Annual Report 2016

Wyevale garden centres capital limited

bringing the
joy of the garden
to everyone

Contents

Overview

Strategic report

Corporate governance

Directors' report

Financial statements and notes

Overview

Who we are

Wyevale Garden Centres Capital Limited ('Wyevale Garden Centres') and its subsidiaries (the 'Group') is the largest operator of garden centres in the UK. The Group had 151[1] garden centres in its portfolio across England and Wales at the end of 2016.

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

Wyevale Garden Centres is honoured to employ approximately 6,100[2] highly trained people across its garden centre estate. The Group's vision is to become the nation's leading destination for garden, home and leisure, and be famous for the advice and inspiration it offers. In doing this, the hope is to bring the joy of the garden to everyone.

1 The Group operated 151 garden centres at 25 December 2016. At the time of publication, the Group now operates 149 garden centres following the closure of two centres in 2017.

What we do

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

The retailing of garden, horticulture, home and leisure products through its estate of 151[1] garden centres

Its 145 food and beverage offerings operating from its garden centres[3]

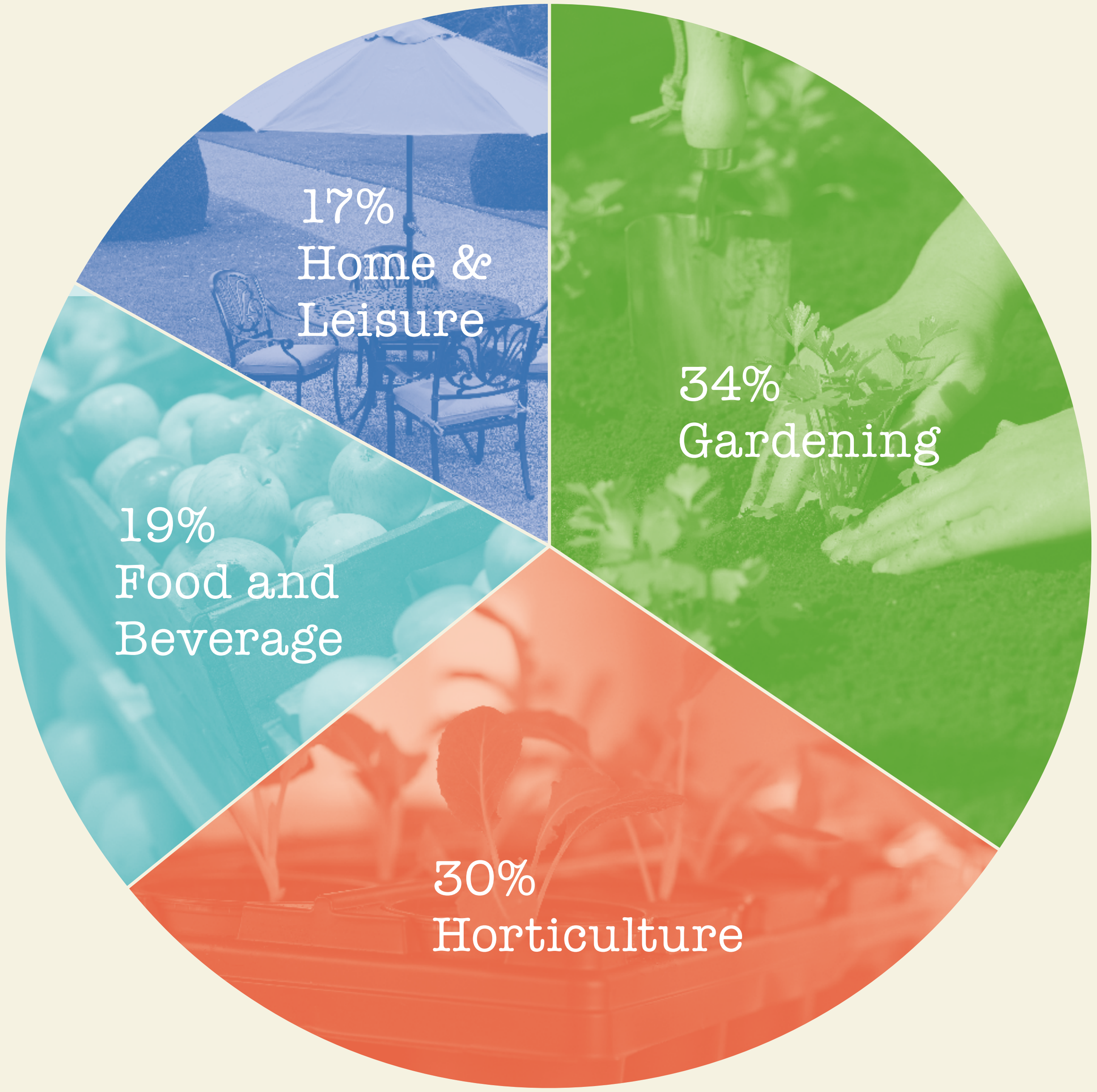
Concession income generated from sub-letting space to third party retailers

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

2 Number of employees at the end of the year. Employee numbers as per note 8 are based on full time equivalents.

3 The Group operated 145 food and beverage offerings as at 25 December 2016, with some centres having more than one offer. At the time of publication, the Group now operates 144 offers following the closure of one centre with an offer in 2017.

2016 revenue by category

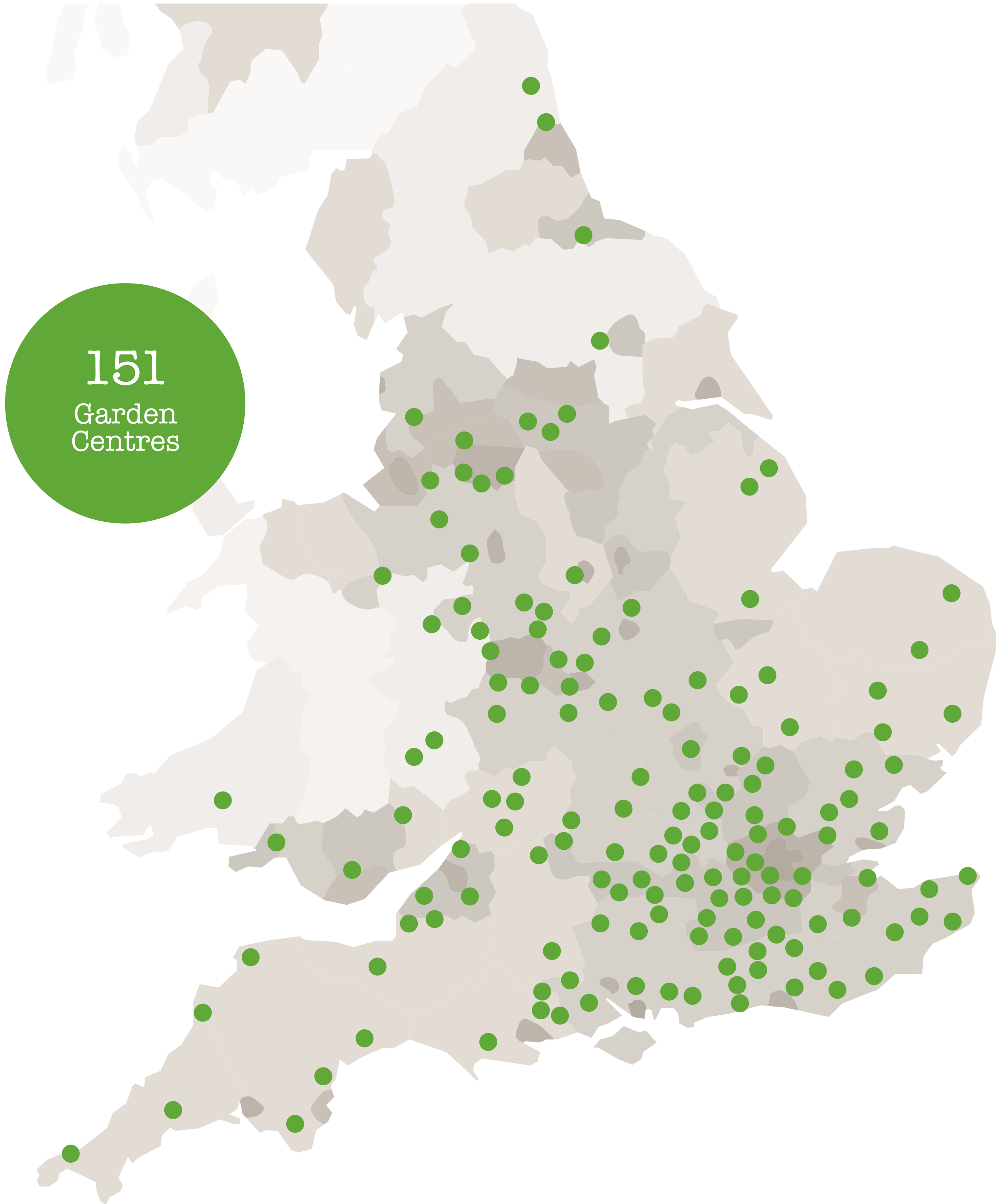


Our locations

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

During 2016, the Group acquired Woodcote Green and Wolds View (formerly Crowders) garden centres which has further enhanced the Group's coverage across England and Wales. The Group also closed two garden centres, Farnham Royal and Coley, within 2016, which brought our total number of garden centres to 151 at the end of 2016.

Subsequent to the 2016 year end date, the Group closed two centres in 2017 and therefore at the time of publication, the Group operates 149 garden centres.



Our values

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

Be inspiring

Compel the organisation to succeed

Motivate the team to do their best

Encourage others to act

Be helpful

Set up teams to help each other

Take steps to help the team

Look for an opportunity to help

Take ownership

Show accountability at all times

Hold teams to account

See things through

Be passionate

Generate excitement whomever you are with

Enthuse others

Show that you care

Our customers

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

We are proud to welcome such a diverse customer base to our centres and are honoured that over three million of our customers have now joined our unique Garden Club loyalty scheme. In return for their loyalty, our Garden Club members benefit from Garden Club vouchers that can be redeemed on future purchases and a number of other targeted offers and discounts.

We greatly value the opinions of our customers and act upon their views in order to enhance the way we operate our garden centres. In 2015, the Group introduced a monthly customer satisfaction survey to track customer views across the estate. The survey results for 2016 showed that Wyevale Garden Centres was awarded an average net promoter score of 35[4] (2015: 35) which shows a significant excess percentage of promoters to detractors over the course of the year. Subsequent to the year end, the Group has seen its average net promoter score increase to 37 in the first half of 2017, reflecting the positive impact of the implementation of the first phase of the Group's new strategy.

4 Net Promoter Score for Wyevale Garden Centres is calculated from 37,628 survey responses collected by a third party market research company between January and December 2016.

Highlights of 2016
Summary income statement

	2016 £'m	2015 £'m
Revenue	325.4	311.1
Concession income	22.8	20.8
Operating (loss)/profit[5]	(0.5)	19.0
EBITDA[6]	29.1	42.2

Revenue
£325.4 million

£14.3 million increase on prior year

Concession income
£22.8 million

Freehold property value[7]
£381 million

EBITDA[6]
£29.1 million

5 Before non-recurring items.

6 EBITDA defined by management as 'Earnings before Interest, Tax, Depreciation, Amortisation, Non-recurring items and Foreign exchange losses'.

7 Per external valuation from Knight Frank in May 2016 (adjusted for freehold properties sold in 2016).

Our year in numbers

Number of garden centres at 25 December 2016

151

86 freehold and 65 leasehold centres

Number of Garden Club members

circa

3.4 million

13% increase on prior year

Number of visitors per annum

circa

46.5 million

£130,000 increase on prior year

Number of employees

circa

6,100

100 increase on prior year[8]

8 Number of employees at the end of the year. Employee numbers as per note 8 are based on full time equivalents.

Chairman's statement

"I believe the team are now well placed to complete the initial phase of the new strategy and set the business up for future growth."

This is my first annual report as Chairman of the Group, although through my role as Vice President and Head of Portfolio Businesses at Terra Firma I have been involved in the business since late 2015. In order for the business to achieve sustainable growth a change of strategy was required and a change in the leadership team to develop and implement this new strategy was a critical first step. I am confident that with the appointment of Roger Mclaughlan and Anthony Jones as CEO and CFO we have the right blend of retail and transformational experience to lead this business. In addition, throughout 2016 we have further strengthened the executive management team with a number of key appointments who have extensive retail experience. During 2016 the team made significant progress in setting out this new strategy and in dealing with legacy issues, particularly stock. I am pleased to note that at the time of writing, this progress has continued.

