

Wyevale Garden Centres Capital Limited

Report and Financial Statements

27 December 2015

Company Registration Number 07942713

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Report and financial statements 2015

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About Wyevale Garden Centres

Who we are

Wyevale Garden Centres Capital Limited ("Wyevale Garden Centres") and its subsidiaries (the "Group") is the largest operator of garden centres in the UK. The Group had 151 garden centres in its portfolio across England and Wales at the end of 2015.

Wyevale Garden Centres began as a mail order nursery in 1932 before becoming one of the UK's earliest garden centres in 1966. 46 years later, its current owners, Terra Firma Capital Partners, purchased the Group and its then 129 garden centres. The Group is proud of its heritage in the gardening industry with each and every one of its garden centres having its own place in history.

Wyevale Garden Centres is honoured to employ approximately 6,000¹ highly trained people across its garden centre estate. The Group's vision is to become the nation's leading destination for garden, home and leisure, and be famous for the advice and inspiration it offers. In doing this, the hope is to bring the joy of the garden to everyone.

¹ Average number of employees on payroll during the year. Employee numbers as per note 9 are based on full time equivalents

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About Wyevale Garden Centres (continued)

What we do

The principal activity of the Group is the operation of garden centres in the United Kingdom. The Group generates income from three main sources:

1. The retailing of garden, horticulture, home and leisure products through its estate of 151 garden centres
2. Its food and beverage offering, including 118 restaurants and 29 coffee shops operating from its garden centres
3. Concession income generated from sub-letting space to third party retailers

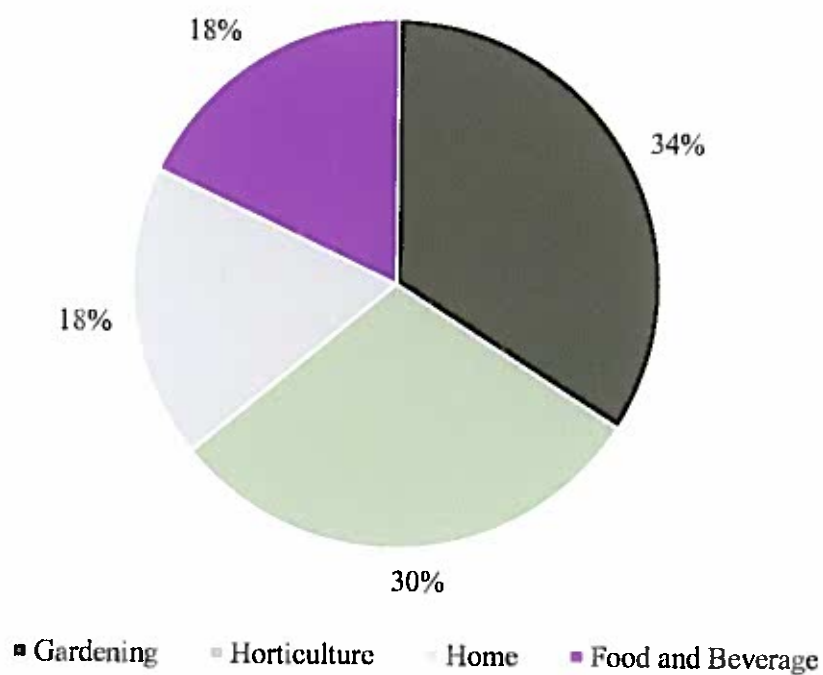
The Group's retail offering is extensive, with products including plants and seeds, fertilisers, compost, pots, landscaping products, tools, and other associated garden products, as well as garden furniture, barbeques, wild bird care, food, gifts, cookware, toys and Christmas products.

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About Wyevale Garden Centres (continued)

2015 Revenue by category²



² The Group undertook a reclassification of its product category hierarchy during the year

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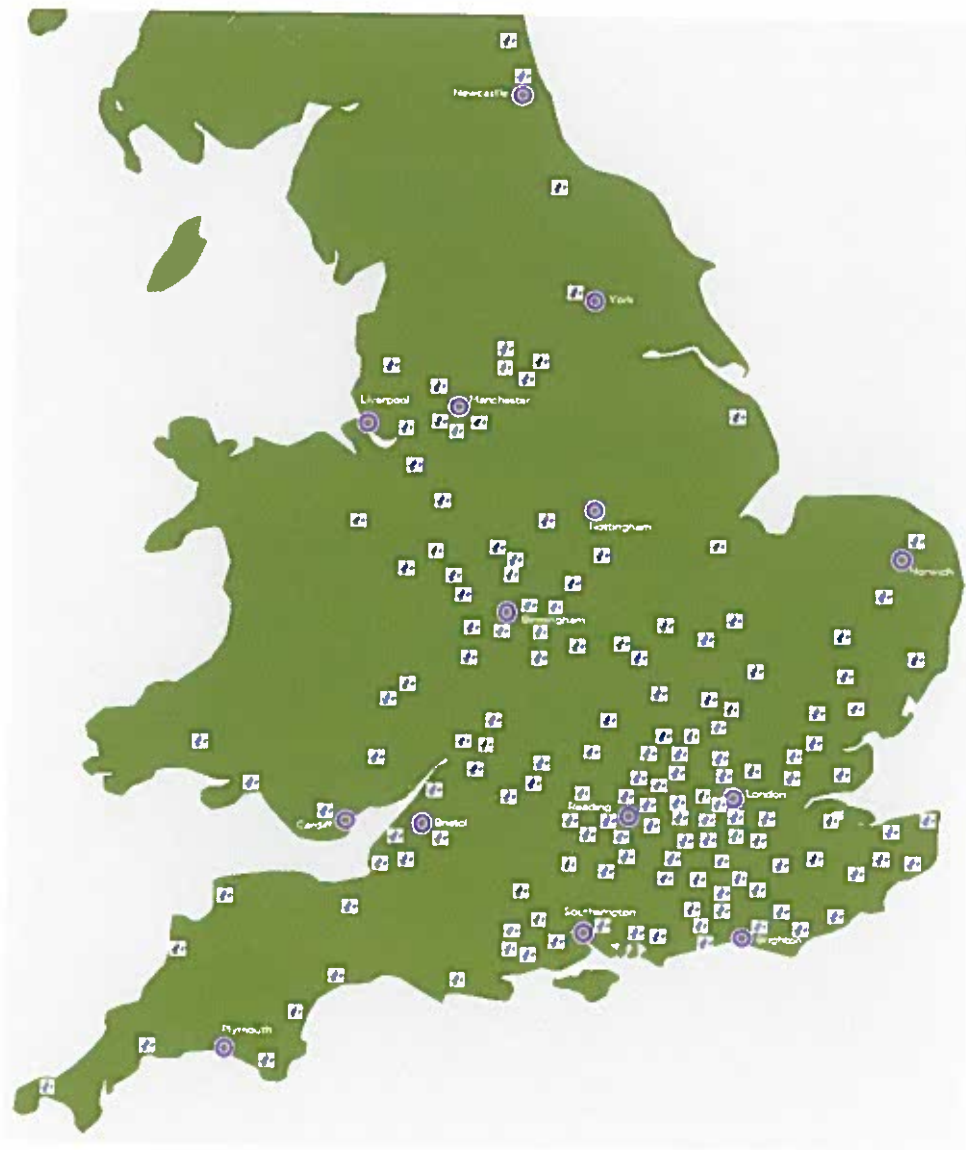
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About Wyevale Garden Centres (continued)

Our locations

During 2015, the Group made the strategic acquisitions of Armitage's Pennine, Armitage's Birchencliffe, Sidmouth and Wych Cross garden centres which has further enhanced the Group's coverage across England and Wales. With the planned closure of Westonbirt Garden Centre this brought our total number of garden centres to 151 at the end of 2015.

During the year, Wyevale Garden Centres welcomed approximately 46 million customer visits, and estimate that 47% of the UK population now live within a 20 minute drive time of one of the Group's centres.



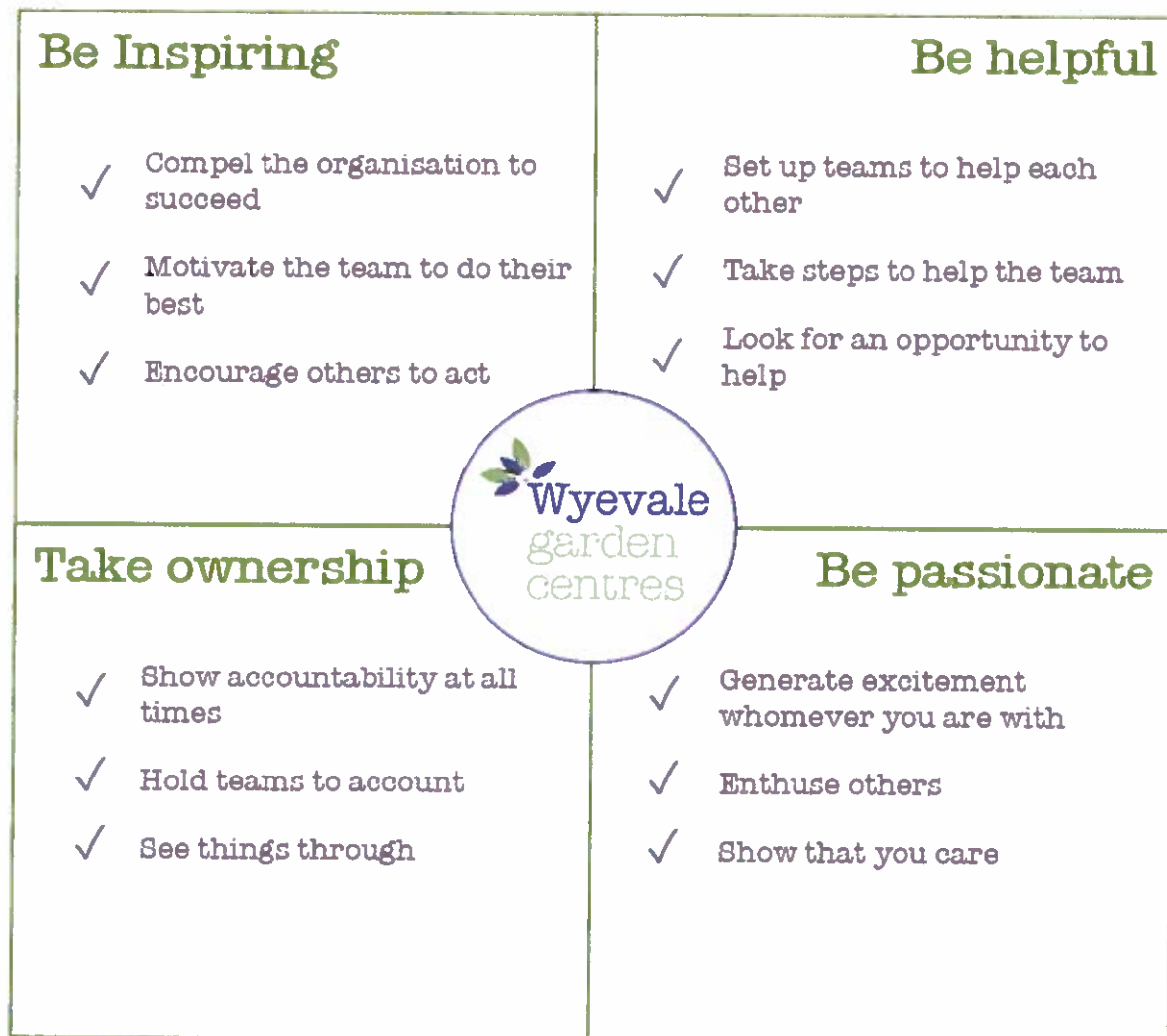
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About Wyevale Garden Centres (continued)

Our values

The Group's four core values of **Inspiration**, **Helpfulness**, **Ownership** and **Passion** are central to the Wyevale Garden Centre brand. They influence how we think and behave every day and are what we want our customers to experience when they interact with each of our employees.



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About Wyevale Garden Centres (continued)

Our customers

Our garden centres have a broad range of customers including expert gardeners, beginner gardeners, coach parties, gift buyers, tourists, locals, elderly shoppers and parents with young children. We therefore look to cater for the variety of missions these customers have, ranging from horticultural shopping trips which utilise our colleagues' expert gardening advice, to looking for inspirational ideas for a gift, to having a day out experience at our restaurants, play areas and leisure facilities.

We are proud to welcome such a diverse customer base to our centres and are honoured that over 3 million of our customers have now joined our unique Garden Club loyalty scheme. In return for their loyalty, our Garden Club members benefit from exclusive Garden Club offers and discounts, Garden Club vouchers that can be redeemed on future purchases and the ability to share ideas and experiences about gardening with like-minded people.

We greatly value the opinions of our customers and act upon their views in order to enhance the way we operate our garden centres. In 2015, the Group introduced a recurring monthly customer satisfaction survey to track customer views across the estate. The survey results showed that Wyevale Garden Centres was awarded a net promoter score of 35³ which shows a significant excess percentage of promoters to detractors over the course of the year.

³ Net Promoter Score for Wyevale Garden Centres is calculated from 41,358 survey responses collected by a third party market research company between April and December 2015.

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Highlights of 2015

Summary income statement

	2015	2014
	£m	£m
Revenue – sale of goods (note 4)	311.1	290.4
Concession income (note 4)	20.8	18.1
Operating profit (note 7)	47.9	32.5
Reported EBITDA (note 8)	55.0	56.1

Our year in numbers

Number of centres	Number of visitors	Number of Garden Club members	Revenue
	Circa	Circa	
151	46 million	3 million	£311.1m
3 increase on prior year	per annum ⁴	11% increase on prior year	£20.7m increase on prior year
Concession income	Number of employees	Operating profit	Group reported EBITDA
	Circa		
£20.8m	6,000	£47.9m	£55.0m
15% increase on prior year	100 increase on prior year ⁵	£15.4m increase on prior year	2% fall on prior year

⁴ No prior year comparable as footfall counters were only installed part way through 2014

⁵ Average number of employees on payroll during the year. Employee numbers as per note 9 are based on full time equivalents

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Chairman's statement

Overview

I am pleased to present the financial statements and accompanying report for Wyevale Garden Centres Capital Limited and its subsidiaries (the 'Group') for the year ending 27th December 2015.

From a trading perspective, the year began strongly, with solid growth in like for like sales across most key categories. Unfortunately, the latter half of the year was marked by extended periods of unfavourable weather, in which we saw autumn and Christmas trade suppressed by unseasonal conditions. We have continued to acquire new centres, and these, in conjunction with ongoing operational, trading and marketing initiatives implemented throughout the year, have helped grow our total sales from £290.4 million in 2014 to £311.1 million in 2015.

2015 has been a challenging year for our profitability, with a decrease in EBITDA from £56.1 million in 2014 to £55.0 million in 2015. This is attributable to both the unseasonal weather pattern and to adverse gross margin impacts resulting from the transition of the Group's supply chain and stock management systems. These latter issues reaffirm my belief that the Group's focus on completing the transformation of its supply chain will be pivotal in delivering long term success for the business.

In terms of the Group's net asset position, I am pleased that the overall financial strength of the Group has improved, driven in particular by profits generated in the business, the acquisition of new centres, investment in the estate, and deleveraging via our sale and leaseback activity.

Strategic progress

Following strong earnings growth between 2012 and 2014, 2015's focus has been around initiating a major transformation for the Group as we focus on building a scalable and sustainable platform to support our ambitious growth plans.

In the forthcoming year, the Group will look to make further strides on strengthening its supply chain, with centralised warehousing, logistics and distribution, underpinned by modern stock management and replenishment systems. These have been extensively developed over the course of 2015. Not only should this drive our long term sales performance by ensuring we have the right product at the right place at the right time, but it will also prove crucial to fully capitalise on the demand generated by our other initiatives such as multichannel and further acquisitions.

We expect to launch our new multichannel offer in 2016, for the first time showcasing a substantial range of our gardening products on a professional and user-friendly website. Just as in our centres, we understand that expert advice and information are essential, and so we have focussed heavily in 2015 on creating a fantastic library of content full of knowledge and inspiration for our customers. Taken as a whole, I envisage our future multichannel proposition will be best-in-class, putting the business in a prime position to reap the significant potential of online retail in the industry.

In 2015, the Group continued to pursue a strategy of acquiring new centres, specifically targeting those with a strong reputation for quality in locations that will strengthen and expand our national presence. During the year, the Group successfully completed the acquisition of four additional garden centres being Armitage's garden centres at Pennine and Birchencliffe, Sidmouth Garden Centre in Devon and Wych Cross Garden Centre in East Sussex. With the planned closure of Westonbirt Garden Centre, this brought the total number of centres in the portfolio to 151 at the end of the year.

In addition to these 2015 acquisitions, I am delighted to say that at the time of writing, we have completed the acquisition of two further centres in 2016; Wolds View (formerly Crowders) Garden Centre in Lincolnshire and Woodcote Green Garden Centre in Surrey, which by sales, is one of the three largest garden centres in the UK.

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Chairman's statement (continued)

We are delighted to welcome both the colleagues and customers of these two centres, as well as those acquired in 2015 to the Wyevale Garden Centre family.

The Group continued its commitment to invest directly in our centres in 2015, where we have focussed on deploying capital expenditure on initiatives which are proven to generate value for the business, and to make our centres more appealing destinations for our customers. In particular, we continued the roll out of our award winning food and beverage Botanic Kitchen and Coffee Ground concepts as well as opening our brand new flagship Percy Thrower's centre in March, and re-opening our Cardiff Blooms centre in November, almost two years to the day after being sadly devastated by fire. In total, I am proud that the business has now refurbished a total of 78 centres since the start of its store investment programme adding approximately 125 new concessions, and creating 5 new Botanic Kitchens, 9 new Coffee Grounds and 13 new Costa Coffee outlets.

Executive Management team

At the end of 2015, the Board took the decision to strengthen and restructure the Executive Management team to provide increased focus on its key transformational initiatives. To this end, I would like to express my thanks to Jason Danciger, our former Food and Beverage Director, Sarah Fuller, our former Marketing Director, Dan Zinner, our former Trading Director, and Tim Patten, our former Multichannel Director. All of these individuals made a substantial contribution to the growth of Wyevale Garden Centres and we wish them all the best for the future.

As a result of that decision, in early 2016 the Board appointed a new Chief Executive Officer and a new Chief Financial Officer to lead the business in the next phase of its retail transformation. I am therefore pleased to welcome Roger McLaughlan as Chief Executive Officer, and Anthony Jones as Chief Financial Officer. Roger brings with him more than 25 years of retail industry experience, including senior executive roles at Marks and Spencer, Woolworth's South Africa and Asda. Anthony joins from Waterford Wedgwood and is a highly experienced Chief Financial Officer with a track record of delivering positive change in consumer and retail businesses.

