Profit on disposal of property plant and equipment	6	-	1,752	1,752	-
Negative goodwill	6	582	-	582	16,797
Impairment charge	6	-	-	-	(7,000)
Release of deferred consideration	6	-	-	-	7,000
Share of results of associate and jointly controlled entity	16	-	(47)	(47)	(42)
Other operating income	4	406	14,879	15,285	10,569
Operating (loss)/profit	7	**(4,977)**	**26,937**	**21,960**	**17,143**
Investment income	10	211	171	382	71
Finance costs	11	(197)	(33,902)	(34,099)	(19,280)
Loss before tax		**(4,963)**	**(6,794)**	**(11,757)**	**(2,066)**
Tax on loss on ordinary activities	12	-	3,550	3,550	465
Loss for the year/period		**(4,963)**	**(3,244)**	**(8,207)**	**(1,601)**

* Please see note 33 for details on the prior year restatement.

Consolidated statement of comprehensive income/(expense)

For the year ended 29 December 2013

	Note	2013 £'000	Period from 9 February to 30 December 2012 Restated* £'000
Loss for the year/period		**(8,207)**	**(1,601)**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	31	(289)	(854)
Share of movement in property valuation of associate	16	-	(205)
Tax on defined benefit pension scheme taken to equity	23	13	99
		(276)	(960)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge		2,352	(2,369)
Tax on cash flow hedge	23	(500)	545
	27	1,852	(1,824)
Total comprehensive income/(expense) for the year		**1,576**	**(2,784)**
Total recognised expense for the year	27	**(6,631)**	**(4,385)**
Attributable to:			
Equity holders of the parent		**(6,631)**	**(4,385)**

* Please see note 33 for details on the prior year restatement.

Consolidated and company Balance sheet

As at 29 December 2013 (2012: 30 December)

	Note	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000 Restated*	Company 2012 £'000
Non-current assets					
Intangible assets	13	6,610	-	657	-
Property, plant and equipment	14	365,646	-	329,384	-
Investments	15	-	14,178	-	200
Interest in associates	16	2,238	-	2,285	-
		374,494	14,178	332,326	200
Current assets					
Inventories	17	33,543	-	28,934	-
Trade and other receivables	18	21,596	210,253	12,989	175,215
Cash and cash equivalents	19	31,857	-	31,645	-
		86,996	210,253	73,568	175,215
Total Assets		**461,490**	**224,431**	**405,894**	**175,415**
Current liabilities					
Trade and other payables	20	(61,001)	(4,003)	(48,403)	-
Obligations under finance leases	24	(480)	-	(509)	-
Borrowings	21	(8,981)	-	(6,300)	-
		(70,462)	(4,003)	(55,212)	-
Net current assets		**16,534**	**206,250**	**18,356**	**175,215**
Non-current liabilities					
Borrowings	21	(296,003)	(167,416)	(280,217)	(149,479)
Derivative financial liability	22	(226)	-	(2,369)	-
Retirement benefit obligation	31	(1,418)	-	(2,433)	-
Deferred tax liability	23	(7,633)	-	(6,913)	(385)
Obligations under finance leases	24	(5,411)	-	(5,561)	-
Provisions	25	(41,988)	-	(33,209)	-
		(352,679)	(167,416)	(330,702)	(149,864)
Net Assets		**38,349**	**53,012**	**19,980**	**25,551**
Equity					
Share capital	26	49,365	49,365	24,365	24,365
Hedging reserve	27	28	-	(1,824)	-
Retained earnings	27	(11,044)	3,647	(2,561)	1,186
Total Equity		**38,349**	**53,012**	**19,980**	**25,551**

* Refer to note 33 for details of the prior year restatement

The financial statements were approved by the Board of Directors and authorised for issue on 1 April 2014. They were signed on its behalf by:

Lorenzo Levi
Director

Consolidated and company statement of changes in equity

For the year ended 29 December 2013

Group	Note	Share Capital £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 9 February 2012		-	-	-	-
Issue of new share capital	26	24,365	-	-	24,365
Profit for the period	27	-	-	5,684	5,684
Comprehensive expense for the period	27	-	(1,824)	(960)	(2,784)
Balance at 30 December 2012 as previously reported	27	24,365	(1,824)	4,724	27,265
Prior year adjustment (restatement of goodwill)	33	-	-	(7,285)	(7,285)
Restated balance at 30 December 2012		**24,365**	**(1,824)**	**(2,561)**	**19,980**
Issue of new share capital	26	25,000	-	-	25,000
Loss for the year	27	-	-	(8,207)	(8,207)
Comprehensive income/(expense) for the year	27	-	1,852	(276)	1,576
Balance at 29 December 2013		**49,365**	**28**	**(11,044)**	**38,349**

Company	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 9 February 2012		-	-	-
Issue of new share capital	26	24,365	-	24,365
Profit for the period	27	-	1,186	1,186
Balance at 30 December 2012		**24,365**	**1,186**	**25,551**
Issue of share capital	26	25,000	-	25,000
Profit for the year	27	-	2,461	2,461
Balance at 29 December 2013		**49,365**	**3,647**	**53,012**

Consolidated and company cash flow statement

For the year ended 29 December 2013

	Note	Group 2013 £'000	Company 2013 £'000	Group Period from 9 February to 30 December 2012 £'000	Company Period from 9 February to 30 December 2012 £'000
Net cash from operating activities	28	**37,806**	**-**	**8,595**	**-**
Investing activities					
Interest received		274	-	51	-
Proceeds on disposal of property, plant and equipment		1,931	-	28	-
Purchases of property, plant and equipment		(13,382)	-	(8,415)	-
Acquisition of subsidiary undertaking and trade and assets	29	(35,366)	-	-	(200)
Net cash used in investing activities		**(46,543)**	**-**	**(8,336)**	**(200)**
Financing activities					
Repayments of borrowings		(4,199)	-	(268,768)	-
Repayment of derivative liability		-	-	(16,098)	-
Interest paid		(7,578)	-	(5,536)	-
Subsidiary debt repayment		(5,500)	-	-	-
Repayment of obligations under finance leases		(149)	-	(380)	-
New bank loans raised and associated costs		-	-	134,149	-
Net cash acquired at acquisition	29	1,375	-	25,583	-
New equity and related costs	26	25,000	25,000	24,365	24,365
New shareholder loan		-	-	138,071	138,071
Loan to subsidiary undertaking		-	(25,000)	-	(162,236)
Net cash generated from financing activities		**8,949**	**-**	**31,386**	**200**
Net increase in cash and cash equivalents		**212**	**-**	**31,645**	**-**
Cash and cash equivalents at beginning of year		**31,645**	**-**	**-**	**-**
Cash and cash equivalents at end of year		**31,857**	**-**	**31,645**	**-**

Notes to financial statements

For the year ended 29 December 2013

1. General information

Trellis Capital Limited is a company incorporated in the United Kingdom. The registered address of the Company is given on page 120. The nature of the Group's operations and its principal activities are set out on pages 8 to 9 and in the Strategic Report on pages 11 to 20.

The financial statements are prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards. The particular accounting policies adopted are described below.

2. Adoption of new and revised standards

In the current financial year, the Group has adopted the following which did not have a material impact:

IFRS 7	(amended) Financial Instruments Disclosures
IAS 1	(amended) Presentation of financial statements
IAS 32	(amended) Financial instruments presentation (Annual improvements 2009-2011 Cycle)

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue, but not yet effective:

IFRS 9	Financial Instruments (2011)
IFRS 10	Consolidated Financial Statements
IFRS 11	(amended) Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	(amended) Fair Value Measurement
IAS 1	Presentation of financial statements (Annual improvements 2009-2011 Cycle)
IAS 16	(amended) Property plant and equipment (Annual improvements 2009-2011 Cycle)
IAS 19	(amended) Employee benefits
IAS 28	(revised) Investments in Associates and Joint Ventures
IAS 32	Financial instruments presentation (May 2012 amendments)
IAS 36	(revised) Impairment of assets
IAS 27	Consolidated and Separate Financial Statements

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

IFRS 9	will impact both the measurement and disclosure of Financial Instruments
IFRS 12	will impact the disclosure of interests Trellis Capital Limited has in other entities
IFRS 13	will impact the measurement of fair values for certain assets and liabilities as well as associated disclosures
IAS 19	(revised) will impact the treatment of interest cost

The Directors have reviewed the impact of adopting the above standards and amendments and are satisfied that these will not have a material impact on the financial statements.

Notes to financial statements (continued)

For the year ended 29 December 2013

3. Significant accounting policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with the IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on a historical cost basis, with the exception of certain balances which have been revalued to their fair value. Details are given in the accounting policies section and the notes to the accounts.

The Company has opted to apply Section 390(3) of the Companies Act 2006. This permits the Company to end its financial year on 29 December 2013, as it is not more than 7 days after or before the end of the year dated 31 December 2013 (2012: 30 December 2012).

This financial year consists of a 52 week period that will be known as a 'year' for the purposes of these accounts (2012: 53 week period).