The new strategy that Roger and the team have developed is focused on delivering best-in-class core retail practices that really make a difference to the customer. In due course Wyevale will have a range of exciting growth initiatives available to it, but ensuring that its core business processes are given appropriate attention is key to unlocking these opportunities and this will take time. Once we have bedded down these important fundamentals we will have created a solid platform for growth. As I have noted, progress has continued into 2017 and the early signs of a recovery in both our customer and colleague metrics are very encouraging.

Despite these improvements, 2016 was not without its challenges. The change of strategy led to the need for a detailed review of the Group's balance sheet. This resulted in the recognition of a significant impairment of tangible and intangible fixed assets and the introduction of a new stock provisioning methodology. This new provisioning methodology together with a focus on dealing with legacy stock issues has led to a dilution of margin in 2016, which will benefit future years as we move towards a cleaner stock position.

I am also pleased to report that a refinancing of all external bank debt facilities has been successfully completed subsequent to the year end in September 2017 which provides the Group with the required financing for the next five years and ensures the business can fully focus on delivery of the new strategy.

The fundamentals of the garden centre market remain strong with estimated growth at an average rate of 2.5%[9] per annum through to 2021. The Group has a loyal customer base and experienced colleagues who have a real passion for horticulture and helping our customers. I firmly believe that Roger and the team, with their strong retail backgrounds and transformation experience, are now well placed to complete the initial phase of the strategy and set the business up for future growth.

Justin King

Justin King
22 September 2017

9 Source: Mintel Garden Products Retailing, UK, June 2016

Annual Report 2016

Chief Executive's report

"I continue to be really impressed by the quality of our products, as do our customers"

I have recently celebrated the anniversary of my joining the Group, and what an exciting and challenging year it has been. My first priority was to quickly strengthen the leadership capability of the business and I'm pleased to report we have now secured a very strong executive management team consisting of individuals with extensive retail experience, combined with transformational capabilities. It has also been key to understand the business from a customer and colleague perspective and in order to do this I have visited over 100 of our garden centres, spoken to over 2,000 colleagues and literally hundreds of our customers, who have provided me with invaluable feedback. It was clear from this that we needed to re-focus the business, which had previously prioritised a set of growth initiatives which were ultimately unsustainable. We needed to shift this focus onto our core retail business. We have subsequently built a new strategy centred around our customers and colleagues which has been embraced by the business. I am confident we are building a strong platform which in due course will allow us to return the business to sustainable, profitable, growth.

I continue to be impressed by the dedication, passion, and expertise of our colleagues in garden centres, the Customer Support Centre and our distribution network. Everyone has worked very hard to implement the first phase of our strategy, and this has already translated into an improved trading performance with a return to like for like growth achieved in every month in the second half of 2016.

I have set out below some of the key focus areas of the strategy.

Customers

I said last year that I wanted to put customers at the forefront of our business and this has been the most important part of our strategic focus this year. I've thoroughly enjoyed the time spent listening to our customers both through my visits to centres and through our customer research programme. This

has given me a great insight into what our customers value and expect from a Wyevale Garden Centre. We are using this insight to tailor our strategy accordingly and we have already implemented a number of short term actions to improve our customer experience. Our customers are commenting positively on these early changes as reflected by the Group achieving its highest net promoter score to date, a critical measure of customer satisfaction.

A key part of the strategy is to improve product availability for our customers, providing real choice and better value, and we have made significant progress against this objective in 2016. This progress includes the introduction of a new Supply Chain Team, a focus on product range reviews, rationalisation of our ranges and the launch of our Central Distribution Centre (CDC) in Milton Keynes. We have also been working collaboratively with our suppliers and I'd like to thank those suppliers who have embraced these new ways of doing business together.

I continue to be really impressed by the quality of our products, as do our customers, and we are keen to ensure that our product ranges further drive our competitive advantage and exceed our customer expectations. In this regard it was great to see our own brand range of compost awarded two Best Buy awards by 'Which? Garden Magazine'.

Colleagues

As I mentioned earlier our colleagues are incredibly dedicated and passionate about our business and they continue to be a key differentiator. One of my first actions when arriving was to commission a colleague engagement survey so that I could find out what our colleagues really thought about the business. I was very encouraged with the fantastic response rate. We received some extremely constructive feedback which now forms part of the Group's strategy and has helped us to understand how we will make Wyevale Garden Centres a 'Great Place to Work' – for the benefit of both our colleagues and our customers. Some of the actions which have been implemented in response to this feedback include a review of benefits, regular listening groups across the estate, a focus on personal development, investment in the tools to do the job and more regular and consistent communication out to the business.

Systems and processes

A key focus of the strategy is for the Group to improve its core systems and processes. A project has been started to deploy a robust and scalable Enterprise Resource Planning system across the business, with plans to complete this deployment by early 2018. We have also made some significant interim improvements to our EPOS system and will implement a brand new system in early 2018. I am confident that this will deliver a vastly improved service to our customers whilst also making it more user friendly for our colleagues.

In 2016 we launched a pilot of our new transactional website, and fully launched in January 2017, which we believe to be industry leading. The new website has nationwide coverage which allows us to deliver products across areas of the UK where we currently have relatively little representation. Moreover, it enables customers to reach out to Wyevale Garden Centres for inspiration and advice through its vast array of guidance, tips and ideas.

In the community

Aside from commercial activities, I am pleased to say we continue to actively encourage charity work. During 2016 we achieved a milestone of raising over £1million for the Marie Curie charity since our partnership began in 2014. In addition, we continue to work with other charitable organisations including the NSPCC and many local charities. I'd like to thank the various teams up and down the country for all their hard work in these charitable initiatives.

I am also very proud that we won a gold medal at the RHS Malvern Spring Festival, our first ever show garden, in partnership with Royal Historic Palaces. We worked in collaboration with designer Todd Longstaffe-Gowan to design a garden inspired by the 300th anniversary of the birth of Capability Brown. The Garden was entitled 'Gardening amidst the ruins' and was seen by 90,000 people.

I am very encouraged by the progress we have made as a new executive management team in a short period of time, despite some challenging trading conditions. Our strategy is in place and it is supported by our colleagues and stakeholders, and the implementation of the first phase of this strategy is already improving the customer experience. I am also delighted that in September 2017 the Group has completed its refinancing of external bank debt. I am very excited about the potential of the Group and with the new financing facilities now in place, look forward to making significant progress against our objectives in 2017 and our longer term strategic plans.

Roger Mclaughlan
Chief Executive Officer
22 September 2017

Strategic report

Chief Financial Officer's report

2016 saw the instigation of a new strategy focused on the core business with a significant shift in financial priorities away from acquisitions and other capital intensive growth initiatives, to investment in the core infrastructure, systems and processes required to develop a scalable and sustainable platform to underpin the Group's future growth plans.

Overview

As part of the new Group strategy, the new management team undertook a comprehensive review of the balance sheet. The review included the consideration of the tangible and intangible assets of the business, as well as the recoverable value of inventory. This review led to management making a number of key adjustments to better reflect the financial position of the Group. The two key adjustments are a £51.3 million impairment of fixed assets and a £20.0 million write down of inventory following a change to the inventory provisioning methodology. These items have been separately presented as non-recurring items in order to better reflect the underlying performance of the Group. These non-cash impairment charges are the main contributing factors that have led to a loss after tax of £122.4 million.

Reported EBITDA[10], which the Directors consider to be the key profit performance indicator for the business, reduced by £13.1 million in 2016 to £29.1 million from £42.2 million in 2015. Nearly half this reduction (£6.1 million) was a result of the sale and leaseback transactions which occurred in December 2015 and June 2016 increasing rental expense. The remainder of the reduction relates to an increase in staff costs due to the National Living Wage and margin erosion due to additional clearance activity as the new management team addressed legacy inventory issues.

From a sales perspective, the Group delivered a £14.3 million increase in sales from £311.1 million in 2015 to £325.4 million in 2016 driven in particular by the two new centres acquired in 2016 and the annualisation of the four centres acquired throughout 2015.

Two acquisitions of garden centres (Woodcote Green and Wolds View) were made in January 2016 for a total consideration of £24.8 million. Woodcote Green garden centre is now the largest centre in the Group's estate (by turnover). No further acquisitions were made in the year.

The Group has further crystallised value from a small element of its freehold estate, having completed the sale and leaseback of five properties in June 2016, generating a profit on disposal of £19.2 million. The Group also has a programme which reviews its freehold estate for alternative use values which resulted in the sale of two garden centres in 2016. Whilst the impact on the income statement was minimal (£0.2 million net loss), the sales generated cash of £3.1 million for reinvestment in the Group.

The Group is focussing on investing in the estate with a focus on the critical assets in centres which improve the customer experience and drive colleague engagement. As well as this the Group has begun a programme of investment in its core systems, particularly the development of new Enterprise Resource Planning and EPOS systems for deployment in late 2017 through early 2018. Finally the Group has invested in a new transactional website which was launched in pilot form at the end of 2016 and fully launched in 2017. The total spent on investment in assets in the year was £32.5 million.

Key financial performance metrics

	2016 £'000	2015 (2) £'000
Revenue (1)	328,260	311,143
Gross margin (1)	169,780	166,485
Gross margin % (1)	*51.7%*	*53.5%*
Operating costs (1)	(194,884)	(169,034)
Non-recurring items	(73,650)	28,874
Operating (loss)/profit	(74,105)	47,865
Net finance costs	(43,737)	(40,681)
(Loss)/profit for the period after tax	(122,439)	15,577

	2016 £'000	2015 (2) £'000
Operating (loss)/profit	(74,105)	47,865
Adjustment for items not included in EBITDA:		
Non-recurring items	73,650	(28,874)
Depreciation expense	24,462	23,572
Amortisation expense	4,158	38
Foreign exchange losses/(gains)	951	(373)
EBITDA	**29,116**	**42,228**

(1) Before non-recurring items.
(2) 2015 Income Statement is after reclassifications for consistent presentation of recurring and non-recurring items.

Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities. The existing Payment-In-Kind Note and Shareholder Loan Note which both mature in 2022 are not included in this refinancing (refer to note 19 for details of existing debt facilities). The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt along with a £30 million revolving credit facility to support the Group's working capital requirements, a £10 million capex facility to support capital initiatives and a £35 million Accordion facility to support the Group's future growth plans and the recommencement of acquisitions at the appropriate time. All of the new facilities secured will mature in March 2022 and will pay interest based on LIBOR plus applicable margins.

Revenue

The Group generated revenue before non-recurring items of £328.3 million for the financial year ended 25 December 2016, an increase of 5.5% on the prior year. This growth has been driven from acquisitions. Like for like sales decreased by 2% in 2016 compared to 2015, although the business returned to like for like sales growth in the second half of 2016 with some early signs of recovery in key customer metrics.

Gross margin

Gross margin before non-recurring items was £169.8 million (51.7%) for the financial year to 25 December 2016. When compared to 2015 gross profit before non-recurring items increased by £3.3 million, and the gross margin percentage fell by 1.8% as a result of additional warehousing and distribution costs (opening of the central distribution centre in 2016) as well as higher clearance activity than normal as a consequence of the comprehensive review of excess and discontinued stock and rigorous range review process undertaken by the new management team.

The Group generated a gross margin after non-recurring items of £144.7 million (44.5%) for the year to 25 December 2016. When compared to 2015 gross profit after non-recurring items decreased by £14.9 million, and the gross margin percentage fell by 6.8%. In addition to the factors mentioned previously impacting on gross margin before non-recurring items, the decrease in gross margin after non-recurring items was also impacted by the one-off change in the stock provisioning methodology.

10 EBITDA defined by management as 'Earnings before Interest, Tax, Depreciation, Amortisation, Non-recurring items and Foreign exchange losses'.

