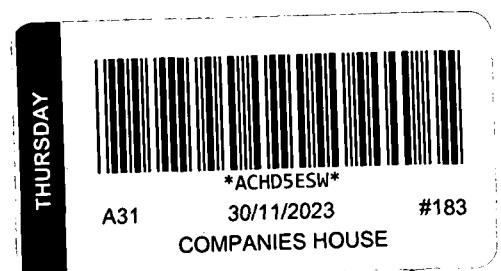


**Dobbies Garden Centres Group Limited**  
**Annual Report and Financial Statements**  
**For the 53 weeks ended 5 March 2023**  
**Registered Number: 10231465**



## DOBBIES GARDEN CENTRES GROUP LIMITED

### STRATEGIC REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023

The Directors present their Strategic Report for Dobbies Garden Centres Group Limited ("the Group") for the 53 weeks ended 5 March 2023 (prior 52 week period ended 27 February 2022).

#### Business review and principal activities

Dobbies Garden Centres Group Limited ("Dobbies" or "the Group") is the parent of Dobbies Garden Centres Limited. The principal activity of the Group is the operation of garden centres in the United Kingdom. The Directors' strategic plan is to lead the future of garden centre retailing. Dobbies continues to differentiate itself as the UK's leading destination garden centre retailer through range authority, a best-in-class restaurant experience and strong concession relationships.

The Group experienced difficult trading conditions in peak season as a result of adverse weather during Spring 2022, exacerbated by the macroeconomic conditions resulting from the Russian invasion of Ukraine, inflation and the cost-of-living crisis. In response, the business was repositioned with an absolute focus on value and has continued to develop a robust and efficient platform to support resilience and future growth, including deployment of cost actions as required.

In the second half of the year, trade was further impacted by the delayed refinancing of the Group's debt facilities, necessitating short-term cash preservation actions including discounting of stock and reduced intake, which in turn affected stock availability.

Excluding the effect of these short-term cash preservation actions, normalised EBITDA was £24.9m. Management defines normalised EBITDA as underlying operating profit/(loss) (£34.4m loss) less the impact of depreciation & amortisation (£29.2m), the impact of the lack of inventory availability and necessary discounting during H2 FY23 as a result of cash constraints (£26.7m) and significantly increased utility costs during FY23 (£3.4m).

The largest shareholder of the Group's parent company acquired the parent company's shares in full in February 2023 and the Group was subsequently recapitalised. In addition, the Group's revolving credit facility was repaid in full to HSBC upon maturity.

A working capital facility of £25m was made available to the Group by its parent, of which £20m has been drawn. This facility matures on 31 August 2025 and no cash interest is payable until maturity.

The Group's net asset position has therefore materially improved from net liabilities of £84.1m as at 27 February 2022 to net assets of £53.8m as at 5 March 2023.

Subsequent to the year-end, the residual intra-group balances connected to the recapitalisation were cancelled. On 21 June 2023 the non-current receivable of £254.6m from the Group's parent company was extinguished as was the payable to another related company in the wider group. As set out in Note 3 and below, this Post Balance Sheet Event (PBSE) transaction had no impact on the net assets or cash flows of the Group:

	2023	Adjustment	2023	2022
	£000	for PBSE	(Proforma adjusted for PBSE)	Statutory Accounts (restated Note 2.4)
	£000	£000	£000	£000
Non-current assets	820,605	(254,593)	566,012	589,026
Current assets	74,246	-	74,246	73,696
<b>Total assets</b>	<b>894,851</b>	<b>(254,593)</b>	<b>640,258</b>	<b>662,722</b>
<b>Total liabilities</b>	<b>(841,093)</b>	<b>254,593</b>	<b>(586,500)</b>	<b>(746,855)</b>
<b>Net assets / (liabilities)</b>	<b>53,758</b>	<b>-</b>	<b>53,758</b>	<b>(84,133)</b>
<b>Capital and reserves</b>	<b>53,758</b>	<b>-</b>	<b>53,758</b>	<b>(84,133)</b>

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **STRATEGIC REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023 (continued)**

#### **Trading highlights**

- Opening of a new flagship store Tewkesbury in November 2022; a destination garden centre adjacent to the M5 creating 106 new jobs
- New partnerships launched with Waitrose to replace Sainsbury's food halls across the estate (47 locations) and John Lewis & Partners (click & collect)
- Capex investment of £13.3m across the estate including £5m invested in the new Tewkesbury store and restaurant refurbishments (including soft play) at Milton Keynes and Gillingham
- Record growth in loyalty membership with over 1m members, outperforming the market in both growth and retention
- Completion of a property transaction at Reading in order to fund the construction of a new garden centre commencing in 2024

#### **Sustainability**

Sustainability remains at the core of the Group's business, with a market-leading position on the following:

- **Product sustainability**
  - Retail compost 100% peat-free
  - Over 85% of plants are UK-sourced
  - Plastic pot recycling at over 90% of garden centres
  - 100% FSC wood used for outdoor furniture
- **Responsible business practices:**
  - 99% of all waste was recycled in 2022
  - 75% of waste recycled on site
  - 50% of home deliveries are carbon-neutral
  - 100% renewable electricity across the estate
  - Investment in a new e-learning platform
- **Local & national charity and community partnerships:**
  - Partnership with "Too Good To Go" saved 75k meals from waste
  - Over £100k was raised for the Teenage Cancer Trust, Dobbies' national charity partner
  - Over 200 Christmas trees donated via "Not Your Average Community" programme
  - "Little Seedlings" programme and "Kids Eat Free" for young gardeners

The Group has also maintained its ESG plan throughout the year and is in the process of developing a net-zero plan aligned with the principles of the British Retail Consortium's Climate Action Roadmap.

**DOBBIES GARDEN CENTRES GROUP LIMITED****STRATEGIC REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023  
(continued)****Results and dividends**

The results for the period show sales of £278.7m (2022: £303.6m), reflecting the adverse trading conditions experienced by the Group throughout FY23. The statutory loss for the year was £116.7m (2022 restated as set out in Note 2.4: £27.7m loss), reflecting the material impact of (i) adverse weather in the first half of the year, (ii) delayed refinancing necessitating short-term cash preservation actions including discounting of stock and reduced intake, which in turn affected stock availability, (iii) materially higher energy and interest costs throughout the year and impairments as a consequence of the above.

Management's key profit measure throughout the period was normalised EBITDA, which seeks to remove the impact of non-controllable factors such as weather, the cost-of-living crisis and impact upon trading of delayed refinancing. Normalised EBITDA was £24.9m (2022: £42.1m).

As at the balance sheet date of 5 March 2023 the Group showed net assets of £53.8m (2022 restated £84.1m net liabilities). The improvement in net assets reflects £254.6m of new equity following the refinancing of the Group on 3 March 2023, partly offset by the net loss generated in the year. The Group's net asset position has therefore materially improved from net liabilities of £84.1m to net assets of £53.8m.

Subsequent to the year-end, the residual intra-group balances connected to the recapitalisation were cancelled.

On 3 April 2023 the Company issued a further £4.6m of shares to its parent company.

On 21 June 2023 the non-current receivable of £254.6m from the Group's parent company was extinguished as was the payable to another related company in the wider group. As illustrated below, this transaction had no impact on the net assets or cash flows of the Group:

	2023	Adjustment	2023	2022
	£000	for PBSE	(Proforma adjusted for PBSE)	Statutory Accounts (restated Note 2.4)
	£000	£000	£000	£000
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<b>Capital and reserves</b>	<b>53,758</b>	<b>-</b>	<b>53,758</b>	<b>(84,133)</b>

The Directors do not recommend payment of a dividend for the 53 weeks ended 5 March 2023 (2022: £nil).

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **STRATEGIC REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023 (continued)**

#### **Principal risks and uncertainties**

The Group continues to manage its key risks strategically at Board level and operationally via weekly Senior Leadership meetings. Key risks continue to be reviewed at least annually by the Board, most recently in October 2022.

Dobbies has successfully navigated the consequences of the Covid-19 pandemic. However, external factors are now materially impacting key risks, principally the current macroeconomic conditions resulting from the Russian invasion of Ukraine, inflation and the cost-of-living crisis. Key risks have been reviewed in this context, remain aligned with strategic priorities and, as summarised below, continue to be managed robustly.

*Weather:* This is a key risk to the Group due to the seasonal nature of the sale of plants, gardening and outdoor living products. Adverse weather can lead to reduced footfall, impacting both profit and stock levels. Our improved indoor retail and hospitality offerings, including restaurants, soft play and the rollout of Waitrose food halls in 47 locations reduce our reliance on fair weather.

*Macroeconomic factors:* The wider macroeconomic environment continues to impact general consumer confidence and propensity to spend. Inflation has already been factored into the Group's business plan and the Group continues to closely monitor the overall position, with mitigation plans in place as required.

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

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

*Interest rate and foreign exchange risk:* Following the recapitalisation of the Group in 2023, the Group's exposure to interest rates is minimal. Some of the Group's products are globally sourced and as such exposed to the risks associated with international trade.

*Cyber security and data protection:* Our company-wide ERP and digital platforms continue to be managed by robust IT security measures, including a cloud-based operating model and regular network scanning/preventative actions.