We have also been able to strengthen the executive leadership further and I am pleased to welcome Paul Emslie, our new Trading and Marketing Director, and Richard Morgan, our new Supply Chain Director. Both Paul and Richard bring extremely relevant retail experience to the Group from major UK companies. I believe that these appointments give Wyevale Garden Centres the most experienced and proven leadership team in our industry.

Separately, I would like to thank Kevin Bradshaw and Nils Steinmeyer for their significant contribution over the past three years. Under their leadership, Wyevale Garden Centres has established a clear national brand across its centres, significantly grown the business, modernised its stores to make them even more appealing to customers, expanded its product ranges and developed an award-winning food and beverage offer. We wish them well for the future.

Outlook

As this report is published, the unexpected Brexit result and consequent changes in the political landscape have created a volatile near term economic backdrop. The immediate impact is uncertainty and the long term prognosis for the UK economy is difficult to assess at this early stage. However, I believe that the underlying fundamentals for the UK economy are positive and that the financial institutions that support this are well capitalised and prepared.

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Chairman's statement (continued)

From a company perspective, we have a robust balance sheet, significant asset backing and a large and supportive shareholder. I am very confident that our strong retail leadership team together with our strategic focus on our customers, our proposed multichannel offer, our continued investment in an improved supply chain, and further strategic systems enhancement will both strengthen the underlying infrastructure of the Group, and position the business for long term success.



Stephen Murphy

29 June 2016

Wyevale Garden Centres Capital Limited

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Chief Executive's report

Introduction

I joined this fantastic business in March 2016 and am delighted to have arrived at such an exciting time. I have already been impressed by the knowledge of our colleagues and the passion they have for horticulture and helping our customers. I also look forward to getting to know all of our key business partners and suppliers, who are crucial to the future success of the company.

There is a significant amount of transformational work underway, in particular to the Group's IT systems and supply chain. These changes are complex and substantial and are right at the heart of the business's operations. My priority over the next few months will be leading this change, but I am optimistic that with strong teamwork and continued colleague commitment, the end result will be for Wyevale Garden Centres to become a stronger and more professional national retailer.

I am also looking forward to putting the customer at the forefront of our business. We want to deliver an exceptional customer experience to everyone who walks into our centres and ensure that Wyevale Garden Centres is a brand that customers feel proud to shop with and are happy to recommend to all their family and friends.

With the planned launch of our new ecommerce platform in 2016, I am also excited for Wyevale Garden Centres to embrace the growing importance of online in the retail industry. The team has worked hard over the course of 2015 to develop a wide range of online written and audio-visual content to both inspire and engage our customers. We expect that once launched, the new transactional website will make shopping with Wyevale Garden Centres more convenient and enjoyable than ever before.

On behalf of myself, Stephen and the rest of the Executive Team, we are excited to deliver the next phase of the Group's retail transformation and look forward to making Wyevale Garden Centres a great place to shop for all of its customers.

Key assets of the Group

Our customers

Our customers are the heart of the business, and I will strive always to put them at the forefront of everything we do. In order to do so, it is vital that we understand our customers and listen to them. Our Garden Club loyalty scheme, with circa three million members, is far and away the largest of its kind in the garden centre industry, and generates a wealth of invaluable data, allowing the business to offer a host of tailored benefits to our customers. Together with our customer survey programme and newly installed footfall counters, the Group has a deep understanding of how customers view our garden centres.

Our colleagues

In my eyes, and also those of our customers, our colleagues are our key differentiator. It has been a privilege in the last few weeks to meet the motivated and dedicated individuals that we employ throughout our garden centres and various support functions. The Group has committed a significant amount of time and resource to identifying and implementing ways to improve the working experience within Wyevale Garden Centres and I intend to continue this. We believe strongly in commensurate recognition and reward, and I am proud that not only will the Group be welcoming the Government's National Living Wage legislation in 2016, but will in fact be surpassing it for those colleagues where their skills, experience or position merit it.

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Chief Executive's report (continued)

Our garden centres

Our garden centres are essential assets to the business, being our main channel of retail and primary source of cash generation. The Group has made further investments in their maintenance and development throughout the year to ensure that they provide our customers with a broad range of appealing and enjoyable shopping and leisure offers within safe and comfortable surroundings.

Our brand

The Wyevale Garden Centres brand is one held in high regard by our customers and trade partners, which, following on from the Group's national rebranding in 2014, we continue to promote and strengthen through our strategy, our culture and our values. The strong heritage of this name resonates not only within the industry, but also across the country, such that our brand will be a key asset in our continuing evolution towards a true national retailer.



Roger McLaughlan

29 June 2016

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Financial Review of 2015

Overview

2015 marked the transition of the Group into a retail transformation phase with investment in the infrastructure, systems and processes required to develop a scalable and sustainable platform to underpin the Group's future growth plans.

Reported EBITDA, which the Directors consider to be the key profit performance indicator for the business, reduced in 2015 to £55.0 million from £56.1 million in 2014, predominantly due to margin erosion from higher stock loss, wastage and discounting as we made major changes to our supply chain systems and processes as well as increased investment in IT. This was partially offset by higher contribution from the acquired centres and the earnings growth delivered from the various centre capital investments.

From a sales perspective, the Group delivered a £20.7 million increase in sales from £290.4 million in 2014 to £311.1 million in 2015 driven in particular by the new centres acquired. Further internal space in centres has been allocated to our concession partners, which has helped the Group grow concession income from £18.1 million in 2014 to £20.8 million in 2015.

The business has also crystallised value from a small element of its freehold estate, having completed the sale and leaseback of eight properties in December 2015, generating a profit on disposal of £32.7 million. This has helped grow operating profit in 2015 to £47.9 million, up from £32.5 million in 2014, which has in turn helped strengthen the balance sheet, resulting in an overall improvement in the Group's net assets to £49.2 million, up from £35.2 million in 2014.

Investment in centres has continued in 2015 as the Group has continued its store improvement programme, spending a total of £55.9 million of development and non-development capital expenditure to improve standards throughout the estate.

The focus on the estate and in particular acquisitions continued to be a key part of the Group's strategy, having completed the purchase of four new centres this year (Sidmouth, Wych Cross, Armitage's Pennine and Armitage's Birchencliffe) for a total consideration of £21.6 million.

Other notable transactions included the Group's purchase of the remaining 70.2% of the shares in Garden Centre Property Development Trading Limited, which provides the Group with control over a valuable portfolio of freeholds. Blooms Properties Limited Partnership ("BPLP"), in which the Group is a 50% joint venture partner, also disposed of its portfolio of freeholds, which generated an exceptional dividend of £11.5 million to the Group in 2015.

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Financial Review of 2015 (continued)

Financial performance

£'000	2015	2014 Restated*
Revenue – sale of goods	311,143	290,415
Gross margin	167,985	164,006
Gross margin %	54.0%	56.5%
Concession Income	20,829	18,053
Profit / (loss) for the period after tax	15,577	(2,153)
Reported EBITDA	54,979	56,136

£'000	2015	2014 Restated*
Operating Profit	47,865	32,504
Adjustment for items not included in EBITDA:		
Acquisitions costs	9,017	1,818
Exceptional items	(25,513)	6,942
Depreciation expense	23,572	14,960
Amortisation expense	38	38
Share of result of associates and jointly controlled entity	-	(126)
Reported EBITDA	54,979	56,136

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

Revenue

The Group generated revenue from the sale of goods of £311.1 million for the year ending 27 December 2015, an increase of 7.1% on the prior year. The majority of the growth has been driven from acquisitions as the Group focussed on allocating additional space in centres to concessions partners and food and beverage outlets to broaden the leisure offer and grow concession income.

Gross margin

The Group generated a gross margin of £168.0 million (54.0%) for the year to 27 December 2015. When compared to 2014 gross profit increased by £4.0 million, although the gross margin percentage fell by 2.5%, as a result of higher discounting, wastage and stock losses driven by transformational issues arising from the supply chain transformation and unseasonal weather impact. The business has also increased its mix of core leisure products (such as furniture), which are lower margin categories.

Concession income

Concession income grew by £2.7 million to £20.8 million, reflecting the Group's strategy to use concession partners to offer non-core category lines, which are complementary to its in-house retail offer. This performance has been driven by new partnerships with retailers like Regatta Outdoor Clothing and also the continued performance of our flagship farm shops.

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Financial Review of 2015 (continued)

Reported EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation, Exceptional items and Acquisition costs, and excluding the share of result from associate)

The Group recorded an EBITDA (refer to note 8) of £55.0 million in the year to 27 December 2015, a reduction of £1.1 million compared to 2014 EBITDA of £56.1 million.

Interest

During the year, the Group incurred finance costs of £40.8 million (2014: £35.2 million), of which £26.3 million (2014: £23.7 million) are not due for payment within the next 12 months. This increase reflects the inclusion of last years accrued interest within the interest bearing balance.

Profit before and after tax

The Group recorded a profit before tax of £7.2 million in 2015 (2014: loss of £2.5 million) and a tax credit of £8.4 million (2014: credit of £0.4 million) resulting in a profit after tax of £15.6 million (2014: loss of £2.1 million).

Exceptional items

The reported EBITDA of £55.0 million in 2015 (2014: £56.1 million) excludes certain items which management consider to be exceptional in nature (refer to note 6).

The profit on disposal from the sale and leaseback of eight centres as well as the exceptional dividend from the Group's investment in the Blooms Properties Limited Partnership joint venture, contributed £32.7 million and £11.5 million respectively of exceptional income during the year. In addition to these, the release of an unfavourable lease provision following the acquisition of the remaining 70.2% of the shares in Garden Centre Property Development Trading Limited, generated a £5.6 million exceptional gain during the year.

The transformational nature of the supply chain transition generated exceptional IT and infrastructure costs, in addition to various other one off strategic projects linked to the setting of the main long term strategy of the Group, which in total represented £10.1 million of exceptional costs during the year. Strategic initiatives represent a further £10.6 million of exceptional costs, being £9.0 million in relation to the setup of a new centralised distribution centre and a further £1.6m in relation to setting up the multichannel offer.

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Financial Review of 2015 (continued)

Cash flow

£'000	2015	2014
Net cash inflow from operating activities	27,756	31,907
Net cash generated from / (used in) investing activities	25,643	(60,175)
Net cash generated from financing activities	74,172	15,328
Net increase / (decrease) in cash and cash equivalents	127,571	(12,940)
Cash and cash equivalents at beginning of year	18,917	31,857
Cash and cash equivalents at end of year	146,488	18,917

The cash flow position of the Group has been strong this year, and as a result of the sale and leaseback transaction, the Group has significantly improved its cash position helping to fund its capital expenditure and acquisitions strategy.

During the year, the Group generated operating cash flows of £27.8 million (2014: £31.9 million), driven by increased operating profits and an improvement in the Group's net working capital position partially offset by exceptional costs (refer to note 28).

Investing activities resulted in an inflow of £25.6 million (2014: outflow £60.2 million), primarily due to a £100.6 million inflow in relation to sale and lease back transactions of eight centres completed during the period, netted against acquisition costs of £19.2 million and £55.9 million spent on capital expense projects (2014: £28.3 million on acquisitions, £34.6 million on capital expense).

The Group has acted to ensure that sufficient cash is available to continue to fund the acquisition and capital expenditure strategy through securing and utilising an additional £40.0 million of loan financing and drawing a further £40.0 million on existing facilities. £10.0 million was also drawn from the revolving facility to fund day-to-day activities. Overall the net cash inflow from financing activities was £74.2 million (2014: £15.3 million) due to:

- £90.0 million net cash inflow from draw down of banking facilities (2014: £31.5 million)
- £1.5 million of net cash acquired from acquisitions (2014: £0.6 million)
- £16.1 million of interest and debt repayments (2014: £15.8 million)
- £1.2 million paid for the arrangement of a new £40.0 million loan facility (2014: £1.0 million)

The Group ended the period with £146.5 million cash and cash equivalents (2014: £18.9 million).

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Financial Review of 2015 (continued)

Financial position

The Group's Balance sheet as at 27 December 2015 can be summarised as follows:

£'000	27/Dec/15	29/Dec/14 Restated*
Non – current assets	436,239	433,387
Cash and cash equivalents	146,488	18,917
Other current assets	69,425	65,513
Current liabilities (excluding borrowings)	(83,350)	(63,000)
Retirement benefit obligation	(3,164)	(1,711)
Deferred taxation	(6,856)	(11,954)
Borrowing – external	(261,148)	(167,160)
Borrowings – internal	(210,007)	(187,506)
Other non-current liabilities	(38,383)	(51,316)
Net Assets	49,244	35,170

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

Capital expenditure and acquisitions

During the year a total of £55.9 million was spent on property, plant and equipment for the business (2014: £34.6 million) as the Group continued to invest in the store redevelopment programme to enhance the customer experience. The Food and Beverage operations have also received significant investment to develop new restaurant and coffee shop offers across the estate, which will continue to compliment the in-store improvements and ensure our garden centres are a day out destination for customers.

Acquisitions have also continued to be a key area of investment with £21.6 million spent in 2015 acquiring four centres. This included one single centre trade and asset deal, and three share deals. In addition the Group purchased the remaining share capital of Garden Centre Property Development Trading Limited. In total, positive goodwill of £5.9 million was recognised across the acquisitions.

The Group also made significant investment in rebuilding two of our existing stores, opening a new flagship Percy Thrower's centre in March, and re-opening its Cardiff Blooms centre in November.

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.

On the 27 December 2015, the Group had external bank debt of £261.1 million (2014: £167.2 million) and also had £210.0 million (2014: £187.5 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.

At 27 December 2015, the Group had net debt of £324.7 million (2014: £335.7 million), which included accrued interest of £71.9 million in relation to the shareholder loan (2014: £49.4 million). Excluding the shareholder loan, the Group's net debt was £114.7 million (2014: £148.2 million). Gearing (net debt/equity) including shareholder loans equated to 6.6:1 (2014: 6.8:1) and gearing excluding shareholder loans equated to 2.3:1 (2014: 3.0:1). The Directors consider that the Group's current gearing is appropriate.

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Financial Review of 2015 (continued)

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.

Wyevale Garden Centres 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 £1 ordinary shares (2014: £49.4 million, being 49.4 million £1 ordinary shares).

Liquidity and investments

At 27 December 2015 the Group had total debt facilities of £240.0 million (2014: £200.0 million) (refer to note 21) of which £15.0 million was undrawn (2014: £65.6 million). The undrawn facilities being £15.0 million of a revolving credit facility that is available for use in the daily trading operations of the Group.

During the year the Group secured a further £40.0 million loan facility to continue to fund the expansion plans which was fully drawn at the year end.

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%.

Prior year adjustments

During 2014 Wyevale Garden Centres Capital Limited completed the acquisitions of Raglan Nurseries Limited, Golden Acres Holdings Limited (and its subsidiary) and Brooks, Moreton Park and Ashford Garden Centres. Within the 2014 Annual Report and Financial Statements provisional values were allocated to the fair value accounting for these acquisitions. In 2015 new information has come to light that has meant the provisional values have been revised.

These revisions resulted in an adjustment of £0.3 million to Goodwill (increasing positive goodwill from 2014 acquisitions) and a £1.6 million increase in the 2014 loss for the year (reducing negative goodwill, that was released to the income statement from 2014 acquisitions).

Post Balance sheet events

Subsequent to the year end, the Group acquired 100% of the share capital of Woodcote Green Nurseries (Holdings) Limited, a single site garden centre. Wolds View (formerly Crowders) Garden Centre has also been acquired via a trade and asset deal. The acquisitions have not made a material impact on the net assets or results of the Group.

In addition, the Group repaid £51.2 million of the outstanding debt subsequent to year end. £45 million was repaid using the proceeds generated from the sale and leaseback transaction.

In June 2016, the Group completed another sale and leaseback transaction of five freehold sites raising a further £40.1 million.

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Financial Review of 2015 (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

Unpredictable weather conditions represent the main risk to the Group as the principal activities are highly seasonal. The plant area of the business and associated garden products is particularly susceptible to the weather with adverse weather conditions having a negative impact on the performance especially around our Spring/Summer peak season.

The Directors seek to mitigate this risk by 'weather-proofing' the business by increasing investment in restaurants and concessions that 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. An example of this is the 2015 workforce management initiative where the operations team have aligned labour hours to each centre's weekly customer, trading and task profiles and increased the percentage of flexible hours in colleagues' contracts to provide the business with more flexibility to adjust labour hours in centres to changes in seasonal activity.

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 27 December 2015 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 27 December 2015, the Group had fixed its interest rates for approximately 90.0% (2014: 90.0%) 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.

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Financial Review of 2015 (continued)

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
- Senior leverage ratio

The Group has processes in place to monitor these continuously (see Going Concern section on page 55).

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Our Story

- 1932: Establishment of nursery business
- 1966: Nursery evolves into one of the UK's first garden centres
- 1987: Listed on London Stock Exchange
- 2000: Acquisition of Country Gardens Plc
- 2006: Delisted from London Stock Exchange
- 2009: Rebranded to "The Garden Centre Group"
- 2012: Acquired by Terra Firma Capital Partners
- 2013: Acquisition of ten garden centres Total: 139
 - Bolton
 - Cheddar
 - Lechlade
 - Garden & Leisure Cadbury
 - Garden & Leisure Huntingdon
 - Garden & Leisure Endsleigh
 - Garden & Leisure Melbicks
 - Garden & Leisure Gardenlands
 - Garden & Leisure Barnett Hill
 - Garden & Leisure Percy Thrower's
- 2014: National rebranding to "Wyevale Garden Centres"
- 2014: Acquisition of nine garden centres Total: 148
 - Brooks
 - Moreton Park
 - Ashford
 - Raglan
 - Podington
 - Golden Acres West Parley
 - Golden Acres John Browns
 - Golden Acres Cadnam
 - Golden Acres Landford
- 2015: Closure of Westonbirt Garden Centre
- 2015: Acquisition of four garden centres Total: 151
 - Sidmouth
 - Wych Cross
 - Armitage's Birchencliffe
 - Armitage's Pennine
- 2015: Development and re-opening of Cardiff and Percy Thrower's

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Our Business Model

General overview

The Group is the largest garden centre operator in the United Kingdom, and as such the key income stream is generated by the retailing of high quality garden, home, and leisure products through its growing national estate of 151 garden centres. The group also sells a small number of products through its e-commerce platform which is due for a full re-launch in 2016. Stock is carefully and responsibly sourced by a buying team with extensive product expertise, and a deep understanding of customers and markets. The Group's buying power enables stock to be purchased at competitive prices and terms, whilst still retaining an emphasis on product quality.