Chief Financial Officer’s report (continued)

Operating costs
The Group incurred operating costs before non-recurring items of £194.9 million, an increase of £25.9 million from 2015. This increase was primarily the result of the following items:

- £6.1 million resulting from the sale and leaseback transactions which occurred in December 2015 and June 2016 increasing rental expense
- £6.6 million related to operating costs associated with the two centres acquired in January 2016 (Woodcote Green and Wolds View), and the full year impact of operating costs associated with acquisitions made part way through 2015 (£1.5 million)
- £3.0 million related to an increase in staff costs due to the National Living Wage, which included the impact of the decision by the Group to pay above the minimum entitlement to colleagues meeting certain criteria
- £5.0 million investment in people to deliver the improvements in core business processes and trading capabilities in line with the new strategy

EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation, Non-recurring items, and Foreign exchange gains/losses)
The Group recorded an EBITDA of £29.1 million in the year to 25 December 2016, a reduction of £13.1 million compared to 2015 EBITDA of £42.2 million. The factors impacting this reduction have been discussed above.

Finance costs
During the year, the Group incurred finance costs of £43.9 million (2015: £40.8 million). This included £25.2 million (2015: £22.5 million) of accrued interest associated with the Shareholder Loan Note, £11.2 million (2015: £10.5 million) interest on external bank loans, £4.1 million (2015: £3.8 million) accrued interest associated with the Payment-In-Kind Note and £3.3 million (£3.8 million) of other non-cash interest related to provisions and the Group’s pension scheme.

Profit before and after tax
The Group recorded a loss before tax of £117.8 million in 2016 (2015: profit of £7.2 million) and a tax charge of £4.6 million (2015: credit of £8.4 million) resulting in a loss after tax of £122.4 million (2015: profit of £15.6 million).

Non-recurring items
The reported EBITDA of £29.1 million in 2016 (2015 £42.2 million) excludes certain items which management consider to be non-recurring in nature totalling a charge of £73.7 million (2015: £28.9 million income).

The key items included in non-recurring items in 2016 are an impairment of fixed assets (£51.3 million), a write down of inventory following a change to the inventory provisioning methodology (£20.0 million), profit on disposal from the sale and leaseback of five freehold centres (£19.2 million income), acquisition costs (£5.5 million) and other one off items (£16.1 million). Please refer to note 6 for full details of non-recurring items in 2016.

Cash flow

	2016 £’000	2015 £’000
Net cashflows from operating activities	(23,473)	27,756
Net cash generated from / (used in) investing activities	(13,637)	25,643
Net cash generated from financing activities	(65,842)	82,468
Net increase / (decrease) in cash and cash equivalents	*(111,625)[11]*	*127,571*
Cash and cash equivalents at beginning of year	**146,488**	**18,917**
Cash and cash equivalents at end of year	**34,864**	**146,488**

Whilst there is a net outflow of cash in 2016 of £111.6 million this was particularly impacted by the repayment of financing facilities in January following the sale and leaseback transaction in December 2015. £45.0 million was repaid in line with the requirements of the Senior Facilities Agreement. This repayment was initiated prior to the 2015 year end, but was not completed until after 27 December 2015 and therefore remained in the Group cash balance at 27 December 2015.

During the year, the Group used cash flows of £23.5 million in operating activities (2015: generated £27.8 million), driven by the decrease in operating profits, primarily as a result of £31.3 million cash non-recurring items incurred in the year and a decline in the Group’s net working capital position. This decline (£10.5 million) included the payment of tax linked to the December 2015 sale and leaseback of £18.2 million. Excluding cash non-recurring items and the one off VAT payment, the Group generated operating cash flows of £26.0 million including an inflow from working capital of £7.7 million which primarily resulted from lower inventory balances in the year reflecting the strategy of the new management team to address legacy inventory issues.

Investing activities resulted in an outflow of £13.6 million (2015: inflow £25.6 million), primarily due to £24.8 million used to acquire two garden centres in the year (Woodcote Green and Wolds View) and £32.5 million spent on capital expense projects (2015: £19.2 million on acquisitions, £55.9 million on capital expense), offset by a £43.6 million inflow in relation to sale and lease back transaction of five centres completed during the period and the sale of two freehold properties.

The Group has acted to ensure that sufficient cash is available to continue to fund the capital expenditure strategy through securing an additional £10.0 million of loan financing (undrawn at the year-end). The Group also drew a further £7.0 million from the revolving credit facility as at the year end date to support working capital requirements. Overall the net cash outflow from financing activities was £65.8 million (2015: £82.5 million inflow) due to:

- £7.0 million net cash inflow from draw down of banking facilities (2015: £90.0 million)
- £0.7 million of net cash acquired from acquisitions (2015: £1.5 million)
- £70.5 million of debt repayments (2015: £7.5 million)
- £2.5 million fees paid in relation to the amendment and extension of the Group’s financing facilities in 2016, as well as deferred arrangement fees on existing facilities (2015: £1.2 million)

The Group ended the period with £34.9 million cash and cash equivalents (2015: £146.5 million).

11 Net decrease in cash includes the repayment of debt of £45.0 million and the VAT payment of £18.2 million associated with the sales and leaseback transaction in December 2015. These amounts were included in the Group’s cash balance at the end of 2015.

Financial position

The Group's Balance sheet as at 25 December 2016 can be summarised as follows:

	25 Dec 2016 £'000	27 Dec 2015 £'000
Non-current assets	393,604	436,239
Cash and cash equivalents	34,861	146,488
Other current assets	66,122	69,425
Current liabilities (excluding borrowings)	(71,485)	(83,350)
Retirement benefit obligation	(5,025)	(3,164)
Deferred taxation	(2,576)	(6,856)
Borrowing – external	(201,710)	(261,148)
Borrowings – shareholder loan	(235,096)	(210,007)
Other non-current liabilities	(39,674)	(38,383)
Net (Liabilities)/Assets	**(60,979)**	**49,244**

Capital expenditure and acquisitions

During the year a total of £32.5 million was spent on property, plant and equipment for the business (2015: £55.9 million) as a result of the Group's shift in focus towards investing in core infrastructure and systems in line with the new strategy in parallel with a significant reduction in development projects and new concept development. This includes investment in the Group's new ERP system due for deployment in late 2017 through to early 2018.

The Group spent £24.8 million in January 2016 acquiring two garden centres. This included one single centre trade and asset deal and one share deal. In total, negative goodwill of £0.2 million was recognised across the acquisitions.

Capital structure

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

The Senior Financing Agreement ('SFA') was amended on 21 December 2016 ('Amendment Date'). The facilities are now non-amortising and will be repaid in full on the respective maturity dates, however mandatory or voluntary repayments are applied on a pro rata basis. In addition at the Amendment Date, the Group entered into a new capex facility with a maximum limit of £10.0 million. The facility will be repaid in full on maturity (March 2019) and was undrawn at the year end date.

On the 25 December 2016, the Group had external bank debt of £201.7 million (2015: £261.1 million), cash and cash equivalents of £34.9 million (2015: £146.5 million) and also had £235.1 million (2015: £210.0 million) of shareholder loans. The shareholder loan has a 10-year term, and is repayable in April 2022. Please see note 19 for details on the repayment terms of the external debt.

At 25 December 2016, the Group had net debt of £401.9 million (2015: £324.7 million), which included accrued interest of £97.1 million in relation to the shareholder loan (2015: £71.9 million). Excluding the shareholder loan, the Group's net debt was £166.8 million (2015: £114.7 million). Gearing (net debt/equity) including shareholder loans equated to 8.1:1 (2015: 6.6:1) and gearing excluding shareholder loans equated to 1.1:1 (2015: 2.3:1). The Directors consider that the Group's current gearing is appropriate.

Further information on the Group's capital structure is provided in note 20 to the financial statements, including details of how the Group manages risk in respect of capital, interest rates, foreign currencies and liquidity. A debt maturity profile as at 25 December 2016 is included in note 19.

Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities. The existing Payment-In-Kind Note and Shareholder Loan Note which both mature in 2022 are not included in this refinancing (refer to note 19 for details of existing debt facilities). The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt along with a £30 million revolving credit facility to support the Group's working capital requirements, a £10 million capex facility to support capital initiatives and a £35 million Accordion facility to support the Group's future growth plans and the recommencement of acquisitions at the appropriate time. All of the new facilities secured will mature in March 2022 and will pay interest based on LIBOR plus applicable margins.

Wyevale Garden Centres Capital Limited, the ultimate UK parent company in which the results of the Company and all of its subsidiaries are consolidated, has share capital of £49.4 million, being 49.4 million £1 ordinary shares (2015: £49.4 million, being 49.4 million £1 ordinary shares).

Chief Financial Officer's report (continued)

Liquidity and investments

At 25 December 2016 the Group had total debt facilities of £225.2 million (2015: £240.0 million) (refer to note 19) of which £18.0 million was undrawn (2015: £15.0 million). The undrawn facilities consisted of £8.0 million of a revolving credit facility that is available for use in the daily trading operations of the Group and a new £10.0 million loan facility secured at the end of 2016 for future capital expenditure.

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

Prior year income statement reclassifications

During the year the directors decided to adopt a revised approach to identifying costs and incomes to disclose separately to assist an understanding of the underlying performance of the business. The revised approach identifies 'non recurring items' using the criteria set out in the Group's new policy. In addition management has amended the format of the income statement to allow clearer presentation of non-recurring items. The format adopted shows 'non recurring items' in a columnar format and this is a change from the prior presentation that showed 'exceptional items' in a separate caption.

Post Balance sheet events

Subsequent to the year end, the Group undertook a group simplification exercise which resulted in the dissolution of 23 dormant companies. The dissolutions have not made a material impact to the net assets or results of the Group.

In addition, the Group closed two leasehold garden centres in January 2017, Hillingdon and Folkestone. The closure of these centres has not made a material impact on the net assets or results of the Group.

As mentioned in the 'Capital structure' section above, Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities. The existing Payment-In-Kind Note and Shareholder Loan Note which both mature in 2022 are not included in this refinancing. The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt along with a £30 million revolving credit facility, a £10 million capex facility and a £35 million Accordion facility.

Principal risks and uncertainties

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

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

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

Weather

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

The Directors seek to mitigate this risk by continuing to invest in the Group's restaurants and concessions which are less weather dependent, as well as other less weather dependent own retail product categories. Additionally, flexibility has been built in to the Group's cost structure to enable the business to respond to changing weather conditions.

Liquidity risk, interest rate risk, foreign exchange risk and access to funding

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

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

As of the year end date of 25 December 2016, the following covenants were in place, which are tested on a quarterly basis:

- Fixed charge cover
- Senior leverage ratio
- Annual maximum Capex spend limit

As a result of the new financing agreement entered into subsequent to the year end date, the Group will no longer be subject to a quarterly fixed charge cover test, but will be subject to quarterly covenant tests over its senior net leverage ratio and will be subject to annual spending limits in regards to Capex expenditure.

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

The Group borrows in sterling at floating rates of interest, based on LIBOR plus a commercial margin. It had an interest rate swap arrangement in place as at 25 December 2016 that expired on 31 March 2017 and buys forward rate foreign currency contracts when necessary. The Group will hedge against the movement in exchange rates by purchasing forward rate foreign exchange contracts for the total amount required, if it feels that there is benefit in doing so. At 25 December 2016, no forward contracts were in place.

At 25 December 2016, the Group had fixed its interest rates for approximately 90% (2015: 90%) of its core senior debt. No other speculative positions have been taken in respect of interest rates, financial instruments or foreign currency transactions.

Price risk

Due to the nature of the business the Group is heavily dependent on its suppliers and their associated cost prices. If suppliers were to increase their prices the business would have to decide whether to pass these price increases on to our customers or whether to seek alternative suppliers. The Group has a good rapport with our main suppliers having developed relationships over many years. The size and scale of our business means that we are well placed in negotiating prices.

Credit risk

The Group and the Company's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to trade and other receivables and the Company's credit risk is attributable to inter-company receivables, which are not considered to bear significant risk.