*Biosecurity:* The Group has robust processes in place to identify and minimise potential biosecurity risks. We engage only with reputable suppliers, focusing on low-risk product categories, and plant passporting procedures are rigorously adhered to.

#### **Key performance indicators (KPIs)**

During the year, we have utilised a variety of financial and non-financial KPIs for internal performance management.

#### **Corporate Governance Arrangements**

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the Group is required to include a statement of its corporate governance arrangements in this annual report for the financial year ending on 5 March 2023 ("FY23").

The Group adopted the Wates Corporate Governance Principles for Large Private Companies in FY21. The Principles were applied during FY23 were as follows:

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **STRATEGIC REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023 (continued)**

#### **Corporate Governance Arrangements (continued)**

##### *Principle 1: Purpose and leadership*

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

- Operating the business in line with a strategic long-range business plan which is reviewed annually together with quarterly progress reviews;
- Building upon our “customer first” approach and ensuring a material and sustained improvement in net promoter scores across the estate;
- Operating best-in-class garden centres and restaurants;
- Developing a robust and efficient platform to support our growth via the continued development of our ERP and digital platforms;
- Sourcing quality products using only suppliers who comply with our responsible sourcing policies;
- Maintaining strong relationships with our suppliers, service providers and other stakeholders; and
- Ensuring that our company values are reflected in everything that we do through our “ways of working” principles.

##### *Principle 2: Board composition*

Details of our Board members can be found on page 10.

Although there are no independent Directors on the Board, our Directors are experienced business leaders and have considered the interests of all stakeholders in their decision-making processes during an unprecedented year.

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

##### *Principle 3: Board responsibilities*

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

The Directors receive detailed reports relating to the operations and performance of the Group via weekly updates and monthly Board meetings. Board meetings were held at least monthly during the year with weekly updates in the interim.

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **STRATEGIC REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023 (continued)**

#### **Corporate Governance Arrangements (continued)**

##### *Principle 4: Opportunity and risk*

The Group maintains a comprehensive financial review process, including annual budgets, business plans and regular forecasting. Key performance indicators are monitored by the SLT and managed through regular operational meetings and action plans. All Directors receive regular and timely information to enable them to perform their duties, including information on the Group's operational and financial performance, customer service, health and safety performance and forward trends. Board meetings are held monthly to review these. Furthermore, the Board reviews medium and long-term strategy on a regular basis. The Long-Range Plan was most recently reviewed by the Board in February 2023. In this way, the Board assesses the prospects of the Group using all the information at its disposal.

The Board also has responsibility for determining the nature and extent of the principal risks the Group is willing to take to achieve its strategic objectives, and for the Group's internal control framework. The Board also oversees the Group's risk management and internal control systems and the effectiveness of all material controls. The principal risks, and mitigating factors, of the Group are disclosed in the Strategic report on page 5 and are reviewed by the Board at least bi-annually.

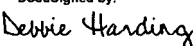
##### *Principle 5: Remuneration*

The Chief People & Corporate Officer is responsible for engaging with the Board to ensure that levels of compensation across the Group are sufficiently competitive to retain talent within the Group, as well as benchmarking the remuneration packages of the executive Directors and SLT. Additionally, the Board reviews the Group's performance with regard to diversity and inclusion criteria, including annual review of the Group's Gender Pay Gap report.

##### *Principle 6: Stakeholder relationships and engagement*

The Board continues to place great emphasis on communication and engagement with the Group's team members. The Chief Executive Officer engages regularly with key stakeholders to discuss the Group's performance, strategic issues and shareholder objectives, and provides regular and comprehensive feedback to the Board. In addition, the Board participates in regular site visits, engaging with team members directly. The Group facilitates internal apprenticeship and development programmes, supporting continued growth and development together with continued investment in an e-learning platform launched in 2022. A "People Experience Roadmap" is also in place to deliver a programme of regular engagement initiatives, supported also by the "Dobbies Connect" team engagement platform.

By order of the Board

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Debbie Harding  
Company Secretary  
28 June 2023

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023**

The Directors present their Report and the audited financial statements of Dobbies Garden Centres Group Limited (the "Group") for the 53 weeks ended 5 March 2023.

#### **Business performance and principal risks and uncertainties**

The results for the period are set out in the Consolidated Income Statement. The results for the period and principal risks and uncertainties have been discussed in the Strategic Report on pages 2 to 5.

#### **Political contributions**

There were no political donations in the period.

#### **Future developments**

The Group continues to differentiate its retail experience and evolve its hospitality offering accordingly. As the UK's leading garden centre retailer, we are committed to strengthening this position through further investment in our existing estate and the development of new opportunities. The below elements underpin our growth strategy:

- Further development and acquisitions in strategic locations, including new-build developments;
- Continued roll out of "little dobbies" stores;
- Strengthen customer engagement through focus on NPS and enhancements to our loyalty scheme;
- Continuing to ensure that sustainability remains at the core of our business; and
- Becoming a digitally led garden centre retailer.

#### **Going concern**

The Directors have performed a robust appraisal of the Group's operational and financial strength and its ability to meet its obligations as they fall due over the period to 31 August 2024. In doing so, they have reviewed current performance, financial projections including our Long-Range Plan and sensitivities to test the robustness of the assumptions made.

This assessment included a review of forecast profits, cash flows, liquidity, and covenant compliance, a severe but plausible downside scenario and a further stress test downside scenario applying a highly unlikely downside scenario to establish the impact on the results through the going concern period. Under all scenarios and, where applicable, certain mitigations, the business had adequate covenant and liquidity headroom throughout the going concern period.

Mitigating actions available to the Group, should they be required, have also been considered by the Directors including, but not limited to, measures to reduce costs through resource optimisation, suspending all uncommitted capital expenditure, preserving cash through working capital management, and reviewing the extent of marketing activity, all of which are actions within management's control. Other potential mitigating actions, not fully in management's control, include freehold property sale and leaseback or ground rent funding and rent deferrals.

The Directors continue to closely monitor the current and projected trading performance of the business and the facilities available to the Group and conclude that the Group has adequate resources to continue to operate for the period to 31 August 2024. Accordingly, the financial statements have been prepared on a going concern basis.



## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023 (continued)**

#### **Enhancing our governance**

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. The Board places great emphasis on communication and engagement with its key stakeholders, including team members, customers, suppliers, service providers and the local community. The Board reviews the outcomes of customer insight and engagement projects regularly and monitors net promoter scores.

The Group's "ways of working" remain embedded across the business and are an integral part of everyday decision-making processes. The views of team members are welcomed and actively encouraged. The Senior Leadership Team holds company-wide "huddles" via videoconference on a monthly basis to provide updates and sustain engagement. In addition, the "Dobbies Connect" engagement platform provides information on news, achievements and developments across the business. All new team members are welcomed with a comprehensive induction and training process. Annual performance and development reviews are undertaken across the business, most recently in March 2023.

The Group is committed to community engagement at local and national levels. The Teenage Cancer Trust is our National Charity Partner, with over £2m raised to date. We also work with the Stroke Association and the Tree Council. We are also a supporter of the Lindengate Mental Health Charity in Aylesbury, winner of the 2022 Queen's Award for Voluntary Services. Approximately 300 charitable organisations were also supported in the year via our community initiatives including Helping Your Community Grow, Not Your Average Gardener, National Gardening and Children's Gardening Weeks. To engage and inspire the next generation of gardeners, our Little Seedlings club holds regular free in-store events and workshops, with over 18,000 members. We also have a public facing Sustainability Policy to engage team members, customers and suppliers with our sustainable products and practices.

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

#### **Engagement with suppliers, customers and others in a business relationship with the Group**

A summary of how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Group during the financial year, is included in the Corporate Governance Arrangements section of the Strategic Report.

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023 (continued)**

#### **Research and development**

The Group does not undertake any research and development activities.

#### **Team members**

The Group depends on the skills and commitment of its team members in order to achieve its objectives and has a learning and development programme in place. The Group is committed to equal opportunities and all decisions are based on merit. Internal communications are designed to ensure that team members are well informed about the business. The Group had 3,738 team members on average during the 53 weeks ended 5 March 2023 (2022: 3,745).

#### **Directors and their interests**

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

Andrew Bracey (resigned 6 February 2023)  
David Burgess (resigned 6 February 2023)  
Aidan Clegg (resigned 6 February 2023)  
Neil Currie (resigned 6 February 2023)  
Lynne Gilder (resigned 8 March 2022)  
Frederick Goltz (resigned 6 February 2023)  
Anthony Grace (appointed 25 May 2022)  
Graeme Jenkins

None of the Directors had any disclosable interests in the Group during this period. The Group has maintained a Directors' and Officers' liability insurance policy throughout the financial period.

#### **Disclosure of information to auditors**

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

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

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

**DOBBIES GARDEN CENTRES GROUP LIMITED****DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023  
(continued)****Streamlined Energy Carbon Reporting (SECR)**

This report was prepared in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements outlined in Companies Act 2006 for large quoted and unlisted companies, which requires Dobbies Garden Centres Limited to report on its Greenhouse Gas (GHG) emissions.