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the year ended 29 December 2013. This financial year consists of a 52 week period that will be known as 'year' for the purposes of these accounts. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Financial Review on page 32.

Company Income statement
Pursuant to section 408 of the Companies Act 2006, a separate Income statement dealing with the results of the Company only has not been presented. The profit for the year of the Company amounted to £6,079,000 (2012: £1,186,000).

Business combinations
All business combinations are accounted for using the purchase method. The cost of an acquisition represents the cash value of the consideration and/or the fair value of the shares issued on the date the offer became unconditional. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits respectively
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 – Share-based Payments
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

If the initial accounting for a business combination is incomplete by the year end of the reporting period in which combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised to reflect new information obtained about the facts and circumstances that existed as of the acquisition date that if known would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtain complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

3. Significant accounting policies (continued)

Investments in associates
The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the Balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Transactions with associates are not eliminated upon consolidation.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is credited in profit or loss in the period of acquisition.

Jointly controlled entities
A jointly controlled entity is an entity in which the Group holds an interest with one or more third parties where a contractual arrangement has established joint control over the entity. Jointly controlled entities are accounted for using the equity method of accounting.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest at fair value of identifiable assets, liabilities and contingent liabilities of a subsidiary, associate, or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the Income statement at the acquisition date. Goodwill is considered to have an infinite useful life and so is not amortised.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the synergies of the business combination.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, property valuations and cash flow forecasts. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Negative goodwill arising as a result of a 'bargain purchase' has not been recognised on the Balance sheet and was taken to the Income statement.

Revenue recognition
Sales comprises Group sales, net of applicable discounts, including the provision against the expected redemption of Gardening Club loyalty points, value added tax and other sales related taxes. Sales of goods are recognised when goods are delivered and title has passed.

Concession income and rental income are accrued on a time basis and are recognised within 'other operating income'.

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to financial statements (continued)

For the year ended 29 December 2013

3. Significant accounting policies (continued)

Investments
Investments are stated at cost less any provision for impairment. Cost of investments includes costs directly attributable to their acquisition.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance sheet date, and are discounted to present value where the effect is material.

Property plant and equipment
Property, plant and equipment is stated at cost or deemed cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write-off the cost or valuation, less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

Motor vehicles	25% of cost per annum
Freehold Buildings	Over 50 years on cost or valuation
Long leasehold land and buildings	Over term of the lease or 50 years, whichever is the shorter period
Short leasehold land and buildings	Over the period of the lease
Plant and equipment	10-33% of cost per annum
Freehold land is not depreciated	

The estimated residual values of assets are determined by the Directors by reference to the on-going review of the condition of the assets and consideration of other factors relevant to the market values excluding inflation. Annual impairment tests are performed on these properties. Assets held under finance leases are depreciated over the expected useful lives on the same basis as owned assets or, where shorter, over the relevant lease term.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income statement.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

Intangible assets
Intangible assets which are separately identifiable upon acquisition and for which a fair value can be assigned are recognised as an asset at the time of acquisition. They are amortised over the useful life of the asset, being 20 years from the year of acquisition.

Impairment of tangible and intangible assets excluding goodwill
The Group reviews the carrying amounts of its tangible and intangible assets annually to determine whether there is any indication those assets have suffered an impairment loss. If any such loss exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using the Group's weighted average cost of capital. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group's cash generating units.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's Balance sheet when the Group becomes party to the contractual provisions of the instrument.

The Group has determined the classes of financial assets and liabilities to be cash and borrowings, loans and receivables, trade payables and derivative financial instruments.

Financial assets
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Objective evidence of impairment could include:

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

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

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

Loans and receivables
Trade receivables, loans and other receivables are measured at initial recognition at their fair value, and are subsequently measured at amortised cost using the effective interest rate method less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated Income statement when there is objective evidence that the asset is impaired.

Notes to financial statements (continued)

For the year ended 29 December 2013

3. Significant accounting policies (continued)

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts / payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking or
- It is a derivative that is not designated and effective as a hedging instrument

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Borrowings
Interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct costs of issue. Finance charges, including premiums payable on settlement or redemption and direct costs of issue are accounted for, on an accruals basis, to the Income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Derivative financial instruments
The Group uses derivative financial instruments such as interest rate swaps, forward interest rate contracts and forward foreign currency contracts to minimise exposure to the financial risk of interest rates and foreign currency fluctuations. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance sheet date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivative hedges as hedges of highly probable forecast transactions (cash flow hedge).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. Significant accounting policies (continued)

Hedge accounting
The Group designates its derivative hedging instrument as a cash flow hedge.

At inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item. Note 22 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in note 27.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Exceptional items
Exceptional items are income or expenditure, which individually or, if of a similar type, in aggregate should, in the opinion of the Directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view.

Operating (loss)/profit
Operating (loss)/profit is stated after charging restructuring costs and the share of results of jointly controlled entities but before investment income and finance costs.

Retirement benefit costs
The Group operates a funded defined benefit (final salary pension) scheme, which has been set up under a trust that holds its financial assets separately from those of the Group. In addition, a number of defined contribution arrangements are currently operated. Payment to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The retirement benefit obligation is recognised in respect of the defined benefit pension plan calculated as the present value of the defined benefit obligation at the Balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds approximating to the terms of the related pension liability. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme. Actuarial gains and losses are recognised in equity as an item within the Statement of Comprehensive Income.

The retirement benefit obligation recognised in the consolidated Balance sheet represents the deficit or surplus in the Group defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits in the form of refunds from the scheme or reduction in future contribution to the scheme.

Notes to financial statements (continued)

For the year ended 29 December 2013

3. Significant accounting policies (continued)

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Equity share capital
Equity share capital represents the ordinary shares issued by the Company and are recorded as the proceeds received less direct issue costs.

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

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

Inventory provisioning
Determining inventory provisioning involves estimating the recoverable amount of the inventory held by the Group. Calculating the recoverable amount of inventory requires a degree of estimation in terms of the likely demand and prices for individual inventory items. Management monitor demand closely and continue to ensure any changes in the market are appropriately reflected.

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

Depreciation and carrying amounts of property, plant and equipment
Calculating the depreciation charge and hence the carrying value for property, plant and equipment requires estimates to be made of the useful lives of the assets. The estimates are based on the Group's experience of similar assets. Details are set out in note 3.

Retirement benefit obligations
Determining the amount of the Group's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning long term interest rates, inflation, salary and pension increases, investment returns and longevity of current and future pensioners. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The Group makes assumptions concerning these matters and the probability that a surplus may be recoverable with the assistance of advice from independent qualified actuaries. Details of the assumptions made are set out in note 31.

3. Significant accounting policies (continued)

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

Acquisition accounting
During the year, the Group acquired EHGT Limited and its subsidiary, Garden and Leisure Group Limited and Cheddar, Lechlade and Bolton Garden centres through Garden Centre Acquisitions Limited. Following these acquisitions, a fair value exercise, under IFR3 – Business Combinations, was undertaken in order to calculate the fair value of the acquired assets and liabilities. Both negative and positive goodwill arose during the year as a result of the acquisition accounting being completed in line with IFRS 3 –Business Combinations. In line with the requirements of the standard, negative goodwill has been released to the Income statement during the year and positive goodwill has been capitalised. The goodwill balance carried on the Balance sheet will be tested annually for impairment. In carrying out the fair value exercise, the Group made the following significant judgements that had a material impact on the calculation of goodwill:

- Inventories were reviewed and subsequently provided for based primarily on a revised ranging strategy which contemplated a shift/discontinuation of certain sub-categories
- Operating leases were reviewed to determine whether they are below or above market terms based on the latest market estimate of rent payable. A liability has been recognised on acquisition as the Directors have determined that the terms of the operating leases acquired were unfavourable to market terms
- Dilapidation provision are made to reflect the current level of dilapidations on lease hold property which the Group will be responsible to reflect in the future

Prior year acquisition accounting
During 2012 Trellis Capital Limited completed the acquisition of The Garden Centre Group Limited. Within the 2012 Annual Report and Financial Statements, provisional values were allocated to the fair value accounting for this acquisition. In 2013, new information has come to light which has meant the provisional values have been revised. There are two key areas impacted by the adjustments:

- Dilapidations – As at the point of acquisition, insufficient information was available to draw a clear conclusion on the level of commitment the Group was exposed to in terms of dilapidations. A full review of the estate has been completed in 2013, giving a clearer picture of the liability inherited through the acquisition, and therefore the acquisition accounting has been adjusted to reflect an appropriate provision. More detail is provided in note 33

- Unfavourable lease provision – A provision was recognised on acquisition reflecting the additional rent the Group is committed to over and above what would be considered a current market rate. This provision was originally made net of tax, however it is now considered more appropriate to recognise gross, and a deferred tax asset has been recognised separately. This adjustment has the effect of increasing the provision and tax asset, and therefore has no overall net impact on the reserves

Notes to financial statements (continued)

For the year ended 29 December 2013

4. Revenue

Revenue represents amounts derived from the provision of goods and services which fall within the Group's ordinary activities after deduction of trade discounts and Value Added Tax.