'Brexit'

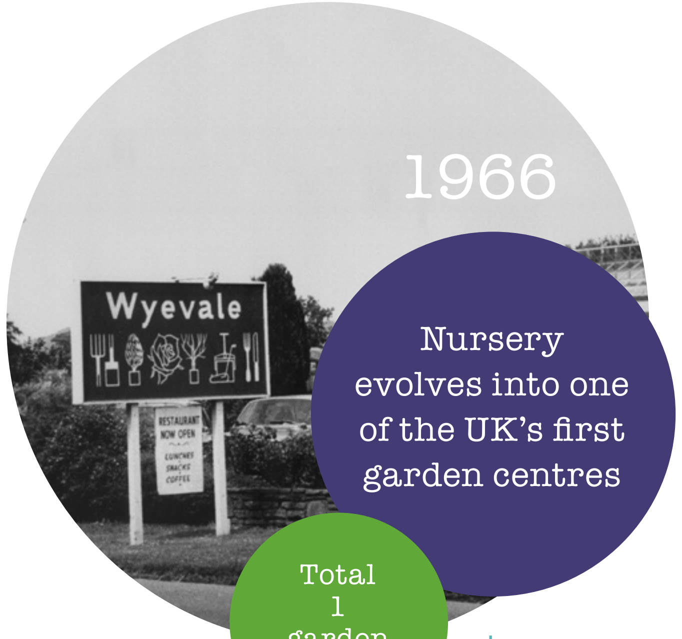
Management believes the United Kingdom European Membership referendum on 23rd June 2016, which resulted in the decision to 'leave the European Union' is a risk to the Group. Although there may be new opportunities arising from new networks of trade agreements, the Group will continue to assess the transition arrangements in relation to Article 50 and new regulatory frameworks, in order to pro-actively mitigate any threats to growth, competitiveness and financial stability.

Management expect that the key risks and impact to the Group would lie in the overall impact Brexit may have on the UK economy and consumer confidence, as well as volatility of foreign exchange rates in respect of goods purchased from overseas in foreign currencies. The Group is not overly exposed to direct foreign exchange impacts on purchases as the majority of purchases are either domestic or contracted in pounds sterling however, the Group does have an additional indirect exposure through suppliers whose primary cost base is not in pounds sterling. Whilst an impact on labour availability is expected, the Group does not have a significant reliance on EU labour and therefore we anticipate that the impact on the overall business will be minimal. The Group will continue to monitor closely the financial impact of these risks and react as necessary.

Anthony Jones
22 September 2017

Our story
1932-2016

1932
Establishment of nursery business

1966


Nursery evolves into one of the UK's first garden centres

Total 1 garden centre

1987
Listed on London Stock Exchange

2000
Acquisition of Country Gardens Plc

2006
Delisted from London Stock Exchange

2009
Rebranded to 'The Garden Centre Group'

Garden Club launched

2012
Acquired by Terra Firma Capital Partners

1 million Garden Club members

Total 129 garden centres

2013
Acquisition of ten garden centres

Total 139 garden centres

- Bolton
- Cheddar
- Lechlade
- Garden & Leisure Cadbury
- Garden & Leisure Huntingdon
- Garden & Leisure Endsleigh
- Garden & Leisure Melbicks
- Garden & Leisure Gardenlands
- Garden & Leisure Barnett Hill
- Garden & Leisure Percy Thrower's

2014
National rebranding to 'Wyevale Garden Centres'

Acquisition of nine garden centres

Total 148 garden centres

- Brooks
- Moreton Park
- Ashford
- Raglan
- Podington
- Golden Acres West Parley
- Golden Acres John Browns
- Golden Acres Cadnam
- Golden Acres Landford

2015
Closure of Westonbirt Garden Centre

Acquisition of four garden centres

Total 151 garden centres

- Sidmouth
- Wych Cross
- Armitage's Birchencliffe
- Armitage's Pennine

Development and re-opening of Cardiff and Percy Thrower's

2016
Acquisition of two garden centres

Closure of two garden centres

Total 151 garden centres

Acquisitions
- Woodcote Green
- Wolds View (formerly Crowders)

Closures
- Farnham Royal
- Coley

Our business model

General overview
The Group is the largest garden centre operator in the United Kingdom, and as such the key income stream is generated by the retailing of high quality garden, home, and leisure products through its national estate of 151 garden centres. Stock is carefully and responsibly sourced by a buying team with extensive product expertise, and a deep understanding of customers and markets. The Group's buying power enables stock to be purchased at competitive prices and terms, whilst still retaining an emphasis on product quality.

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

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

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

There are also trading companies in relation to the 2014 and 2015 site acquisitions of Podington (Podington Nurseries Limited), Raglan (Raglan Garden Centre Limited), Golden Acres (Golden Acres Nurseries Limited), Armitages (WGC Seeds Limited) and Wych Cross (Wych Cross Nurseries Limited).

There are two main property companies; Wyevale Garden Centres Holdings Limited and Wyevale Acquisition Borrowers Limited. The Group also owns a 50% investment in Blooms Properties Limited Partnership, a joint venture.

As of 2016, Wyevale Garden Centres Limited also owns the newly acquired Woodcote Green, which consists of a trading entity, Woodcote Green Nurseries Limited and a property holding company, Woodcote Green Nurseries (Holdings) Limited.

Our market
Market definition

The garden product market includes plants, bulbs, seeds, gardening equipment, growing media, chemicals, barbeques and outdoor furniture, and represents the Group's most substantial market in which it operates.

This market was worth an estimated £5.7 billion in 2016[12] and is expected to grow at a steady rate at an average of 2.5% per annum through to 2021.

In addition to this market, the Group also competes in broader retail and casual dining markets through the various home and leisure products it sells, the sub-letting of space to third party retailers and the food & beverage offering from its restaurants and cafes.

The garden product market
It is estimated that the garden products market will grow by 12.7% between 2016 and 2021 and 8% at constant prices over the same period.

The fundamentals of the market are strong, driven by an ageing population, growing consumer expenditure and an increasing number of gardens in the UK.

Ageing population – Over-55s are significantly more likely than others to be regular gardeners and with this segment set to grow by 1.9 million by 2020, outpacing the average UK population growth rate, the demand for garden goods is expected to benefit.

Consumer spending – Underlying growth in the garden products market is closely linked with consumer expenditure which is forecast to grow on average 3.8% per annum forecast in between 2016 and 2021[13].

Growth in the number of gardens – Growth in the garden products market is also expected to be fuelled by an increase in the number of UK gardens from the current 22.8 million base, driven by an expected long term increase in underlying UK housing construction.

Market seasonality
The garden product market is highly seasonal with the spring, summer and Christmas periods representing the highest footfall months of the year.

To counter this seasonality, garden retailers have developed their businesses to reduce their dependency on the weather by expanding canopies, investing in indoor leisure attractions such as soft play areas, introducing more cafes and restaurants and leasing space to third party retailers.

Growth in any particular year remains susceptible to weather fluctuations with year-on-year variances in daytime rainfall, maximum temperature and sunshine hours having a potentially significant impact on footfall and transaction numbers, particularly in the peak March to June trading period.

For the year in review, 2016's peak trading season included an unseasonably chilly March and a colder and wetter than average April. May was, however, drier and sunnier than average and June saw normal temperatures, albeit with above average rainfall. The overall UK weather in 2016 was considered to be in line with long term averages.

Key players
Garden centres
Garden centres account for almost a third (32%) of total expenditure on garden products, up from 31% in 2014. They are typically based in out-of-town locations and over index on customers aged over 65. Their focus on horticultural expertise and gardening advice provide a differentiating factor to a number of the non-garden centre players in the market.

The garden centre market is highly fragmented with the vast majority operating independently or as part of smaller groups. Wyevale Garden Centres is the largest chain with 151 centres at the end of 2016, with Dobbies the next largest at 34 centres.

DIY multiples
DIY multiples typically attract a younger, more urban and less experienced gardening customer and over-index on lower priced, more commoditised garden products compared to garden centres. The share of garden products spend in DIY multiples is around 26%.

Grocers and other retailers
Grocers and other retailers represent a diverse set of national and local retailers that typically have small seasonal garden and outdoor ranges to complement their core retail offerings. This includes discount retailers who offer reduced prices on commoditised garden products.

Pure online players
Pure online players are experiencing impressive growth as more consumers look online to purchase gardening products. Although an increased appetite to shop online for gardening goods will provide further growth opportunities for pure online retailers, they are likely to face increasing competition from bricks-and-mortar retailers as they strengthen their online proposition and offer click and collect services from their retail estate.

12 Source: Mintel Garden Products Retailing, UK, June 2016.
13 Source: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2017.

Our strategy
Overview

Wyevale Garden Centre's vision is to become the leading destination for garden, home and leisure and to be famous for the advice and inspiration that it offers. In providing this, the Group hope to bring the joy of the garden to everyone.

Values

To enable the achievement of the company's vision, four key values have been embedded into the Group's culture, which underpin its strategic objectives and ways of working:

1. Inspiration
We inspire our customers and colleagues by actively sharing our knowledge and ideas

2. Helpfulness
We go the extra mile to help our customers and colleagues

3. Ownership
We take ownership for delivering on our responsibilities to customers and colleagues

4. Passion
We care passionately about the products and services we provide to our customers

Strategic objectives
Wyevale Garden Centres is proud to be the market leader in the UK garden centre industry. The Group's aim is to strengthen this position by ensuring that its customers and colleagues are placed at the very heart of its business.

To enable this goal, the Group has assembled an Executive team with significant retail experience and has developed a set of strategic priorities initially focused on building strong foundations in the core of the business:

- Improving our trading and customer proposition
- Delivering a compelling customer experience
- Delivering our supply chain processes
- Making our people a differentiator
- Upgrading our systems and controls
- Generating value from improving the estate

Improving our trading and customer proposition
Delivering a better customer proposition through increasing the Group's online and offline trading capabilities, making it easier for customers to shop centres and providing simpler, more compelling offers and product ranges.

Delivering a compelling customer experience
Providing a compelling customer experience through delivering consistently strong operating standards and an improved garden centre environment.

Delivering our supply chain processes
Delivering scalable and systematic end to end supply chain processes which result in excellent product availability for the Group's customers.

Making our people a differentiator
Creating a customer focused retail culture through engaged, empowered and knowledgeable colleagues.

Upgrading our systems and controls
Delivering a simple, robust and scalable infrastructure and improving our processing within a strong control environment.

Generating value from improving the estate
Identifying value creation opportunities from both existing and potential acquisitions as well as the existing estate.

The Group firmly believe that delivering these strategic priorities will positively transform the business and allow the business to unlock the growth opportunities available to it.

Our strategy (continued)

Business unit review

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

Core retail

Core retail KPIs	2016	2015
Number of garden centres	151	151
Footfall 000's	46,506	46,376
Footfall conversion	29.0%	28.8%
Average transaction value (ATV)	£19.39	£19.24
Gross margin*	46.5%	48.7%
Garden centre labour cost to sales	14.9%	13.6%

* Before non-recurring items

Notes:
a) The number of garden centres reflects the Group's estate as at 25th December 2016.
b) Footfall conversion % represents the total number of core retail transactions as a proportion of the total footfall counted.
c) Footfall information for Wych Cross and Wolds View from May 2016, reflecting the timing of footfall counter installation.
d) The above data for footfall, ATV and garden centre labour excludes the Woodcote Green centre acquired in the year.

The Core retail KPIs outlined above were almost entirely positive in 2016 with the exception of gross margin % which declined as new management addressed legacy stock issues through additional discounting and as a result of additional warehousing and distribution costs (opening of the central distribution centre in 2016). There was a marked difference between performance in the first half of 2016 and the second half of the year. The second half performance was more positive driven by the implementation of the new management team's strategy as well as better comparable weather conditions. For example, while overall 2016 ATV was 1% higher than 2015 the first half saw a 1% decline while the second half was 4% higher than the second half of 2015. A similar pattern was seen in footfall and footfall conversion.

Footfall was challenging with lower temperatures and more rainfall throughout the early part of our peak trading season. However, there were also availability issues which impacted footfall conversion and ATV, with the resolution of these issues playing a key part in the strategy implemented by the new management team, with significantly improved year on year performance in the second half of 2016.

Gross margin % before non-recurring items in 2016 was 46.5% compared to 48.7% in 2015. The decrease in gross margin % was primarily as a result of higher clearance activity than normal as a consequence of the comprehensive review of aged and discontinued stock undertaken by the new management team and additional warehousing and distribution costs (opening of the central distribution centre in 2016).

The main driver of the Garden centre labour as a % of sales increase relates to the introduction of the National Living Wage in April 2016. As well as complying with the minimum standards required, the Group has decided to pay above the minimum entitlement to colleagues meeting certain criteria. Throughout the second half of 2016 a process of review and elimination of non-value added tasks help to mitigate the increases caused by the National Living Wage and this has been carried forward into 2017.