*Methodology*

For the 53 weeks ended 5 March 2023 we have collected energy usage data for our stores and office buildings. This includes Electricity consumption (kWh) & Natural Gas consumption (kWh). For Heating Oil and LPG, figures are based on litres delivered and for Wood Pellets based on tonnes delivered and converted to kWh using 2022 conversion tables. In our consumption numbers we have included whole site utilities where Dobbies is the main site occupant, and metered electricity usage for sites where Dobbies is a tenant.

*Calculation Methodology*

We have used Department for Business, Energy and Industrial Strategy (BEIS) methodology to compile this GHG data and have calculated our GHG emissions in accordance with UK Government reporting guidelines for company reporting. For consistency all GHG emissions are reported in Tonnes of CO<sub>2</sub>e (tonnes of carbon dioxide equivalent) and using 2022 GHG Conversion Factors for company reporting published by BEIS. Where incomplete datasets have been used, estimates based on the pro-rated consumption of prior/subsequent months were used to extend data to full year dataset.

*GHG Emissions Scopes*

The following reporting scopes (as outlines by the GHG protocol) are included within this disclosure;

- **Scope 1 emissions:** Direct emissions from sources which the Group owns or controls, including Gas Consumption, Heating Oil, LPG, Wood Pellets (N<sub>2</sub>O and CH<sub>4</sub> only)
- **Scope 2 emissions:** indirect emissions relating solely to the generation of purchased electricity that is consumed by the Group
- **Outside of Scope:** CO<sub>2</sub> emissions from consumption of Biomass (Wood Pellets) is deemed outside of Scope, since the levels of CO<sub>2</sub> released is analogous to the level of CO<sub>2</sub> absorbed during the growth of the wood.

*Emissions Disclosures*

The tables below display our UK greenhouse gas emissions and energy use data for the 53 weeks ended 5 March 2023. As per SECR reporting requirements this information is presented in kilowatt hours (kWh):

<b>Energy consumption used to calculate emissions (kWh)</b>	<b>2023</b>	<b>2022</b>
Electricity (Scope 2)	38,643,942	38,868,614
Natural Gas (Scope 1)	23,389,534	24,308,097
Kerosene (Scope 1)	1,403,300	486,151
Gas Oil (Scope 1)	449,397	1,315,854
Wood Pellets (Scope 1)	551,909	607,565
LPG (Scope 1)	2,643,224	2,557,843
<b>Total</b>	<b>67,081,306</b>	<b>68,144,124</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 MARCH 2023  
(continued)****Streamlined Energy Carbon Reporting (SECR) (continued)**

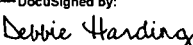
<b><i>Gross emissions in metric tonnes CO<sub>2</sub>e</i></b>	<b>2023</b>	<b>2022</b>
Scope 1 Direct Emissions (from combustion fuels) in Metric Tonnes CO <sub>2</sub> e	5,304	5,468
Scope 2 Indirect Emissions (electricity purchased) in Metric Tonnes CO <sub>2</sub> e	7,473	8,253
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	<b>12,777</b>	<b>13,721</b>
<b><i>Intensity ratio</i></b>	<b>2023</b>	<b>2022</b>
Revenue (£m)	278.7	303.6
Total Scope 1 and 2 emissions (tonnes CO <sub>2</sub> e)	12,777	13,721
<b>Emissions per £m</b>	<b>46</b>	<b>45</b>
<b><i>Outside of scope</i></b>	<b>2023</b>	<b>2022</b>
Tonnes of CO <sub>2</sub> from the consumption of Wood Pellets	193	212

Distribution is outsourced to a third-party logistics partner and is therefore outside of reporting scope for SECR. Transport mileage is considered to be de minimis.

***Energy Consumption and Sourcing***

The Company is committed to improving energy efficiency and reducing its GHG emissions from operations. We have rolled out various initiatives to achieve that goal, including switching to LED lighting for all centres and switching to biofuels for our heating requirements (currently at 50%). 100% of our electricity requirements were provided from renewable sources in the year, 50% of home deliveries are net-zero and a 60% reduction in supplier road miles has been maintained via our supply chain partner.

By order of the Board

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Debbie Harding  
 Company Secretary  
 28 June 2023

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE 53 WEEKS ENDED 5 MARCH 2023**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Directors are responsible for preparing financial statements for each financial period that give a true and fair view, in accordance with IFRSs, of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the parent Company and Group financial statements comply with IFRSs, 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 Group and the Company will continue in business.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Opinion**

We have audited the financial statements of Dobbies Garden Centres Group Limited ("the parent company") and its subsidiaries (the "group") for the 53 weeks ended 5 March 2023 which comprise the Consolidated and Company Income Statements, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 5 March 2023 and of the group's and parent company's loss for the 53 week period then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 14 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

### **Other information**

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOBBIES GARDEN CENTRES GROUP LIMITED (continued)**

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOBBIES GARDEN CENTRES GROUP LIMITED (continued)**

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

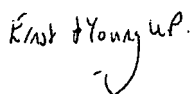
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (IFRS and the Companies Act 2006) and relevant direct and indirect tax compliance regulations in the jurisdictions in which the group operates. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
- We understood how the group and company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We verified our enquiries through our review of board minutes.
- We assessed the susceptibility of the group and company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by identifying the accounting treatment of areas that are technically complex or require significant judgement. Where this risk was considered to be higher, we performed procedures including challenging management estimates for appropriateness, engaging EY specialists to conclude on relevant key assumptions, considering the effectiveness of management controls to address fraud, and performing extensive audit procedures in relation to significant non-recurring transactions in the year.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing focussed on specific risk criteria; management enquiries and focused testing over legal expenses incurred.

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

### **Use of our report**

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



Annie Graham (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Edinburgh

28 June 2023



**DOBBIES GARDEN CENTRES GROUP LIMITED****Consolidated income statement****For the 53 weeks ended 5 March 2023**

	Notes	53 weeks to 5 March 2023 £000	52 weeks to 27 February 2022 (restated Note 2.4) £000
Turnover		278,714	303,609
Cost of sales		(156,467)	(152,422)
<b>Gross profit</b>		<b>122,247</b>	<b>151,187</b>
Administrative expenses		(200,992)	(144,520)
Other operating income	8	8,865	12,220
<b>Operating (loss) / profit</b>		<b>(69,880)</b>	<b>18,887</b>
<b>Analysed as:</b>			
Underlying operating profit		(34,406)	22,255
Exceptional items	11	(35,474)	(3,368)
		<b>(69,880)</b>	<b>18,887</b>
Net gain / (loss) on disposal of assets		(135)	8
Finance income	12	20	2
Finance costs		(60,796)	(40,202)
<b>Analysed as:</b>			
Underlying finance costs		(60,038)	(40,202)
Exceptional items	11	(758)	-
		<b>(60,796)</b>	<b>(40,202)</b>
<b>Loss on ordinary activities before tax</b>		<b>(130,791)</b>	<b>(21,305)</b>
Tax (charge) / credit	14	14,089	(6,419)
<b>Loss for the period</b>		<b>(116,702)</b>	<b>(27,724)</b>

All results relate to continuing operations.

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

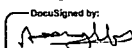
**DOBBIES GARDEN CENTRES GROUP LIMITED****Company income statement****For the 53 weeks ended 5 March 2023**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Administrative expenses	(769)	(16)
<b>Operating loss</b>	<b>(769)</b>	<b>(16)</b>
<b>Analysed as:</b>		
Underlying operating profit	(21)	(16)
Exceptional item – impact of dissolution of subsidiary	(748)	-
	<b>(769)</b>	<b>(16)</b>
Finance income	4,416	4,088
Finance costs	(4,416)	(4,088)
<b>Loss on ordinary activities before tax</b>	<b>(769)</b>	<b>(16)</b>
Tax credit	4	3
<b>Loss for the period</b>	<b>(765)</b>	<b>(13)</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Consolidated statement of financial position****As at 5 March 2023**

		2023	2022 (restated Note 2.4)
	Notes	£000	£000
<b>Non-current assets</b>			
Intangible fixed assets	18	17,440	29,177
Property, plant and equipment	19	396,383	414,943
Right-of-use assets	31	152,189	144,906
Receivable from parent entity		254,593	-
<b>Total non-current assets</b>		<b>820,605</b>	<b>589,026</b>
<b>Current assets</b>			
Inventory	21	38,990	55,949
Trade and other receivables	22	14,731	10,382
Cash and short-term deposits	23	20,525	7,365
<b>Total current assets</b>		<b>74,246</b>	<b>73,696</b>
<b>Total assets</b>		<b>894,851</b>	<b>662,722</b>
<b>Current liabilities</b>			
Payable to related entity	26	(254,593)	-
Trade and other payables	24	(62,704)	(79,099)
Lease liabilities	31	(13,103)	(5,395)
Income tax payable		(461)	(561)
<b>Total current liabilities</b>		<b>(330,861)</b>	<b>(85,055)</b>
<b>Net current liabilities</b>		<b>(256,615)</b>	<b>(11,359)</b>
<b>Total assets less current liabilities</b>		<b>563,990</b>	<b>577,667</b>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after one year	24	(17,905)	-
Interest bearing loans and borrowings	25	(302,265)	(472,048)
Lease liabilities	31	(159,773)	(146,998)
Provisions	27	(4,109)	(3,447)
Deferred tax	28	(26,180)	(39,307)
<b>Total non-current liabilities</b>		<b>(510,232)</b>	<b>(661,800)</b>
<b>Total liabilities</b>		<b>(841,093)</b>	<b>(746,855)</b>
<b>Net assets</b>		<b>53,758</b>	<b>(84,133)</b>
<b>Capital and reserves</b>			
Share capital	29	254,593	-
Retained earnings		(200,835)	(84,133)
<b>Total equity</b>		<b>53,758</b>	<b>(84,133)</b>