An analysis of the Group's revenue for the year is as follows:

	2013 £'000	Period from 9 February to 30 December 2012 £'000
Sale of goods	276,208	178,088
Concession income	14,343	8,988
Other	942	1,581
	291,493	**188,657**

5. Business and geographical segments

For management purposes and reporting the Group has one class of business and all sales are within the United Kingdom. Consequently the revenue, segment result, carrying amount of segment assets, segment liabilities, segment capital additions and segment depreciation are as disclosed within these financial statements for the Group as a whole.

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6. Exceptional items

Due to the nature of the Group's costs detailed below, they were deemed to be non-recurring and have been disclosed separately to ensure the underlying performance of the business is clearly identified.

	2013 £'000	Period from 9 February to 30 December 2012 £'000 Restated*
a) Acquisition costs	(1,789)	(13,373)
b) Group restructuring costs	(2,001)	(1,518)
c) Transformational projects	(3,671)	-
d) Pension restructuring costs	(742)	-
e) Unfavourable lease provision	640	-
f) One-off administrative costs	(849)	(130)
g) Profit on disposal of property plant and equipment	1,752	-
h) Negative goodwill	582	16,797
i) Impairment charge	-	(7,000)
j) Release of deferred consideration	-	7,000
	(6,078)	**1,776**

* Please see note 33 for details on the prior year restatement.

a) **Acquisition costs** – During the year, the Group acquired EHGT Limited and Cheddar, Lechlade and Bolton garden centres. As a result of the purchase, costs of £1,789,000 were incurred in relation to professional and adviser fees.

   In 2012, the Group acquired The Garden Centre Group Limited incurring £13,373,000 of costs in relation to professional banking and adviser fees.

b) **Group restructuring cost** – During the year, the Group incurred £521,000 (2012: £334,000) for the secondment of Terra Firma staff. In addition to that, redundancy costs of £462,000 (2012: £610,000) and £1,018,000 (2012: £574,000) relating to restructuring of senior management of the Group were also incurred.

c) **Transformational projects** – The Group incurred costs of £3,671,000 (2012: £nil) in relation to one off strategic projects linked to the setting of the main long term strategy of the Group, as agreed with shareholders.

d) **Pension restructuring cost** – During the year, the Group incurred cost of £742,000 (2012: £nil) on a one off review of the existing defined benefit pension scheme.

e) **Unfavourable lease provision release** – During the year, £640,000 (2012:£nil) was released as a result of change in the lessor on three properties that resulted in a reduction of the net unfavourable lease relating to the properties.

Notes to financial statements (continued)

For the year ended 29 December 2013

6. Exceptional items (continued)

f) **One off administrative costs** – The Group incurred £849,000 (2012: £130,000) on consultancy and advisory fees in relation to various projects on cost savings initiatives.

g) **Profit on disposal of property plant and equipment** – During the year, a profit of £1,752,000 (2012: £nil) arose from disposal of a plot of land.

h) **Negative goodwill** – During the year, negative goodwill of £582,000 arose from the acquisition of Cheddar, Lechlade and Bolton garden centres. This was released to the Income statement in line with IFRS 3 – Business Combinations.

   In 2012, Negative goodwill of £24,082,000 arose from the purchase of The Garden Centre Group Limited by Trellis Capital Limited. This was released to the Income statement in line with IFRS 3 Business Combinations. However, the Directors completed a full review of the level of dilapidations associated with the properties inherited through this acquisition during the current year and identified that a further provision of £7,285,000 was required as at acquisition date. The provisional accounting has been revised as permitted under IFRS 3 and the negative goodwill reduced to £16,797,000 to recognise this provision. Refer to note 29 for details.

i) **Impairment charge** – In 2012, the Directors considered that the investment in Blooms Properties Limited Partnership (BPLP) has been fully impaired and the impairment loss was recognised in the Income statement.

j) **Release of deferred consideration** – In 2012, as part of the acquisition of the Garden Centre Group by Terra Firma, a warrant to subscribe for shares in Bressingham Limited (a subsidiary company which indirectly owned the Group's interest in BPLP) was acquired for deferred consideration of £7.0 million. The consideration was payable if La Salle (the Joint Venture partner in BPLP) exercised its existing right on a change of ownership of the Group to acquire the Group's interest in BPLP. A liability for the deferred consideration of £7.0 million was therefore recognised on acquisition, in addition to an asset of £7.0 million in respect of the Group's interest in BPLP. The net impact on net assets at acquisition was therefore £nil. The option was not exercised by the joint venture partner and as the option has now lapsed, the deferred consideration has been released.

7. Operating (loss)/profit for the year

The Group's operating (loss)/profit for the year has been arrived at after charging/(crediting):

	Note	2013 £'000	Period from 9 February to 30 December 2012 £'000
Depreciation charge for the year	14	14,623	10,103
(Gain)/loss on sale of property, plant and equipment		(1,752)	33
Cost of inventories recognised as expense		129,304	89,921
Staff costs	9	64,517	41,134
Auditor's remuneration for audit services (see below)		346	277
Operating lease rental		9,800	7,342
Amortisation of intangibles	13	35	31
Exceptional items	6	**6,078**	**(1,776)**

	2013 £'000	Period from 9 February to 30 December 2012 £'000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts	5	5
Fees payable to the Company's auditors and their associates for other services to the Group	-	-
Audit of the Company's subsidiaries pursuant to legislation	170	117
	175	122
Other audit related assurance services	15	12
Tax compliance	69	49
Tax advisory	87	89
Other non-audit assurance services	-	5
Total non audit fees	171	155
Total	**346**	**277**

The audit fees of the Company were borne by another Group company. Total non-audit fees are higher than audit fees mainly due to tax advisory work undertaken in the period associated with the acquisition and one-off strategic projects during the year.

Notes to financial statements (continued)

For the year ended 29 December 2013

8. Reported EBITDA for the financial year

The Group's reported EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) before exceptional items and share of results of associate is a key performance indicator for the business. The calculation of reported EBITDA is set out below:

	Note	2013 £'000	Period from 9 February to 30 December 2012 £'000
Operating profit		21,960	17,143
Adjustments for items not included in EBITDA:			
Exceptional items	6	6,078	(1,776)
Depreciation expense	14	14,623	10,103
Amortisation expense	13	35	31
Share of results of associate and jointly controlled entity		47	42
Reported EBITDA		**42,743**	**25,543**

9. Information regarding key management personnel and employees

The average monthly number of employees (including executive Directors) was:

	2013 Number	Period from 9 February to 30 December 2012 Number
Selling	3,080	3,133
Administration	186	172
	3,266	**3,305**

Their aggregate remuneration comprised:

	Note	£'000	£'000
Wages and salaries		61,794	38,727
Social security costs		1,391	941
Other pension costs	31	1,332	1,466
		64,517	**41,134**

9. Information regarding key management personnel and employees (continued)

The key management personnel of the Group are not remunerated by the Company, but are remunerated by the Group. Refer to note 32 for payments to related parties who are also members of the key management personnel.

During the year, the Directors and executive management team, who are the key management personnel, received the following remuneration:

	2013 £'000	Period from 9 February to 30 December 2012 £'000
Emoluments	2,501	2,788
Payment on loss of office	467	-
Company contributions to defined contribution pensions schemes	229	94
	3,197	**2,882**

At 29 December 2013, retirement benefits were accruing to £nil (2012: £nil) for Directors under the defined benefit scheme. The number of Directors who were members of pension schemes during the year was as follows:

	2013 Number	Period from 9 February to 30 December 2012 Number
Defined contribution schemes	**4**	**4**

Highest paid Director
The above amounts include the following in respect of the highest paid Director:

	2013 £'000	Period from 9 February to 30 December 2012 £'000
Emoluments	862	926
Company contributions to defined contribution pensions schemes	67	38
	929	**964**

The accrued pension entitlement under the Company's defined benefit schemes of the highest paid Director at 29 December 2013 was £nil (2012: £nil).

Notes to financial statements (continued)

For the year ended 29 December 2013

10. Investment income

	Note	2013 £'000	Period from 9 February to 30 December 2012 £'000
Interest on bank deposits held at amortised cost		274	51
Net return on pension scheme	31	108	20
		382	**71**

11. Finance costs

	Note	2013 £'000	Period from 9 February to 30 December 2012 £'000
Interest on bank overdrafts and loans		12,334	7,650
Interest on obligations under finance leases		515	222
Interest payable to immediate parent undertaking		17,676	11,408
Unwinding of discount on provisions	25	3,574	-
		34,099	**19,280**

Finance costs in relation to the amounts owed to the parent undertaking are rolled up into the loan value, and are therefore not a cash expense.

12. Tax

In March 2012 the government reduced the tax rate to 24% from 1 April 2012 and 23% from 1 April 2013. These changes had been substantively enacted at the Balance sheet date and, therefore, included in these financial statements. In March 2013, the Government has announced further reductions in the standard rate of corporation tax to 21% from 1 April 2014 and 20% by 1 April 2015, which are now expected to be enacted next year.