Income is also generated from the sale of food and beverages, through a number of modern and award-winning restaurant and coffee shop concepts operated within centres, which offer seasonal menus of fresh and garden-inspired produce. The food and beverage business is further supported by the hosting of events and coach parties, and the provision of leisure facilities such as play areas.

The Group's other main source of income is rent derived from the leasing of space to selectively chosen concession partners, including farm shops, pets, aquatics and clothing retailers. These partners bring the additional benefits of broadening and improving the customer offer and driving footfall to centres.

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Our Business Model (continued)

Composition of Group companies

The Group, currently owned by the private equity partnership Terra Firma Capital Partners III L.P., is made up of several fully owned subsidiary companies, of which there are three main trading entities; Wyevale Garden Centres Limited, Wyevale Garden Centres G&L Limited, and Wyevale Garden Centres Acquisitions Limited.

There are also trading companies in relation to the 2014 site acquisitions of Podington (Podington Nurseries Limited), Raglan (Raglan Garden Centre Limited) and Golden Acres (Golden Acres Nurseries Limited). There are two main property companies; Wyevale Garden Centres Holdings Limited (formerly The Garden Centre Group Holdings Limited), and Wyevale Acquisition Borrowers Limited. The Group also owns a 50% investment in Blooms Properties Limited Partnership, a joint venture that during the year sold its interest in a portfolio of freehold properties.

During 2015, the Group acquired the outstanding 70.2% share of Garden Centre Property Development Trading Limited, taking its ownership to 100%.

As of 2015, Wyevale Garden Centres Limited also owns the newly acquired Armitage's (now called WGC Seeds Limited) and Wych Cross (Wych Cross Nurseries Limited) companies, which are all trading.

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Our Market

Overview

The UK garden products market was worth an estimated £5.37bn in 2015⁶ and is expected to grow at an average of 2.7% between 2015 and 2020 driven by an ageing population, higher consumer confidence, enthusiasm for outdoor living and consumers' desire to improve the appearance of their gardens.

Garden centres are the key operators in the garden products market and have grown their share from 31% in 2013 to 32% in 2014. DIY chains are the second largest retailer type, accounting for 26%, and non-specialist retailers including online players and budget chains, make up the remainder of the market.

In addition to traditional garden products such as growing media, plants, bulbs, seeds, barbeques and outdoor furniture, the Group also sells various leisure products such as gifting, food and homewares, which are excluded from the Mintel garden products market definition.

Key players

Garden centres

Garden centres now account for nearly a third (32%) of total expenditure on garden products. Despite facing increased competition in recent years, garden centres have positioned themselves as destination retailers for garden goods and have consequently grown their share from 31% in 2014.

The garden centre market is highly fragmented with the vast majority operating independently or as part of small groups. Wyevale Garden Centres is the largest chain with 151 stores at the end of 2015 and Dobbies is the next biggest with 35 stores.

Garden centres are typically based in out-of-town locations and typically over index on consumers aged over 65. In recent years, garden centres have diversified their product offering to include non-horticultural goods such as clothing, homewares and gifting in order to reduce their dependency on the weather. They have also introduced restaurants, cafes and leisure attractions to increase customer dwell time. These non-horticultural offers now represent a sizeable income stream for many operators.

In addition to investing in their physical stores, garden centres are also developing their online offer in order to reach a wider target audience commonly located in more urban areas. The importance of this is demonstrated in that Mintel estimate that 17% of all core gardening sales now take place online. This is notably higher for larger, non-core gardening products that can easily be shopped around for (e.g. branded garden furniture, tools and machinery). AMA Research suggests the internet is now the fastest growing distribution channel for garden products and expect the channel to over double in size between 2013 and 2018.

DIY multiples

DIY multiples typically attract a younger, more urban and less experienced gardening customer to their centres. They generally over index in own-label ranges and on low priced, more commoditised garden products compared to garden centres.

The share of garden products spend taking place in DIY multiples fell from 32% in 2013 to 26% in 2014 as customers moved their spend to garden centres, online or discount retailers for their gardening needs.

⁶ Source: Mintel (2015) Garden Products Retailing UK – June 2015

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Our Market (continued)

DIY multiples are continuing to close underperforming stores, although they have recently indicated intentions to invest in their remaining estate. They have also undertaken investment in their ecommerce businesses in the last few years and now supply a range of online gardening products.

Grocers and other retailers

Grocers and other retailers represent a diverse set of national and local retailers that typically have small seasonal garden and outdoor ranges to complement their core retail offerings. This includes discount retailers which are growing their share through offering reduced prices on basic gardening products, including trowels, forks and seeds.

The gardening and outdoor ranges of these players tend to focus on less perishable items such as furniture and barbeques rather than horticultural goods. Many sell gardening products online with some developing partnerships with pure online horticultural retailers to fulfil online orders (e.g. Waitrose and Crocus).

Pure online players

Pure online players are experiencing impressive growth as more consumers look online to purchase gardening products. Although an increased appetite to shop for gardening goods online will provide further growth opportunity for pure online retailers, they are likely to face competition from brick-and-mortar retailers as they strengthen their online proposition and offer click and collect services. Verdict Retail forecast that UK click and collect sales for the broader retail market is expected to grow 82% between 2014 and 2019.

Market seasonality

The performance of garden centres has always been closely linked with the weather and 2015 was no different in that respect. The UK had a cold start to 2015, with temperatures during the first three months of the year lower than prior year. After this slow start, the season ramped up as a result of favourable conditions in April. The UK then recorded pockets of milder weather in summer but this was followed by an intermittent pattern of unfavourable conditions in the second half of the year, including a spell of colder, wetter weather in September impacting autumn trade and a lengthy period of wet weather in the lead up to Christmas.

Gardening retailers are investing in their businesses to minimise their dependency on the weather. Such 'weather-proofing' strategies include expanding canopies in centres to ensure more retail space is covered and introducing leisure attractions such as soft play areas to drive footfall. There has also been an increase in the number of cafes and restaurants operating from garden centres as they have been shown to be a valuable income driver outside of the traditional weather-dependent categories. An HTA study found that cafes and restaurants now contribute up to 30-40% of total turnover in some garden centres.

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Our Market (continued)

Future growth

Mintel estimates that the market for garden products will grow at an average 2.7% per annum between 2015 and 2020. This future growth is expected to be driven by the ageing population, and the increasing popularity in both grow-your-own and socialising outdoors.

Market research shows that people aged over 65 are the most likely to enjoy gardening and are more likely to have a garden in relation to the average household. This demographic shift is expected to drive overall spend on gardening and benefit garden centres in particular as they typically attract an older demographic than their main competitors.

The popularity of grow-your-own produce and socialising outdoors will continue to support the sale of gardening and outdoor products in the medium term. Horticulture Week found that more than half of the population are planning on growing their own produce in 2016 and The Taking Part survey results suggest more people are using their gardens for entertaining.

Impact on the Group

The garden centre sub-sector continues to offer strong opportunities for Wyevale Garden Centres. The fact that garden centre ownership is highly fragmented with a large number of independent garden centres provides the Group with plenty of opportunity to grow its estate via acquisition as demonstrated through the 25 centre acquisitions made since the beginning of 2013. It would be very difficult to replicate the portfolio of centres the Group currently owns, meaning the Group is well positioned to defend its position.

To counter some of the traditional gardening market seasonality, the Group has invested considerably in its store environment, on-site catering facilities and complimentary concession offers, in addition to broadening its non-gardening products offer, all of which help provide year round reasons for shoppers to visit. Additionally, concession income provides a stable and recurring year round rental stream and restaurant sales are typically less seasonal and volatile than gardening and horticulture sales.

The Group has also taken significant steps to take advantage of the growing share of gardening spend taking place online. A full website re-launch is planned for 2016 which is expected to have a comprehensive range of thousands of garden related products and a fantastic library of gardening content with tips and advice. Wyevale Garden Centres also has the most extensive nationwide garden centre network which the Group will look to leverage in offering a click and collect service in the future that will allow customers to collect their purchases from the Group's stores around the UK.

In its physical estate, the Group's focus on providing exceptional horticultural and gardening advice and inspirational offers provide a differentiating factor to a number of the non-garden centre players in the market. In conjunction with the Group's investment in award winning catering offers, leisure-focussed concession partners, soft play areas for families and appealing events help the Group provide compelling reasons for customers to visit its centres. Additionally, the transformation of the Group's supply chain should help improve product availability so customers can access the products that they want at the time that they want it.

Overall, the Directors believe that the Group is well placed to compete in this garden products market. The Group's strategy of transforming its supply chain, driving its multichannel offer, making strategic acquisitions to expand its estate, investing in its centres and focussing on selling and service has been designed to respond to the opportunities while guarding the business from the key threats within the industry.

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Our Strategy

Overview

The Group's vision is to become the nation's leading destination for garden, home and leisure, and be famous for the advice and inspiration we offer. In doing this, we hope to bring the joy of the garden to everyone.

The Group has aligned its strategy, its values, and its corporate social responsibility policy to not only bring this vision to life, but to do so in a considered, conscientious and ethical manner, and to the benefit of its customers, colleagues and the environment. The Group has embedded four key values into its culture, which colleagues in the business strive to embody in the pursuit of our strategic objectives. These are; *be Inspirational, be Helpful, take Ownership, and be Passionate.*

The Group's strategy is currently focussed on putting in place a number of core systems and processes essential to transforming the business into a professional national retailer. Covered in more detail below, these include the development of a comprehensive multichannel offer and the establishment of centralised warehousing, logistics and stock management systems to improve product availability and reduce wastage and stock loss. In addition, the Group continues to grow its estate via acquisition and invest significantly in the store environment and leisure offers of the existing estate.

Centralised storage and distribution logistics

Prior to 2015, the business predominantly purchased products from an extensive network of suppliers that individually delivered direct to centres. While this has served the Group well historically, there were inherent inefficiencies of operating in this method, and that to transform into a truly national retailer, a central and scalable supply chain needed to be put in place.

The Group's achievements in the year include the now fully operational cross-dock facility in Crick which handled the majority of horticulture stock in 2015, the creation of a central merchandise planning function at the Head Office to lead the Group's inventory planning and the development of a new central distribution centre in Milton Keynes which went live in early 2016. The combination of these developments alongside the investment in stock management and replenishment systems will lay the foundations to improve product availability, reduce unintended discounts and wastage, and develop a solid platform to enable future growth.

Stock management and replenishment systems

During 2015, the Group also commenced a programme to modernise the IT infrastructure and processes behind stock management and replenishment. This is a project crucial to enable future growth, and one of significant scale and complexity. Whilst the process of developing our capabilities in this area resulted in an increase in stock loss and wastage in 2015, the development of modern stock management and replenishment systems is necessary to take the business to the next level, and maximise the effectiveness of the new centralised supply chain.

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Our Strategy (continued)

Multichannel

E-commerce continues to be of increasing importance in modern retail, and in 2015 the Group made progress towards ensuring that Wyevale Garden Centres will be at the forefront of the industry in this area. Significant time and resource has been invested to ensure that the Group's new website is not only impactful, intuitive and secure, but moreover, is distinguished from the Group's competitors with a wide range of written and audio-visual content to inspire and educate customers. The Group's multichannel offer is now set for a re-launch in 2016 and is expected to drive sales both from existing customers, and by attracting customers from new demographics and locations to the business.

Customer data and insight

The Group's Garden Club loyalty programme is an unparalleled asset within the garden centre industry, providing the business with a wealth of customer data, and serving as a powerful channel of customer interaction. In the last year, the Group made further strides to unlock the asset's considerable potential, in doing so gaining a deeper understanding of the Group's customers, and producing targeted and tailored marketing to drive sales, and reward customers with great deals. Additionally, 2015 was the year in which the Group started to leverage the insight within its newly introduced customer survey and footfall data, empowering the business to make informed strategic and operational decisions, both at a Group level and in the garden centres themselves.

Investment in centres

In 2015, the Group continued to invest in the maintenance and development of its estate to ensure that its garden centres are safe and welcoming places to visit, hosting a broad range of exciting and enjoyable shopping and leisure offers. In the year, the Group has installed 93 new concessions, refurbished and modernised 47 existing restaurants, introduced 5 new restaurants and 13 coffee shops (both Costa and the award winning in-house Coffee Ground and Botanic Kitchen concept), and created 11 new play areas.

Growing the estate

In 2015, the Group's Acquisitions & Integrations team continued to demonstrate its ability to originate, execute and integrate multiple acquisitions in a financial year. In so doing, the Group welcomed four new centres, being Sidmouth, Wych Cross, Armitage's Pennine and Armitage's Birchencliffe, all of which are centres with an ethos for quality and a strong local heritage. Since the end of 2015, the Group has also acquired Wolds View (formerly Crowders) Garden Centre based in Horncastle and Woodcote Garden Centre based in Surrey, with the latter voted the Best Retail Outlet of the Year at the 2015 Garden Retail Awards.

2015 was also a landmark year in which the Group grew and enhanced the estate with the completion of two major construction projects, opening a new flagship Percy Thrower's centre in March, and re-opening its Cardiff Blooms centre in November, almost two years to the day after being sadly devastated by fire. Both of these centres were designed in line with the Group's new store format principles designed to optimise the shopping experience for its customers, and have been built and fitted out to the highest standard.

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Our Strategy (continued)

Business unit review

Management regularly review the performance of each operating segment based on a number of key performance indicators (KPIs).

The improvement across these KPIs (as set out below) reflect the success management has had in adding value to the business and creating a platform from which to add further value to future acquisitions.

Core retail

Core retail KPIs		
	2015	2014
Number of garden centres	151	148
Number of transactions	13,230,000	13,090,000
Footfall conversion	28.6%	28.7%
Average transaction value	19.28	18.95
Gross margin %	50.6%	51.6%

Notes:

- a) The number of garden centres reflects the Group's estate as at 27th December 2015.
- b) Transactional information covers the Group's entire estate with the exception of Wych Cross garden centre given the proximity of its acquisition to year end.
- c) Footfall conversion % represents the total number of core retail transactions as a proportion of the total footfall counted. Weeks 1-14 of both 2014 and 2015 have been excluded as footfall counters were only introduced from week 15 in 2014.
- d) Gross margin information covers the Group's entire estate as at 27th December 2015. Only partial year information is available for Armitage's, Sidmouth and Wych Cross garden centres.

The Core retail KPIs outlined above illustrate the growth in sales achieved predominantly through a combination of greater store numbers through acquisition as well as the various trading, marketing and operations initiatives run throughout the year.

Core retail footfall conversion % has decreased slightly from 2014 levels predominantly as a result of the 93 new concessions that were installed during 2015 whose transactions are not typically processed through the Group's EPOS system.

The growth in ATV is predominantly as a result of an increasing mix in high basket value categories of furniture and landscaping.

These categories are also lower gross margin categories which, coupled with increased stock loss, discounting and wastage as a result of the supply chain transformation, resulted in a reduced overall gross margin for the Group.

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Our Strategy (continued)

Food and beverage

F&B KPIs		
	2015	2014
Number of centres with an F&B offer	130	121
Number of transactions	7,550,000	6,760,000
F&B participation	18.0%	16.5%
Gross margin %	69.6%	73.4%

Notes:

- a) The number of garden centres with an F&B offer reflect the Group's estate as at 27th December 2015.
- b) Transactional information covers the Group's entire estate with the exception of Wych Cross garden centre. Only partial year transactional data is presented for Raglan, Podington, Cadnam, John Brown, Landford, West Parley, Percy Thrower's, Armitage's, Sidmouth and Cardiff garden centres.
- c) F&B participation is defined as the value of F&B sales as a proportion of the total sales in the Group's garden centres during the year. It covers the Group's entire estate with the exception of Wych Cross garden centre. Only partial year transactional data is available for Raglan, Podington, Cadnam, John Brown, Landford, West Parley, Percy Thrower's, Armitage's, Sidmouth and Cardiff garden centres.
- d) Gross margin information covers the Group's entire estate as at 27th December 2015. Only partial year information available for Armitage's, Sidmouth and Wych Cross garden centres.

The F&B KPIs highlight the investment in the estate and focus on reducing the weather dependency of the Group by growing the number of F&B outlets.

Restaurant participation also grew as the new concepts and refurbished outlets enticed more customers to transact in the Group's restaurants.

The Group's F&B gross margin reduced in 2015 as a result of the implementation of the new concepts and menus.

Concessions

Concession KPIs		
	2015	2014
Number of manned concessions	659	566
Number of concession partners	242	209
Concession income per sq.ft	21.78	21.68

Notes:

- a) Concession income per sq.ft includes the base rental income of all concessions partners operating from within the Group's garden centres.

The Concession KPIs outlined above demonstrate the success of the Group's strategy of transferring non-core categories and a greater space allocation within centres to concession partners during the year. The growth in the concession income per sq.ft is a reflection of the Group's strength in negotiating with new and existing partners as it continues to benefit from this growth.

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Our Strategy (continued)

Our people

Management understands that knowledgeable and dedicated employees are fundamental to the success of the business. Overseen by a professional and experienced Human Resource function, the Group strives to hire, nurture, and retain the best people, by offering industry-leading training and development, pathways for career progression, appropriate recognition and reward, and a strong support network. There is a framework in place to ensure all colleagues have an open and regular forum to discuss their needs and objectives in these areas.

The Group runs two apprenticeship schemes in horticultural retail and professional cookery in collaboration with respected external colleges. Internally, there is a suite of innovative e-learning courses, a retail management development programme, and a culture of continuous on-the-job training. Colleagues involved in central management and support are encouraged, and funded, to attend a range of professional courses offering expert training in key skills. Following on from this, there is a commitment to enabling all colleagues to then go on and broaden and progress their careers, with the business endeavouring to support ambitions of internal promotion or cross-function transfers whenever possible.

The Group is immensely proud of, and thankful for, the hard work and passion of its employees, and believes strongly that this be properly acknowledged and rewarded. The major forthcoming development in this area will be the introduction of the National Living Wage legislation in April 2016, which the Group not only intends to comply with, but in fact intend to surpass with premiums, where merited, for skill, experience or position.

2015 saw the introduction of a new scheme wherein gift cards are presented as a token of appreciation where colleagues have embodied the Group's core values, and gone the extra mile in either serving our customers or helping each other. Additionally, the business recognises outstanding contribution and achievement at an awards ceremony held annually in conjunction with our trade show.

In order to offer our colleagues the appropriate support, the Group affords a flexible working policy, provides a confidential employee hotline, and offers an employee assistance programme providing advice on debt, retirement, legal advice, and short-term counselling.