The Notes are an integral part of the financial statements. The financial statements were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:  
  
 ANTHONY GRACE

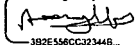
Director, 28 June 2023

Dobbies Garden Centres Group Limited, Registered Number: 10231465

**DOBBIES GARDEN CENTRES GROUP LIMITED****Company statement of financial position****As at 5 March 2023**

	Notes	2023 £000	2022 £000
<b>Non-current assets</b>			
Investments	17	254,593	-
Receivable from parent entity		254,593	-
Amounts due from other Group companies		58,881	55,139
<b>Total non-current assets</b>		<b>568,067</b>	<b>55,139</b>
<b>Total assets</b>		<b>568,067</b>	<b>55,139</b>
<b>Current liabilities</b>			
Payable to related entity		(254,593)	-
<b>Total non-current liabilities</b>		<b>(254,593)</b>	<b>-</b>
<b>Total assets less and current liabilities</b>		<b>313,474</b>	<b>55,139</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	25	(59,701)	(55,194)
<b>Total non-current liabilities</b>		<b>(59,701)</b>	<b>(55,194)</b>
<b>Total liabilities</b>		<b>(314,294)</b>	<b>(55,194)</b>
<b>Net assets / (liabilities)</b>		<b>253,773</b>	<b>(55)</b>
<b>Capital and reserves</b>			
Share capital	29	254,593	-
Retained earnings		(820)	(55)
<b>Total equity</b>		<b>253,773</b>	<b>(55)</b>

The Notes are an integral part of the financial statements. The financial statements were approved by the Board of Directors and signed on its behalf by:

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Anthony Grace

Director

28 June 2023

Dobbies Garden Centres Group Limited, Registered Number: 10231465

**DOBBIES GARDEN CENTRES GROUP LIMITED****Consolidated statement of changes in equity****As at 5 March 2023**

	<b>Share Capital £000</b>	<b>Retained Earnings £000</b>	<b>Total Equity £000</b>
<b>As at 28 February 2021</b>	-	(56,409)	(56,409)
Loss for the period (restated Note 2.4)	-	(27,724)	(27,724)
<b>As at 27 February 2022 (restated Note 2.4)</b>	-	(84,133)	(84,133)
Shares issued	254,593	-	254,593
Loss for the period	-	(116,702)	(116,702)
<b>As at 5 March 2023</b>	<b>254,593</b>	<b>(200,835)</b>	<b>53,758</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Company statement of changes in equity****As at 5 March 2023**

	<b>Share Capital £000</b>	<b>Retained Earnings £000</b>	<b>Total Equity £000</b>
<b>As at 28 February 2021</b>	-	(42)	(42)
Loss for the year	-	(13)	(13)
<b>As at 27 February 2022</b>	-	(55)	(55)
Shares issued	254,593	-	254,593
Loss for the period	-	(765)	(765)
<b>As at 5 March 2023</b>	<b>254,593</b>	<b>(820)</b>	<b>253,773</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Consolidated statement of cash flows****For the 53 weeks ended 5 March 2023**

	Notes	2023 £000	2022 (restated Note 2.4) £000
<b>Loss before tax</b>		<b>(130,791)</b>	<b>(21,305)</b>
Depreciation	19	18,781	18,524
Depreciation of right-of-use assets	31	7,543	7,081
Amortisation	18	2,898	2,109
Impairment		30,486	-
Net loss / (gain) on disposal of assets		135	(8)
Finance income	12	(20)	(2)
Finance costs	11,13	60,796	40,202
<b>Operating cash flows before movements in working capital</b>		<b>(10,172)</b>	<b>46,601</b>
Decrease / (increase) in inventories		16,959	(12,456)
(Increase) / decrease in receivables		(3,487)	5,012
Decrease in payables		(15,721)	(17,191)
<b>Cash generated by operations</b>		<b>(12,421)</b>	<b>21,966</b>
<b>Investing activities</b>			
Finance income received		20	2
Acquisition of business (net of cash acquired)		-	(3,551)
Purchase of intangible assets		(434)	(2,018)
Purchase of property, plant & equipment		(12,885)	(7,581)
<b>Net cash flows used in investing activities</b>		<b>(13,299)</b>	<b>(13,148)</b>
<b>Financing activities</b>			
Proceeds from borrowing		108,080	17,610
Repayment of borrowing		(23,850)	-
Principal element of lease repayments		(12,873)	(11,638)
Capitalised debt fees		-	(225)
Finance costs paid		(32,477)	(29,772)
<b>Net cash flows used in financing activities</b>		<b>38,880</b>	<b>(24,025)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>13,160</b>	<b>(15,207)</b>
Cash and cash equivalents at beginning of the period		7,365	22,572
<b>Cash and cash equivalents at end of the period</b>		<b>20,525</b>	<b>7,365</b>

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 1. Corporate information

The consolidated financial statements of Dobbies Garden Centres Group Limited (registration number: 10231465) and its subsidiaries (collectively, "the Group") for the 53 week period ended 5 March 2023 were authorised for issue in accordance with a resolution of the Directors. Dobbies Garden Centres Group Limited ("the Company" or "the parent") is a limited company, incorporated under English law and having its registered office at Dobbies Garden Centre - Woodcote Green, Woodmansterne Lane, Wallington, Surrey, England, SM6 0SU. The Group is engaged in the operation of garden centres in the United Kingdom. Information on the Group's structure is provided in Note 16. Information on other related party relationships of the Group are set out in Note 32.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

The consolidated financial statements of the Group which have been prepared under the historical cost convention in accordance with UK adopted international accounting standards, incorporate the financial statements of the Company and its subsidiaries. The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The following new standards, interpretations and amendments to standards issued by the International Accounting Standards Board ("IASB") that were effective in the year and did not have a material impact on the Group's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, effective 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective 1 January 2023
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective 1 January 2023
- IFRS 17 Insurance Contracts including Amendments to IFRS 17, effective 1 January 2023
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective 1 January 2023

The following new standards, interpretations and amendments to standards have been issued by the IASB and have an effective date after the date of these financial statements or have not been endorsed and thus have not been implemented by the Group or Company and are not expected to have a material impact on the Group's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements, effective 1 January 2024:
  - Classification of Liabilities as Current or Non-current Date;
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date; and
  - Non-current Liabilities with Covenants
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, effective 1 January 2024



## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the period end. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **2.3 Summary of significant accounting policies**

##### **a) Going concern**

This assessment included a review of forecast profits, cash flows, liquidity, and covenant compliance, a severe but plausible downside scenario and a further stress test downside scenario applying a highly unlikely downside scenario to establish the impact on the results through the going concern period. Under all scenarios and, where applicable, certain mitigations, the business had adequate covenant and liquidity headroom throughout the going concern period.

Mitigating actions available to the Group, should they be required, have also been considered by the Directors including, but not limited to, measures to reduce costs through resource optimisation, suspending all uncommitted capital expenditure, preserving cash through working capital management, and reviewing the extent of marketing activity, all of which are actions within management's control. Other potential mitigating actions, not fully in management's control, include freehold property sale and leaseback or ground rent funding and rent deferrals.

The Directors continue to closely monitor the current and projected trading performance of the business and the facilities available to the Group and conclude that the Group has adequate resources to continue to operate for the period to 31 August 2024. Accordingly, the financial statements have been prepared on a going concern basis.

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **2.3 Summary of significant accounting policies (continued)**

##### **b) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is tested for impairment at least once per year. Where an impairment is identified goodwill is written down first and then, if further assets require impairing, these are written down pro-rata to their carrying value.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **2.3 Summary of significant accounting policies (continued)**

##### **c) Current versus non-current classification**

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

##### **d) Revenue recognition**

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

##### **e) Other operating income**

Other operating income consists of income from concession partners and government grant income (see Note 2.3(f) for further details).

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **2.3 Summary of significant accounting policies (continued)**

##### **f) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

##### **g) Adjusted accounting measures**

The Group considers adjusted performance measures, to provide an ongoing and consistent basis on which to measure underlying business performance by excluding items that are materially non-recurring, uncontrollable or exceptional. These measures are not defined or specified under International Financial Reporting Standards (IFRS). Two measures are commonly used by the Group, Underlying Operating Profits and Underlying EBITDA. These key adjusted performance measures quoted in the Strategic Report are defined below:

- Underlying Operating Profit is Operating Profit adding back exceptional items.
- Underlying EBITDA is EBITDA adding back exceptional items.

##### **Adjusting items**

Adjusting items are by their nature and size non-recurring outside of the reporting period and include changes to operational management, business transformation, changes to the estate and integration costs, not otherwise categorised as exceptional.

Adjusted EBITDA is another non-GAAP measure used by the Group and is defined as follows:

- Underlying EBITDA adding back adjusting items.