Food and beverage

Food and beverage KPIs	2016	2015
Number of centres with a food & beverage offer	130	130
Number of food & beverage offers	145	145
Number of transactions 000's	7,938	7,661
Food & beverage participation	18.6%	18.0%
Wastage	5.2%	8.3%
Gross margin*	72.5%	70.0%
Restaurant Labour cost to sales (CTS)	35.2%	32.5%

* Before non-recurring items

Notes:
a) The number of garden centres with an food & beverage offer reflect the Group's estate as at 25th December 2016.
b) Food & beverage participation is defined as the value of food & beverage sales as a proportion of the total sales in the Group's garden centres during the year.
c) Gross margin information covers the Group's entire estate as at 25th December 2016.

The food and beverage KPIs highlight the investment and continued focus on operational standards and improving gross margin through tighter controls on wastage following the implementation of a new stock management system.

Transactions and participation have both increased throughout the year, driven mainly by the full year impact in 2016 of the new offers added to the estate during 2015. This was partly offset by some footfall challenges in the second half of 2016 as customers focused more on core retail products due to the strong end to the gardening season through September to November 2016.

Restaurant labour as a % of sales increased for the same reasons highlighted for the Core Retail KPIs, as well as the investment in service in the second half of 2016.

Concessions

Concessions KPIs	2016	2015
Number of manned concessions	627	659
Number of concession partners	236	242
New partners	8	
Installations	48	
Terminations	38	
Renewals	96	
Concession income (£ million)	22.8	20.8

Notes:
a) Concession income per sq.ft includes the base rental income of all concessions partners operating from within the Group's garden centres.
b) The Yardi system was introduced at the beginning of 2016 and provides accurate capture of installations, terminations and renewals which were not recorded in 2015.

The reduction in manned concessions and concession partners reflects the termination of poor performing concessions or those which do not fit with the garden centre proposition. However, group concession income overall has continued to increase due mainly to the full year impact of concessions installed in 2015.

Our 'Growing Together' promise

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

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

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

Our 'Growing Together' Corporate Responsibility (CR) Plan was launched in 2013 and through the hard work of our colleagues and partners we have made progress towards our ambitions across the last three years. This report highlights our key results and activities in 2016 and whilst we are pleased with our progress, we recognise that we are on a journey and that there is still a long way to go to fully achieve our ambitions.

Our 'Growing Together' CR plan has four important pillars:

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

Nurturing our colleagues
Growing together
Wyevale garden centres

2. Protecting our planet
By minimising the impact our centres have on the environment.

Protecting our planet
Growing together
Wyevale garden centres

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

Sourcing with care
Growing together
Wyevale garden centres

4. Strengthening our communities
By creating employment and supporting charities and local community organisations.

Strengthening our communities
Growing together
Wyevale garden centres

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

We have made progress across each of the four pillars in 2016, through the passion and dedication of our Environment and Charity Champions, colleagues and partners. These Champions are committed colleagues who have volunteered to take on additional responsibility to ensure that our 'Growing Together' CR Plan is embedded within our centres.

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

Investing in our people

Colleague engagement survey

The Group undertook its first colleague engagement survey for two years, with the results providing a strong foundation on which to build a better work experience for Wyevale Garden Centres colleagues.

89% of colleagues responded to the survey which was 10 percentage points up on the previous response rate and nine percentage points above benchmark organisations. Our overall result moved up three percentage points to 64%.

After reviewing the results there were three clear areas that Garden Centre and Customer Support Centre colleagues felt needed improvement; 'Communications', 'Development & recognition' and 'Tools to do the job', and we have focused on these areas at a Group level. To ensure all areas of the survey were tackled, over 160 Colleague Engagement Representatives have been appointed across the business, directly producing and implementing action plans, to cover team specific areas of opportunity.

Communication

Customer Support Centre

One topic raised in the survey related to the business working together as one team. A competition was held to rename 'Head Office' to something that better reflects that we are One Team, working together to support our Garden Centre colleagues, helping them deliver an exceptional shopping experience to all our customers. The winning name was Customer Support Centre (CSC) and it refers to all 'Head Office' locations.

Listening groups and team meetings

The Group recognises that it is vital that all colleagues have a clear understanding of what is happening in the business. To that end, listening groups have been held in Garden Centres across the estate and at the CSC by Roger Mclaughlan, to better understand the needs of colleagues and the business, and will continue to be held on an ongoing basis. Fortnightly team meetings ('Huddles') take place at Syon Park for all CSC colleagues, ensuring key business objectives, developments and performance are shared and key successes are recognised and rewarded.

Over 100 Customer Support Centre colleagues are now entitled to increased holiday allowance

Development and recognition

Professional retail qualifications

The Group has partnered with Lifetime Training to offer colleagues the opportunity to obtain nationally recognised professional retail qualifications. Aimed primarily at Garden Centre Managers, Team Leaders and Department Managers, each qualification has been designed to support colleagues' growth and development within their current role as well as support their career progression aspirations. There are initially three qualifications on offer; Level Two Retail, Level Three Retail and Level Two Team Leader, with plans to roll out qualifications for the Food and Beverage teams later in the year.

Induction programme

The Group is committed to improving the colleague induction process and have developed a new induction tool and accompanying induction handbook. The new induction programme toolkit enables managers to build a bespoke induction experience, tailored to the needs of each new starter. This ensures our colleagues have all the information relevant to their positions on day one, getting them off to a great start on their journey with Wyevale Garden Centres.

New performance development annual review process

In response to feedback, the Group launched a new streamlined performance development process with the aim to simplify the process and create more meaningful conversations. Under the new process, colleagues now schedule two conversations a year; the first to agree objectives and the second to review progress after 12 months. The simplified process reduces the time spent completing paperwork, enabling colleagues to spend quality time with line managers and more time with customers.

Benefits review

The Group undertook an exercise to benchmark entitlements across the industry and as a result over 100 Customer Support Centre colleagues are now entitled to increased holiday allowance. The improvement makes Wyevale Garden Centres a more competitive employer and also encourages colleagues to have more work life balance opportunities.

Garden Centre colleague hourly rates of pay were also reviewed and as a result have been brought in line with the National Living Wage. However, the Group has taken the decision to pay above the minimum entitlement to colleagues with more than six months service who demonstrate the right skills and customer orientated behaviours.

Tools to do the job

The Group is focused on improving and simplifying processes in all areas of the business to allow colleagues to do their job in a more efficient way. Our initial priority is to improve the stability and performance of systems across the business, whilst also commencing two major initiatives that will benefit colleagues, namely the implementation of new ERP and EPOS systems.

Human rights

The Group is committed to operating responsibly and not engaging in any practice that contravenes the Human Rights Act, the Modern Slavery Act 2015, or using child labour. We expect the same standards from our suppliers and multi-site concessions and ask them to provide assurance that they comply with all relevant laws and regulations.

We are committed to encouraging and achieving a working environment which is fair to all individuals, where equality and diversity are recognised, encouraged and valued. At the end of the year the overall gender split of the workforce is as follows:

	Male	Female	Total
The Board	6	0	6
Executive team	4	1	5
Senior Leadership Team	17	9	26
All employees	2,573	3,596	6,169

Corporate responsibility (continued)
Strengthening our communities

The teams cleared scrubland, creating access to the area and using the cuttings to bolster the natural boarder fences. Blue stone chippings were placed in a pathway amongst the trees to create the illusion of a river bed and toad stools and fairy doors were hidden around the area and bulbs were planted ready for spring. The team, made of a mix of charity champions, Garden Centre Assistants and General Managers from multiple centres felt it was a privilege to work there and found the tour of the hospice gave them a greater understanding of how the money raised by Wyevale Garden Centres benefits the hospice patients. It also helped them appreciate the importance of having access to a garden for both the patients and their families.

Wyevale Garden Centres grows partnership with the NSPCC

The Group has strengthened its partnership with the NSPCC, supporting the charity through Centre fundraising events for the first time, in addition to proceeds from ticket sales from the children's soft play areas. The Little Diggers Mother's Day activity invited children to plant tulip bulbs in pots they decorated with NSPCC characters and craft materials, as a gift for Mother's Day. Proceeds from the event were donated to the charity and it also helped raise awareness of the NSPCC with the children.

The Little Diggers event mirrored the 'Boxes of Care' NSPCC activity where children grow tomato plants as part of their therapy sessions. We supplied 700 tomato growing kits to 36 NSPCC therapy centres for the second year, following the overwhelming success of last year's initiative. Wyevale Garden Centres have raised £959,000 for the NSPCC.

In addition, in June a team from the CSC took on the 'Gherkin Challenge' and raced up 38 floors, 1,037 steps to the top of the iconic Gherkin in the city of London, raising £2,500 for the NSPCC.

£1million raised for Marie Curie

2016 was a highly successful year for fundraising for Marie Curie, and Wyevale Garden Centres are proud to report they have raised over £1million for the charity since the partnership began in 2014, which is equivalent to the provision of over 50,000 hours of nursing care.

Wyevale Garden Centres are proud to report they have raised over £1 million for the charity since the partnership began in 2014

Wyevale Garden Centres colleagues use their expertise and passion to spread the joy of the garden

The Group saw an increase in the number of colleagues using their volunteering days to offer hands-on support to local and national charities. Notably, a team of colleagues worked together to create a playful 'secret garden' in the Midlands Marie Curie hospice, creating a safe space for children to enjoy when visiting patients of the hospice.

Protecting our planet

Making a positive impact

Corporate responsibility and addressing the company's environmental and social impact is intrinsically linked to the Group's brand values and business strategy. Research has shown that protecting the planet and supporting local communities is important to customers and colleagues, building loyalty and attracting new customers to their centres delivering a positive effect on the business.

The Group has made great progress in reducing energy wastage in centres through the installation of energy management systems and LED lighting, reducing overall utility usage by up to 20%. Each centre has a dedicated 'Environment Champion', committed to reducing utility usage and improving the disposal of waste materials. This, and company-wide in-centre recycling and utility wastage competitions has resulted in achieving 36% landfill avoidance and a c.5% saving on energy usage.

Key priorities are to reduce the consumption of electricity, gas, fuel and water and minimise the amount of waste they send to landfill. To help embed good environmental behaviours within the business, we have appointed an Environment Champion at each centre, who has volunteered to take on the responsibility of educating and motivating their fellow colleagues to reduce their utility use and waste. These Champions receive training and toolkits to support them in their role and there is an award scheme which recognises the Champions and the 'Turn it Off' and 'Recycle it Right' Awards to incentivise the centres.

The Group has also undertaken a variety of projects to reduce energy consumption across the estate. Energy management systems (EMS) were installed across the estate in 2016 to better control heating in centres and reduce utility use and fluorescent lighting has been replaced with LED lighting, which uses 75% less energy and lasts more than six times longer. We are also installing automatic meter readers (AMRs) for gas and electricity across their centres to improve the monitoring and evaluation of usage at centre level.

	2016	2015
Carbon (tones CO2) – Electricity	22,281	24,468
Carbon (tones CO2) – Gas	6,701	6,937

Notes:
a) 2015 has been revised from previous estimate included in 2015 annual report.
b) 2016 data above excludes the impact of the acquisition of Woodcote Green Garden Centre

Being a garden centre, Wyevale Garden Centres requires a lot of water to nurture the plants we sell, so controlling the amount of water used not only reduces the environmental impact but can also save significant costs to the business. There are a number of initiatives aimed at saving water: colleagues responsible for the plants complete a watering training module; watering guidelines are in place for centres to follow; their nurseries harvest rainwater for plant irrigation. Additionally waterless urinals are installed during toilet refurbishments, with each one saving 100,000 litres of water per year.

The Group focuses on reducing the waste sent to landfill by educating and engaging colleagues in the correct segmentation of waste and incentivising centres through the 'Recycle it Right' campaign. In 2015, Wyevale Garden Centres was a finalist in the National Recycling Awards. Through the backhauling of pallets and plastics which are returned to a central hub and sold on, costs are reduced and recycling rates improved further.