Julie Williamson

29 June 2016

Wyevale Garden Centres Capital Limited

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Corporate Responsibility

Our 'Growing Together' promise

We will work with our colleagues, suppliers, partners and customers to become the catalyst of positive change in British horticulture. We will take ownership of that change and improve lives by making Britain an even more beautiful and inspiring place, one garden at a time.

Our 'Growing Together' plan

At Wyevale Garden Centres we believe that gardens are intrinsically linked to the environment and play a key part in supporting local communities and more sustainable lifestyles. Our ambition is to work together with our colleagues, suppliers and British gardeners and be a catalyst for positive change, where gardens can play a role in responding to some of the environmental and social challenges that face Britain today.

Being a responsible company and addressing our environmental and social impacts is intrinsically linked to our brand values (Inspiration, Helpfulness, Ownership and Passion) and our business strategy. We know from research that protecting our planet and supporting local communities is important to many of our customers and taking a lead on such issues helps build loyalty amongst existing customers, our own colleagues and attracts new customers to our centres, delivering a positive effect on our business. Many of the actions we have taken to reduce our environmental impact have also reduced our costs.

Our 'Growing Together' Corporate Responsibility (CR) Plan was launched in 2013 and through the hard work of our colleagues and partners we have made progress towards our ambitions across the last two years. This report highlights our key results and activities in 2015 and whilst we are pleased with our progress, we recognise that we are on a journey and that there is still a long way to go to fully achieve our ambitions.

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Corporate Responsibility (continued)

Our 'Growing Together' CR plan

Our 'Growing Together' Plan has four important pillars:

Nurturing our colleagues

By caring for our colleagues and fostering their development and skills, so in turn, they can inspire and help our customers' gardens grow

Protecting our planet

By minimising the impact our centres have on the environment

Sourcing with care

By working with our suppliers to source sustainable and ethical products and inspiring our customers to reduce their environmental impacts

Strengthening our communities

By creating employment and supporting charities and local community organisations

From a governance perspective, our CR Task Force prioritises and delivers on the activities within the CR Plan, reporting into the CR Committee which sets our strategic CR direction, oversees our policies and progress and advises the Board on CR related matters.

We have made progress across each of the four pillars in 2015, through the passion and dedication of our Environment and Charity Champions, colleagues and partners. These Champions are committed colleagues who have volunteered to take on additional responsibility to ensure that our 'Growing Together' CR Plan is embedded within our centres.

To protect our planet, we have continued to deliver initiatives such as our 'Turn it Off' campaign to motivate our centres to reduce their utility usage and introduced a 'Recycle it Right' campaign to encourage better recycling behaviour in centres. Through our 'Gardens for Good' initiative we have continued to strengthen the local communities in which we operate: funding nursing hours for our national charity partner, Marie Curie, children's therapy centres for the NSPCC, and supporting hundreds of local charities through donations and volunteering.

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Corporate Responsibility (continued)

Nurturing our colleagues

As a business dependent on the strength of our people to deliver our strategy, we are committed to treating our colleagues in a fair, supportive and ethical manner and developing their skills. We value their commitment and the passion they demonstrate for our products and the service and advice they provide to inspire our customers on gardening, gifts, and food in our restaurants.

We have a diverse and talented workforce, with 25.8% of our colleagues in 2015 being under 21 years of age and 10.05% over 60 years of age. Overall, 58.4% of our colleagues are female, with 46.0% of head office positions being occupied by women. The overall gender split of the workforce is as follows:

	Male	Female	Total
The Board	6	1	7
Senior Executive team	7	1	8
All employees	2,947	3,509	6,006

Talent and development

By providing our colleagues with opportunities and developing their knowledge and expertise, we not only support their own career goals but give them the skills to provide great customer service improving the garden centre and restaurant experience.

We have continued to invest in our people, increasing our investment in our talent and development programme across 2015 with both online and workshop training. All colleagues have access to our e-learning systems, which include a vast range of topics (over 130) from induction training, health and safety, horticulture and administration through to catering, customer service and CR. In 2015, 244,558 e-modules and assessments were completed.

To be an employer of choice and to create high performance teams, we rolled out workshops focusing on leadership, colleague development and managing operations in 2015, with 976 line managers completing training.

"I enjoyed attending this year's MDP Cohort 5. The level of experience in the room made it richer as did staying together on one programme. The teaching methods employed kept the course interesting, easy to remember and suited to all learning styles. By far the best training experience I've had in the past 20 years. I'm looking forward to sending my team on the similar courses planned for the future." **General Manager, Endsleigh Garden Centre**

We introduced a new workshop on sales and service training, supported by observational coaching in centres to enable ongoing colleague development, to improve our customers' experience. This has been piloted in three Regions with over 1,150 colleagues trained in 2015, and has been very well received by colleagues. It has proved successful for the business, increasing both ATV and conversion. This programme will be rolled out across the estate in 2016 and, later in the year, expanded to our food and beverage colleagues.

"What a fantastic sales and service session. Everyone left with a very positive opinion of the training and have all adopted a lot of what was presented to them. The biggest difference we've found during the last 7 days is the weekend team. They noticeably are a lot more confident when approaching customers and assisting them. A Garden Centre Weekend Assistant received a fantastic thank you from a customer – the customer commented that it was the best service he'd had for ages, anywhere. The Assistant also used his confidence to cross sell 10+ bags of compost with the ten pots the customer had purchased." **Garden Centre Manager Salisbury Garden Centre**

Our existing Horticulture apprenticeship programme is in partnership with Pershore College and provides on the job experience combined with a diploma. It continues to be positively received within the business and in 2015 we employed 20 apprentices.

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Corporate Responsibility (continued)

"The apprenticeship has been one of the best opportunities in my life so far. I had little previous experience but have already learnt so much from my work colleagues, college and assessor. There are lots of great opportunities including helping out at the annual Spring Show, and visiting the biggest Wyevale in Britain! Overall I have loved every moment and highly recommend the scheme to anyone who loves horticulture."

Horticulture Apprentice - Woodbridge Garden Centre

In 2015 we introduced an improved recognition framework, including the introduction of Joy Cards, which are rewarded to colleagues who go above and beyond and demonstrate our brand values. From March to December 2015, over 1,400 Joy Cards were awarded across the business.

Our talent and development offering and recognition programme will be further enhanced in 2016 to attract strong candidates to our business and enable our colleagues to better serve and inspire our customers and grow our business. In addition to rolling out our sales and services training, we will continue to develop our management capability from within, expanding the training successfully piloted in 2015, to support our early career managers succeed in the business. We will also focus on cultivating our own horticulture knowledge and experience across the business with our Shooting for Growth training.

Colleague support

We strive to be supportive and offer flexible and remote working to colleagues experiencing personal difficulty. All colleagues have access to our Employee Assistance Programme (in partnership with The Retail Trust), which provides debt, legal and retirement advice and short term counselling whilst allowing them to remain anonymous. We also run a confidential employee hotline so that colleagues can raise concerns quickly and efficiently.

We know that personal or work related stress can impact a colleague's wellbeing, so we encourage our colleagues to discuss their circumstances and concerns with our management team and, through our development programmes, for our managers to be receptive to these issues.

Additional colleague benefits were introduced in 2015, with the company sick pay scheme, increased holiday benefit and EnJOY discounts.

In 2016, in light of the introduction of the National Living Wage, we have decided to pay above and beyond the government's minimum guidelines, and we will complete a pay review for all of our colleagues and managers working in centres and restaurants. Under this review, more than 90% of our centre teams will be eligible for higher pay rates, to reward them for their contribution to the business.

Health and safety

We are committed to providing a safe environment in our garden centres, restaurants and offices for our colleagues and customers. Our safety management systems comply with UK Health and Safety legislation and we are continuously looking at how we can improve our compliance and reporting standards. We monitor and assess how well our policies are being implemented through our incident reporting dashboard and across 2015, 75 garden centre and restaurant managers completed their IOSH managing safely training, and the training programme will continue to be implemented throughout 2016.

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Corporate Responsibility (continued)

Protecting our planet

As a company for people who love gardens and the outdoors, it is important to our customers and us that we are committed to minimising our impact on the environment. Our key priorities continue to be to reduce our consumption of electricity, gas, fuel and water and minimise the amount of waste we send to landfill.

In 2015 we continued to strengthen our network of Environment Champions, with each centre having a champion who has volunteered to take on the responsibility of educating and motivating their fellow colleagues to change behaviour and reduce our impact on the environment. These champions have been provided with toolkits, materials and continue to undergo training throughout the year to support them in their roles. We would not be able to embed our utility and waste reduction initiatives at centre level without the support of these Champions.

	2015	2014
Carbon (tones CO2) total estate	30,552	27,296
Carbon (tones CO2) - LfL centres	24,487	25,228
Water (litres) - total estate	649,218	622,146
Water (litres) - LfL centres	556,849	572,298
Waste (tonnes)	11,081	9,677
Waste recycled (%)	67	68

Notes:

- a) Carbon includes core electricity and gas supplies. Q4 data from BIU contains some estimates but the general trend is in line with the rolling data across the year. Defra's 2015 CO2 conversion factors used for 2015 data.

Carbon

Our carbon emissions reduced by 3% in 2015 vs. 2014 on a like for like (LFL) basis and increased by 12% on a total company basis driven by the impact of the centres acquired in 2015 and part way through 2014.

Our gas usage increased on a LFL basis by 3% in 2015 vs. 2014 driven by a particularly cold January to March period which was 19% colder vs. the same 2014 quarter. Due to the physical nature of our centres' buildings and their exposure to the weather, our gas usage is heavily influenced by weather conditions.

Our electricity usage increased 3% on a LFL basis in 2015 vs. 2014, partly driven by the weather for centres dependent on electricity driven heating and the introduction of new restaurant and coffee outlets which use electricity in their operations.

Notwithstanding the above, it is important that we continue to encourage our centres to reduce their energy usage through initiatives like our 'Turn it Off' campaign to embed behaviour change, and to investigate head office driven projects that reduce our utility use. Following a successful pilot, proposals were approved late 2015, to install energy management systems in all our centres and replace Hi-Bay lighting with LED variants across the first half of 2016. We are also installing automatic meter readers (AMRs) for gas and electricity across our centres in the first half of 2016 to improve the monitoring and evaluation of usage at centre level.

Water

Being a garden centre, we require a lot of water to protect and nurture the plants we sell and the amount of water the plants require is dependent on weather conditions, particularly over the summer months. Reducing our water usage not only reduces our impact on the environment but can also save significant costs to our business.

Due to an increase in the number of centres in our estate, our water consumption increased overall by 4%. However, on a LFL basis, consumption reduced by 3%, driven by a number of initiatives aimed at saving water: having our colleagues responsible for our plants completing a watering training module; watering guidelines in place for centres to follow; and our nurseries harvesting rainwater for plant irrigation, resulting in substantial

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Corporate Responsibility (continued)

savings as a result. The installation of waterless urinals continues as we carry out an ongoing toilet refurbishment programme.

Waste

Our overall waste footprint increased to 11,081 tonnes in 2015 from 9,677 tonnes in 2014, due to the acquisition of centres bought in 2015 and part way through 2014, the increase in the number of concessions, refurbishing of centres and the removal of old waste from previous years as we clean up across the estate.

Our % recycling rate in 2015 was broadly in line with 2014 at 67% vs. 68%, but if extraordinary waste pick-ups for the removal of old displays and materials were excluded, the annual recycling rate for 2015 was 77%.

We launched a 'Recycle it Right' campaign in 2015 to encourage our centres to put waste in the correct bins and we continue to provide toolkits and checklists to centres and improved monitoring and reporting to support our Environment Champions. The backhauling of pallets and plastics was launched in 2015, where they are returned to a central hub and sold on, which will reduce our costs and improve recycling rates from 2016 when the process is embedded in our systems.

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Corporate Responsibility (continued)

Sourcing with care

Tackling our own environmental impact is important but to bring about real change we need to act as a catalyst and work with our suppliers and inspire our customers to think about their own impact and encourage them to change their behaviour too.

Just as Wyevale Garden Centres is committed to operating responsibly and not engaging in any practice that contravenes the Human Rights Act or using child labour, we expect the same standards from our suppliers and ask them to provide assurance that they comply with all relevant laws and regulations and specifically that they meet the International Labour Organization's standards on Child Labour and Forced Labour. With the introduction of the Modern Slavery Act we will be further strengthening our due diligence processes with our suppliers across 2016.

We are committed to working with our suppliers to source ethical and sustainable products whilst encouraging our customers to make more planet friendly choices by providing eco-friendly products, helping them save water and inspiring them to grow their own food.

Plants and products

Nine out of ten of the plants we sell are grown in the UK, and 95% of our real Christmas trees are sourced from the British Isles, supporting our economy and reducing transport miles, fuel and carbon emissions. We also sell plants that require less watering, to help conserve water supplies. We do not sell products containing neonicotinoids in order to protect declining bee populations.

Timber and peat

Forests and peat bogs are two of the world's most important carbon stores and need to be protected. We will only source products that use timber obtained from known, legal and well managed forests to avoid contributing to deforestation and forest degradation. We work with our suppliers to ensure that the timber products we sell have been sustainably sourced and that they comply with the EU Timber Regulations. The garden furniture we sell is Forest Stewardship Council (FSC) certified.

We aim to minimise our peat use via our membership of the Growing Media Initiative (GMI) and to continue to ensure that it is extracted with the minimum amount of environmental impact. We train our colleagues on the issues of depleting the planet of peat bogs and the benefits of peat-free compost so that they in turn can inform our customers and encourage them to buy peat-free alternatives. In 2015 sales of peat-free growing media of the whole category was 68%.

Restaurant

There are many examples in our restaurants of us selling products that not only taste great but are also sourced ethically and from sustainable sources. Our fish supply is certified by the Marine Stewardship Council (MSC) and the sausages we sell are Red Tractor certified, coming from UK farms with the highest standards of food safety and animal welfare. Our coffee is organic, Rainforest Alliance and sourced from cooperative farmers where every cup bought helps improve these communities' livelihoods. Additionally, the spent coffee beans get recycled from our coffee shops and restaurants into useful products such as a soil nourisher that we then sell in our centres. This saves them going to landfill with every espresso cup's CO2 rating being only 1/10th that of other coffee brands. We have introduced 'Free From' ranges such as gluten and sugar to meet our customer's health needs.

Packaging and transport

We work with our suppliers to make our packaging as sustainable as possible, not being over-packaged and using recycled and biodegradable and recyclable materials wherever feasible. We focus on offering customers paper

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Corporate Responsibility (continued)

bags or charity jute bags and, from 2016, we no longer offer plastic bags in centres. To reduce transport miles and carbon emissions, we have suppliers delivering products to central hubs and from there distributing to individual centres.

Inspiring our customers to garden more sustainably

We encourage our customers to make more planet friendly choices through the products we sell and the information we provide in The Garden Club newsletters, website and in our centres. We inspire them to grow their own fruit and vegetables with our 'Grow Your Own' range, having over 1,100 products available; we encourage them to build wildlife havens in their gardens through selling wild flower seeds, bird care and other animal products; and through promoting the use of water butts and micro-irrigation products we help our customers save water in their gardens.

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Corporate Responsibility (continued)

Strengthening our Communities

Our garden centres play a vital role in their local communities. They provide employment and local investment, and outdoor space and play areas for local people to meet.

Through 2015, our centres have strengthened their focus of forging strong links with local community groups and charities, through events, providing space to these groups and making donations to support their fundraising. This benefits the communities involved and enables us to engage with existing and potential new customers. Research undertaken in 2015 confirms that our customers regard our centres as their 'local' garden centre and want us to be active locally, supporting their community. We also participate in local education projects with schools and colleges and where possible provide skills-generating work experience.

There is an abundance of research that evidences that maintaining and spending time in a garden promotes a sense of wellbeing, reduces stress and encourages gentle exercise. Through our Garden Club loyalty scheme we look to inspire our customers and help them enjoy their gardens through free demonstrations, events and providing information and advice.

Fundraising

In 2015, through the commitment of our network of Charity Champions and centre colleagues, we built on our strong track record of supporting charities that are important to our colleagues and customers, donating a total of 11% more than in 2014.

	2015	2014
Marie Curie	£320,663	£251,700
NSPCC	£183,332	£185,500
MacMillan	£6,772	£17,300
Alzheimer's Society/Royal Air Force	£5,000	£9,700
Total	£515,767	£464,200

Under our 'Gardens for Good' initiative we have concentrated our support on two main charities where the garden or the act of gardening can bring benefits to people.

Marie Curie is our first national charity partner, chosen by our colleagues in 2014. The money donated to Marie Curie helps them to provide care and support for people living with a terminal illness and their families, often in their own homes, where looking out onto the garden can bring comfort through happy memories.

In 2015, we raised over £320,000 through a proportion of the charges we collect for our soft play areas; our colleagues organising various fundraising activities and events from sponsored walks, swims and bike rides, cake sales and raffles; selling products such as daffodil flowers, bulbs and sunflowers where part of the price is donated to Marie Curie and our restaurants supporting the Blooming Great Tea Party. In total we have raised over £600,000 for Marie Curie and we will continue to support Marie Curie through to July 2017.

"Since launching in 2014, the fantastic partnership with Wyevale Garden Centres has raised over £600,000 and the money raised has already made a real difference. Providing nursing care to people in their home allows them to be surrounded by the things they cherish and quite often this is their garden. We look forward to continuing our partnership, which will enable Marie Curie to provide care and support for even more people living with any terminal illness, and their families, at a time when they need us the most."

Jude Bridge, Executive Director Marketing, Fundraising and Public Affairs, Marie Curie

A proportion of the charge we collect for our soft play areas is also donated to the National Society for the Prevention of Cruelty to Children (NSPCC). We have donated over £183,000 in 2015 to help fund play therapy at NSPCC service centres across the UK, where children who have been mistreated participate in therapy sessions

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Corporate Responsibility (continued)

to help their recovery. Whenever possible, these sessions take place in gardens and outdoor spaces, which help the children relax and encourage them to talk about their experiences. Our Swansea Garden Centre team used their day's volunteering to transform an overgrown area beside the NSPCC centre in Swansea into a colourful fun area for the young people to use in these therapy sessions.

We also supported the charity by donating 700 packets of tomato seeds, pots and compost to 36 NSPCC centres to be used in the children's therapy to help them gently and safely reconnect with their feelings. In total we have raised over £750,000 for the NSPCC since 2012.