##### **Exceptional items**

Transactions will be classified as exceptional items if they are considered unusual due to their size or nature and include, but are not limited to, impairments, costs relating to the COVID-19 pandemic, Group restructuring activities such as significant changes resulting from reorganisation of the estate; acquisition costs including professional fees and integration costs; and gains or losses associated with changes to deferred and contingent consideration on acquisitions.

##### **h) Current taxation**

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

##### **i) Group relief on taxation**

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

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **2.3 Summary of significant accounting policies (continued)**

##### **j) Deferred tax**

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss, except when it relates to items charged or credited in other comprehensive income, in which case deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### **k) Current tax and deferred tax for the year**

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

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 2.3 Summary of significant accounting policies (continued)

##### l) Property, plant and equipment

Land and buildings are measured at initial cost less accumulated depreciation. Depreciation is provided to write off costs or valuation of tangible fixed assets less their residuals on a straight-line basis over the anticipated useful economic lives of the assets.

The following depreciation rates were applied for the Group:

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

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

##### m) Non-current assets held for sale

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

##### n) Fixed asset investments

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

##### o) Impairment of fixed assets and goodwill

At each balance sheet date, the Group reviews the carrying amounts of the fixed assets and goodwill to determine whether there is any need for impairment in accordance with IAS 36 "Impairment of Assets". Any impairment is recognised in the profit and loss in the period in which it occurs. As set out above, goodwill is tested for impairment at least once per year. Where an impairment is identified goodwill is written down first and then, if further assets require impairing, these are written down pro-rata to their carrying value.

##### p) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 2.3 Summary of significant accounting policies (continued)

##### p) Leases (continued)

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

##### Right-of-use assets:

- The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.
- Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.
- If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
- Right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.3(o).

##### Lease liabilities:

- At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.
- In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease, or where this is not readily determinable, its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
- The Group's lease liabilities are included in Interest-bearing loans and borrowings (as disclosed in Note 25).

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

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

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 2.3 Summary of significant accounting policies (continued)

##### p) Leases (continued)

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

##### q) Inventory

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

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

##### r) Foreign currencies

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

##### s) Pensions

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

##### t) Borrowing costs

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

##### u) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Computer software is amortised at a rate of 33.3%. Internally generated intangibles that meet the relevant criteria to qualify for recognition have been capitalised and amortised through the profit and loss through administration expenses. IFRS standards do not contain explicit guidance on the accounting for cloud computing arrangements or the costs to implement them. Therefore, the Group applies judgement to account for these arrangements and may need to apply principles from various IFRS standards, including IFRS 16 Leases, IAS 38 Intangible Assets, IAS 16 Property, Plant and Equipment and IFRS 15 Revenue from Contracts with Customers. In certain specific instances costs incurred during the development of the specific project may be capitalised if the costs are separately identifiable and the Group will benefit from future economic benefits that other entities cannot access.



## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 2.3 Summary of significant accounting policies (continued)

##### u) Intangible assets (continued)

IFRS 15 may be applied to distinguish development costs that qualify for capitalisation from ongoing service arrangement fees that are expensed to the Income Statement.

Intangible assets with finite lives are amortised over the useful economic life once the asset is ready for use and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category that is consistent with the function of the intangible assets, which is administration expenses.

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

##### v) Provisions

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

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

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

##### w) Financial assets

###### Initial recognition and measurement

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

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

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

###### Financial assets at amortised cost

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

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 2.3 Summary of significant accounting policies (continued)

##### w) Financial assets (continued)

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

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

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

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

##### **Derecognition**

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

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

##### **Impairment of financial assets**

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

##### **Definition of default**

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

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **2.3 Summary of significant accounting policies (continued)**

##### **x) Financial liabilities**

###### **Initial recognition and measurement**

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

###### **Subsequent measurement**

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

###### ***Loans and borrowings***

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

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss. For more information, refer to Note 25.

###### **Derecognition**

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

###### **Offsetting of financial instruments**

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

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****2.4 Prior year restatement**

The cost of sales and trade payables for the prior year (52 weeks ended 27 February 2022 or "FY22") as well as the related tax implications have been restated. The restatement relates to a difference arising on the migration of data from the prior ERP to the new ERP system in April 2021. Part of the migration issue included a stock write off adjustment for £0.5m that was incorrectly posted to GRNI accruals as opposed to cost of sales. The impact of these restatements on the Income statement, Statement of financial position and Statement of changes in equity for FY22 is set out below.

	Notes	FY22 Previously reported £k	FY22 Restatement £k	FY22 Restated £k
<b>Income statement</b>				
Cost of sales		(148,331)	(4,091)	<b>(152,422)</b>
<b>Gross profit</b>		155,278	(4,091)	<b>151,187</b>
Operating profit		22,978	(4,091)	<b>18,887</b>
<b>Loss on ordinary activities before tax</b>		(17,214)	(4,091)	<b>(21,305)</b>
Tax (charge) / credit	14	(7,196)	777	<b>(6,419)</b>
<b>Loss for the year</b>		<b>(24,410)</b>	<b>(3,314)</b>	<b>(27,724)</b>
<b>Statement of financial position</b>				
<b>Current liabilities</b>				
Trade and other payables	24	(75,008)	(4,091)	<b>(79,099)</b>
Income tax payable		(1,338)	777	<b>(561)</b>
<b>Net liabilities</b>		<b>(80,819)</b>	<b>(3,314)</b>	<b>(84,133)</b>
<b>Capital and reserves</b>				
Retained earnings		<b>(80,819)</b>	<b>(3,314)</b>	<b>(84,133)</b>
<b>Statement of changes in equity</b>				
Retained earnings		<b>(80,819)</b>	<b>(3,314)</b>	<b>(84,133)</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****3. Post balance sheet event (PBSE)**

On 3 April 2023 the Company issued a further £4.6m of shares to its parent company.

On 21 June 2023 the non-current receivable of £254.6m from the Group's parent company was extinguished as was the payable to another related company in the wider group.

As set out below this transaction had no impact on the net assets or cash flows of the Group:

	2023 £000	Adjustment for PBSE £000	2023 (Proforma adjusted for PBSE) £000	2022 Statutory Accounts (restated Note 2.4) £000
Non-current assets	820,605	(254,593)	566,012	589,026
Current assets	74,246	-	74,246	73,696
<b>Total assets</b>	<b>894,851</b>	<b>(254,593)</b>	<b>640,258</b>	<b>662,722</b>
 <b>Total liabilities</b>	 <b>(841,093)</b>	 <b>254,593</b>	 <b>(586,500)</b>	 <b>(746,855)</b>
 <b>Net assets / (liabilities)</b>	 <b>53,758</b>	 <b>-</b>	 <b>53,758</b>	 <b>(84,133)</b>
 <b>Capital and reserves</b>	 <b>53,758</b>	 <b>-</b>	 <b>53,758</b>	 <b>(84,133)</b>

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **4. Significant accounting judgements, estimates and assumptions**

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

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

##### **Impairment testing and valuation of certain non-current assets**

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

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

The carrying value of goodwill as at period the end is set out in Note 18. The carrying value of property, plant and equipment as at period the end is set out in Note 19. The carrying value of right of use assets is set out in Note 31.

Further detail of the calculation basis and key assumptions used in the impairment review and the sensitivity of this assessment to key assumptions is set out in Note 20.

##### **Business combinations**

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

##### **Inventories**

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

##### **Taxation**

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

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 4. Significant accounting judgements, estimates and assumptions (continued)

##### **Determining the lease term of contracts with renewal and termination options – Group as lessee**

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

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

*Estimates and assumptions:* The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### **Leases - Estimating the incremental borrowing rate**

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

#### 5. Segmental reporting

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

#### 6. Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****7. Operating profit**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	18,781	18,524
Depreciation of right-of-use asset	7,543	7,081
Amortisation of intangible fixed assets	2,898	2,109
Cost of inventories recognised as an expense (included in cost of sales)	142,203	137,760
Services provided by the Company's auditor:		
Fees payable for the audit	518	472
Audit related assurance services	-	4

**8. Other operating income**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Income from concession partners	8,865	9,323
Government grants	-	2,897
<b>Other operating income</b>	<b>8,865</b>	<b>12,220</b>

**9. Staff costs**

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

	<b>Average number of employees</b>		<b>Average number of full- time equivalents</b>	
	<b>53 weeks to 5 March 2023</b>	<b>52 weeks to 27 February 2022</b>	<b>53 weeks to 5 March 2023</b>	<b>52 weeks to 27 February 2022</b>
Office and management	675	611	663	602
Other employees	3,063	3,134	1,265	1,361
<b>Total</b>	<b>3,738</b>	<b>3,745</b>	<b>1,928</b>	<b>1,963</b>

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Wages and salaries	62,196	60,389
Social security costs	4,644	4,243
Other pension costs	1,446	1,327
<b>Staff costs</b>	<b>68,286</b>	<b>65,959</b>



**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****10. Information regarding key management personnel and employees**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Aggregate emoluments	1,090	1,279
Highest paid director – total aggregate emoluments	499	683

All key management personnel remuneration is a short term benefit. The highest paid director did not receive pension entitlements from the Group during the current or prior period.