Group	**2013 £'000**	**Period from 9 February to 30 December 2012 £'000**
Deferred tax:		
Income statement	(3,550)	(465)
Total tax credit	**(3,550)**	**(465)**

The credit for the year can be reconciled to the loss per the Income statement as follows:

Group	**2013 £'000**	**Period from 9 February to 30 December 2012 Restated* £'000**
Loss before tax	**(11,757)**	**(2,066)**
Tax at the UK corporation tax rate of 23.25% (2012:24.5%)	(2,733)	(506)
Expenses not deductible and other permanent differences	1,976	1,928
Interest expense disallowed	-	2,795
Impairment of partnership interest	-	1,715
Non taxable release of negative goodwill	(135)	(4,115)
Non taxable release of deferred consideration	-	(1,715)
Effect of prior year adjustments	(1,680)	-
Reduction in deferred tax liability due to rate change	(978)	(567)
Tax credit for the period	**(3,550)**	**(465)**

* Please see note 33 for details on the prior year restatement.

A deferred tax credit relating to the actuarial losses on defined benefit pension schemes of £13,000 (2012: £99,000) has been recognised in the Statement of Comprehensive Income.

A deferred tax charge relating to the derivative financial liability of £500,000 (2012: credit £545,000) has also been recognised in the Statement of Comprehensive Income.

Notes to financial statements (continued)

For the year ended 29 December 2013

13. Intangible assets

Group	Note	Goodwill £'000	Trademarks £'000	Total £'000
Cost:				
At 9 February 2012		-	-	-
Recognised at acquisition	29	-	688	688
At 30 December 2012		-	688	688
Recognised at acquisition	29	5,988	-	5,988
At 29 December 2013		**5,988**	**688**	**6,676**
Impairment:				
At 9 February 2012		-	-	-
Amortisation charge		-	31	31
At 30 December 2012		-	31	31
Release to Income statement		-	-	-
Amortisation charge		-	35	35
At 29 December 2013		**-**	**66**	**66**
Net book value:				
At 29 December 2013		**5,988**	**622**	**6,610**
At 30 December 2012		**-**	**657**	**657**

At 29 December 2013 and 30 December 2012, the Company had no intangible assets.

The trademarks were recognised on acquisition of The Garden Centre Group Limited. They have an estimated useful life currently of 16 years (2012: 17 years)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGU are determined from value in use calculations and assessment of the net realisable value of the CGU.

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

The Group prepares detailed cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and assumes a growth rate applied into perpetuity of 2.5% (2012: 2.5%).

The rate used to discount the forecast cash flows is pre tax discount rate 11% (2012: 9.26%).

The Group has conducted a sensitivity analysis on the impairment of goodwill. An increase in discount rate by 6% percentage points or a reduction in future cash flow by 45% would result in the carrying value of goodwill being reduced to its carrying value.

14. Property plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 9 February 2012	-	-	-	-
Recognised on acquisition	289,580	41,496	57	331,133
Additions	1,445	6,970	-	8,415
Disposals	(629)	(5,384)	(16)	(6,029)
At 30 December 2012	290,396	43,082	41	333,519
Recognised on acquisition	33,575	4,076	-	37,651
Additions	2,236	11,171	6	13,413
Disposals	(179)	-	(33)	(212)
At 29 December 2013	**326,028**	**58,329**	**14**	**384,371**
Accumulated depreciation:				
At 9 February 2012	-	-	-	-
Charge for the period	2,645	7,433	25	10,103
Eliminated on disposals	(612)	(5,356)	-	(5,968)
At 30 December 2012	2,033	2,077	25	4,135
Charge for the year	4,063	10,541	19	14,623
Eliminated on disposals	-	-	(33)	(33)
At 29 December 2013	6,096	12,618	11	18,725
Net book value:				
At 29 December 2013	**319,932**	**45,711**	**3**	**365,646**
At 30 December 2012	**288,363**	**41,005**	**16**	**329,384**

The carrying amount of the Group's land and buildings includes an amount of £23,469,073 (2012: £23,072,941) in respect of assets held under finance leases.

The Company has no property plant and equipment (2012: £nil).

Notes to financial statements (continued)

For the year ended 29 December 2013

15. Investments

	Note	Group £'000	Company £'000
Cost:			
At 9 February 2012		-	-
Investment acquired in period	29	7,000	200
At 30 December 2012		7,000	200
Acquisitions during the period	29	-	-
Debt to equity swap		-	13,978
At 29 December 2013		**7,000**	**14,178**
Impairment:			
At 9 February 2012		-	-
Impairment charge		7,000	-
At 30 December 2012		7,000	-
Impairment charge		-	-
At 29 December 2013		**7,000**	**-**
Net book value:			
At 29 December 2013		**-**	**14,178**
At 30 December 2012		**-**	**200**

During the year the Company completed a debt to equity swap with Trellis Holdco Limited, another Group member. 134,911 ordinary A shares of £1 with an aggregate nominal value of £134,911 were issued to Trellis Capital Ltd, in settlement of an element of accrued interest on the intercompany loan due to Trellis Capital Limited. The shares were issued in settlement of accrued interest to the value of £13,978,000. As part of this transaction the future interest to be charged on the loan was reduced to 8%.

15. Investments (continued)

A list of the significant investments in subsidiaries is shown below.

Name	Country of incorporation	Percentage holding by	
		Company	Group
Trellis Holdco Limited	England & Wales	100%	100%
Trellis Finance Limited	England & Wales	-	100%
Trellis Investment Limited	England & Wales	-	100%
Trellis Acquisitions Limited	England & Wales	-	100%
The Garden Centre Group Limited	England & Wales	-	100%
The Garden Centre Group Holdings Limited	England & Wales	-	100%
The Garden Centre Group Trading Limited	England & Wales	-	100%
Garden Centre Holdings Limited	England & Wales	-	100%
Blooms Garden Centres limited	England & Wales	-	100%
Garden and Leisure Group Limited	England & Wales	-	100%
Garden Centre Acquisitions Limited	England & Wales	-	100%
EHGT Limited	England & Wales	-	100%
The Garden and Leisure Group Limited	England & Wales	-	100%
Wyevale Acquisitions Borrower Limited	England & Wales	-	100%
Significant investments in jointly controlled entities			
Blooms Property Limited Partnership	England & Wales	nil	50.0%
Associate investments			
Garden Centre Property Development Trading plc	England & Wales	nil	29.8%

Notes to financial statements (continued)

For the year ended 29 December 2013

16. Interest in associates

The Group owns 29.8% of Garden Centre Property Development Trading plc (refer to note 15).

	Note	2013 £'000	2012 £'000
Balance at the beginning of the year		2,285	-
Recognised at acquisition	29	-	2,532
Share of associate result		(47)	(42)
Share of movement in property valuation		-	(205)
Interest in associate at end of the year		**2,238**	**2,285**

Aggregated amounts relating to Garden Centre Property Development Trading plc:

	2013 £'000	2012 £'000
Total assets	15,608	21,073
Total liabilities	(6,323)	(11,483)
Net assets	**9,285**	**9,590**
Group share of net assets of associates	**2,767**	**2,858**
Total revenue	1,402	1,168
Loss for the period	(159)	(141)
Group share of loss of associates	**(47)**	**(42)**

17. Inventories

	Group 2013 £'000	Group 2012 £'000
Goods for resale	33,287	28,629
Consumables	256	305
	33,543	**28,934**

The Directors consider carrying value of the inventories approximated their fair value.

18. Trade and other receivables

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade receivables	1,990	-	2,135	-
Other receivables	10,989	-	3,714	-
Prepayments	8,617	-	7,140	-
Amounts receivable from subsidiaries	-	210,253	-	175,215
	21,596	**210,253**	**12,989**	**175,215**

The Directors consider the allowance made for irrecoverable amounts to be immaterial. The Directors consider that the carrying amount of the trade and other receivables approximates their fair value. Interest is charged at 12% (2012: 12%) on balances owed by group undertakings except for Trellis Holdco Limited for which the rate is 8% (2012: 12%). Amounts past due not impaired are immaterial.

Included in other receivables is £5.1 million (2012: £nil) relating to an amount held in Escrow for redevelopment of a centre as per an agreement with a third party.

Credit risk
The Group and Company's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Group's and Company's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to trade and other receivables and the Company's credit risk is attributable to inter-company receivables, which are not considered to bear significant risk. The amounts presented in the Balance sheet are net of allowances for doubtful receivables, estimated by the Group's and Company's management based on prior experience and their assessment of the current economic environment.

19. Cash and cash equivalents

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Cash in hand and at bank	**31,857**	**-**	**31,645**	**-**

As at the Balance sheet date £nil (2012: £5.8 million) was being held on deposit.

The Directors consider the carrying amount of the cash in hand and at bank approximated their fair value.