"Growing these tomato plants from seed can give these children something that they rarely experience – the chance to achieve and experience success. These are children who every day may encounter challenges in school or at home that they can't manage, whereas learning to grow a plant from seed enables them to master small, achievable tasks. This will also help them learn what plants need to grow and be nurtured, and can be used as an analogy for what they need to grow and be strong, both physically and emotionally." Claire Rowlands, Lead CSP at NSPCC Prestatyn Centre

Although our focus has been on fundraising for the national charity partner, Marie Curie, our centres and restaurants have raised thousands of pounds for local charities through events such as raffles, quiz nights, competitions, sponsored activities and providing space for local events within our centres. These activities with local charities enable our centres to engage with local communities and across 2015, we have seen many examples where this has generated positive PR and increased footfall into centres.

Employee volunteering

Our Employee Volunteering Policy, allows full time colleagues to take one paid day per year to volunteer with local charities and community groups. Many of our colleagues have got involved with their local communities from helping educate primary school children on plants and garden wildlife, designing, tidying and planting hospice gardens, creating a garden for the NSPCC therapy centre in Swansea, to coaching ex-servicemen on CV writing and interview practice as they seek employment post their armed services career.

The most ambitious project in 2015 was led by the Estates team, with 75% of the team volunteering to help Lindengate, a charity that is based beside our Worlds End garden centre and uses gardening as an activity to help people with mental health issues. The team, supported by eleven Wyevale Garden Centre contractors, undertook to transform a large area of the allotment and an old porta-cabin used by the charity. This renovation was worth over £100,000 to the charity and is a good example of our 'Growing Together' promise, with Wyevale Garden Centres acting as a catalyst for positive change.

The success of our fundraising and volunteering is down to the commitment and dedication of our network of Charity Champions who inspire their centre colleagues to fundraise and volunteer for Marie Curie, local charities and community groups...to strengthen our local communities.

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Corporate Governance

Chairman's introduction

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 operates with a sound conscience and upholds the values of the stakeholders.

It is vital that the Board and Executive Management team set a clear example on how we operate as a business. The individuals appointed to the Executive Management team demonstrate the key qualities we wish to see across our business, and we are confident that the management team reliably continue to promote a culture of excellence, inspiring and nurturing the workforce to deliver the high quality performance and service that is expected from a business of our calibre.

There have been a number of 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 that we expect. The Finance Committee have played an integral part in the centre redevelopment programme, continued to steward capital expenditure investment, review and execute strategic acquisitions and completed valuable sales and leaseback transactions. The Nomination and Remuneration Committee have been pivotal in securing the new appointments to the Board and 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 understands the importance this plays in ensuring that the Group's objectives are achieved in a manner that maintains both 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 and transparency is maintained within the Group, the business follows the Walker Guidelines for Enhanced Disclosure by Portfolio Companies and Private Equity Firms. Implementation of the guidelines is on a voluntary basis, however, management have taken the option to adopt these as it offers a robust 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

29 June 2016

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Corporate Governance (continued)

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's 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 49.

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 that 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.

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Corporate Governance (continued)

The Board

	Wyevale Garden Centres Capital Limited	Trellis Acquisitions Limited			
Director	Board	Board	Finance	Audit	Nomination & Remuneration
Stephen Murphy		✓	✓	✓	✓
Kevin Bradshaw**		✓	✓		
Nils Steinmeyer**		✓	✓	✓	✓
Lorenzo Levi*	✓	✓	✓	✓	✓
Julie Williamson	✓	✓	✓	✓	✓
Huibert Arnold Vos	✓	✓	✓	✓	
Rupert Gavin		✓			
Stephen Julius		✓			

*Denotes Director(s) that left the Group during the year

**Denotes Director(s) that have left the Group since 27th December 2015

The Board

Stephen Murphy Chairman – Trellis Acquisitions Limited

Stephen Murphy has served as Chairman of the Group since 8th 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 Byron Hamburgers Ltd, a leading UK gourmet burger restaurant chain, Chairman of Ovo Energy Group Ltd, a major UK energy supplier, 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.

Roger McLaughlan Chief Executive Officer – Trellis Acquisitions Limited

Roger McLaughlan joined the Group as CEO on 14th March 2016 replacing Kevin Bradshaw.

Roger has amassed over 25 years' experience in the retail industry. Prior to joining the Group, Roger was the UK Managing Director of Toys R Us between 2011 and 2015 where he led the retailer through a major turnaround.

Previously, Roger has held various roles across a number of national corporations, including serving as the Managing Director at Asda Living where he grew the non-food standalone business between 2008 and 2011. He also served as the Managing Director at Holmes Place between 2006 and 2008 and has held executive roles at Woolworth's South Africa, Marks & Spencer and Stylo Group.

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Corporate Governance (continued)

Anthony Jones *Chief Financial Officer – Trellis Acquisitions Limited*

Anthony Jones joined Wyevale Garden Centres as CFO on 6th April 2016 replacing Nils Steinmeyer. Anthony has held several roles in retail and consumer businesses and has significant experience in overseeing major business transformations.

Prior to joining the Group, Anthony served as Vice President and CFO of WWRD, a private equity-backed group of iconic luxury home and lifestyle brands, including Waterford, Wedgwood, Royal Doulton and Royal Albert. During eight years at WWRD and its predecessor company, Waterford Wedgwood Plc, Anthony played a pivotal role in the private equity backed turnaround of the business culminating in its sale to Fiskars Corporation in 2015. He has also served as CFO at the Thorn Group where he worked closely with Terra Firma, the current owners of our Group, where he played a major role in the financial and operational improvement of a number of consumer facing businesses and also acquired significant experience in corporate finance, including acquisitions, disposals, debt restructuring and fund raising.

Anthony is a Fellow of the Chartered Institute of Management Accountants and has an MBA from the London Business School.

Julie Williamson *Non-Executive Director – Wyevale Garden Centres 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 Wyevale Garden Centres 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.

Huibert Arnold Vos *Non-Executive Director – Wyevale Garden Centres Capital Limited*

Arnold is an Associate Director at Terra Firma Capital Partners Limited, adviser to the Terra Firma shareholders. Arnold has worked with the Group since its acquisition in 2012 and served as Head of Corporate Finance, developing the Group's financial and acquisition strategy for the first 18 months of Terra Firma's ownership. He was subsequently appointed as a Non-Executive Director in March 2014. Arnold currently sits on the Board of Annington Homes Limited.

Arnold has worked for Terra Firma since October 2010, before which he held positions at Credit Suisse and Jamieson Corporate Finance.

Rupert Gavin *Non-Executive Director – Trellis Acquisitions Limited*

Rupert Gavin was appointed to the Board as a Non-Executive Director as from the 16th 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.

Rupert also currently holds positions as Chairman of Historic Royal Palaces, Chairman of the Honours Committee for Media and Arts, Non-Executive Director of Countrywide Plc, Chairman of Incidental Colman Ltd a West End theatre producing company, Chairman of Theatre Co-productions (sales and marketing) Ltd and Director of The Importance Production Company Ltd.

As a keen gardener and as the former publisher of Gardeners' World Magazine and many popular gardening books, Rupert brings a personal enthusiasm and knowledge for gardening to the Board.

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Corporate Governance (continued)

Stephen Julius *Non-Executive Director – Trellis Acquisitions Limited*

Stephen joined the Group as a Non-Executive Director during 2014. Stephen is an entrepreneur and investor, focused on acquiring and re-launching iconic consumer brands through his privately owned firm, Stellican Ltd which he founded 23 years ago. He is currently Chairman and controlling shareholder of US based Chris-Craft boats. He is also a Non-Executive Director of Odeon & UCI Cinemas and Brighterkind Nursing Homes.

Previously, amongst other investments, Stephen was Chairman and controlling shareholder of Indian Motorcycle in the USA and Riva boats in Italy. He was also the first foreigner to acquire an Italian Premier League football club, Vicenza Calcio. Stephen began his career at The Boston Consulting Group.

Stephen has a BA in classics from Magdalen College, Oxford, and an MBA from The Harvard Business School.

The Executive Management Team

Colin Hughes

As Retail Operations Director, Colin heads the Garden Centre, Restaurant and Retail Operations teams within Wyevale Garden Centres, with overall responsibility for retail and operating standards, levels of customer service as well as the motivation and engagement of its colleagues.

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 Marks & Spencer, 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 new sites throughout the UK. Prior to this at Marks & Spencer 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.

Lisa Cherry

Lisa Cherry joined Wyevale Garden Centres as Human Resources Director in 2014. In her role, Lisa has overseen the introduction of a new workforce model that better ensures the right colleague is in the right place at the right time to serve the needs of our customers.

Prior to joining, Lisa worked with WH-Smith, where she was Head of HR for the Travel Head Office and International Businesses and the Group Head of Learning and Development. Prior to this, Lisa held a number of senior HR roles in WH-Smith and Sainsbury's, with UK and international responsibilities including in Asia, Australia and the Middle East. She has 15 years' experience in retail head office and operational environments, having worked in a number of store management and HR roles.

Lisa has a wealth of knowledge and experience in human resource development and learning and she has proved to be an asset to the group as we continue to recruit talented team members and invest in learning, training and mentoring programmes for our colleagues across the organisation. Her experience in the retail sector has helped us to continue to attract some of the top candidates with experience at leading retailers.

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Corporate Governance (continued)

Steve Masters

Steve joined the Group as Estates and Merger and Acquisitions Director at the start of 2014. In his role, Steve heads the new centre acquisitions, estate management, development and construction, maintenance and health and safety teams within Wyevale Garden Centres.

Steve most recently worked at Gap Inc. as the Vice President of International Real Estate, Store Development and Strategic Alliances. Prior to joining Gap Inc., Steve was Director of Retail Development at ASDA Wal-Mart. Previously he held directorships and senior roles for a number of major national and international retailers such as Thresher Group, Polo Ralph Lauren, The Walt Disney Company and Burton Group. As a result Steve has significant experience in the management and development of large and complex multiple retail site portfolios.

Frank Hayes

Frank is Commercial Director and is responsible for leading the concessions and restaurant strategies of the business as well as acquisition integration and centre refurbishments.

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.

Paul Emslie

Paul Emslie joined the Group as Trading and Marketing Director on 6th June 2016. Paul brings relevant experience to Wyevale Garden Centres from his most recent role as Commercial Director at Homebase where he was responsible for end-to-end commercial trading and supply.

He has over 20 years' experience working in customer focused retail environments having also held senior leadership roles across the Trading and Multichannel divisions at Argos as well as Marketing and Commercial roles at Comet.

Richard Morgan

Richard Morgan was appointed as Supply Chain Director at Wyevale Garden Centres on 6th June 2016. Richard is a very experienced Supply Chain leader, having worked in both retail and manufacturing industries for over 30 years. His most recent role was Supply Chain Director at Euro Car Parts having worked previously as a supply chain interim at retailers such as Britehouse and Dreams.

Prior to this, he held roles as Supply Chain Director at Home Retail Group (he was a board member at both Argos and Homebase) and senior roles in Logistics and Operations at Cadbury and Coca-Cola.

Wyevale Garden Centres Capital Limited

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Corporate Governance (continued)

Accountability and transparency

Directors' interests and indemnity arrangements

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, its Directors and officers. 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.

Committees

Director attendance at meetings held by Trellis Acquisitions Limited;

Director	Board	Finance	Audit	Nomination & Remuneration
Maximum number of meetings	11	11	2	11
Stephen Murphy	11	11	2	11
Kevin Bradshaw	11	11		
Nils Steinmeyer	11	11	2	11
Lorenzo Levi*	7	7	1	7
Julie Williamson	11	11	2	11
Huibert Arnold Vos	10	10	1	
Rupert Gavin	11			
Stephen Julius	8			

*Denotes Director(s) that left during the year and thus was not eligible to attend all meetings

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Corporate Governance (continued)

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)

Name	Date of appointment	Date of resignation
Stephen Murphy	08/06/12	
Kevin Bradshaw*	19/11/12	09/03/16
Nils Steinmeyer*	05/03/12	01/04/16
Lorenzo Levi	05/03/12	08/07/15
Julie Williamson	20/12/11	
Huibert Arnold Vos	01/05/14	

*Denotes Director(s) that have left the Finance Committee since 27th December 2015

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

Key achievements of the Finance Committee

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 four centres; two single sites (Sidmouth and Wych Cross) and one two site chain (Armitage's)
- Increasing the capex facility from £40.0 million to £80.0 million
- Successful disposal of 8 freeholds as a result of a sale and leaseback transaction

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

- Reviewing the returns generated from the ongoing store and restaurant redevelopment programme alongside the roll out of the new coffee shops, to ensure the initiatives are generating appropriate additional value to the shareholders
- Further acquisitions where the terms are favourable
- Optimising the capital structure to ensure the lowest possible finance cost
- Continuing to identify and execute sale and leaseback transactions of our freehold estate

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Corporate Governance (continued)

Audit Committee

The Audit Committee was chaired by Lorenzo Levi who subsequently resigned on 8th July 2015. The Audit Committee is now chaired by Stephen Murphy following Lorenzo's departure.

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 auditor, before any audit commences, the nature and scope of the audit and to review the audit plan
- To review with the Governing Company's and any Group Company's external auditor the annual financial statements of the Company and the Group before submission to the Board, focussing particularly on:
 - Any changes in accounting policies and practices
 - Major accounting judgement areas which include but not limited to:
 - Acquisition accounting
 - Stock provisioning
 - Accounting for exceptional items
 - Significant adjustments resulting from the audit (at year-end only)
 - The going concern assumption
 - Compliance with accounting standards
 - 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 with internal policies with respect to the conduct of business
- To decide on the implementation of the Group's internal audit programme, 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

Wyevale Garden Centres Capital Limited

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Corporate Governance (continued)

Composition of the Audit Committee

Name	Date of appointment	Date of resignation
Stephen Murphy	08/06/12	
Nils Steinmeyer*	05/03/12	01/04/16
Lorenzo Levi	05/03/12	08/07/15
Julie Williamson	20/12/11	
Huibert Arnold Vos	08/07/15	

*Denotes Director(s) that have left the Audit Committee since 27th December 2015

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

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.

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Corporate Governance (continued)

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, the results of which were in-line with the Committees expectations
- An unmodified audit report has been issued

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

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Corporate Governance (continued)

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.

Composition of the Remuneration and Nomination Committee

Name	Date of appointment	Date of resignation
Stephen Murphy	08/06/12	
Nils Steinmeyer*	05/03/12	01/04/16
Lorenzo Levi	05/03/12	08/07/15
Julie Williamson	20/12/11	

**Denotes Director(s) that have left the Remuneration and Nomination Committee since 27th December 2015*

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 rewards for the individuals appointed.

Furthermore, the committee has been involved in reviewing the structure of the bonus scheme for management and employees. The scheme was refined in 2015 to ensure that staff reward is aligned with the overall business objectives, and additional refinements going into 2016 will further align the scheme with the direct KPIs of each business segment

Wyevale Garden Centres Capital Limited

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Directors' Report

The Directors present their annual report and the audited financial statements for Wyevale Garden Centres Capital Limited and its subsidiaries (together the 'Group') for the year ended 27 December 2015.

Principal activity

The principal activity of the Group is the operation of garden centres within the United Kingdom.

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.

Going concern

In 2012, the Group entered into debt facilities totalling £198.0 million of bank debt, of which £95.0 million expires in 2018, £65.0 million expires in 2019 and £38.0 million expires in 2022, with a further £38.0 million Payment-in-Kind facility that accrues interest on a non-cash payment basis. The Group also received an unsecured Payment-in-Kind loan from its parent company of £138.1 million in 2012, expiring in April 2022, which also accrues interest on a non-cash payment basis. The Group secured a further £40.0 million facility in 2014 and secured another £40.0 million in the current year, both of which expire in 2019, and were used for financing expansion in the current year. As at 27th December 2015, the Group had outstanding debt drawn down of £261.1 million (2014: £167.2 million) of its external debt facility. Principal repayments of £6.3 million have been made during the year (2014: £5.9 million).

There are two 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 Director's 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 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.

Directors

The Company's Directors who served during the year and subsequently were:

- Julie Williamson
- Lorenzo Levi (until 8th July 2015)
- Huibert Arnold Vos

Post Balance sheet events

Subsequent to the year end, the Group has acquired 100% of the share capital of Woodcote Green Nurseries (Holdings) Limited, a single site garden centre. Wolds View (formerly Crowders) Garden Centre has also been acquired via a trade and asset deal. The acquisitions have not made a material impact on the net assets or results of the Group.

In addition, the Group repaid £51.2 million of the outstanding debt. £45 million was repaid using the proceeds generated from the sale and leaseback transaction. This repayment was initiated before the year end, however due to timing the cash did not transfer to the banks until after the 27th December 2015, and therefore remained in the Group cash balance as at year end. The remaining £6.2 million was the standard repayment required under the terms of the loan.

In June 2016, the Group completed another sale and leaseback transaction of five freehold sites raising a further £40.1 million.

Wyevale Garden Centres Capital Limited

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Directors' Report

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 36-38 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 (pages 33-42) 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.

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



Julie Williamson

29 June 2016

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes

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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

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

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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; and
- 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.

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

Independent auditor's report to the members of Wyevale Garden Centres Capital Limited

We have audited the Group and parent company financial statements of Wyevale Garden Centres Capital Limited for the year ended 27 December 2015 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 35. 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.

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

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 27 December 2015 and of the Group's profit 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; and
- 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).

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 year 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.