**11. Exceptional items****Exceptional items – operational**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to February 2022 £000</b>
Impairment	(30,486)	-
Funding and refinancing costs	(3,362)	(508)
Group restructuring costs	(1,626)	(574)
COVID-19 costs	-	(1,764)
EWM concessions exit	-	(522)
	<b>(35,474)</b>	<b>(3,368)</b>

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

- The Group recognised an impairment of £30.5m (FY22: £Nil) following the completion of the annual impairment review. The impairment relates to write downs of £9.3m relating to goodwill (as set out in Note 18 and 20), £12.5m property, plant and equipment (Note 19) and right of use assets £8.7m (Note 31).
- The Group successfully completed a refinancing of the entire Group which resulted in an increase in net asset of £254.6m. Professional and advisory fees relating to this significant transaction amounted to £3.4m. In the prior year the Group renegotiated the extension of its existing Senior Facility Agreement and varied the terms of ground rent leases for 36 of its centres. Advisory costs of £0.5m were incurred in that period.
- As a response to the difficult operating environment in FY23 the Group conducted a strategic review of store and head office operations. The costs associated with the restructuring of stores and head office employees was £1.6m. Restructuring costs incurred in the prior year were £0.6m.
- During the prior year the Group incurred £1.8m of additional costs relating to the COVID-19 pandemic.
- In FY21 one of the Group's concession retailers exited 51 stores which provided the opportunity for the Group to redevelop these retail spaces and extend our product ranges, as well as bring in new concession partners. The operational costs incurred in FY22 making these changes across our stores was £0.5m.

**Exceptional items – interest**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to February 2022 £000</b>
Write-off of capitalised debt fees	(758)	-

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****12. Finance income**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Interest receivable on bank deposits	20	2
<b>Total finance income</b>	<b>20</b>	<b>2</b>

**13. Finance costs (excluding exceptional items)**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 £000</b>
Interest on debts & borrowings	(34,352)	(18,421)
Interest on debts & borrowings - payable to DanAtAugusta Holdco Limited	(4,507)	(4,088)
Interest on debts & borrowings - payable to DanAtAugusta Equityco Limited	(707)	(641)
Ground rent financing	(7,462)	(5,452)
Interest on creditors	(332)	-
Impact of effective interest rate adjustment	(2,159)	(2,388)
Finance charge on dilapidations provision	(234)	(137)
IFRS 16 interest on lease liabilities	(10,285)	(9,075)
<b>Total finance costs</b>	<b>(60,038)</b>	<b>(40,202)</b>

**14. Income tax**

	<b>53 weeks to 5 March 2023 £000</b>	<b>52 weeks to 27 February 2022 (restated Note 2.4) £000</b>
<b>Current tax:</b>		
Corporation tax on losses for the year	(991)	530
Adjustments in respect of prior periods	29	(98)
<b>Total current tax (credit) / charge</b>	<b>(962)</b>	<b>432</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(8,548)	(4,205)
Effect of changes in tax rates	(5,821)	8,755
Adjustments in respect of prior periods	1,242	1,437
<b>Total deferred tax (credit) / charge</b>	<b>(13,127)</b>	<b>5,987</b>
<b>Tax (credit) / charge for the period</b>	<b>(14,089)</b>	<b>6,419</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****14. Income tax (continued)**

The tax (credit) / charge for the period can be reconciled to the loss in the Income Statement as set out below:

	53 weeks to 5 March 2023 £000	52 weeks to 27 February 2022 (restated Note 2.4) £000
<b>Loss for the year – continuing activities</b>	<b>(130,791)</b>	<b>(21,305)</b>
Tax on loss at standard UK tax rate of 19% (2022: 19%)	(24,850)	(4,048)
<b>Effects of:</b>		
Adjustments in respect of prior years	1,271	1,339
Expenses not deductible	29,009	373
Effect of changes in tax rates	(5,821)	8,755
Amounts not recognised	(4,011)	-
Income not taxable	(9,687)	-
<b>Tax (credit) / charge for the period</b>	<b>(14,089)</b>	<b>6,419</b>

**15. Distributions made and proposed**

No distributions were made in the year to 5 March 2023 (2022: £nil) and none have been proposed as at the balance sheet date.

**16. Group information****Information about subsidiaries**

The consolidated financial statements of the Group include:

Subsidiary undertaking	Country of incorporation	Registered No.	% shares held	Nature of business
DanAtAugusta Bidco Limited	England	10231440	100% - direct	Investment company
Dobbies Garden Centres Limited	Scotland	SC010975	100% - indirect	Garden centre retailer
Woodcote Green Nurseries (Holdings) Limited *	England	08385399	100% - indirect	Investment company
Woodcote Green Nurseries Limited **	England	03468372	100% - indirect	Garden centre retailer
DanAtAugusta Propco1 Limited	England	10231842	100% - indirect	Investment company
DanAtAugusta Propco2 Limited	England	10231853	100% - indirect	Investment company
DanAtAugusta Propco3 Limited	England	10231938	100% - indirect	Investment company
Johnsons Garden Centre (Boston) Limited ***	England	03614283	100% - indirect	Garden centre retailer

\* Dissolved 26 July 2022.

\*\* Dissolved 6 September 2022.

\*\*\* Dissolved 18 April 2023.

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****17. Investments (Company)**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Investments</b>		
DanAtAugusta Bidco Limited	254,593	-

Dobbies Garden Centres Group Limited has a 100% equity interest in DanAtAugusta Bidco Limited which represents 5,091,854,049,400 ordinary shares of £0.00005 each (2022: 5 ordinary shares of £0.00005 each).

**18. Intangible assets**

	<b>Brand £000</b>	<b>Goodwill £000</b>	<b>Computer Software £000</b>	<b>Total £000</b>
<b>Cost</b>				
<b>As at 28 February 2021</b>	1,500	23,193	6,275	30,968
Acquisitions	-	1,079	-	1,079
Additions	-	-	2,018	2,018
<b>As at 27 February 2022</b>	<b>1,500</b>	<b>24,272</b>	<b>8,293</b>	<b>34,065</b>
Additions	-	-	434	434
Disposals	-	-	(1)	(1)
<b>As at 5 March 2023</b>	<b>1,500</b>	<b>24,272</b>	<b>8,726</b>	<b>34,498</b>
<b>Accumulated amortisation</b>				
<b>As at 28 February 2021</b>	(1,500)	-	(1,279)	(2,779)
Charge for the year	-	-	(2,109)	(2,109)
<b>As at 27 February 2022</b>	<b>(1,500)</b>	<b>-</b>	<b>(3,388)</b>	<b>(4,888)</b>
Charge for the year	-	-	(2,898)	(2,898)
Impairment	-	(9,272)	-	(9,272)
<b>As at 5 March 2023</b>	<b>(1,500)</b>	<b>(9,272)</b>	<b>(6,286)</b>	<b>(17,058)</b>
<b>Net book value</b>				
<b>As at 27 February 2022</b>	<b>-</b>	<b>24,272</b>	<b>4,905</b>	<b>29,177</b>
<b>As at 5 March 2023</b>	<b>-</b>	<b>15,000</b>	<b>2,440</b>	<b>17,440</b>

Amortisation of computer software is included within administrative expenses in the income statement.

Goodwill acquired through business combinations has been allocated at acquisition to cash generating units ("CGUs") that are expected to benefit from the business combination which is each individual garden centre. The carrying amount of the goodwill, net of impairments for each respective CGU, have been allocated to each business combination as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Generation five (31 garden centres from Wyevalle Garden Centres Limited)	8,907	10,303
Generation four (Gloucester, Heighley Gate, Huntingdon, Woodbridge and Woodlands)	5,514	7,141
Woodcote Green	-	5,749
Johnsons of Boston	579	1,079
<b>Total Goodwill</b>	<b>15,000</b>	<b>24,272</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****18. Intangible assets (continued)**

The Group tests goodwill annually for impairment or more frequently if there are indicators of impairment. See Note 20 for further details.

**19. Property, plant & equipment**

	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	Motor Vehicles £000	Computer Hardware £000	Fixtures and Fittings £000	Total £000
<b>Cost</b>						
As at 28 February 2021	390,984	23,188	138	6,482	54,450	475,242
Acquisitions	3,760	-	-	-	-	3,760
Additions	1,268	493	-	502	5,318	7,581
As at 27 February 2022	396,012	23,681	138	6,984	59,768	486,583
Additions	612	4,502	-	302	7,469	12,885
Impairment (Note 20)	(10,398)	(160)	-	(46)	(4,368)	(14,972)
Disposals	(39)	-	-	(69)	(53)	(161)
As at 5 March 2023	386,187	28,023	138	7,170	62,816	484,335
<b>Accumulated depreciation</b>						
As at 28 February 2021	(25,957)	(3,668)	(51)	(2,405)	(21,035)	(53,116)
Charge for the year	(9,051)	(630)	(40)	(1,271)	(7,532)	(18,524)
As at 27 February 2022	(35,008)	(4,298)	(91)	(3,676)	(28,567)	(71,640)
Charge for the year	(8,872)	(552)	(32)	(996)	(8,329)	(18,781)
Impairment (Note 20)	830	6	-	33	1,586	2,455
Disposals	-	-	-	11	4	15
As at 5 March 2023	(43,050)	(4,844)	(123)	(4,628)	(35,306)	(87,951)
<b>Net book value</b>						
As at 27 February 2022	361,004	19,383	47	3,308	31,201	414,943
As at 5 March 2023	343,137	23,179	15	2,542	27,510	396,383

£215.7m (2022: £164.7m) of property, plant and equipment is pledged as security as part of the ground rent funding – see Note 26 for a breakdown by counterparty.