Notes to financial statements (continued)

For the year ended 29 December 2013

20. Trade and other payables

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade payables	27,881	-	24,764	-
Other payables	16,272	-	12,298	-
Accruals and deferred income	16,479	-	10,584	-
Group relief	-	4,003	-	-
Amounts payable to related parties	369	-	757	-
	61,001	**4,003**	**48,403**	**-**

The Directors consider that the carrying amount of the trade and other payables approximate to their fair value.

21. Borrowings

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Unsecured borrowing at amortised cost				
Shareholder loan	167,416	167,416	149,479	149,479
Secured borrowing at amortised cost				
Bank loans	137,568	-	137,038	-
Total borrowings	**304,984**	**167,416**	**286,517**	**149,479**
The borrowings are repayable as follows:				
Due within one year	8,981	-	6,300	-
In the second to fifth years	24,946	-	24,726	-
After five years	271,057	167,416	255,491	149,479
Amount due for settlement after 12 months	**296,003**	**167,416**	**280,217**	**149,479**

21. Borrowings (continued)

The Group's bank debt facilities as at 29 December 2013 and 30 December 2012 were as follows:

2013	Facility A £'000	Facility B £'000	Revolving Facility £'000	Capex / Acquisition Facility £'000	Secured loan note £'000	Total Facility £'000
Lloyds Bank plc	-	-	12,357	12,243	38,000	62,600
Barclays Bank plc	4,786	10,100	4,688	4,661	-	24,235
The Co-operative Bank plc	4,786	10,100	4,688	4,661	-	24,235
Hayfin Capital Management	12,593	28,439	-	-	-	41,032
Babson Capital Management	-	10,000	-	-	-	10,000
Royal Bank of Scotland Group Pension Fund	-	6,000	-	-	-	6,000
Santander UK plc	8,466	-	8,267	8,267	-	25,000
Total	**30,631**	**64,639**	**30,000**	**29,832**	**38,000**	**193,102**

2012	Facility A £'000	Facility B £'000	Revolving Facility £'000	Capex / Acquisition Facility £'000	Secured loan note £'000	Total Facility £'000
Lloyds TSB Bank plc	24,062	44,688	20,625	20,625	38,000	148,000
Barclays Bank plc	5,469	10,156	4,687	4,688	-	25,000
The Co-operative Bank plc	5,469	10,156	4,688	4,687	-	25,000
Total	**35,000**	**65,000**	**30,000**	**30,000**	**38,000**	**198,000**

Notes to financial statements (continued)

For the year ended 29 December 2013

21. Borrowings (continued)

Facility A
A six year facility with a maximum limit of £35.0 million. The facility will be paid over numerous tranches over the term. Interest will be paid at 3.75% (2012: 4.5%) over LIBOR plus mandatory costs. At the Balance sheet date the Group had utilised £30.6 million (2012: £34.3 million) out of this facility.

Facility B
A seven year facility with a maximum limit of £65.0 million. The facility will be paid in full on maturity. However mandatory or voluntary repayments are applied on a pro rata basis. Interest will be paid at 4.5% (2012: 5.0%) over LIBOR plus mandatory costs. At the Balance sheet date £64.6 million of this facility (2012: £65.0 million) was outstanding.

Revolving facility
A six year facility with a maximum limit of £30.0 million. The facility will be paid in full on maturity. Interest will be paid at 4.25% (2012: 4.5%) over LIBOR plus mandatory costs. At the Balance sheet date the Group had £30 million undrawn in this facility (2012: £30.0 million).

Capex/Acquisition facility
A six year facility with a maximum limit of £30.0 million. The facility will be paid in three tranches, commencing in 2015. Interest will be paid at 3.75% (2012: 4.5%) over LIBOR plus mandatory costs. At the Balance sheet date the Group had £26.5 million (2012: £26.5 million) undrawn in this facility.

Secured loan note facility
A 10 year facility with a maximum limit of £38.0 million. The facility will be paid in full on maturity. Interest will be accrued at 8% (2012: 8%) and is satisfied by the issuance of 'Payment in Kind Notes'. This facility has been fully utilised at Balance sheet date.

Covenants
There are three covenants to be met under the new debt facilities; cashflow cover, leverage cover and fixed charge cover. These are tested on a quarterly basis.

Financial liabilities analysed by maturity date

	Loans £'000	Finance leases £'000	Trade and other payables £'000	Amounts payable to related parties £'000	Shareholder Loan £'000
2013					
Due within one year	8,981	480	44,153	-	-
In the second to fifth years	24,946	1,639	-	-	-
After five years	103,641	3,772	-	-	167,416
	137,568	**5,891**	**44,522**	**-**	**167,416**
2012					
Due within one year	6,300	509	37,062	757	-
In the second to fifth years	24,726	1,270	-	-	-
After five years	106,012	4,291	-	-	149,479
	137,038	**6,070**	**37,471**	**348**	**149,479**

Finance lease liabilities are secured on the assets to which they relate.

22. Financial instruments

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group at the Balance sheet date consists of debt, which includes the borrowings disclosed in note 21, cash and equity attributable to equity holders of the parent, reserves and retained earnings as disclosed in notes 26 to 27.

Gearing ratio
The Directors review the capital structure on a periodic basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital.

	2013 £'000	2012 £'000
Debt	304,984	286,517
Cash	**(31,857)**	**(31,645)**
Net debt	273,127	254,872
Total equity	49,365	24,365
Net debt : equity ratio	**5.5:1**	**10.5:1**

Debt is defined as short and long-term borrowings, as detailed in note 21. Total equity is defined as ordinary share capital, as detailed in note 26.

Externally imposed capital requirement
The Group is not subject to externally imposed capital requirements.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Financial statements and notes

Notes to financial statements (continued)

For the year ended 29 December 2013

22. Financial instruments (continued)

Categories of financial instruments

Financial assets	Carrying value 2013 £'000	Carrying value 2012 £'000
Loans and receivables (including cash and cash equivalents)	**44,836**	**37,494**
Financial liabilities		
Borrowings held at amortised cost	355,028	330,406
Derivative instruments in designated hedge accounting relationships	226	2,369
	355,254	**332,775**

Financial risk management objectives
The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge interest rate and foreign currency exposures. The use of financial derivatives is governed by the Group's Board of Directors, who would decide on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity as required. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Currency derivatives
The Group operates wholly in the United Kingdom. Sales and the majority of purchases are in local currency and all loans are in sterling. The Group and Company have minimal foreign exchange exposure (assets or liabilities) and therefore the financial statements do not contain any numerical disclosures on currency risk. The Group has used forward contracts, principally for US$, when any exposure has arisen. The fair value of the forward contract at 29 December 2013 was £(147,000) (2012: £28,000).

Interest rate risk management
The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by the use of an interest rate swap contract and forward interest rate contracts for currency purchases.

Derivative financial instruments
The Group's policy on the use of financial instruments is explained in the Directors' report and in the accounting policies in note 3. All the Group's financial instruments are held by Trellis Acquisition Limited, a Group member.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, including interest rate swaps.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

22. Financial instruments (continued)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

2013 Outstanding receive floating pay fixed contracts	Average contract fixed interest rate %	Notional principal value £'000	Fair value £'000
2 to 5 years	**1.48**	**86,220**	**(226)**

2012 Outstanding receive floating pay fixed contracts	Average contract fixed interest rate %	Notional principal value £'000	Fair value £'000
2 to 5 years	**1.48**	**90,000**	**(2,369)**

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swap is three months LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swap and the interest payments on the loan occur simultaneously.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Hedge accounting
In order to qualify for hedge accounting, the Group is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis.

This effectiveness testing is reperformed periodically to ensure that the hedge has remained, and is expected to remain highly effective.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates at the Balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of floating rate liability outstanding at the Balance sheet date 29 December 2013 of £91,042,000 (2012: £94,657,000) (excluding the variable overdraft) was outstanding for the whole year. For fixed rate liabilities, the analysis is prepared assuming the £226,000 (2012: £2,369,000) fair value of the swap at 29 December 2013 is affected by an interest rate change for the remaining four years until the swap terminates in March 2017. A 0.5% increase or decrease is used in management's assessment of the reasonably possible change in interest rates. If interest rates had been 0.5% lower/higher and all other variables were held constant, the Group's:

- Profit for the year ended 29 December 2013 would increase/decrease by £0.47 million (2012: £0.47 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings
- Profit for the year ended 29 December 2013 would decrease/increase by £0.40 million (2012: £0.30 million). This is attributable to the Group's exposure to interest rates on its fixed rate borrowings in relation to the swap valuation
- Equity for the year ended 29 December 2013 would increase/decrease by £0.07 million (2012: £0.17 million)

Notes to financial statements (continued)

For the year ended 29 December 2013

22. Financial instruments (continued)

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Directors manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities in the Group, by monitoring forecast and actual cash flows continuously and matching the maturity profiles of borrowings and undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk table
The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2013	Weighted average interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	After 5 years £'000	Total £'000
Variable interest rate instrument	6.2%	4,079	1,271	9,940	42,297	65,854	123,441
Fixed interest rate instruments	9.2%	43	86	387	94,480	439,239	534,235
Derivative financial instrument	1.5%	61	122	548	1,179	-	1,910
	10.3%	**4,183**	**1,479**	**10,875**	**137,956**	**505,093**	**659,586**

2012	Weighted average interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	After 5 years £'000	Total £'000
Variable interest rate instrument	6.2%	2,132	1,428	9,945	47,118	79,186	139,809
Fixed interest rate instruments	9.2%	63	127	570	1,610	523,308	525,678
Derivative financial instrument	1.5%	69	139	624	1,909	-	2,741
	10.2%	**2,264**	**1,694**	**11,139**	**50,637**	**602,494**	**668,228**

22. Financial instruments (continued)

Credit risk management
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

The following table represents the Group's maximum exposure to credit risk:

	2013 £'000	2012 £'000
Current 0-30 days	1,670	1,993
Overdue 31-60 days	56	100
Overdue 61-90 days	129	3
Overdue +120 days	135	39
	1,990	**2,135**

Company
As all the transactions within the Company are inter-company transactions the Directors consider there to be no credit risk on these assets.