The Group not only aims to reduce its own environmental impact but by acting as a catalyst it can inspire its customers

The Group not only aims to reduce its own environmental impact but by acting as a catalyst it can inspire its customers to think about their own impact and encourage them to change their behaviour and make more planet friendly choices through the range of products available and the information the Group provides to customers in newsletters, its website and in centres.

Wyevale Garden Centres inspires customers to grow their own fruit and vegetables with over 1,100 products in the 'Grow Your Own' range; encourages them to build wildlife havens in their gardens through selling wild flower seeds, bird care and other animal products; and through promoting the use of water butts and micro-irrigation products to help customers save water in their gardens.

Sourcing with care

The Group works with suppliers to ensure that the timber products we sell have been sustainably sourced and that they comply with the EU Timber Regulations. The Group is also committed to sourcing plants grown in the UK wherever possible and 95% of the real Christmas trees are sourced from the British Isles, supporting the local economy and reducing transport miles, fuel and carbon emissions.

Corporate governance

The Board and Directors

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

The Non-Executive Directors include both independent directors and non-executive directors employed by Terra Firma.

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

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

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

- Finance committee
- Audit committee
- Nomination and remuneration committee

The role of these committees is set out below.

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

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

The Board

	Wyevale Garden Centres Capital Limited	Trellis Acquisitions Limited			
Director	Board	Board	Finance	Audit	Nomination and Remuneration
Stephen Murphy*	-	✓	✓	✓	✓
Kevin Bradshaw*	-	✓	✓	-	-
Nils Steinmeyer*	-	✓	✓	-	✓
Julie Williamson*	✓	✓	✓	✓	✓
Huibert Arnold Vos*	✓	✓	✓	-	-
Rupert Gavin	-	✓	-	-	✓(1)
Stephen Julius	-	✓	-	-	-
Justin King	-	✓	✓	-	✓
Roger Mclaughlan	-	✓	✓	-	-
Anthony Jones	-	✓	✓	-	✓
Alex Williams**	✓	✓	✓	✓	-
David Hobbs	✓	✓	✓	✓	-
Charlotte Broadbent***	✓	✓	✓	✓	-

*Denotes Director(s) that left the Group during the year
**Denotes Director(s) that have left the Group since the 2016 year end
***Denotes Director(s) that have joined the Group since the 2016 year end
(1) Denotes committee appointments made since the 2016 year end

The Board

Justin King
Chairman
Trellis Acquisitions Limited

Justin King joined the Group as Chairman on 18th August 2016 replacing Stephen Murphy.

Justin joined Terra Firma as Vice Chairman and Head of Portfolio Businesses in September 2015 and is a member of Terra Firma's Executive Committee. Justin also serves as a Non-Executive director of Annington Limited.

Justin was previously the CEO of Sainsbury's between 2004 and 2014. Before joining Sainsbury's, Justin was Head of Food at Marks & Spencer. He held prior roles at Asda, Haagen-Dazs, PepsiCo and Mars in a thirty-year career spanning consumer goods and grocery retailing.

Justin also sits on the Public Interest Body (PIB) of PwC LLP.

Roger Mclaughlan
Chief Executive Officer
Trellis Acquisitions Limited

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

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

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

Anthony Jones
Chief Financial Officer
Trellis Acquisitions Limited

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

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

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

David Hobbs
Non-Executive Director
Wyevale Garden Centres Capital Limited

David Hobbs was appointed to the Board as a Non-Executive Director from the 18th August 2016 as a representative of Terra Firma. During his career David was with Tesco for over 13 years, most recently as Strategy & Business Planning Director on the Group Executive Committee. He started at Tesco as Change Director in 2002 and subsequently held various positions, including COO Malaysia, COO China, International Support Office Director and Business Planning Director on the UK Board. Immediately before joining Terra Firma, David spent a year as a Senior Advisor with Boston Consulting Group, working with retail clients in Asia on a broad range of topics, including new market entry and due diligence projects. His career started as a Buyer for Jaguar Cars and then as a Graduate Trainee with Marks & Spencer before completing the MBA at the University of Chicago and spending 10 years as a Management Consultant with Gemini Consulting, specialising in retail and consumer goods companies.

The Board
(continued)

Rupert Gavin
Non-Executive Director
Trellis Acquisitions Limited

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

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

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

Stephen Julius
Non-Executive Director
Trellis Acquisitions Limited

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

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

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

Charlotte Broadbent
Non-Executive Director
Wyevale Garden Centres Capital Limited

Charlotte is an Associate Director at Terra Firma Capital Partners Limited, adviser to Terra Firma shareholders. Charlotte joined Terra Firma in 2011 and is responsible for the origination, execution and management of investments across a range of sectors. During her time at the firm she has worked on successful acquisitions, financings and exits, as well as the implementation of portfolio value-creation strategies.

She was appointed as Non-Executive Director of Wyevale Garden Centres Capital Limited in June 2017.

The Executive Management Team

Lisa Cherry
Human Resources Director

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

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

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

Steve Masters
Estates and Merger and Acquisitions Director

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

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

Paul Emslie
Trading and Marketing Director

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

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

Richard Morgan
Supply Chain Director

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

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

David Anderson
Retail Operations Director

David Anderson was appointed as Retail Operations Director at Wyevale Garden Centres on 2nd May 2017. David has previously held a number of senior leadership roles in the retail and hospitality sector, including the role of Managing Director at BHS International (UK) Limited. David's retail experience spans over 30 years including a significant period at Marks & Spencer.

Accountability and transparency

Directors' interests and indemnity arrangements
At no time during the year was it deemed that any Director held a material interest in the Company or subsidiary undertaking, other than a third party indemnity provision between each Director and the Company, and service contracts between each Executive Director and the Company. Directors' and officers' liability insurance has been held throughout the period in respect of the Group, its Directors and officers. These provisions, which are qualifying third-party indemnity provisions as defined by Section 236 of the Companies Act 2006, were in force throughout the period and are currently in force. Details of the Directors' remuneration and interests in the shares of the Company are set out in note 8 of this report.

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

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

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

Committees
Director attendance at meetings held by Trellis Acquisitions Limited in 2016;

Director	Board	Finance	Audit	Nomination and Remuneration
Maximum number of meetings	**10**	**9**	**2**	**10**
Stephen Murphy*	7	7	1	7
Kevin Bradshaw*	3	3	-	-
Nils Steinmeyer*	3	3	-	3
Julie Williamson*	7	7	1	7
Huibert Arnold Vos*	7	7	1	-
Rupert Gavin	10	-	-	-
Stephen Julius	9	-	-	-
Roger Mclaughlan**	7	6	-	-
Anthony Jones**	7	6	-	7
Justin King**	3	2	-	3
Alex Williams**	3	2	1	-
David Hobbs**	3	2	1	-

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

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

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

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

Accountability and transparency
(continued)

Audit Committee
The Audit Committee is now chaired by Charlotte Broadbent.

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

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

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

The Audit Committee may meet as often as its members deem necessary, but in any event not less than twice in each calendar year. In order to ensure good governance, the Chief Financial Officer is not a member of the Audit Committee, however will attend Audit Committee meetings as necessary to respond to any questions.

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

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

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

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

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

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

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

Nomination and Remuneration Committee
The Nomination and Remuneration Committee was chaired by Stephen Murphy who resigned on 18th August 2016. The committee is now chaired by Justin King following Stephen's departure and also consists of two Non-Executive Directors and one Executive Director. The Group has established a Remuneration Committee which is responsible for all matters concerning discretions or authorities in respect of:

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

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

The Nomination and Remuneration Committee may meet as often as its members deem necessary, but in any event not less than once a year. The Chief Executive Officer whilst not a member of the committee, will attend meetings in order to present recommendations for the consideration of the Committee.

Directors' report

Directors' report

The Directors present their annual report and the audited financial statements for Wyevale Garden Centres Capital Limited and its subsidiaries (together the 'Group') for the year ended 25 December 2016.

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

The subsidiary and associated undertakings principally affecting the results or net assets of the Group in the year are listed in note 14 to the financial statements.

Going concern
Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities. The existing Payment-In-Kind Note and Shareholder Loan Note which both mature in 2022 are not included in this refinancing (refer to note 19 for details of existing debt facilities). The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt along with a £30 million revolving credit facility to support the Group's working capital requirements, a £10 million capex facility to support capital initiatives and an £35 million Accordion facility to support the Group's future growth plans and the recommencement of acquisitions at the appropriate time. All of the new facilities secured will mature in March 2022 and will pay interest based on LIBOR plus applicable margins.

The new facilities provide the Group with the necessary funding to support its working capital requirements along with the planned capital initiatives in line with the new strategy.

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

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

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

- Charlotte Broadbent (appointed 14 June 2017)
- David Hobbs (appointed 18th August, 2016);
- Alexander Williams (appointed 18th August, 2016, resigned 3rd April 2017);
- Julie Williamson (resigned 31st August, 2016);
- Huibert Arnold Vos (resigned 31st August, 2016).

Post balance sheet events
On 28th February 2017 the Group undertook a group simplification exercise which resulted in the dissolution of 23 dormant companies. The Group dissolved a further dormant company on 25th July 2017. The dissolutions have not made a material impact on the net assets or results of the Group.

In addition, the Group closed two leasehold garden centres in January 2017, Hillingdon and Folkestone. The closure of these centres has not made a material impact on the net assets or the results of the Group.

Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities.

The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt along with a £30 million revolving credit, a £10 million capex facility and a £35 million Accordion facility. All of the new facilities secured will mature in March 2022 and will pay interest based on LIBOR plus applicable margins.

Dividends
The Group paid £nil dividends in the year.

Health and safety, environment and employee involvement
Information on health and safety, environment and employee involvement can be found on pages 34-39 in the Corporate Responsibility section of this report.

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

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

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

Donations
Refer to the Corporate Responsibility section (pages 34-39) for information on donations made by the Group.

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

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

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

Auditor
KPMG LLP has expressed their willingness to continue in office as auditor of the Group and a resolution to reappoint KPMG LLP will be proposed at the forthcoming meeting of the Audit Committee.

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

Charlotte Broadbent
22 September 2017

Financial statements and notes

Statement of Directors' responsibilities

in respect of the Strategic Report, The Directors' Report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Wyevale Garden Centres Capital Limited

We have audited the financial statements of Wyevale Garden Centres Capital Limited for the year ended 25 December 2016 set out on pages 62 to 117. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 25 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

Simon Baxter
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, Arlington Business Park,
Theale, Reading, RG7 4SD, United Kingdom
22 September 2017

Consolidated income statement

For year ended 25 December 2016

	Notes	2016 £'000 Before non-recurring items	2016 £'000 Non-recurring items (note 6)	2016 £'000 Total	2015 £'000 Before non-recurring items	2015 £'000 Non-recurring items (note 6)	2015 £'000 Total
Revenue	4, 5	328,260	(2,818)	325,442	311,143	-	311,143
Cost of sales		(158,480)	(22,270)	(180,750)	(144,658)	(6,855)	(151,513)
Gross profit		**169,780**	**(25,088)**	**144,692**	**166,485**	**(6,855)**	**159,630**
Operating costs		(194,884)	(48,562)	(243,446)	(169,034)	35,729	(133,305)
Other operating income	4	24,649	-	24,649	21,540	-	21,540
Operating (loss)/profit	7	**(455)**	**(73,650)**	**(74,105)**	**18,991**	**28,874**	**47,865**
Investment income	9	114	-	114	140	-	140
Finance costs	10	(43,851)	-	(43,851)	(40,821)	-	(40,821)
(Loss)/profit before tax		**(44,192)**	**(73,650)**	**(117,842)**	**(21,690)**	**28,874**	**7,184**
Tax on (loss)/profit	11	(4,597)	-	(4,597)	8,393	-	8,393
(Loss)/profit for the year		**(48,789)**	**(73,650)**	**(122,439)**	**(13,297)**	**28,874**	**15,577**

All results are from continuing operations.

Included in the Group's results is revenue of £17.3 million and profit after tax of £3.1 million relating to the acquisition of Woodcote Green and Wolds View garden centres in 2016.