**20. Impairment testing****a) Goodwill impairment reviews**

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

These calculations use future cash flow projections based on financial forecasts approved by the Directors. The value in use calculations use a post-tax discount rate of 9.3% (pre-tax discount rate of 10.2%) based on the Group's weighted average post tax cost of capital and having considered uncertainty risk attributable to the CGUs.

## DOBBIES GARDEN CENTRES GROUP LIMITED

### Notes to the consolidated financial statements

#### 20. Impairment testing (continued)

##### b) Goodwill impairment reviews

Value in use calculations are based on Board approved forecasts for the next three years with the growth rates for year four and five assumed to be 8.8% and 7.2% respectively. The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0%. The Directors believe that these growth rates are achievable based on current market expectations.

The recoverable amount of goodwill was lower than the carrying value at eight stores and this resulted in a goodwill impairment of £9.3m.

##### *Sensitivity analysis*

While cash flow projections are subject to inherent uncertainty, a 0.5% reduction in the growth rate was modelled and this indicated a potential further impairment of £0.6m. Similarly, a 0.5% increase in the post-tax discount rate to 9.8% indicated a potential further impairment of £1.0m.

##### c) Plant, property and equipment and right of use asset testing

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

The recoverable amount of these assets was lower than the carrying value at eleven stores and this resulted in an impairment of £21.2m across both assets (property, plant & equipment £12.5m and right of use assets £8.7m).

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

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

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

##### **Discount rates**

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

##### *Sensitivity analysis*

While cash flow projections are subject to inherent uncertainty, a 0.5% reduction in the growth rate was modelled and this indicated a potential further impairment of £7.0m. Similarly, a 0.5% increase in the post-tax discount rate to 9.8% indicated a potential further impairment of £9.0m.

##### **Growth rates**

The growth rates are in line with market expectations. The Directors however recognise that growth rates are subject to inherent uncertainty. Sensitivity analysis on the key assumptions in the VIU calculation has been undertaken. This found that there is a more than adequate amount of headroom before an impairment would be triggered.

#### 21. Inventories

	2023 £000	2022 £000
Goods for resale	38,990	55,949

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****22. Trade and other receivables**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Trade receivables	2,605	1,597
Prepayments and other receivables	12,126	8,785
<b>Total financial assets</b>	<b>14,731</b>	<b>10,382</b>

The ageing of receivables balances is as follows:

	<b>Less than 30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>Greater than 90 days</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade receivables	1,925	288	42	350	2,605
Prepayments and other receivables	12,126	-	-	-	12,126
<b>Total financial assets</b>	<b>14,051</b>	<b>288</b>	<b>42</b>	<b>350</b>	<b>14,731</b>

Trade and other receivables terms vary from in advance to 45 days depending on the nature of the invoice and service provided.

Prepayments and other receivables include an amount of £Nil (2022: £2.2m) relating to government grants (see Note 33 for further details).

**23. Cash and short term deposits**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	20,525	7,365

**24. Trade and other payables**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>(restated Note 2.4) £000</b>
Trade payables	(37,356)	(37,225)
Other payables	(24,400)	(33,813)
VAT	(248)	(6,854)
Social security	(700)	(1,207)
<b>Creditors: amounts falling due within one year</b>	<b>(62,704)</b>	<b>(79,099)</b>
Property lease premium liability	(17,905)	-
<b>Creditors: amounts falling due after one year</b>	<b>(17,905)</b>	<b>-</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****25. Borrowings**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Loan with DanAtAugusta Holdco Limited	(59,701)	(55,194)
Loan with DanAtAugusta Equityco Limited	(9,363)	(8,656)
Ground rent lease funding with Apex Corporate Trustees (UK) Limited	(92,823)	(92,823)
Ground rent lease funding with ANW TDS (Nominee 1) Limited and ANW TDS (Nominee) Limited	(85,711)	(34,733)
Ground rent lease funding with BBC Pension Trust Limited	(19,762)	(19,762)
Ground rent lease funding with CBRE Global Investors Trustee Limited and Akzo Nobel CIF Nominees Limited	(17,364)	(17,364)
Senior Facilities Agreement	-	(224,634)
Working capital facility	(20,000)	-
Revolving credit facility with HSBC	-	(23,850)
Capitalised debt fees	2,459	4,968
<b>Secured borrowings</b>	<b>(302,265)</b>	<b>(472,048)</b>

The Group and the Company have a loan from its immediate parent, DanAtAugusta Holdco Limited of £59.7m (2022: £55.2m), repayable in full in 30 June 2024 at an interest rate of 8% (2022: 8%).

During FY21, additional shareholder funding of £7.5m was raised by the Group's ultimate parent undertaking, DanAtAugusta Equityco Limited with the funds from this issue provided as a loan to the Group. The loan is repayable in full in 30 June 2024 at an interest rate of 8% (2022: 8%). The carrying value of the loan at the year end date was £9.4m (2022: £8.7m).

The Group holds £92.8m (2021: £92.8m) secured ground rent lease funding with Apex Corporate Trustees (UK) Limited ("Apex") charged at an interest rate of 3.4% which is subject to an annual inflationary increase. The head lease for the ground rent funding runs for 175 years for Scottish properties and 999 years for English properties, the funding is repayable in full at these dates. £1.9m of fees in relation to the loan have been capitalised and are being amortised on a straight-line basis over 175 years.

The Group holds £17.4m (2022: £17.4m) of ground rent lease funding with CBRE Global Investors Trustee Limited and Akzo Nobel CIF Nominees Limited charged at an interest rate of 2.6% which is subject to an annual inflationary increase. This ground rent lease funding relates to four garden centres acquired as part of the thirty one stores acquired in 2019 as part of the Wyevale Garden Centres acquisition. The head lease for the ground rent funding runs for 150 years at which point the funding is repayable in full. £0.1m of fees in relation to the loan have been capitalised and are being amortised on a straight-line basis over 150 years.

The Group holds £19.8m (2021: £19.8m) of ground rent lease funding with BBC Pension Trust Limited charged at an interest rate of 2.7% which is subject to an annual inflationary increase. This ground rent lease funding relates to a property acquired in 2018 as part of the Woodcote Green Nurseries (Holdings) Limited acquisition. The head lease for the ground rent funding runs for 250 years at which point the funding is repayable in full. £0.1m of fees in relation to the loan have been capitalised and are being amortised on a straight-line basis over 250 years.



## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **25. Borrowings (continued)**

The Group holds £85.7m (2022: £34.7m) of ground rent lease funding with ANW TDS (Nominee 1) Limited and ANW TDS (Nominee) Limited (formerly known as SGSS TDS (Nominee 1) Limited and SGSS TDS (Nominee 2) Limited) charged at an interest rate of 2.8% which is subject to an annual inflationary increase. During FY23 the Group negotiated amendments to the leases at 36 garden centres resulting in regear funding of £51.0m being recognised in the year. In the prior year the balance of £34.7m related to ten garden centres acquired as part of the thirty one stores acquired in 2019 as part of the Wyevale Garden Centres acquisition. The head lease for the ground rent funding runs for 125 years at which point the funding is repayable in full. £0.1m of fees in relation to the loan have been capitalised and are being amortised on a straight-line basis over 125 years.

The abovementioned ground rent transactions with Apex, BBC Pension Trust, CBREGI and ANW TDS, are whereby the Group companies grant head leases over the properties to these parties, these parties then grant ground leases to the Group companies to occupy the properties and options to repurchase those properties represent, in substance, secured borrowing.

In the prior year the Group had a loan of £224.6m which was extinguished in full as part of the refinancing of the Group on 3 March 2023.

As part of the FY23 refinancing the Group drew down £20m from a new working capital facility of £25m. This facility matures on 31 August 2025 and carries an interest rate of SONIA + 7.25% but no cash interest is payable until maturity.

In the prior year the Group had a revolving credit facility with HSBC of £23.9m. This was repaid in full upon maturity.

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****26. Financial instruments**

		<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
<b>Financial assets at amortised cost</b>			
Trade and other receivables		14,731	10,382
<b>Total financial assets - current</b>		<b>14,731</b>	<b>10,382</b>
	<b>Repayment date</b>	<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
<b>Current interest bearing loans and borrowings before capitalised borrowing costs</b>			
Lease liabilities	2023	(13,103)	(5,395)
<b>Total Current interest bearing loans and borrowings before capitalised borrowing costs</b>		<b>(13,103)</b>	<b>(5,395)</b>
<b>Non-current interest bearing loans and borrowings before capitalised borrowing costs</b>			
Immediate & ultimate parent company loan	June 2024	(69,064)	(63,850)
Ground rent transaction	175yrs Scottish sites 999yrs English sites	(92,823)	(92,823)
Ground rent transaction	125 years	(85,711)	(34,733)
Ground rent transaction	150 years	(17,364)	(17,364)
Ground rent transaction	250 years	(19,762)	(19,762)
SONIA (subject to floor) +7% secured loan	n/a	-	(224,634)
SONIA +7.25% Working Capital facility	Aug 2025	(20,000)	-
SONIA +3.5% revolving credit facility	n/a	-	(23,850)
Lease liabilities	2024-2089	(159,773)	(146,998)
<b>Total non-current interest bearing loans and borrowings before capitalised borrowing costs</b>		<b>(464,497)</b>	<b>(624,014)</b>
		<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
<b>Other financial liabilities at amortised cost, other than interest bearing loans and borrowings</b>			
Trade and other payables		(62,704)	(75,008)
Payable to related entity		(254,593)	-
<b>Total financial liabilities - current</b>		<b>(317,297)</b>	<b>(75,008)</b>
Other payables		(17,905)	-
<b>Total financial liabilities – non-current</b>		<b>(17,905)</b>	<b>-</b>

The maturity analysis of lease liabilities is disclosed in Note 31.