Emma Cox BA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

30 June 2016

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

Consolidated Income statement For year ended 27 December 2015

	Note	2015 £'000	2015 £'000	2015 £'000	2014 £'000 Restated*
	Note	Acquisitions	Continuing operations	Total	Total
Revenue – sale of goods	4,5	4,013	307,130	311,143	290,415
Cost of sales		(2,392)	(140,766)	(143,158)	(126,409)
Gross profit		1,621	166,364	167,985	164,006
Sales and distribution costs		(1,371)	(128,296)	(129,667)	(125,938)
Administrative expenses		(824)	(11,169)	(11,993)	(25,913)
Exceptional items included within administrative expenses					
Group restructuring costs	6	-	(3,125)	(3,125)	(2,535)
Transformational projects	6	-	(10,137)	(10,137)	(5,843)
One-off administrative costs	6	-	(805)	(805)	(635)
Profit on disposal of property, plant and equipment	6	-	32,716	32,716	970
Negative goodwill	6	-	-	-	1,101
New initiatives	6	-	(10,593)	(10,593)	-
Investment	6	-	17,457	17,457	-
		-	25,513	25,513	(6,942)
Share of results of associate and jointly controlled entity	16	-	-	-	126
Other operating income	4	39	21,501	21,540	20,223
Operating profit	7	(535)	48,400	47,865	32,504
Investment income	10	-	140	140	191
Finance costs	11	(580)	(40,241)	(40,821)	(35,201)
Profit/(loss) before tax		(1,115)	8,299	7,184	(2,506)
Tax on profit/(loss) on ordinary activities	12	-	8,393	8,393	353
Profit/(loss) for the year		(1,115)	16,692	15,577	(2,153)

*Refer Note 33 for details of the prior year restatement

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Financial Statements and Notes (continued)

Consolidated Statement of Comprehensive Income For year ended 27 December 2015

	Notes	2015 £'000	2014 £'000 Restated*
Profit/(Loss) for the year		<u>15,577</u>	<u>(2,153)</u>
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	31	(1,664)	(396)
Tax on defined benefit pension scheme taken to equity	23	<u>(73)</u>	<u>79</u>
		<u>(1,737)</u>	<u>(317)</u>
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge	22	285	(880)
Tax on cash flow hedge	23	<u>(51)</u>	<u>171</u>
		<u>234</u>	<u>(709)</u>
Other comprehensive expense for the year		<u>(1,503)</u>	<u>(1,026)</u>
Total comprehensive income/(expense) for the year	27	<u>14,074</u>	<u>(3,179)</u>
Attributable to:			
Equity holders of the parent		<u>14,074</u>	<u>(3,179)</u>

*Refer Note 33 for details of the prior year restatement

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

Consolidated and Company Balance sheet As at 27 December 2015

	Note	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000 Restated*	Company 2014 £'000
Non-current assets					
Intangible assets	13	21,185	-	15,314	-
Property, plant and equipment	14	415,054	-	415,709	-
Investments	15	-	14,178	-	14,178
Interest in associates	16	-	-	2,364	-
		<u>436,239</u>	<u>14,178</u>	<u>433,387</u>	<u>14,178</u>
Current assets					
Inventories	17	50,986	-	43,463	-
Trade and other receivables	18	18,439	245,222	22,050	227,072
Cash and cash equivalents	19	146,488	-	18,917	-
		<u>215,913</u>	<u>245,222</u>	<u>84,430</u>	<u>227,072</u>
Total Assets		<u>652,152</u>	<u>259,400</u>	<u>517,817</u>	<u>241,250</u>
Current liabilities					
Trade and other payables	20	(82,975)	(472)	(62,520)	(1,373)
Obligations under finance leases	24	(375)	-	(480)	-
Borrowings	21	(68,167)	-	(9,428)	-
		<u>(151,517)</u>	<u>(472)</u>	<u>(72,428)</u>	<u>(1,373)</u>
Net current assets		<u>64,396</u>	<u>244,750</u>	<u>12,002</u>	<u>225,699</u>
Non-current liabilities					
Borrowings	21	(402,988)	(210,007)	(345,238)	(187,506)
Derivative financial instrument	22	(798)	-	(1,083)	-
Retirement benefit obligation	31	(3,164)	-	(1,711)	-
Deferred tax liability	23	(6,856)	-	(11,954)	-
Obligations under finance leases	24	(5,269)	-	(5,289)	-
Provisions	25	(32,316)	-	(44,944)	-
		<u>(451,391)</u>	<u>(210,007)</u>	<u>(410,219)</u>	<u>(187,506)</u>
Net Assets		<u>49,244</u>	<u>48,921</u>	<u>35,170</u>	<u>52,371</u>
Equity					
Share capital	26	49,365	49,365	49,365	49,365
Hedging reserve	27	(447)	-	(681)	-
Retained earnings	27	326	(444)	(13,514)	3,006
		<u>49,244</u>	<u>48,921</u>	<u>35,170</u>	<u>52,371</u>
Total Equity		<u>49,244</u>	<u>48,921</u>	<u>35,170</u>	<u>52,371</u>

*Refer Note 33 for details of the prior year restatement

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2016. They were signed on its behalf by:

Julie Williamson
Director

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

Consolidated and Company Statement of Changes in Equity For the year ended 27 December 2015

Group	Note	Share Capital £000	Hedging Reserve £000	Retained Earnings £000*	Total Equity £000
Balance at 29 December 2013		49,365	28	(11,044)	38,349
Loss for the year		-	-	(528)	(528)
Comprehensive expense for the year		-	(709)	(317)	(1,026)
Balance at 28 December 2014 as previously stated		49,365	(681)	(11,889)	36,795
Prior year restatement *	33	-	-	(1,625)	(1,625)
Balance at 28 December 2014		49,365	(681)	(13,514)	35,170
Profit for the year		-	-	15,577	15,577
Comprehensive income/(expense) for the year	27	-	234	(1,737)	(1,503)
Balance at 27 December 2015		49,365	(447)	326	49,244

Company		Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 29 December 2013		49,365	3,647	53,012
Loss for the year	27	-	(641)	(641)
Balance at 28 December 2014		49,365	3,006	52,371
Loss for the year	27	-	(3,450)	(3,450)
Balance at 27 December 2015		49,365	(444)	48,921

*Refer Note 33 for details of the prior year restatement

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

Consolidated and Company Cash flow statement For the year ended 27 December 2015

		Group	Company	Group	Company
		2015	2015	2014	2014
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	28	<u>27,756</u>	<u>-</u>	<u>31,907</u>	<u>-</u>
Investing activities					
Interest received		140	-	193	-
Proceeds on disposal of property, plant and equipment		100,580	-	2,524	-
Purchases of property, plant and equipment		(55,885)	-	(34,632)	-
Acquisition of subsidiary undertaking and trade and assets	29	<u>(19,192)</u>	<u>-</u>	<u>(28,260)</u>	<u>-</u>
Net cash generated from/(used in) investing activities		<u>25,643</u>	<u>-</u>	<u>(60,175)</u>	<u>-</u>
Financing activities					
Repayments of borrowings		(6,267)	-	(5,910)	-
Arrangement fees paid		(1,186)	-	(1,000)	-
Loan facilities drawdown		80,000	-	-	-
Revolving credit facility drawdown		10,000	-	22,000	-
Repayment of revolving credit facility		-	-	(17,000)	-
Capital expenditure facility drawdown		-	-	26,535	-
Interest paid		(8,296)	-	(6,398)	-
Subsidiary debt repayment		(1,200)	-	(3,133)	-
Repayment of obligations under finance leases		(346)	-	(346)	-
Net cash acquired at acquisition	29	<u>1,467</u>	<u>-</u>	<u>580</u>	<u>-</u>
Net cash generated from financing activities		<u>74,172</u>	<u>-</u>	<u>15,328</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		127,571	-	(12,940)	-
Cash and cash equivalents at beginning of year		<u>18,917</u>	<u>-</u>	<u>31,857</u>	<u>-</u>
Cash and cash equivalents at end of year		<u>146,488</u>	<u>-</u>	<u>18,917</u>	<u>-</u>

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

Notes to the financial statements

1. General information

Wyevale Garden Centres Capital Limited (Formerly Trellis Capital Limited) is a company incorporated in the United Kingdom. The registered address of the Company is given on page 114. The nature of the Group's operations and its principal activities are set out on page 23.

2. Adoption of new and revised standards

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

- IFRS 11 Joint Arrangements,
- IFRS 10 Consolidated Financial Statements.

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:

- Amendments to IAS 12 (Jan 2016) Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 16 Leases
- Amendments to IAS 1 (Dec 2014) Disclosure Initiative
- Amendments to IFRS 10 and IAS 28 (Sept 2014) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 27 (Aug 2014) Equity Method in Separate Financial Statements
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 16 and IAS 38 (May 2014) Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11 (May 2014) Accounting for Acquisitions of Interests in Joint Operations

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 16 – will result in the Group recognising further assets and liabilities on the Balance sheet

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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

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 financial statements.

The Company has opted to apply Section 390(3) of the Companies Act 2006. This permits the Company to end its financial year on 27 December 2015, as it is not more than 7 days after or before the end of the year dated 31 December 2015 (2014: 28 December 2014).

This financial year consists of a 52 week period that will be known as a 'year' for the purposes of these financial statements (2014: 52 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 27 December 2015. This financial year consists of a 52 week period that will be known as 'year' for the purposes of these financial statements. 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 given on page 55.

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 loss for the year of the Company amounted to £3,450,000 (2014: £641,000).

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;

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

Business combinations (continued)

- 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; and
- 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.

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 year 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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

Goodwill (continued)

Cash generating units 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 cash generating unit 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 cash generating units 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 cash generating units.

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

Revenue recognition

Sales comprises Group sales, net of applicable discounts, including the provision against the expected redemption of The Garden 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.

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.

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

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 lessee. 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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

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 on straight line basis, 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 indication 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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

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 uncollectible, 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.

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.

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

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.

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 year 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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

Hedge accounting (continued)

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 profit

Operating profit is stated after charging /crediting exceptional items, acquisition and integrations costs which include internally recharged items 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 difference between the value of defined benefit pension scheme assets and defined pension scheme liabilities is recorded on the Balance sheet as a retirement benefit asset or obligation.

Defined benefit pension scheme assets are measured at the fair value using bid price for assets with quoted prices. Defined benefit pension scheme liabilities are measured at the Balance sheet date by an independent actuary using the projected unit method and discounted at the current rate of return of high quality corporate bonds of equivalent term and currency to the liability.

Service cost, which is the increase in the present value of the liabilities of the Group's defined pension schemes expected to arise from employee service in the period, is included in operating costs. Net finance cost is calculated by applying the discount rate used for the scheme liabilities to the net deficit.

Changes in the retirement obligation arise from differences between the return on scheme assets and interest included in the Income Statement, and from actuarial gains and losses from experience adjustments and changes in demographic or financial assumptions. Such changes are classified as remeasurements and are charged or credited to equity and recorded in the Statement of Comprehensive Income in the year in which they arise.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

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 ("CGU") 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 on page 69.

▪ **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 to the financial statements.

▪ **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.

Wyevale Garden Centres Capital Limited

Registered Number 07942713

Financial Statements and Notes (continued)

3. Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

▪ Acquisition accounting

During the year, the Group acquired Sidmouth Garden Centre, Wych Cross Garden Centre Limited, WGC Seeds Holdings Limited (previously Armitage and Sons (Holdings) Limited) (and its subsidiary) alongside the remaining 70.2% share capital in Garden Centre Property Development Trading Limited, in which the Group already holds a 29.8% interest. Following these acquisitions, a fair value exercise, under IFRS3 – Business Combinations, was undertaken in order to calculate the fair value of the acquired assets and liabilities. Positive goodwill arose during the year as a result of the acquisition accounting which has been capitalised in-line with IFRS 3 - Business Combinations. 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.
- Property has been adjusted to its current market value. The current market values set with reference to valuation work performed by a third party property expert. Where third party valuation were unavailable, fair values have been set based on management best estimates using industry standard calculations.

▪ Prior year acquisition accounting

During 2014 Wyevale the Group completed the acquisitions of Raglan Nurseries Limited, Golden Acres Holdings Limited (and its subsidiary) and Brooks, Moreton Park and Ashford Garden Centres. Within the 2014 Annual Report and Financial Statements provisional values were allocated to the fair value accounting for these acquisitions. In 2015 new information has come to light which has meant the provisional values have been revised.

The following areas have been impacted by these adjustments:

- *Property valuations:* The original valuation of the properties have been revised to reflect final external valuations. A favourable lease provision has also been recognised in relation to a leasehold site rented at a level below open market levels.
- *Accrual for GRNI:* It has been noted that the acquisitions applied cash accounting. Therefore a GNRI accrual has been recognised to bring the accounting in line with the Group policy.
- *Bad debt provision:* A provision has been recognised to reduce accounts receivable down to their recoverable value.
- **Classification of exceptional items**
There is judgement associated in ensuring costs and credits presented as exceptional, are presented in accordance with the group policy and presented consistently on a year on year basis.

Wyevale Garden Centres Capital Limited

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Financial Statements and Notes (continued)

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:

	2015 £'000	2014 £'000
Revenue- Sale of goods	311,143	290,415
Concession income	20,829	18,053
Other	711	2,170
	<u>332,683</u>	<u>310,638</u>

5. Business and geographical segments

Management monitor the business performance based on the key KPIs for the three main revenue streams- garden centres, food and beverage and concessions. Details of these KPIs have been provided within the strategic review section of the annual report. As the Group is not listed, full segmental analysis is not required, and therefore the Group have opted not to provide further detail in this area.

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Financial Statements and Notes (continued)

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.

	2015 £'000	2014 £'000 Restated*	
Group restructuring costs	(3,125)	(2,535)	(a)
Transformational projects	(10,137)	(5,843)	(b)
One-off administrative costs	(805)	(635)	(c)
Profit on disposal of property, plant and equipment	32,716	970	(d)
Negative goodwill	-	1,101	(e)
New initiatives	(10,593)	-	(f)
Investment	17,457	-	(g)
	<u>25,513</u>	<u>(6,942)</u>	

*Refer Note 33 for details of the prior year restatement

- a) *Group restructuring costs* – During the year, the Group incurred £3,125,000 in advisor and redundancy costs to restructure the operational management across the estate.

In prior year £339,000 was incurred for the secondment of Terra Firma staff, who were dedicated to setting strategy and corporate restructuring in light of the acquisition by Terra Firma and as such are considered exceptional. In addition to that, redundancy costs of £886,000 and £1,310,000 relating to restructuring of senior management of the Group were also incurred.

- b) *Transformational projects* – The Group incurred costs of £10,137,000 (2014: £5,843,000) in relation to one off strategic projects linked to the setting of the main long term strategy of the Group, as agreed with shareholders.
- c) *One-off administrative costs* – The Group incurred £805,000 (2014: £635,000) on consultancy and advisory fees in relation to various projects on cost savings and other initiatives.
- d) *Profit on disposal of property plant and equipment* – During the year, a profit of £32,716,000 (2014: £970,000) arose from disposal of 8 freeholds as a result of a sale and lease back transaction.
- e) *Negative goodwill* – Negative goodwill of £1,101,000 arose in 2014 from the acquisition of Brooks, Moreton Park, Ashford, Podington, Raglan Garden Centres and Golden Acres Group. This was released to the Income statement in line with IFRS 3 Business Combinations. No negative goodwill has been recognised in 2015.
- f) *Strategic initiatives* - In 2015 £9,045,000 has been incurred in relation to the set-up of a new central distribution centre, set to go live in 2016. These costs included external advisor fees and allocation of internal resource dedicated to setting up the centre. A further £1,548,000 has been incurred in relation to setting up the new multichannel offering.

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Financial Statements and Notes (continued)

6. Exceptional items (continued)

- g) *Investment* - During 2015 the Group acquired the remaining 70.2% of the shares in Garden Centre Property Development Trading Limited, a company in which the Group already held a 29.8% investment. The Company acts as landlord on a number of the properties rented by the Group. An unfavourable lease provision was previously held for these properties, which has been released at the point of acquiring the remaining shares, leading to a £5,563,000 exceptional gain during the year.

The Group also owns a 50% investment in BPLP Ltd, a joint venture which also holds a portfolio of freehold property leased to the Group. During the year the joint venture disposed of this portfolio to an external third party, resulting in an exceptional dividend of £11,504,000 for its share of the proceeds.

A further £390,000 was generated from smaller transactions linked with these property deals.

7. Operating profit

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

	Note	2015 £'000	2014 £'000
Depreciation charge for the year	14	23,572	14,960
Cost of inventories recognised as expense		143,158	126,409
Staff costs	9	71,442	70,170
Auditor's remuneration for audit services (see below)		486	251
Operating lease rental		8,727	10,316
Amortisation of intangibles	13	38	38
Exceptional items	6	(25,513)	6,942
Acquisition and integration costs*		9,017	1,818
		2015 £'000	2014 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements		5	5
Audit of the Company's subsidiaries pursuant to legislation		197	163
		202	168
Other audit related assurance services		11	12
Tax compliance		62	44
Tax advisory		96	27
Other non-audit assurance services		115	-
Total non audit fees		284	83
		486	251

The audit fees of the Company were borne by another Group company.

*Acquisition and integration costs include all external fees and an allocation of internal costs directly attributable to the acquisitions completed in the year.

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Financial Statements and Notes (continued)

8. Reported EBITDA for the financial year

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

	2015 £'000	2014 £'000 Restated*
Operating profit	47,865	32,504
Adjustments for items not included in EBITDA:		
- Acquisition and integration costs (note 7)	9,017	1,818
- Exceptional items (note 6)	(25,513)	6,942
- Depreciation expense (note 14)	23,572	14,960
- Amortisation expense (note 13)	38	38
- Share of results of associate and jointly controlled entity	-	(126)
Reported EBITDA	<u>54,979</u>	<u>56,136</u>

9. Information regarding key management personnel and employees

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

	Group 2015 Number	Group 2014 Number
Selling	3,207	3,304
Administration	<u>329</u>	<u>246</u>
	<u>3,536</u>	<u>3,550</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	65,204	67,421
Social security costs	5,065	1,568
Other pension costs (refer to note 31)	<u>1,173</u>	<u>1,181</u>
	<u>71,442</u>	<u>70,170</u>

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.

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Financial Statements and Notes (continued)

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

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

	2015 £'000	2014 £'000
Emoluments	2,520	3,412
Payment on loss of office	295	-
Company contributions to defined contribution pensions schemes	254	275
	<u>3,069</u>	<u>3,687</u>

At 27 December 2015, retirement benefits were accruing to £nil (2014: £nil) for Directors under the defined benefit scheme. The number of Directors who were members of pension schemes during the year was as follows:

	2015 Number	2014 Number
Defined contribution schemes	<u>9</u>	<u>8</u>

Highest paid Director

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

	2015 £'000	2014 £'000
Emoluments	468	734
Company contributions to defined contribution pensions schemes	-	15
	<u>468</u>	<u>749</u>

The accrued pension entitlement under the Company's defined benefit schemes of the highest paid Director at 27 December 2015 was £nil (2014: £nil).

10. Investment income

	2015 £'000	2014 £'000
Interest on bank deposits held at amortised cost	<u>140</u>	<u>191</u>
	<u>140</u>	<u>191</u>

11. Finance costs

	2015 £'000	2014 £'000
Interest on bank overdrafts and loans	14,502	11,533
Interest on obligations under finance leases	246	263
Interest payable to immediate parent undertaking	22,502	20,090
Net interest from pension scheme (refer to note 31)	56	56
Unwinding of discount on provisions (refer to note 25)	<u>3,515</u>	<u>3,259</u>
	<u>40,821</u>	<u>35,201</u>

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.