Notes to financial statements (continued)

For the year ended 29 December 2013

23. Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current period.

	Business combinations non-deductible assets £'000	Short term timing differences and losses £'000	Accelerated tax depreciation £'000	Tax deductible goodwill & intangible assets £'000	Derivative financial liability £'000	Retirement benefit obligations £'000	Unfavaourable leases £'000	Total £'000
Recognised at acquisition	23,130	(2,500)	(340)	(1,792)	(3,864)	(460)	-	14,174
(Credit)/charge to income	(1,437)	(1,389)	(1,657)	154	3,864	-	-	(465)
Credit to equity	-	-	-	-	(545)	(99)	-	(644)
Balance at 30 December 2012 as previously reported	21,693	(3,889)	(1,997)	(1,638)	(545)	(559)	-	13,065
Prior year adjustment (refer note 29)	-	-	-	-	-	-	(6,152)	(6,152)
Restated balance at 30 December 2012	21,693	(3,889)	(1,997)	(1,638)	(545)	(559)	(6,152)	6,913
Recognised at acquisition	5,464	-	-	-	-	-	(1,681)	3,783
(Credit)/charge to income	(3,771)	(2,663)	1,333	282	-	288	981	(3,550)
Credit to equity	-	-	-	-	500	(13)	-	487
At 29 December 2013	**23,386**	**(6,552)**	**(664)**	**(1,356)**	**(45)**	**(284)**	**(6,852)**	**7,633**

As described in note 12, the Government has announced further reductions in the standard rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. These changes had been substantively enacted at the Balance sheet date and therefore deferred tax assets and liabilities included within these financial statements have been calculated using these rates on the basis that they will materially reverse after 1 April 2014.

23. Deferred tax (continued)

The forecast effect of the further above proposed reduction in rate by 2014 would be £1.5 million.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 £'000	2012 £'000
Deferred tax liabilities	23,386	(21,693)
Deferred tax assets	(15,753)	8,628
	7,633	**(13,065)**

The Group has the following unrecognised deferred tax assets:

	2013 £'000	2012 £'000
Losses not recognised	**-**	**(10,300)**

Lathyrus latifolius
Sweet pea

Notes to financial statements (continued)

For the year ended 29 December 2013

24. Obligations under finance leases

	Minimum lease payments 2013 £'000	Present value of minimum lease payments 2013 £'000	Minimum lease payments 2012 £'000	Present value of minimum lease payments 2012 £'000
Amounts payable under finance leases:				
Within one year	516	480	560	509
In the second to fifth years inclusive	2,064	1,639	1,610	1,270
After five years	9,642	3,772	11,728	4,291
	12,222	**5,891**	**13,898**	**6,070**
Less: future finance charges	(6,331)		(7,828)	
Present value of lease obligations	**5,891**		**6,070**	
Less: Amount due for settlement within 12 months		(480)		(509)
		5,411		**5,561**

It is the Group's policy to lease certain of its properties under finance leases. 13 of the Group's 139 properties are financed under this method. The most significant lease, representing approximately 49% of these finance leases, expires in 2034. For the period ended 29 December 2013, the average effective borrowing rate was 7.56% (2012:7.56%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets. The Company does not have any finance lease obligations (2012: £nil).

25. Provisions

	Note	Dilapidation provision £'000 Restated*	Unfavourable lease provision £'000 Restated*	Total £'000
At 9 February 2012		-	-	-
Recognised on acquisition	29	-	20,710	20,710
Utilisation of provision		-	(938)	(938)
At 30 December 2012 as previously reported		-	19,772	19,772
Prior year adjustment		7,285	6,152	13,437
Restated balance at 30 December 2012		7,285	25,924	33,209
Recognised on acquisition	29	442	8,593	9,035
Release of provision no longer required		-	(640)	(640)
Utilisation of provision		-	(3,190)	(3,190)
Unwinding of discount on provisions		-	3,574	3,574
At 29 December 2013		**7,727**	**34,261**	**41,988**

* Please see note 33 for details on the prior year restatement.

Unfavourable lease provision
The Company had £nil unfavourable lease provision at 29 December 2013 (2012: £nil).

As part of the fair value exercise on the acquisition of The Garden Centre Group Limited by Trellis Capital Limited in 2012, the Group reviewed the operating lease terms to determine whether the lease reflects the fair market value as indicated by third party advice. A liability was recognised as the existing terms were calculated as being unfavourable relative to market terms. The liability will be amortised over the remaining life of the lease to reduce the future rental expensed.

The provision was increased as a prior year adjustment to reflect a change in the prior year provisional acquisition accounting. The original amount was net of tax, however it is now considered more appropriate to recognise gross. Refer to note 29 and 33 for further details.

Further, a liability was recognised to reflect the unfavourable lease terms of operating leases following the acquisition of Garden and Leisure Group during 2013.

The provision is expected to unwind over the period to 2055.

Dilapidation provision
Dilapidation provision was recognised in order to reflect the liabilities of three properties of The Garden and Leisure Group which was acquired by the Group during the year. The provision will unwind as the related work is completed, which is expected to be over the next 2 years.

Prior year adjustment relates to the increase in the provision following a full review of the level of dilapidations associated with the properties inherited through acquisition of The Garden Centre Group by Trellis Capital Limited in 2012. This identified that a further provision of £7.3 million was required over and above provisions made during the original fair value exercise. Refer to note 29 for details of the provision.

Notes to financial statements (continued)

For the year ended 29 December 2013

26. Share capital

Authorised:		
Group and Company	**2013 £'000**	**2012 £'000**
49,365,426 (2012: 24,365,426) **Ordinary shares at £1 each**	**49,365**	**24,365**

Issued and fully paid:		
Group and Company	**£'000**	**£'000**
49,365,426 (2012: 24,365,426) **Ordinary shares at £1 each**	**49,365**	**24,365**

Issue of shares
During the year the Company issued £25,000,000 of share capital to Carmel Capital VII Sarl for a nominal value of £1 each.

Voting rights
Each share is entitled to one vote in any circumstance.

Dividends
Each share is entitled pari passu to dividend payments or any other distribution and to participate in any distribution arising from the winding up of the company.

Coreopsis lanceolata

Viola 'Penny Yellow Jump Up'

27. Reserves

Group	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balances at 9 February 2012	-	-	-
Cashflow hedge recognised through other comprehensive income	(1,824)	-	(1,824)
Total recognised income and expenses (as stated in 2012 accounts)	-	4,724	4,724
Balances at 30 December 2012 as previously reported	(1,824)	4,724	2,900
Prior year adjustment	-	(7,285)	(7,285)
Restated balances at 30 December 2012	(1,824)	(2,561)	(4,385)
Cashflow hedge recognised through other comprehensive income	1,852	-	1,852
Total recognised income and expenses	-	(8,483)	(8,483)
Balances at 29 December 2013	**28**	**(11,044)**	**(11,016)**

Company	Retained earnings £'000
Balances at 9 February 2012	-
Total comprehensive income	1,186
Restated balances at 30 December 2012	1,186
Total comprehensive income	2,461
Balances at 29 December 2013	**3,647**

Hedging reserve
The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cashflow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit and loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

The fair value of financial instrument within reserves is non-tax deductible.