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

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****26. Financial instruments (continued)****Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its concession partners and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. To manage this risk, all deposits with banks and financial institutions are held with counterparties with a credit rating of A1. Additionally, credit risk from concession partners is managed by an initial review of financial stability prior to the signing of leases. For smaller concession partners, a deposit is taken to reduce the risk of loss.

**Trade receivables**

The nature of the Groups business results in a significant proportion of sales being on a cash or cash equivalent basis. Trade receivables arise from our concession partners. The ageing of balances outstanding from concession partners are reviewed regularly by our concession management team who work with our concession partners to recoup balances as they fall due. The Group considers that the concentration of the risk in relation to trade receivables is low. Customer credit risk is managed by using the Group's policy, procedures and control relating to customer credit risk management.

**Liquidity risk**

The Group manages liquidity risk through regular short and long term cash forecasting combined with ensuring that there are adequate facilities available. The Group has a £25m Working Capital facility which it can use to manage short term liquidity requirements.

**Market risk**

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

**27. Provisions**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Dilapidations provision</b>		
Opening	(3,447)	(3,257)
Additions	(428)	(53)
Finance charge during the period	(234)	(137)
	<b>(4,109)</b>	<b>(3,447)</b>

A dilapidations provision has been recognised to cover all leasehold properties. The provision is assessed on an individual property basis to determine the cost per square foot to return the property to the original condition as required by the terms of the underlying lease. The review is completed by our internal property team with external specialist support as required.

**28. Deferred tax**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Movement in the year:</b>		
Opening balance	(39,307)	(32,393)
Adjustment in respect of prior years	(1,242)	(1,437)
Deferred tax credited/(charged) to income statement	14,369	(4,550)
Acquired on acquisition of subsidiary	-	(927)
<b>Closing balance</b>	<b>(26,180)</b>	<b>(39,307)</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****28. Deferred tax (continued)****Deferred tax at the year end comprises:**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fixed asset timing differences	(49,762)	(51,905)
Corporate interest restriction	10,022	12,376
Tax losses	13,625	295
Rollover gains	(124)	(124)
Other temporary differences	59	51
<b>Total deferred tax liability</b>	<b>(26,180)</b>	<b>(39,307)</b>

The main rate of corporation tax is 19%, effective from 1 April 2018. The deferred tax liability in the accounts has been recognised at the rate at which timing differences are expected to reverse including the higher rate of 25% from April 2023 onwards.

**29. Issued share capital**

<b>Group</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Share capital (authorised, issued and fully paid)		
5,091,854,049,400 ordinary shares of £0.00005 each (2022: 5 ordinary shares of £0.00005 each)	254,593	-
<b>Company</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Share capital (authorised, issued and fully paid)		
5,091,854,049,400 ordinary shares of £0.00005 each (2022: 5 ordinary shares of £0.00005 each)	254,593	-

**30. Pensions**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund and contribution costs for the period which were charged to the Income Statement were £1.4m (2022: £1.3m). Outstanding pension contributions at the year-end amounted to £0.2m (2022: £0.3m).

**31. Leases****Group as a lessee**

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

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****31. Leases (continued)**

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

In May 2020, the International Accounting Standards Board issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The Group has elected to apply this across all leases and has accounted for the deferral of lease payments as if the relevant lease is unchanged. The Group has continued to account for the lease liability and right-of-use asset using the rights and obligations of the existing lease and recognised a separate lease payable in the period that the allocated lease cash payment is due.

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

	Property £000	Plant & Machinery £000	Other equipment £000	Total £000
<b>As at 28 February 2021</b>	<b>146,175</b>	<b>2,152</b>	<b>720</b>	<b>149,047</b>
Additions	2,319	676	142	3,137
Disposals	-	(197)	-	(197)
Depreciation expense	(5,733)	(959)	(389)	(7,081)
<b>As at 27 February 2022</b>	<b>142,761</b>	<b>1,672</b>	<b>473</b>	<b>144,906</b>
Additions	23,475	111	22	23,608
Disposals	-	(46)	(40)	(86)
Depreciation expense	(6,316)	(881)	(346)	(7,543)
Impairment (Note 20)	(8,696)	-	-	(8,696)
<b>As at 5 March 2023</b>	<b>151,224</b>	<b>856</b>	<b>109</b>	<b>152,189</b>

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

	2023 £000	2022 £000
<b>Opening</b>	<b>152,393</b>	<b>152,076</b>
Additions	23,180	3,083
Disposals	(109)	(203)
Accretion of interest	10,285	9,075
Payments	(12,873)	(11,638)
<b>Closing</b>	<b>172,876</b>	<b>152,393</b>
Current	13,103	5,395
Non-Current	159,773	146,998
	<b>172,876</b>	<b>152,393</b>

The maturity analysis of undiscounted contractual cash flows is set out below:

	2023 £000	2022 £000
Less than 5 years	65,789	56,302
Between 5 to 10 years	66,459	56,737
Between 10 to 20 years	127,782	109,295
Between 20 to 30 years	101,260	91,591
Between 30 to 40 years	11,677	9,125
Greater than 40 years	2,458	2,563
	<b>375,425</b>	<b>325,613</b>

**DOBBIES GARDEN CENTRES GROUP LIMITED****Notes to the consolidated financial statements****31. Leases (continued)**

The following are the amounts recognised in the income statement:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Depreciation expense of right-of-use assets	7,543	7,081
Interest expense on lease liabilities	10,285	9,075
Expense relating to low-value and short-term leases	487	572
Variable lease payments	482	425
<b>Total amount recognised in the income statement</b>	<b>18,797</b>	<b>17,153</b>

The Group had total cash outflows for leases of £13.8m (2022: £12.6m).

**Property leases**

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

**Variable lease payments based on sales**

Some leases of retail stores contain variable lease payments that are based on sales that the Group generates at the store. Fixed and variable rental payments were as follows:

<b>2023</b>	<b>Fixed payments £000</b>	<b>Variable payments £000</b>	<b>Total payments £000</b>
Leases with lease payment based on sales	1,184	482	1,666
<b>2022</b>	<b>Fixed payments £000</b>	<b>Variable payments £000</b>	<b>Total payments £000</b>
Leases with lease payment based on sales	700	425	1,125

**Group as a lessor**

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

<b>Operating lease</b>	<b>2023 £000</b>	<b>2022 £000</b>
Lease income	8,708	9,350

## **DOBBIES GARDEN CENTRES GROUP LIMITED**

### **Notes to the consolidated financial statements**

#### **32. Related party disclosures**

During the period, monitoring fees totalling £(247)k credit (2022: monitoring fees £546k charge) were credited / charged by Midlothian Capital Partners Limited and Hattington Investment Partners LLP. The current year impact is a credit to the Income Statement due to an over accrual. Andrew Bracey, Aidan Clegg and Neil Currie were Non-Executive Directors of the Group until 6 February 2023 and Directors of Midlothian Capital Partners Limited. David Burgess and Frederick Goltz were Non-Executive Directors of the Group until 6 February 2023 and Partners of Hattington Investment Partners LLP. At the year end Midlothian Capital Partners Limited were owed £Nil (2022: £107k) and Hattington Investment Partners LLP were owed £Nil (2022: £157k).

Fees charged by the Group's primary lender during the period were £4,040k relating to the finance facilities. Interest charged from 6 February 2023 until the year end was £3,710k. At the year end the Group had drawn £20m from a working capital facility from its primary lender. Interest is charged at SONIA +7.25% and the facility expires in August 2025.

On 3 March 2023 debt and interest of £254.6m was formally novated to the related company DanAtAugusta Newco Limited with the effect being a reduction in debt and accrued interest and an increased current payable to this entity. On the same day on 3 March 2023 the Company's new parent company DanAtAugusta Newco Limited subscribed for shares in the Company totalling £254.6m.

#### **33. Government grants**

During the prior year, the Group received support from UK and local government in connection with its response to the COVID-19 pandemic. This support included furlough and job retention scheme relief.

The Group recognised government grant income of £Nil (2022: £2.9m) in relation to the Coronavirus Job Retention Scheme (CJRS). There are no unfulfilled conditions or contingencies attached to these grants.

#### **34. Ultimate parent undertaking and controlling parties**

Dobbies Garden Centres Group Limited is the smallest and largest group to consolidate these financial statements. The Group's immediate parent undertaking at the balance sheet date was DanAtAugusta Newco Limited. On 6 February 2023 the ultimate parent company was acquired by funds controlled by Ares Management Limited whose address is 10 New Burlington Street, London W1S 3BE.