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Financial Statements and Notes (continued)

12. Tax on profit / (loss) on ordinary activities

The UK corporation tax rate reduced from 21% to 20% from 1 April 2015. In accordance with the Finance (No.2) Act 2015, the UK corporation tax rate will reduce to 19% from 1 April 2017 and 18% from 1 April 2020. As these changes had been substantively enacted at the Balance sheet date they are reflected in these financial statements. A further reduction to 17% was announced in the 2016 Budget, however this change had not been substantively enacted at the Balance sheet date and has therefore not been reflected in these financial statements.

	2015	2014
Group	£'000	£'000
<i>Deferred tax:</i>		
Income statement	(8,393)	(353)
Total tax credit	(8,393)	(353)

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

	2015	2014
Group	£'000	£'000
Profit/(loss) before tax	7,184	(2,506)
Tax at the UK corporation tax rate of 20.49% (2014:21.49%)	1,472	(539)
Negligible value claim and indexation allowance	(8,571)	-
Deferred tax prior year true up	(587)	-
Deferred tax on accounts restatement	93	-
Expenses not deductible and other permanent differences	(86)	2,481
Effect of tax rate change	(714)	(101)
Non taxable release of negative goodwill	-	(563)
Effect of prior year adjustments	-	(1,631)
Tax credit for the year	(8,393)	(353)

A deferred tax charge relating to the actuarial losses on defined benefit pension schemes of £73,000 (2014: credit £79,000) has been recognised in the Statement of Comprehensive Income.

A deferred tax charge relating to the derivative financial liability of £51,000 (2014: credit £171,000) has also been recognised in the Statement of Comprehensive Income.

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Financial Statements and Notes (continued)

13. Intangible assets

Group	Goodwill £'000	Trademarks £'000	Total £'000
Cost:			
At 29 December 2013	10,837	688	11,525
Recognised at acquisition (note 29)	3,663	-	3,663
At 28 December 2014 as previously stated	14,500	688	15,188
Prior year restatement (note 33)	230	-	230
At 28 December 2014	14,730	688	15,418
Recognised at acquisition (note 29)	5,909	-	5,909
At 27 December 2015	20,639	688	21,327
Amortisation:			
At 29 December 2013	-	66	66
Amortisation charge	-	38	38
At 28 December 2014	-	104	104
Amortisation charge	-	38	38
At 27 December 2015	-	142	142
Net book value:			
At 27 December 2015	20,639	546	21,185
At 28 December 2014	14,730	584	15,314

Refer Note 33 for details of prior year restatement

At 27 December 2015 and 28 December 2014, 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 14 years (2014: 15 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% (2014: 2.5%).

The rate used to discount the forecast cash flows is pre-tax discount rate 11% (2014: 11%).

The Group has conducted a sensitivity analysis on the impairment of goodwill. An increase in discount rate by 2.3 percentage points (2014: 5.3 percentage points) or a reduction in discounted future cash flow by 24.3% (2014: 37.7%) would result in the carrying value of goodwill being reduced to zero.

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Financial Statements and Notes (continued)

14. Property, plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 29 December 2013	326,028	58,329	14	384,371
Recognised on acquisition	32,437	910	-	33,347
Additions	3,313	31,265	-	34,578
Disposals	(1,468)	(1,023)	(14)	(2,505)
At 28 December 2014 previously stated	360,310	89,481	-	449,791
Prior year restatement	(1,395)	-	-	(1,395)
At 28 December 2014	358,915	89,481	-	448,396
 Asset transfer	1,001	(1,062)	59	(2)
Recognised on acquisition	24,393	812	9	25,214
Additions	935	54,944	6	55,885
Disposals	(57,878)	(5,005)	-	(62,883)
At 27 December 2015	327,366	139,170	74	466,610
 Accumulated depreciation:				
At 29 December 2013	6,096	12,618	11	18,725
Charge for the year	3,591	11,366	3	14,960
Eliminated on disposals	(46)	(938)	(14)	(998)
At 28 December 2014	9,641	23,046	-	32,687
Charge for the year	5,515	18,032	25	23,572
Eliminated on disposals	(4,613)	(90)	-	(4,703)
At 27 December 2015	10,543	40,988	25	51,556
 Net book value:				
At 27 December 2015	316,823	98,182	49	415,054
At 28 December 2014	349,274	66,435	-	415,709

Refer Note 33 for details of prior year restatement

The carrying amount of the Group's land and buildings includes an amount of £23,205,025 (2014: £23,372,376) in respect of assets held under finance leases.

The Company has no property or plant and equipment (2014: £nil).

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Financial Statements and Notes (continued)

15. Investments

	Group £'000	Company £'000
Cost		
At 29 December 2013	7,000	14,178
Acquisitions during the year (note 29)	-	-
At 28 December 2014	<u>7,000</u>	<u>14,178</u>
Acquisitions during the year (note 29)	-	-
At 27 December 2015	<u>7,000</u>	<u>14,178</u>
Impairment:		
At 29 December 2013	7,000	-
Impairment charge	-	-
At 28 December 2014	<u>7,000</u>	<u>-</u>
Impairment charge	-	-
At 27 December 2015	<u>7,000</u>	<u>-</u>
Net book value:		
At 27 December 2015	<u>-</u>	<u>14,178</u>
At 28 December 2014	<u>-</u>	<u>14,178</u>

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

Name	Country of incorporation	Percentage holding by		Direct/Indirect
		Company	Group	
Trellis Holdco Limited	England & Wales	100%	100%	Direct
Trellis Finance Limited	England & Wales	nil	100%	Indirect
Trellis Investment Limited	England & Wales	nil	100%	Indirect
Trellis Acquisitions Limited	England & Wales	nil	100%	Indirect
Trellis Management Limited	England & Wales	nil	100%	Indirect
Garden Centres Holdings Limited	England & Wales	nil	100%	Indirect
Blooms Garden Centres limited	England & Wales	nil	100%	Indirect
The Garden Centre Group Limited	Scotland	nil	100%	Indirect
EHGT Limited	England & Wales	nil	100%	Indirect
Wyevale Acquisitions Borrower Limited	England & Wales	nil	100%	Indirect
Wyevale Garden Centre Holdings Limited	England & Wales	nil	100%	Indirect
Wyevale Garden Centres Acquisitions Limited	England & Wales	nil	100%	Indirect

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Financial Statements and Notes (continued)

15. Investments (continued)

A list of the significant investments in subsidiaries is shown below (continued):

Name	Country of Incorporation	Percentage holding by		Direct/Indirect
		Company	Group	
Podington Nurseries Limited	England & Wales	nil	100%	Indirect
Raglan Garden Centre Limited	England & Wales	nil	100%	Indirect
Golden Acres Holdings Limited	England & Wales	nil	100%	Indirect
Golden Acres Nurseries Limited	England & Wales	nil	100%	Indirect
Pacific Shelf 1435 Limited	Scotland	nil	100%	Indirect
Pacific Shelf 1436 Limited	Scotland	nil	100%	Indirect
Pacific Shelf 1437 Limited	Scotland	nil	100%	Indirect
Pacific Shelf 1447 Limited	Scotland	nil	100%	Indirect
Garden Centre Property Development Trading Limited	England & Wales	nil	100%	Indirect
Gardenscape Supplies Limited	England & Wales	nil	100%	Indirect
Sage Recruitment Limited	England & Wales	nil	100%	Indirect
Prince's Garden Centres Limited	England & Wales	nil	100%	Indirect
Floris Limited	Scotland	nil	100%	Indirect
Bressingham Limited	England & Wales	nil	100%	Indirect
Continental Shelf 399 Limited	England & Wales	nil	100%	Indirect
Continental Shelf 400 Limited	England & Wales	nil	100%	Indirect
Blooms of Bressingham Holdings Limited	England & Wales	nil	100%	Indirect
Jardinerie Limited	England & Wales	nil	100%	Indirect
Blooms of Bressingham Limited	England & Wales	nil	100%	Indirect
Blooms New Plants Limited	England & Wales	nil	100%	Indirect
Gardeneasy.com Limited	England & Wales	nil	100%	Indirect
The Garden and Leisure Centre Limited	England & Wales	nil	100%	Indirect
CSL Holdings Limited	England & Wales	nil	100%	Indirect
Bridgemere Nurseries Limited	England & Wales	nil	100%	Indirect
Gosforth Land Limited	England & Wales	nil	100%	Indirect
Heighley Gate Garden Centre Limited	England & Wales	nil	100%	Indirect
Old Barn Nurseries Limited	England & Wales	nil	100%	Indirect
Peter Barratt's (G&S) Limited	England & Wales	nil	100%	Indirect
Sanders Garden World Limited	England & Wales	nil	100%	Indirect
Auldene Nurseries Limited	England & Wales	nil	100%	Indirect
Peter Barratt's Garden Centres (Beverley) Limited	England & Wales	nil	100%	Indirect

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Financial Statements and Notes (continued)

15. Investments (continued)

A list of the significant investments in subsidiaries is shown below (continued):

Name	Country of Incorporation	Percentage holding by Company Group		Direct/Indirect
Bridgemere Nurseries Trading Limited	England & Wales	nil	100%	Indirect
Wych Cross Nurseries Limited	England & Wales	nil	100%	Indirect
WGC Seeds Holdings Limited (Previously Armitage and Sons (Holdings) Limited)	England & Wales	nil	100%	Indirect
WGC Seeds Limited (Previously Armitage and Sons Limited)	England & Wales	nil	100%	Indirect
Oakheart Limited	England & Wales	nil	100%	Indirect
The Stevenage Garden Centre Limited	England & Wales	nil	100%	Indirect
Auldene Holdings Limited	England & Wales	nil	100%	Indirect
Peter Barratt's Garden Centres Limited	England & Wales	nil	100%	Indirect
WGC Financial Services Limited	England & Wales	nil	100%	Indirect
Great Gardens of England Investments Limited	England & Wales	nil	100%	Indirect
Great Gardens of England Limited	England & Wales	nil	100%	Indirect
Great Park Nurseries Limited	England & Wales	nil	100%	Indirect
Glamorgan Vale (Leisure Centres) Limited	England & Wales	nil	100%	Indirect
H Warburton (Timperley) Limited	England & Wales	nil	100%	Indirect
Wyevale Acquisitions Limited	England & Wales	nil	100%	Indirect
Jackswood Garden Centre Limited	England & Wales	nil	100%	Indirect
Country Gardens Limited	England & Wales	nil	100%	Indirect
Wye 2004 Limited	England & Wales	nil	100%	Indirect
Beacon Garden Centres Limited	England & Wales	nil	100%	Indirect
L R Russell Limited	England & Wales	nil	100%	Indirect
The Country Gardener Limited	England & Wales	nil	100%	Indirect
Country Garden Centres Limited	England & Wales	nil	100%	Indirect
Coventry Garden Centres Limited	England & Wales	nil	100%	Indirect
Foster Nurseries Limited	England & Wales	nil	100%	Indirect
Foster Garden Centres Limited	England & Wales	nil	100%	Indirect
Kennedys Garden Centres Limited	England & Wales	nil	100%	Indirect
Waterside Garden Centre & Nursery Limited	England & Wales	nil	100%	Indirect
Blooms Property Limited Partnership	England & Wales	nil	50.0%	Indirect

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Financial Statements and Notes (continued)

16. Share of results of associate and jointly controlled entity

	2015 £'000	2014 £'000
Balance at the beginning of the year	2,364	2,238
Share of associate result	-	126
Elimination to full consolidation	(2,364)	-
Interest in associate at end of the year	<u>-</u>	<u>2,364</u>

During the year the Group has acquired the remaining 70.2% of the share capital of Garden Centre Property Trading Limited and is therefore fully consolidated and no longer shown as an investment.

17. Inventories

	Group 2015 £'000	Group 2014 £'000 Restated*
Goods for resale	50,323	43,143
Consumables	<u>663</u>	<u>320</u>
	<u>50,986</u>	<u>43,463</u>

*Refer Note 33 for details of prior year restatement

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

18. Trade and other receivables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000 Restated*	Company 2014 £'000
Trade receivables	6,857	-	3,463	-
Other receivables	6,119	-	10,816	-
Prepayments	5,463	-	7,771	-
Amounts receivable from subsidiaries	<u>-</u>	<u>245,222</u>	<u>-</u>	<u>227,072</u>
	<u>18,439</u>	<u>245,222</u>	<u>22,050</u>	<u>227,072</u>

*Refer Note 33 for details of prior year restatement

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Financial Statements and Notes (continued)

18. Trade and other receivables (continued)

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 6% (2014: 12%) on balances owed by group undertakings except for Trellis Holdco Limited for which the rate is 8% (2014: 8%). Amounts past due not impaired are immaterial.

Included in other receivables is £nil (2014: £1.6 million) 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 the Company's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Group's and the 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 the Company's management based on prior experience and their assessment of the current economic environment.

19. Cash and cash equivalents

	Group 2015	Company 2015	Group 2014	Company 2014
	£'000	£'000	£'000	£'000
Cash in hand and at bank	146,488	-	18,917	-

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

20. Trade and other payables

	Group 2015	Company 2015	Group 2014	Company 2014
	£'000	£'000	£'000	£'000
Trade payables	35,630	-	30,953	-
Other payables	30,565	-	15,430	-
Accruals and deferred income	16,780	-	16,135	-
Group relief	-	472	2	1,373
	82,975	472	62,520	1,373

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

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Financial Statements and Notes (continued)

21. Borrowings

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Unsecured borrowing at amortised cost				
Shareholder loan	210,007	210,007	187,506	187,506
Secured borrowing at amortised				
Bank loans	261,148	-	167,160	-
Total borrowings	471,155	210,007	354,666	187,506
The borrowings are repayable as follows:				
Due within one year	68,167	-	9,428	-
In the second to fifth years	142,259	-	110,812	-
After five years	260,729	210,007	234,426	187,506
Amount due for settlement after 12 months	402,988	210,007	345,238	187,506

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Financial Statements and Notes (continued)

21. Borrowings (continued)

Facility A

A six year facility with a maximum limit of £35 million. The facility will be paid over numerous tranches over the term. Interest will be paid at 4.0% (2014: 3.75%) over LIBOR plus mandatory costs. At the Balance sheet date the Group had utilised £18.4 million (2014: £24.4 million) out of this facility.

Facility B

A seven year facility with a maximum limit of £65 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% (2014: 4.5%) over LIBOR plus mandatory costs. At the Balance sheet date £64.6 million of this facility (2014: £64.6 million) was outstanding.

Capex/Acquisition facility

A six year facility with a maximum limit of £30 million. The facility will be paid in three tranches, commencing in the 2016 financial year. Interest will be paid at 3.75% (2014: 3.50%) over LIBOR plus mandatory costs. At the Balance sheet date the Group had utilised £29.8 million (2014: £29.8 million) out of this facility.

Revolving facility

A six year facility with a maximum limit of £30 million. The facility will be paid in full on maturity. Interest will be paid at 4.25% (2014: 4.25%) over LIBOR plus mandatory costs. At the Balance sheet date the Group had £15.0 million undrawn in this facility (2014: £25.8 million).

Secured loan note facility

A 10 year facility with a maximum limit of £38 million. The facility will be paid in full on maturity. Interest will be accrued at 8% (2014: 8%) and is satisfied by the issuance of 'Payment in Kind Notes'. This facility has been fully utilised at Balance sheet date.

New Capex/Acquisition facility

During 2014, the Group entered into a new capex facility with a maximum limit of £40 million. This facility was increased to £80 million and the facility was fully drawn at the year end. The facility will be paid in full in line with facility B. Interest will be paid at 3.75% (2014: 3.5%) over LIBOR plus mandatory costs.

Covenants

There are two covenants to be met on a quarterly basis under the new debt facilities; leverage cover and fixed charge cover.

Under the terms of the agreement the Group is also subject to an annual maximum Capex spend limit.

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Financial Statements and Notes (continued)

21. Borrowings (continued)

Financial liabilities analysed
by maturity date

	Loans £'000	Finance leases £'000	Trade and other payables £'000	Shareholder Loan £'000
2015				
Due within one year	68,167	375	66,195	-
In the second to fifth years	142,259	1,265	-	-
After five years	50,722	4,004	-	210,007
	<u>261,148</u>	<u>5,644</u>	<u>66,195</u>	<u>210,007</u>
2014				
Due within one year	9,428	480	46,383	-
In the second to fifth years	110,812	1,639	-	-
After five years	46,920	3,650	-	187,506
	<u>167,160</u>	<u>5,769</u>	<u>46,383</u>	<u>187,506</u>

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.

	2015 £'000	2014 £'000
Debt	471,155	354,666
Cash	<u>(146,488)</u>	<u>(18,917)</u>
Net debt	324,667	335,749
Total equity	<u>49,365</u>	<u>49,365</u>
Net debt : equity ratio	<u>6.6:1</u>	<u>6.8:1</u>

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.

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Financial Statements and Notes (continued)

22. Financial instruments (continued)

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.

Categories of financial instruments

Financial assets	Carrying value	Carrying value
	2015	2014
	£'000	£'000
		Restated*
Loans and receivables (including cash and cash equivalents)	159,464	33,196
Financial liabilities		
Borrowings held at amortised cost	542,994	406,818
Derivative instruments in designated hedge accounting relationships	798	1,083
	543,792	407,901

*Refer Note 33 for details of prior year restatement

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 27 December 2015 was £136,000 (2014: £361,497).

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Financial Statements and Notes (continued)

22. Financial Instruments (continued)

Financial risk management objectives (continued)

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.

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

Outstanding receive floating pay fixed contracts	Average contract	Notional principal value	Fair value
	fixed interest rate		
	2015 %	2015 £'000	2015 £'000
2 to 5 years	1.48	74,598	(798)
Outstanding receive floating pay fixed contracts	Average contract	Notional principal value	Fair value
	fixed interest rate		
	2014 %	2014 £'000	2014 £'000
2 to 5 years	1.48	80,865	(1,083)

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.

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Financial Statements and Notes (continued)

22. Financial Instruments (continued)

Fair value measurements

The valuation techniques that the Group applies in determining the fair values of its financial instruments are described below.

The techniques are classified under the hierarchy defined in IFRS 13 which categorises valuation techniques into level 1-3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within level 1, those are observable for the asset or liability, either directly or indirectly.

Level 3 Fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table describes the valuation technique that the Group applies for each class of financial instrument which is measured at fair value on a recurring basis.