Notes to financial statements (continued)

For the year ended 29 December 2013

28. Notes to the Cash flow statement

	Note	Group 2013 £'000	Company 2013 £'000	Group Period from 9 February to 30 December 2012 £'000	Company Period from 9 February to 30 December 2012 £'000
Operating profit from continuing operations		21,960	-	17,143	-
Adjustments for:					
Share of results of associates		47	-	42	-
Bad debt write-off		11	-	21	-
Depreciation of property, plant and equipment	14	14,624	-	10,103	-
Amortisation of trademarks	13	35	-	31	-
Impairment charge		-	-	7,000	-
Release of deferred consideration		-	-	(7,000)	-
Negative Goodwill released to the Income statement		(582)	-	(16,797)	-
Pension adjustment to reflect true cash payment		(46)	-	390	-
(Gain)/loss on disposal of property, plant and equipment		(1,752)	-	33	-
Operating cash flows before movements in working capital		34,297	-	10,966	-
Decrease in inventories		3,473	-	17,898	-
Increase in receivables		(398)	-	(2,973)	-
Increase/ (decrease) in payables		4,264	-	(16,358)	-
Release of unfavourable lease provisions	25	(3,830)	-	(938)	-
Net cash inflow from operating activities		**37,806**	**-**	**8,595**	**-**
Cash and cash equivalents		**31,857**	**-**	**31,645**	**-**

29. Acquisition of subsidiary

On 14 September 2013, the Group acquired 100% of the issued share capital of EHGT Limited. On 13 June 2013 and 04 September 2013, The Group acquired trade and assets of Bolton garden centre and Cheddar and Lechlade garden centres respectively. The total cash consideration of the acquisitions was £35.4 million. EHGT Limited was the parent company of The Garden and Leisure Group Limited, a company involved in the operation of garden centres in the United Kingdom.

These transactions were accounted for by the acquisition accounting method.

The provisional amounts recognised in respect of identifiable assets acquired and liabilities assumed are as set out in the table below:

	2013 £'000
Property, plant & equipment	37,537
Inventory	8,083
Financial assets	9,729
Financial liabilities	(7,042)
Non Current assets:	
Deferred tax	(3,812)
Unfavourable lease provision	(8,593)
Dilapidation provisions	(442)
Loans	(5,500)
Total identifiable assets	29,960
Goodwill	5,406
Total consideration	**35,366**
Satisfied by:	
Cash consideration of £35.4 million	**35,366**
Net cash outflow arising on acquisition	
Cash consideration	33,991
Plus: cash and cash equivalent balances acquired	1,375
	35,366

Notes to financial statements (continued)

For the year ended 29 December 2013

29. Acquisition of subsidiary (continued)

Acquisition and refinancing related costs of £1.8 million were incurred as a result of these transaction. Please see note 6 for further details.

Net goodwill of £5.4 million consists of £6.0 million of positive goodwill (refer to note 11) and £0.6 million of negative goodwill (refer to note 6). Positive goodwill has been capitalised, and will be tested annually for impairment whilst negative goodwill has been written off to the Income statement. Refer to note 6 for further details.

The acquisitions contributed £14.4 million revenue and £5.0 million loss to the Group's loss before tax for the period between the date of acquisition and the Balance sheet date. If the acquisitions had of been completed on the first day of the calendar year, Group revenues for the period would have increased by £26.0 million and loss before tax decreased by £1.3 million.

In 2012, the Group acquired 100% of the issued share capital of The Garden Centre Group Limited for a cash consideration of £9. The Garden Centre Group Limited was the parent company of a group of companies involved in the operation of garden centres in the United Kingdom. This transaction was accounted for by the acquisition accounting method. Negative goodwill was calculated as a result of the acquisition accounting and released to the Income statement in line with IFRS 3 – Business Combinations.

In 2013, the Directors completed a full review of the level of dilapidations associated with the properties inherited through the acquisition of The Garden Centre Group, and with assistance from third party property experts identified that a provision of £7.3 million was required to cover the cost of returning property to its original condition. This has been recognised as a revision to the original acquisition accounting as amounts reported in the 2012 financial statements were provisional and the adjustment was identified within 12 months of the original purchase. The net impact on the financial statement was a reduction in the amount of negative goodwill arising from the acquisition by £7.3 million and an increase in the provision. Negative goodwill is written off to the Income statement on recognition, therefore the adjustment reduced prior year profits by £7.3 million. Refer to note 25 for details.

A further adjustment has been made to the prior year acquisition accounting in relation to the unfavourable lease provision. These were initially shown net of tax, however it is considered more appropriate to show the gross amount. The net impact is an increase in the provision by £6.2 million and an increase in deferred tax by the same amount with no overall impact of the negative goodwill recognised on acquisition.

29. Acquisition of subsidiary (continued)

The final amounts recognised in respect of identifiable assets acquired and liabilities assumed are as set out in the table below:

	Provisional fair value as per prior year accounts £'000	Adjustment £'000	Final fair value £'000
Property, plant & equipment	331,133	-	331,133
Investment in BPLP	7,000	-	7,000
Trademarks	688	-	688
Interest in Associate	2,532	-	2,532
Inventory	46,832	-	46,832
Financial assets	35,598	-	35,598
Financial liabilities	(92,517)	-	(92,517)
Debt	(248,569)	-	(248,569)
Derivative financial liability	(16,098)	-	(16,098)
Non Current assets:			
Deferred tax	(14,174)	6,152	(8,022)
Defined Benefit Pension	(1,701)	-	(1,701)
Unfavourable leases	(20,710)	(6,152)	(26,862)
Finance leases	(5,932)	-	(5,932)
Dilapidation provision	-	(7,285)	(7,285)
Total identifiable assets	24,082	(7,285)	16,797
Negative Goodwill	(24,082)		(16,797)
	-	-	-
Total consideration			
Satisfied by:			
Cash consideration of £9	-	-	-
Net cash outflow arising on acquisition			
Cash consideration	-	-	-
Less: cash and cash equivalent balances acquired	(25,583)	-	(25,583)
	(25,583)	-	(25,583)

Notes to financial statements (continued)

For the year ended 29 December 2013

29. Acquisition of subsidiary (continued)

The value of the investment in the joint venture was considered to be £7.0 million based on the underlying value of the property held by the joint venture. As a consequence of the acquisition of The Garden Centre Group by Terra Firma Capital Partners L.P., a pre-existing agreement gave the other joint venture partner an option to enable them to acquire the group's interest in the joint venture. If this option had been exercised, any proceeds received would have been payable to Bank of Scotland. Consequently, a liability for deferred consideration of £7.0 million was therefore recognised on acquisition, in addition to the investment value of £7.0 million described above. The net impact on net assets at acquisition was therefore £nil. The option was not exercised by the joint venture partner and as the option has now lapsed, the deferred consideration has been released.

Acquisition and refinancing related costs (included in administrative expenses) of £13.4 million were incurred as a result of the transaction. Negative goodwill (included in administrative expenses) of £16.8 million arises as a result of the acquisition due to the fair value of The Garden Centre Group Limited being higher than the proceeds paid for its share capital.

Campanula lactiflora 'Prichard's Variety'
Milky bellflower

Nepeta 'Six Hills Giant'
Catmint

30. Operating lease arrangements

The Group as lessee

	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised in the Income statement for the period	**9,800**	**7,342**

At the Balance sheet date, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases which expire as follows:

	2013 £'000	2012 £'000
Within one year	9,800	7,342
In the second to fifth years inclusive	37,237	28,466
After five years	159,229	116,105
	206,266	**151,913**

Operating lease payments represent rentals payable by the Group for certain of its garden centres. The leases held expire between June 2017 and May 2057. In addition to the minimum lease payments included above, rental payments are determined on the turnover of the garden centre. The Company has £nil operating lease arrangements. (2012: £nil).

Notes to financial statements (continued)

For the year ended 29 December 2013

31. Retirement benefit schemes

All of the employees of the Group are directly employed by The Garden Centre Group Holdings Limited, a wholly owned subsidiary of the Group.

Defined contribution schemes
The total cost charged to Income statement of £1,332,000 (2012:£1,231,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit schemes
The most recent formal actuarial valuation in respect of the defined benefit scheme was carried out by a qualified actuary as at 1 January 2009 using the projected unit method. This was then rolled forward to 29 December 2013 taking into account the changes to the assumptions to reflect the requirements of IAS 19. The actuarial valuation mortality assumptions are based on the Self Administered Pension Scheme ('SAPS') tables, with future mortality improvements based on the CMI 2011 model, allowing for a long term improvement rate of 1.25% p.a. The mortality tables are adjusted to take account of scheme-specific experience, based on the longevity analysis carried out using the Aon Hewitt Longevity Model.

The assumed life expectations on retirement at age 65 are:

	2013 years	2012 years
Retiring today		
Male	23.3	23.6
Female	24.8	25.0
Retiring in 20 years		
Male	23.9	24.0
Female	26.5	26.7

31. Retirement benefit schemes (continued)

The principal sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

	Valuation at 2013 %	Valuation at 2012 %
Discount rate	4.5	4.7
Inflation assumption	3.5	3.2
Expected return on scheme assets	0.0	5.7
Expected rate of salary increases	2.5	3.2
Future pension increases	**3.3**	**3.1**

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2013 £'000	2012 £'000
Current service cost	(223)	(235)
Interest cost	(1,109)	(996)
Expected return on scheme assets	1,217	1,016
Loss on settlements	(142)	-
	(257)	**(215)**

Of the charge for the year, £223,000 (2012:£235,000) has been included in administrative expenses. Interest costs of £1,109,000 (2012:£996,000) and expected return of scheme assets of £1,217,000 (2012:£1,016,000) have been included within investment income. Actuarial losses of £289,000 (2012:£854,000) have been reported in the Consolidated Statement of Other Comprehensive Income. Cumulative actuarial loss recognised through the Consolidated Statement of Other Comprehensive Income at 29 December 2013 was £1,143,000 (2012: £854,000).