Consolidated statement of comprehensive income

For year ended 25 December 2016

	Notes	2016 £'000	2015 £'000
(Loss)/Profit for the year		**(122,439)**	**15,577**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	29	(2,207)	(1,664)
Tax on defined benefit pension scheme taken to equity	21	441	(73)
		(1,766)	(1,737)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge	20	651	285
Tax on cash flow hedge	21	(81)	(51)
		570	234
Other comprehensive expense for the year		**(1,196)**	**(1,503)**
Total comprehensive (loss)/profit for the year	25	**(123,635)**	**14,074**
Attributable to:			
Equity holders of the parent		(123,635)	14,074

Consolidated and company balance sheet

As at 25 December 2016

	Notes	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Non-current assets					
Intangible assets	12	24,867	-	21,185	-
Property, plant and equipment	13	368,737	-	415,054	-
Investments	14	-	14,178	-	14,178
Interest in associates	15	-	-	-	-
		393,604	14,178	436,239	14,178
Current assets					
Inventories	16	43,029	-	50,986	-
Trade and other receivables	17	23,093	268,253	18,439	245,222
Cash and cash equivalents		34,861	-	146,488	-
		100,983	268,254	215,913	245,222
Current liabilities					
Trade and other payables	18	(71,031)	-	(82,975)	(472)
Obligations under finance leases	22	(456)	-	(375)	-
Borrowings	19	(9,423)	-	(68,167)	-
		(80,911)	-	(151,517)	(472)
Net current assets		**20,073**	**268,254**	**64,396**	**244,750**
Non-current liabilities					
Borrowings	19	(427,383)	(235,096)	(402,988)	(210,007)
Derivative financial instrument	20	(369)	-	(798)	-
Retirement benefit obligation	29	(5,025)	-	(3,164)	-
Deferred tax liability	21	(15,986)	-	(6,856)	-
Obligations under finance leases	22	(5,049)	-	(5,269)	-
Provisions	23	(34,256)	-	(32,316)	-
		(488,068)	(235,096)	(451,391)	(210,007)
Net Assets		**(74,391)**	**47,337**	**49,244**	**48,921**
Equity					
Share capital	24	49,365	49,365	49,365	49,365
Hedging reserve	25	123	-	(447)	-
Retained earnings	25	(123,879)	(2,028)	326	(444)
Total Equity		**(74,391)**	**47,337**	**49,244**	**48,921**

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2017. They were signed on its behalf by:

Charlotte Broadbent
Director

Consolidated and company statement of changes in equity

For the year ended 25 December 2016

Group	Notes	Share Capital £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 28 December 2014		**49,365**	**(681)**	**(13,514)**	**35,170**
Profit for the year	25	-	-	15,577	15,577
Comprehensive income/(expense) for the year	25	-	234	(1,737)	(1,503)
Balance at 27 December 2015		**49,365**	**(447)**	**326**	**49,244**
Profit for the year	25	-	-	(122,439)	(122,439)
Comprehensive income/(expense) for the year	25	-	570	(1,766)	(1,196)
Balance at 25 December 2016		**49,365**	**123**	**(123,879)**	**(74,391)**

Company	Notes	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 28 December 2014		49,365	3,006	52,371
Loss for the year	25	-	(3,450)	(3,450)
Balance at 27 December 2015		**49,365**	**(444)**	**48,921**
Loss for the year	25	-	(1,584)	(1,584)
Balance at 25 December 2016		**49,365**	**(2,028)**	**47,337**

Consolidated and company cash flow statement

For the year ended 25 December 2016

	Notes	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Cash flows from operating activities	26	(23,475)	-	27,756	-
Interest paid		(8,527)	-	(8,296)	-
Tax paid		(146)	-	-	-
Net cash generated from/(used in) operating activities		(32,148)	-	19,460	-
Investing activities					
Interest received		114	-	140	-
Proceeds on disposal of property, plant and equipment		43,582	-	100,580	-
Purchases of property, plant and equipment and intangible assets		(32,485)	-	(55,885)	-
Acquisition of subsidiary undertaking and trade and assets	27	(24,848)	-	(19,192)	-
Net cash generated from /(used in) investing activities		(13,637)	-	25,643	-
Financing activities					
Repayments of borrowings		(70,541)	-	(6,267)	-
Arrangement fees paid		(2,507)	-	(1,186)	-
Loan facilities drawdown		-	-	80,000	-
Revolving credit facilty drawdown (net of repayments)		7,000	-	10,000	-
Capital expenditure facility drawdown		-	-	-	-
Subsidiary debt repayment		-	-	(1,200)	-
Repayment of obligations under finance leases		(539)	-	(346)	-
Net cash acquired at acquisition	27	745	-	1,467	-
Net cash generated from/(used in) financing activities		(65,842)	-	82,468	-
Net increase/(decrease) in cash and cash equivalents		(111,627)	-	127,571	-
Cash and cash equivalents at beginning of year		146,488	-	18,917	-
Cash and cash equivalents at end of year		**34,861**	**-**	**146,488**	**-**

Notes to financial statements

For the year ended 25 December 2016

1. General information

Wyevale Garden Centres Capital Limited (Formerly Trellis Capital Limited) is a company incorporated in the United Kingdom.

2. Adoption of new and revised standards

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

IAS 1	Amendments (Dec 2014) Disclosure Initiative
IAS 27	Amendments (Aug 2014) Equity Method in Separate Financial Statements
IAS 16 IAS 38	Amendments (May 2014) Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 11	Amendments (May 2014) Accounting for Acquisitions of Interests in Joint Operations
	Annual improvements 2012-2014 cycle (Sept 2014)

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue, but not yet effective. The Group has not applied these standards in the preparation of the financial statements, and has not adopted any new or amended standards early:

IAS 12	Amendments (Jan 2016) Recognition of Deferred Tax Assets for Unrealised Losses
IAS 7	Amendments Disclosure Initiative
IFRS 16	Leases
IAS 1	Amendments (Dec 2014) Disclosure Initiative
IFRS 10 IAS 28	Amendments (Sept 2014) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
	Annual improvements to IFRS standards 2014-2016 cycle (Dec 2016)

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

IFRS 9	will impact both the measurement and disclosure of Financial Instruments
IFRS 16	will result in the Group recognising further assets and liabilities on the Balance sheet

The full impact of the future adoption of the standards listed above is currently under review by the Directors.

3. Significant accounting policies

Basis of accounting

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

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

The Company has opted to apply Section 390(3) of the Companies Act 2006. This permits the Company to end its financial year on 25 December 2016, as it is not more than 7 days after or before the end of the year dated 31 December 2016 (2015: 27 December 2015).

During the year the directors decided to adopt a revised approach to identifying costs and incomes to disclose separately to assist an understanding of the underlying performance of the business. The revised approach identifies 'non recurring items' using the criteria set out in the policy below. In addition management has amended the format of the income statement to allow clearer presentation of non-recurring items. The format adopted shows 'non recurring items' in a columnar format and this is a change from the prior presentation that showed 'exceptional items' in a separate caption.

The non-recurring items shown in the income statement for the year ended 27 December 2015 have been presented consistently in accordance with the policy used for those items in the current year. Total non-recurring items in the year ended 27 December 2015 of £28.9 million differ from the total exceptional items previously disclosed of £25.5 million by £3.4 million. The directors consider that the revised presentation of the results for the year ended 27 December 2015 better reflects the underlying results for that year and ensures comparability with the current year results.

There has been no restatement of the prior year profit for the year or net assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the year ended 25 December 2016. This financial year consists of a 52 week period that will be known as 'year' for the purposes of these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Going concern

As the Company is a member of the Group, it is necessary to consider the wider Group financing position in reaching conclusions in relation to the going concern position of the Company.

In December 2016 the Group undertook an amendment to its financing arrangements which included a new Capex facility of £10.5 million, extension to the terms of some existing facilities and a reset to the interest rates and covenants within the agreement.

As at 25 December 2016, the Group had debt facilities comprising £256.0 million of senior bank debt, of which £71.0 million expires in December 2018 and £185.0 million expires in March 2019. The Group also has £38.0 million unsecured loan notes which expire in April 2022 and an unsecured loan from its parent company of £138.1 million, expiring in April 2022. As at 25 December 2016 the Group had outstanding external debt facilities drawn down of £276.0 million (2015: £261.1 million).

During the year the Group made principal debt repayments of £70.5 million (2015: £6.3 million). The new Capex facility was undrawn at the year end date.

Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities. The existing Payment-In-Kind Note and Shareholder Loan Note which both mature in 2022 are not included in this refinancing (refer to note 19 for details of existing debt facilities).

The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt, a £30 million revolving credit facility, a £10 million capex facility and a £35 million Accordion facility. All of the new facilities secured will mature in March 2022 and will pay interest based on LIBOR plus applicable margins.

As a result of the new financing agreement, the Group will be subject to quarterly covenant tests over its senior net leverage ratio, which are expected to be met for at least 12 months from the date of signing these financial statements based on the Directors' review and financial projections. In addition, the Group is subject to annual spending limits in regards to Capex. This is not anticipated to impact going concern, as this type of spend is discretionary.

3. Significant accounting policies (continued)

Company income statement

Pursuant to section 408 of the Companies Act 2006, a separate Income statement dealing with the results of the Company only has not been presented. The loss for the year of the Company amounted to £1,584,000 (2015: £3,450,000).

Business combinations

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

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

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

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

Jointly controlled entities

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

Intangible assets

Goodwill

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

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

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

Notes to financial statements

For the year ended 25 December 2016 (continued)

3. Significant accounting policies
(continued)

Intangible assets (continued)
Trademarks
Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 20 years.

Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which does not exceed three years.

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

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

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

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

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

3. Significant accounting policies
(continued)

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

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

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

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

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

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty
- default in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy

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

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

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

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

3. Significant accounting policies (continued)

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

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Hedge accounting

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

At inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item. Note 20 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in note 25.

Cash flow hedge

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

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

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

Non-recurring items

Non-recurring items are incremental items of income or expenditure included within the operating results of the Group but which, individually or, if of a similar nature, in aggregate should, in the opinion of the Directors, be disclosed separately to assist an understanding the underlying performance of the Group.

Operating profit

Operating profit is stated after charging / crediting non-recurring items but before investment income and finance costs.

Retirement benefit costs

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

The difference between the value of defined benefit pension scheme assets and defined pension scheme liabilities is recorded on the Balance sheet as a retirement benefit asset or obligation.

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

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

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

3. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

Equity share capital

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Inventory provisioning

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

During the year, the company has adopted a revised approach to inventory provisioning following analysis of sell through data. This new policy will be applied on a consistent basis in the future.

Fixed Asset and goodwill impairment

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

Depreciation and carrying amounts of property, plant and equipment

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

3. Significant accounting policies
(continued)

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

Retirement benefit obligations

Determining the amount of the Group's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning long term interest rates, inflation, salary and pension increases, investment returns and longevity of current and future pensioners. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The Group makes assumptions concerning these matters and the probability that a surplus may be recoverable with the assistance of advice from independent qualified actuaries. Details of the assumptions made are set out in note 29 to the financial statements.

Tax provisions

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

Acquisition accounting

During the year, the Group acquired 100% of the share capital of Woodcote Green Nurseries (Holdings) Limited (and its subsidiary) alongside the trade and assets of Wolds View Garden Centre (formerly Crowders). Following these acquisitions, a fair value exercise, under IFRS3 – Business Combinations, was undertaken in order to calculate the fair value of the acquired assets and liabilities. Negative goodwill arose during the year as a result of the acquisition accounting which has been written off to the income statement in line with IFRS 3 – Business Combinations. In carrying out the fair value exercise, the Group made the following significant judgements that had a material impact on the calculation of goodwill:

- Inventories were reviewed and subsequently provided for based primarily on a revised ranging strategy which contemplated a shift/discontinuation of certain sub-categories.
- Property has been adjusted to its current market value. The current market values set with reference to valuation work performed by a third party property expert. Where third party valuation were unavailable, fair values have been set based on management best estimates using industry standard calculations.

Classification of non-recurring items

There is judgement associated in ensuring costs and credits presented as non-recurring, are presented in accordance with the Group policy and presented consistently.

4. Revenue

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

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

	2016 £'000	2015 £'000
Revenue	325,442	311,143
	325,442	311,143
Concession income	22,847	20,829
Other	1,802	711
	350,091	**332,683**

5. Business and geographical segments

Management monitor the business performance based on the key KPIs for the three main revenue streams – garden centres, food and beverage and concessions. As the Group is not listed, full segmental analysis is not required, and therefore the Group have opted not to provide further detail in this area.