	Fair value hierarchy	2015 £'000	2014 £'000	Valuation technique and key inputs
Interest rate swaps	2	(798)	(1,083)	Discounted cash flow Future cash flows are estimated and discounted based on the applicable yield curves derived from quoted interest rates.
Forward contracts	2	136	361	Discounted cash flow Future cash flows are estimated based on observable forward exchange rates at the year end and contract forward rates discounted at a rate that reflects the credit risk.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

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Financial Statements and Notes (continued)

22. Financial instruments (continued)

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 27 December 2015 of £171,550,000 (2014: £120,239,000) (excluding the variable overdraft) was outstanding for the whole year. For fixed rate liabilities, the analysis is prepared assuming the £798,000 (2014: £1,083,000) fair value of the swap at 27 December 2015 is affected by an interest rate change for the remaining two 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 27 December 2015 would increase/decrease by £0.9 million (2014: £0.6 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- profit for the year ended 27 December 2015 would decrease/increase by £0.4 million (2014: £0.40 million). This is attributable to the Group's exposure to interest rates on its fixed rate borrowings in relation to the swap valuation; and
- equity for the year ended 27 December 2015 would increase/decrease by £0.5 million (2014: £0.2 million).

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.

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Financial Statements and Notes (continued)

22. Financial instruments (continued)

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.

2015	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	6.0%	53,090	1,786	19,380	156,440	-	230,696
Fixed interest rate instruments	9.2%	33	66	299	93,960	436,313	530,671
Derivative financial instrument	1.5%	25	50	226	319	-	620
	8.9%	53,148	1,902	19,905	250,719	436,313	761,987

2014	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	6.0%	3,827	3,681	16,506	104,733	-	128,747
Fixed interest rate instruments	9.2%	43	86	387	94,480	438,654	533,650
Derivative financial instrument	1.5%	51	102	457	569	-	1,179
	10.1%	3,921	3,869	17,350	199,782	438,654	663,576

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:

	£'000	£'000
Current 0-30 days	4,561	2,904
Overdue 31-60 days	352	98
Overdue 61-90 days	265	225
Overdue +120 days	1,679	236
	6,857	3,463

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

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Financial Statements and Notes (continued)

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	Unfavourable leases £'000	Total £'000
Balance at 29 December 2013	23,386	(6,552)	(664)	(1,356)	(45)	(284)	(6,852)	7,633
Recognised at acquisition	5,096	-	(172)	-	-	-	-	4,924
(Credit)/charge to income	(985)	(2,204)	3,621	82	-	20	(887)	(353)
Credit to equity	-	-	-	-	(171)	(79)	-	(250)
At 28 December 2014	27,497	(8,756)	2,785	(1,274)	(216)	(343)	(7,739)	11,954
Prior year tax adjustment	2,583	(1,230)	(1,940)	-	-	-	93	(494)
Recognised at acquisition	3,394	(3,370)	(40)	(691)	-	-	-	(707)
(Credit)/charge to income	(5,881)	-	308	-	-	(277)	1,829	(4,021)
Credit to equity	-	-	-	-	51	73	-	124
At 27 December 2015	27,593	(13,356)	1,113	(1,965)	(165)	(547)	(5,817)	6,856

As described in note 12 the UK corporation tax rate reduced from 21% to 20% from 1 April 2015. In accordance with the Finance (No.2) Act 2015, the UK corporation tax rate will reduce to 19% from 1 April 2017 and 18% from 1 April 2020. As these changes had been substantively enacted at the Balance sheet date they are reflected in these financial statements. A further reduction to 17% was announced in the 2016 Budget, however this change had not been substantively enacted at the Balance sheet date and has therefore not been reflected in these financial statements.

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

	2015 £'000	2014 £'000
Deferred tax liabilities	28,706	30,282
Deferred tax assets	(21,850)	(18,328)
	<u>6,856</u>	<u>11,954</u>

The Group has no unrecognised deferred tax assets.

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Financial Statements and Notes (continued)

24. Obligations under finance leases

	Minimum lease payments 2015 £'000	Present value of minimum lease payments 2015 £'000	Minimum lease payments 2014 £'000	Present value of minimum lease payments 2014 £'000
Amounts payable under finance leases:				
Within one year	398	375	516	480
In the second to fifth years inclusive	1,544	1,265	2,064	1,639
After five years	6,717	4,004	9,058	3,650
	8,659	5,644	11,638	5,769
Less: future finance charges	(3,015)		(5,869)	
Present value of lease obligations	5,644		5,769	
Less: Amount due for settlement within 12 months		(375)		(480)
		5,269		5,289

It is the Group's policy to lease certain of its properties under finance leases. 13 of the Group's 148 properties are financed under this method. The most significant lease, representing approximately 49% of these finance leases, expires in 2034. For the year ended 27 December 2015, the average effective borrowing rate was 7.56% (2014: 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. (2014: £nil).

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Financial Statements and Notes (continued)

25. Provisions

	Dilapidation provision £'000	Unfavourable lease provision £'000	Total £'000
Balance at 29 December 2013	7,727	39,110	46,837
Utilisation of provision	(1,468)	(3,217)	(4,685)
Unwinding of discount on provisions	456	2,803	3,259
Balance at 28 December 2014 as previously stated	6,715	38,696	45,411
Prior year adjustment	-	(467)	(467)
Restated balance at 28 December 2014	6,715	38,229	44,944
Release of provision no longer required	-	(5,562)	(5,562)
Utilisation of provision	(7,243)	(3,338)	(10,581)
Unwinding of discount on provisions	528	2,987	3,515
At 27 December 2015	-	32,316	32,316

Refer Note 33 for details of prior year restatement

Unfavourable lease provision

The provision relates to the liability recognised as the existing terms of the operating leases that were unfavourable relative to market terms. The liability will be amortised over the remaining life of the lease to reduce the future rental expensed.

During the year, management reviewed the accounting of 2014 acquisitions and identified that a favourable lease provision of £0.5 million was required to reflect the benefit the Group will receive from acquired leases at a rent below market average.

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

The Company had £nil unfavourable lease provision at 27 December 2015 (2014: £nil).

Dilapidation provision

A dilapidation provision relates to management estimate of the cost to return existing leasehold property to their original condition. The provision has been fully utilised during the year as the Group has completed its store improvement program which has resulted in no current exposure of dilapidations on its leasehold property.

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Financial Statements and Notes (continued)

26. Share capital

Authorised:

Group and Company

2015
£'000

2014
£'000

49,365,426 (2014: 49,365,426) Ordinary shares at £1 each

49,365

49,365

Issued and fully paid:

Group and Company

£'000

£'000

49,365,426 (2014: 49,365,426) Ordinary shares at £1 each

49,365

49,365

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.

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Financial Statements and Notes (continued)

27. Reserves

Group	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 29 December 2013	28	(11,044)	(11,016)
Cash flow hedge recognised through other comprehensive expense	(709)	-	(709)
Other comprehensive expense for the year	-	(845)	(845)
Balance at 28 December 2014 as previously stated	(681)	(11,889)	(12,570)
Prior year restatement	-	(1,625)	(1,625)
Balance at 28 December 2014	(681)	(13,514)	(14,195)
Cash flow hedge recognised through other comprehensive income	234	-	234
Other comprehensive income for the year	-	13,840	13,840
Balance at 27 December 2015	(447)	326	(121)

Company	Retained earnings £'000
Balance at 29 December 2013	3,647
Total comprehensive expense for the year	(641)
Balance at 28 December 2014	3,006
Total comprehensive expense for the year	(3,450)
Balance at 27 December 2015	(444)

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.

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Financial Statements and Notes (continued)

28. Notes to the Cash flow statement

		Group 2015 £'000	Company 2015 £'000	Group 2014 £'000 Restated*	Company 2014 £'000
	Note				
Operating profit from continuing operations		47,865	-	32,504	-
Adjustments for:					
Share of results of associates		-	-	(126)	-
Bad debt write-off		353	-	-	-
Depreciation of property, plant and equipment	14	23,572	-	14,960	-
Amortisation of trademarks	13	38	-	38	-
Negative Goodwill released to the income statement		-	-	(1,101)	-
Pension adjustment to reflect true cash payment		(267)	-	(159)	-
Gain on disposal of property, plant and equipment		(50,172)	-	(970)	-
Operating cash flows before movements in working capital		21,389	-	45,146	-
Increase in inventories		(6,531)	-	(8,810)	-
Decrease in receivables		4,395	-	353	-
Increase/(decrease) in payables		19,084	-	(97)	-
Decrease in provisions	25	(10,581)	-	(4,685)	-
Net cash inflow from operating activities		27,756	-	31,907	-

*Refer Note 33 for details of prior year restatement

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Financial Statements and Notes (continued)

29. Acquisition of Subsidiary

In 2015 the Group acquired the trade and assets of Sidmouth Garden Centre, along with 100% of the share capital of Wych Cross Garden Centre Limited and WGC Seeds Holdings Limited (previously Armitage and Sons (Holdings) Limited), the parent company of WGC Seeds Limited (previously Armitage and Sons Limited), a chain of two Garden Centres. The Group also acquired the remaining 70.2% share capital of Garden Centre Property Development Trading Limited, a property company in which the Group previously held a 29.8% investment. The total cash consideration for the acquisitions was £21.6 million.

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:

	2015 £'000
Property, plant & equipment	25,214
Inventory	588
Financial assets	1,742
Financial liabilities	(1,752)
Non Current assets:	
Deferred tax	(3,444)
Loans	(6,702)
Total identifiable assets	15,646
Goodwill	5,909
Total consideration	21,555
Satisfied by:	
Net cash outflow arising on acquisition	
Cash consideration	23,022
Less: cash and cash equivalent balances acquired	(1,467)
	21,555

Acquisition related costs of £9.0 million were incurred as a result of these transactions. Please see note 7 for further details.

Positive goodwill of £5.9 million has been capitalised, and will be tested annually for impairment whilst negative goodwill has been written off to the Income statement. Refer notes 13 and 6 for further details.

The acquisitions contributed £4.0 million revenue and £1.1 million loss to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisitions had been completed on the first day of the calendar year the Group revenues for the year would have increased by £6.0 million and profit before tax increased by £0.6 million.

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Financial Statements and Notes (continued)

29. Acquisition of Subsidiary (continued)

In 2014 the Group acquired the trade and assets of Brooks, Moreton Park and Ashford Garden Centres, along with 100% of the share capital of Podington and Raglan Garden Centres and 100% of the share capital of Golden Acres (Holdings) Limited, the parent company of Golden Acres Nurseries, a chain of four Garden Centres. The total cash consideration for the acquisitions was £28.3m.

During the year, new information came to light which resulted in the original acquisition accounting being amended in the following areas:

- *Property valuations:* The original valuation of the properties have been revised to reflect final external valuations. A favourable lease provision has also been recognised in relation to a leasehold site rented at a level below open market levels
- *Accrual for GRNI:* It has been noted that the acquisitions applied cash accounting. Therefore a GNRI accrual has been recognised to bring the accounting in line with the Group policy.
- *Bad debt provision:* A provision has been recognised to reduce accounts receivable down to their recoverable value.

These adjustments have resulted in the following fair values being recognised:

	Provisional fair value as per prior year financial statements £'000	Adjustment £'000	Final fair value £'000
Property, plant & equipment	33,340	(1,385)	31,955
Inventory	1,514	(404)	1,110
Financial assets	1,327	(66)	1,261
Financial liabilities	(1,475)	-	(1,475)
Non Current assets:			
Deferred tax	(4,924)	-	(4,924)
Loans	(2,498)	-	(2,498)
Total identifiable assets	27,284	(1,855)	25,429
Goodwill	976	1,855	2,831
	<u>28,260</u>	<u>-</u>	<u>28,260</u>
Total consideration			
Satisfied by:			
Cash consideration of £28.3 million	<u>28,260</u>	<u>-</u>	<u>28,260</u>
Net cash outflow arising on acquisition			
Cash consideration	27,680	-	27,680
Less: cash and cash equivalent balances acquired	<u>580</u>	<u>-</u>	<u>580</u>
	<u>28,260</u>	<u>-</u>	<u>28,260</u>

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Financial Statements and Notes (continued)

30. Operating lease arrangements The Group as lessee

	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	8,727	10,316

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:

	2015 £'000	2014 £'000
Within one year	8,727	10,316
In the second to fifth years inclusive	33,981	38,931
After five years	140,754	158,014
	183,462	207,261

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. (2014: £nil).

31. Retirement benefit schemes

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

Defined contribution schemes

The total cost charged to Income statement of £1,173,000 (2014: £1,181,000) 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 2012 using the projected unit method. This was then rolled forward to 27 December 2015 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 2014 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.

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Financial Statements and Notes (continued)

31. Retirement benefit schemes (continued)

The assumed life expectations on retirement at age 65 are:

	2015 years	2014 years
Retiring today		
Male	23.2	23.4
Female	24.8	24.9
Retiring in 20 years		
Male	24.1	24.0
Female	26.6	26.6

The Scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

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

	Valuation at 2015 %	Valuation at 2014 %
Financial assumptions		
Discount rate	3.9	3.9
Inflation assumption	3.2	3.2
Expected rate of salary increases	2.1	2.1
Future pension increases	3.1	3.1

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Financial Statements and Notes (continued)

31. Retirement benefit schemes (continued)

Amounts recognised in the Income statement in respect of these defined benefit schemes are as follows:

	2015	2014
	£'000	£'000
Current service cost	(231)	(200)
Interest cost	(56)	(56)
	<u>(287)</u>	<u>(256)</u>

Amounts recognised in Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2015	2014
	£'000	£'000
Return on plan assets	1,000	(1,739)
Actuarial losses due to changes in financial assumptions	(81)	2,135
Actuarial gains due to changes in demographic assumptions	(22)	-
Actuarial Losses due to liability experience	767	-
	<u>1,664</u>	<u>396</u>

Of the charge for the year, £231,000 (2014: £200,000) has been included in administrative expenses. Interest costs of £56,000 (2014: £56,000) has been included within investment income.

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:

	2015	2014
	£'000	£'000
Present value of defined benefit obligations	26,010	24,888
Fair value of scheme assets	<u>(22,846)</u>	<u>(23,177)</u>
Deficit in scheme	3,164	1,711
Liability recognised in the balance sheet	<u>3,164</u>	<u>1,711</u>

This amount is present in the balance sheet as follows:

Non-current liabilities	3,164	1,711
	<u>3,164</u>	<u>1,711</u>

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Financial Statements and Notes (continued)

31. Retirement benefit schemes (continued)

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

	2015 £'000	2014 £'000
At 28 December, 2014	24,888	22,138
Service cost	231	200
Interest cost	942	981
Contributions from scheme members	37	42
Actuarial loss	664	2,135
Benefits paid	(752)	(608)
At 27 December, 2015	26,010	24,888

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

	2015 £'000	2014 £'000
At 28 December, 2014	23,177	20,720
Expected return on scheme assets	886	925
Actuarial (loss)/gain	(1,000)	1,739
Contributions from the sponsoring companies	498	359
Contributions from scheme members	37	42
Benefits paid	(752)	(608)
At 27 December, 2015	22,846	23,177

The scheme assets are invested in the following asset classes:

	2015 £'000	2014 £'000
Equity instruments	4,790	6,522
Insured annuities	6,538	-
Multi-asset credit	4,532	-
Absolute return bonds fund	-	1,828
Senior secured loan fund	-	1,864
Corporate bonds	-	4,676
Gilts	5,714	8,260
Other assets	1,272	27
	22,846	23,177

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Financial Statements and Notes (continued)

31. Retirement benefit schemes (continued)

The history of experience adjustments is as follows:

	2015 £'000	2014 £'000
Experience adjustments on scheme liabilities		
Amount (£)	664	2,135
Percentage of scheme liabilities (%)	2.6%	8.6%
Experience adjustments on scheme assets		
Amount (£)	(1,000)	1,739
Percentage of scheme assets (%)	(4.4%)	7.5%

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 27 December 2015 the Company owed £210,007,000 (2014: £187,506,000) to its immediate parent undertaking and was owed £245,222,000 (2014: £227,072,000) from subsidiaries as per notes 21 and 18.

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Financial Statements and Notes (continued)

32. Remuneration of key management personnel and related party transactions (continued)

Trading transactions

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

2015	Purchase of services £	Sale of goods £	Amount outstanding at 27 December 2015 £
Terra Firma Capital Partners III L.P.	74,491	-	-
Muradv LLP	150,000	-	-
Moloney Search Limited	36,200	-	-
Plantworks Limited	-	178,850	-
Garden Centre Property Development Ltd.	801,522	-	28,774

2014	Purchase of services £	Sale of goods £	Amount outstanding at 28 December 2014 £
Terra Firma Capital Partners III L.P.	76,644	-	-
Muradv LLP	150,000	-	-
Moloney Search Limited	292,196	-	9,695
Plantworks Limited	-	6,433	-
Garden Centre Property Development Ltd.	1,068,696	-	267,174

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.

33. Prior year adjustments

Prior year acquisition accounting

During 2014 the Group completed the acquisitions of Raglan Nurseries Limited, Golden Acres Holdings Limited (and its subsidiary) and Brooks, Moreton Park and Ashford Garden Centres. Within the 2014 Annual Report and Financial Statements provisional values were allocated to the fair value accounting for these acquisitions. In 2015 new information has come to light which has meant the provisional values have been revised.

The following areas have been impacted by these adjustments:

- *Property valuations:* The original valuation of the properties have been revised to reflect final external valuations. A favourable lease provision has also been recognised in relation to a leasehold site rented at a level below open market levels.

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Financial Statements and Notes (continued)

33. Prior year adjustments (continued)

Prior year acquisition accounting (continued)

- *Accrual for GRNI:* It has been noted that the acquisitions applied cash accounting. Therefore a GNRI accrual has been recognised to bring the accounting in line with Group policy.
- *Bad debt provision:* A provision has been recognised to reduce accounts receivable down to their recoverable value.

The above adjustments resulted in an adjustment of £0.3 million to Goodwill (increasing positive goodwill from 2014 acquisitions) and a £1.6 million increase in the 2014 loss for the year (reducing negative goodwill, that was released to the income statement from 2014 acquisitions).

34. Post balance sheet events

Subsequent to the year end, the Group has acquired 100% of the share capital of Woodcote Green Nurseries (Holdings) Limited, a single site garden centre. Wolds View (formerly Crowders) Garden Centre has also been acquired via a trade and asset deal. The acquisitions have not made a material impact on the net assets or results of the Group.

In addition, the Group repaid £51.2 million of the outstanding debt. £45 million was repaid using the proceeds generated from the sale and leaseback transaction. This repayment was initiated before the year end, however due to timing the cash did not transfer to the banks until after the 27th December 2015, and therefore remained in the Group cash balance as at year end. The remaining £6.2 million was the standard repayment required under the terms of the loan.

35. Ultimate parent undertaking and controlling parties

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

Carmel Capital VII Sàrl 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.

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Financial Statements and Notes (continued)

Other information

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