The actual return on scheme assets was £1,969,000 (2012: £1,656,000).

Notes to financial statements (continued)

For the year ended 29 December 2013

31. Retirement benefit schemes (continued)

The amount included in the Balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2013 £'000	2012 £'000
Present value of defined benefit obligations	22,138	23,712
Fair value of scheme assets	(20,720)	(21,279)
Deficit in scheme	1,418	2,433
Liability recognised in the Balance sheet	**1,418**	**2,433**
This amount is present in the Balance sheet as follows:		
Non-current liabilities	1,418	2,433
	1,418	**2,433**

Movements in the present value of defined benefit obligation were as follows:

	2013 £'000	2012 £'000
At 30 December 2012	23,712	21,435
Service cost	223	235
Interest cost	1,109	996
Contributions from scheme members	46	55
Actuarial loss	1,041	1,494
Benefits paid	(514)	(503)
Settlements	(3,479)	-
At 29 December 2013	**22,138**	**23,712**

31. Retirement benefit schemes (continued)

Movements in the present value of fair value of scheme assets were as follows:

	2013 £'000	2012 £'000
At 30 December 2012	21,279	19,734
Expected return on scheme assets	1,217	1,016
Actuarial gain	752	640
Contributions from the sponsoring companies	1,561	337
Contributions from scheme members	46	55
Benefits paid	(514)	(503)
Settlements	(3,621)	-
At 29 December 2013	**20,720**	**21,279**

The analysis of the scheme assets and the expected rate of return at the Balance sheet date were as follows:

	Expected return 2013 %	Fair value of assets 2013 £'000	Expected return 2012 %	Fair value of assets 2012 £'000
Equity instruments	-	6,941	6.70	6,469
Diversified Growth Fund	-	7,902	7.40	8,185
Gilts	-	2,253	2.70	6,499
Other assets	-	3,624	3.15	126
Combined	**-**	**20,720**	**5.73**	**21,279**

The expected rate of return is no longer required to be calculated due to amendments in IAS 19 – Retirement benefits which will be applied in the next financial year.

The overall expected rate of return is based on long-term expectations at the beginning of the accounting period. For bonds and gilts, this is based on the return derived from the redemption yield. The return on equity is more subjective and all assumptions have been recommended to the Directors by the scheme actuary. The other assets category is based on a cash return.

Notes to financial statements (continued)

For the year ended 29 December 2013

31. Retirement benefit schemes (continued)

The history of experience adjustments is as follows:

	2013 £'000	2012 £'000
Experience adjustments on scheme liabilities Amount (£)	1,041	1,494
Percentage of scheme liabilities (%)	**4.7%**	**6.3%**
Experience adjustments on scheme assets Amount (£)	752	640
Percentage of scheme assets (%)	**3.6%**	**3.0%**

Cactus dahlia

Penstemon 'Polaris Purple Bicoloured'

32. Remuneration of key management personnel and related party transactions

The key management personnel of the Group are not remunerated by the Company, but are remunerated by the Group. Please refer to note 9 for key management personnel remuneration disclosure. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

At 29 December 2013 the Company owed £167,416,000 (2012: £149,479,000) to its immediate parent undertaking and was owed £210,250,000 (2012: £175,215,000) from subsidiaries as per notes 21 and 18.

The remaining related party transactions that require disclosure are shown below:

Trading transactions
During the year, Group companies entered into the following transactions with related parties who are not members of the Group.

2013	**Purchase of services £**	**Sale of goods £**	**Professional fee recharged £**	**Amount outstanding at 29 December 2013 £**
Terra Firma Capital Partners III L.P.	974,000	-	-	340,000
Muradv LLP	148,800	-	-	12,000
Moloney Search Limited	586,000	-	-	9,000
Plantworks Limited	-	2,300	-	-
Garden Centre Property Development Plc	**1,219,000**	**-**	**-**	**8,000**

2012	**Purchase of services £**	**Sale of goods £**	**Professional fee recharged £**	**Amount outstanding at 30 December 2012 £**
Terra Firma Capital Partners III L.P.	334,000	-	6,997,000	334,000
Albany Ventures	84,300	-	-	-
Muradv LLP	110,000	-	-	-
Garden Centre Property Development Plc	**1,856,048**	**195,976**	**-**	**423,000**

The companies listed above were related parties of the Group because there are close personal relationships between the shareholders or senior management of the companies and the senior management of the Group.

Notes to financial statements (continued)

For the year ended 29 December 2013

33. Prior year adjustments

Dilapidation provision

In 2013, the Directors completed a full review of the level of dilapidations associated with the properties inherited through the acquisition of The Garden Centre Group, and with assistance from third party property experts identified that a provision of £7.3 million was required to cover the cost of returning property to its original condition. This has been recognised as a revision to the original acquisition accounting as amounts reported in the 2012 financial statements were provisional and the adjustment was identified within 12 months of the original purchase. The net impact on the financial statement was a reduction in the amount of negative goodwill arising from the acquisition by £7.3 million and an increase in the provision. Negative goodwill is written off to the Income statement on recognition, therefore the adjustment reduced prior year profits by £7.3 million. Refer to note 25 and 29 for details.

Unfavourable lease provision

A provision was recognised on the acquisition in 2012 representing the additional rent over and above current market level that the Group was committed to pay. The provision was initially shown net of tax, however it is now considered more appropriate to show the gross amount. The net impact to the financial statement was an increase in the provision by £6.2 million and an increase in deferred tax by the same amount with no overall impact on net assets. Refer to note 25 and 29 for details.

34. Ultimate parent undertaking and controlling parties

The Company's immediate parent undertaking is Carmel Capital VII Sarl, a company registered in Luxembourg.

Carmel Capital VII Sarl is owned by TFCP Investments (GP) 3 Ltd, as general partner of the Terra Firma Capital Partners III L.P.

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

Verbascum 'Lavender Lass'

Other information

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Lorenzo Levi

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Design by Eighth Day

The GARDEN CENTRE GROUP

North
Altrincham
Bold Heath
Bolton
Bridgemere
Carr Gate
Coley
Findern
Gosforth
Heighley Gate
Leyland
Marple
Poppleton
Stockton
Tarporley
World of Pets & Leisure

Central
Albrighton
Barnet Hill
Blooms Rugby
Blooms Solihull
Blooms Worcester
Country Gardens Aldridge
Bicester Avenue
Bournville
Chilton
Codicote
Coventry
Gardenlands
Harlestone Heath
Hemel Hempstead
Hitchin
Leicester Rowena
Melbicks
Northampton
Oxford
Percy Thrower's
Shenstone
Stevenage
Stratford-upon-Avon
Tring
Woodlands
World's End
Wolseley Bridge
Wyevale Garden Centre Telford
Wyevale Garden Centre Woburn Sands

East
Braintree
Blooms of Bressingham
Bury St Edmunds
Country Gardens Ongar
Country Gardens Royston
Country Gardens Upminster
Country Gardens Wellingborough
Crowland
Huntingdon
Louth
Rayleigh
Springfield
Sprowston
Stanway
Sudbury
Wyevale Garden Centre Woodbridge

South
Alfold
Beaconsfield
Brighton
Brooks
Canterbury Chartham
Chichester
Chipperfield
Country Gardens Handcross
Country Gardens Playhatch
Country Gardens Rake
Country Gardens Seven Hills
Country Gardens Winnersh
Crawley
Croydon Purley Way
Dorking
Dummer
Elm Court
Enfield
Fair Oak
Farnham Royal
Findon
Folkestone
Hamstreet
Harrow
Hastings
Havant
Hillingdon
Keston
Lewes
Lower Dicker
Lower Morden
Marlow
Old Barn
Osterley
Paddock Wood
Potters Bar
Pulborough
Ramsgate
Sherfield-on-Loddon
Shirley
Syon Park
Thatcham
Tunbridge Wells
Weybridge
Willesborough
Windlesham
Windsor
Woking
Heathlands
Worthing Ferring
Wyevale Garden Centre Binfield
Wyevale Garden Centre Hare Hatch

Wales West & South West
Andover
Brockworth
Blooms Cheltenham
Blooms Gloucester
Blooms Swindon
Cadbury
Carmarthen
Cheddar
Country Gardens Hereford
Country Gardens Salisbury
Endsleigh
Galton
Hungerford
Jack's Patch
Keynsham
Lechlade
Nailsworth
Par
Sanders Garden World
Swindon
Taunton
Westonbirt Plant Centre
Wimborne
Wyevale Garden Centre Hereford
Wyevale Garden Centre Lelant
Wyevale Garden Centre Swansea
Wyevale Garden Centre Thornbury