Notes to financial statements

For the year ended 25 December 2016 (continued)

6. Non-recurring items

Non-recurring items are disclosed separately to assist an understanding of the underlying performance of the business. Non-recurring items are as follows:

		2016 £'000	2015 £'000
	Included in revenue:		
a)	One-off items	2,818	-
	Included in cost of sales:		
b)	Inventory related items	19,994	4,600
c)	One-off items	2,276	2,255
	Included in operating expenses:		
d)	Property related items	(16,596)	(56,093)
e)	Impairment	51,276	-
f)	Executive management restructuring	2,493	1,392
g)	Business restructuring	794	1,570
h)	Significant corporate costs	1,345	4,419
i)	Acquisition costs	5,521	8,565
j)	One-off items	3,729	4,419
		73,650	**(28,873)**

a) One-off items in revenue
This relates to a one off change in estimate following the receipt of more accurate data in respect of the provision for redemptions of points earned by customers under the Wyevale Garden Club.

b) Inventory related items in cost of sales
Inventory related items in cost of sales in 2016 principally relates to a one-off change in the stock provisioning methodology which is disclosed separately by virtue of size in order to assist an understanding of the underlying performance of the Group. Following the appointment of a new management team in April 2016, a detailed analysis of stock in the business was carried out together with an analysis of data of recently realised amounts. As a result of this review, it was concluded that there were specific significant issues with discontinued stock, trapped stock and aging stock and a new provisioning methodology was required to more accurately reflect the value of stock in the financial statements. This policy is based on a systematic review of inventory quality and age and will be applied consistently in future periods. The impact of the change in estimate which was recorded on 30 June 2016 of £20.0 million has been classified as a non-recurring item in 2016.

The calculation of this number does involve judgement as the original inventory provision policy was largely based on an annual judgemental assessment of realisable amounts. The year end inventory provision balance was £14.1 million reflecting the utilisation of amounts provided as loss making sales were realised.

In 2015 inventory related items included one off inventory provision costs of £4.6 million associated with product lines to be phased out in the move to the centralised distribution centre and other related losses.

c) One off items in cost of sales
Cost of sales in 2016 includes other non-recurring purchase related costs of £1.3 million and £0.9 million in respect of the project to improve the Group's supply chain and implement the centralised distribution centre that was completed in the year.

In 2015 £2.3 million of costs were incurred to set up a new centralised distribution centre which went live in 2016.

6. Non-recurring items (continued)

d) Property related items in operating expenses
During 2016, a profit of £19.2 million arose from the disposal of five freehold properties as a result of a sale and leaseback transaction. In addition the Group established a dilapidations provision of £2.1 million and incurred other property related costs of £0.5 million.

In 2015 a profit of £32.5 million arose from the disposal of eight freehold properties as a result of a sale and leaseback transaction. £11.9 million related to a dividend received from the Group's joint venture, BPLP, being Group's share of the profit on disposal of freehold properties held by BPLP. £3.5 million related to the release of an acquisition accounting dilapidations provision in 2015 relating to properties distinct from the 2016 dilapidations provision has been classified as a non-recurring item due to its nature as a one-off item of income. £2.6 million income was received as compensation from a landlord of one of the Group's leasehold properties, for the variation of lease terms. Additionally an unfavourable lease provision of £5.6 million was released in relation to the fair value acquisition accounting for GCPDT as the Group became the owner of the freehold rather than a lessee of these properties.

e) Impairment in operating expenses
An impairment loss of £51.3 million was recorded as a result of the Group's annual impairment review of tangible and intangible assets. Refer to notes 12 and 13 for further details.

f) Executive management restructuring in operating expenses
During 2016 there was a significant change in the executive management team with five members of the team changing throughout the year, including both the CEO and CFO roles. Restructuring costs in relation to this change in executive management team includes redundancy costs for former management, recruitment costs of the new management team and restructuring costs of a wider business restructure which occurred in 2016.

Restructuring costs of £1.6 million in 2015 related to redundancy costs incurred particularly in relation to some senior staff members from previous acquisitions and two executive directors.

g) Business restructuring in operating expenses
In 2016, the closure of two leasehold garden centres (Hillingdon and Folkestone) was announced and £0.5 million of costs were incurred in 2016. £0.3 million of costs were incurred in relation to other non-recurring transformational projects.

During 2015, £1.2 million of costs were incurred in relation to a rebranding project across the estate and a further £0.4 million of costs in relation to other non-recurring transformational projects were incurred.

h) Significant corporate costs in operating expenses
In 2016, £1.0 million of legal and professional costs were incurred in relation to the amendment and extension of the senior financing agreement which were not eligible to be offset against the associated debt.

In 2015, £1.4 million of external consultancy fees were incurred in relation to corporate strategy work and £0.6 million was incurred for other corporate costs. £1.8 million related to a one-off rates expense relating to 2014.

i) Acquisition costs in operating expenses
In 2016, acquisition costs totalling £1.2 million were incurred in relation to the acquisition of Woodcote Green and Wolds View garden centres. A further £1.6 million of costs were incurred in relation to another potential acquisition which did not progress together with £0.7 million of other acquisition related costs. Additionally, £2.0 million of wages cost was incurred for members of the distinct Acquisitions team which are regarded as incremental non-recurring costs.

In 2015, acquisition costs of £8.6 million were incurred in relation to the acquisition of Wych Cross Nurseries Limited, Sidmouth Garden Centre and Garden Centre Property Development Trading Limited ('GCPDT'). This amount includes the cost of wages for members of the distinct Acquisitions team which are regarded as incremental non-recurring costs.

j) Other one-off items in operating expenses
Other one-off items in 2016 include one off pieces of work or projects not expected to recur such as the supply chain transformation project and the Group's ERP system project.

In 2015, other one-off items included costs relating to non-recurring projects including the new transactional website and a store format project.

7. Operating profit

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

	Notes	2016 £'000	2015 £'000
Depreciation charge for the year	13	24,462	23,572
Cost of inventories recognised as expense		180,750	143,158
Staff costs	8	84,118	71,442
Auditor's remuneration for audit and non-audit services (see below)		1,827	486
Operating lease rental		17,483	8,727
Amortisation of intangibles	12	4,158	38
Impairment charge	6	51,276	-

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

	2016 £'000	2015 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	6	5
Audit of the Company's subsidiaries pursuant to legislation	199	197
	205	202
Other audit related assurance services	5	11
Tax compliance	79	62
Tax advisory	158	96
Other non-audit assurance services	1,380	115
Total non audit fees	1,622	284
	1,827	**486**

8. Information regarding key management personnel and employees

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

	Group 2016 Number	Group 2015 Number
Selling	5,913	3,207
Administration	353	329
	6,266	**3,536**

	Notes	£'000	£'000
Their aggregate remuneration comprised:			
Wages and salaries		78,380	65,204
Social security costs		4,134	5,065
Other pension costs	29	1,604	1,173
		84,118	**71,442**

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

The key management personnel of the Group are not remunerated by the Company, but are remunerated by the Group. Refer to note 31 for payments to related parties who are also members of the key management personnel.

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

	2016 £'000	2015 £'000
Emoluments	2,677	2,520
Payment on loss of office	433	295
Company contributions to defined contribution pensions schemes	174	254
	3,284	**3,069**

At 25 December 2016, retirement benefits were accruing to £nil (2015: £nil) for Directors under the defined benefit scheme. The number of Directors who were members of pension schemes during the year was as follows:

	2016 Number	2015 Number
Defined contribution schemes	**9**	**9**

Highest paid Director

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

	2016 £'000	2015 £'000
Emoluments	436	468
Payment on loss of office	80	
Company contributions to defined contribution pensions schemes	-	-
	516	**468**

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

The accrued pension entitlement under the Company's defined benefit schemes of the highest paid Director at 25 December 2016 was £nil (2015: £nil).

9. Investment income

	2016 £'000	2015 £'000
Interest on bank deposits held at amortised cost	114	140
	114	**140**

10. Finance costs

	Notes	2016 £'000	2015 £'000
Interest on bank overdrafts and loans		15,362	14,502
Interest on obligations under finance leases		399	246
Interest payable to immediate parent undertaking		25,189	22,502
Net interest from pension scheme	29	109	56
Unwinding of discount on provisions	23	2,792	3,515
		43,851	**40,821**

11. Tax on profit / (loss)

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A further reduction to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015, and a reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Group	2016 £'000	2015 £'000
Current Tax		
Group relief	-	-
Prior year adjustment	86	-
Total current tax	**86**	**0**

Group	2016 £'000	2015 £'000
Deferred tax:		
Income statement	4,511	(8,393)
Total deferred tax	4,511	(8,393)
Total tax credit	**4,597**	**(8,393)**

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

Group	2016 £'000	2015 £'000
Profit/(loss) before tax	(117,842)	7,184
Tax at the UK corporation tax rate of 20% (2015:20.49%)	(23,568)	1,472
Negligible value claim and indexation allowance	-	(8,571)
Capital gain arising in the period	4,984	-
Capital losses utilised/recognised	(4,984)	-
Deferred tax prior year true up	1,578	(587)
Derecognition of tax losses b/f – current year DT charge	13,404	
Deferred tax on accounts restatement	-	93
Expenses not deductible and other permanent differences	13,464	(86)
Effect of tax rate change	(2,045)	(714)
Tax losses not recognised	1,678	
Effect of prior year adjustments	86	-
Tax credit for the year	**4,597**	**(8,393)**

The prior year adjustments primarily relate to the reallocation of group relief between companies following a review completed in 2016.

A deferred tax charge relating to the actuarial losses on defined benefit pension schemes of £441,000 (2015: charge £73,000) has been recognised in the Statement of Comprehensive Income. A deferred tax credit relating to the derivative financial liability of £81,000 (2015: credit £51,000) has also been recognised in the Statement of Comprehensive Income.

12. Intangible assets

Group	Goodwill £'000	Trademarks £'000	Computer software £'000	Total £'000
Cost:				
At 28 December 2014	14,730	688	-	15,418
Recognised at acquisition	5,909	-	-	5,909
At 27 December 2015	20,639	688	-	21,327
Asset transfer	-	-	14,453	14,453
Additions	-	-	8,859	8,859
At 25 December 2016	**20,639**	**688**	**23,312**	**44,639**
Amortisation:				
At 28 December 2014	-	104	-	104
Amortisation charge	-	38	-	38
At 27 December 2015	-	142	-	142
Asset transfer	-	-	2,322	2,322
Amortisation charge	-	38	4,120	4,158
Impairment charge	4,046	-	9,104	13,150
At 25 December 2016	**4,046**	**180**	**15,546**	**19,772**
Net book value:				
At 25 December 2016	**16,593**	**508**	**7,766**	**24,867**
At 27 December 2015	**20,639**	**546**	**-**	**21,185**

At 25 December 2016 and 27 December 2015, the Company had no intangible assets.

The trademarks were recognised on acquisition of The Garden Centre Group Limited. They have an estimated useful life currently of 13 years (2015: 14 years).

During the year a detailed review of fixed assets was undertaken and as a result certain assets have been reclassified from property, plant and equipment to intangible assets through an asset transfer.

12. Intangible assets (continued)

Impairment of intangible assets

Goodwill arising on business combinations is not amortised but is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to groups of cash-generating units ('CGU') according to the level at which management monitor that goodwill. The recoverable amounts of the CGU are determined from value in use calculations and assessment of the net realisable value of the CGU.

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

The Group prepares detailed cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and assumes a growth rate applied into perpetuity of 2.5% (2015: 2.5%).

The rate used to discount the forecast cash flows is the Group's weighted average cost of capital of 8.87% (2015: 8.69%).

A resulting impairment loss of £4.0 million has been recognised in 2016 (2015: £nil) in relation to goodwill and £9.1 million in relation to Computer software. This charge has been classified as a non-recurring item within 'operating expenses'.

13. Property, plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 28 December 2014	358,915	89,481	-	448,396
Asset transfer	1,001	(1,062)	59	(2)
Recognised on acquisition	24,393	812	9	25,214
Additions	935	54,944	6	55,885
Disposals	(57,878)	(5,005)	-	(62,883)
At 27 December 2015	327,366	139,170	74	466,610
Asset transfer	-	(14,402)	(51)	(14,453)
Recognised on acquisition	28,934	719	-	29,653
Additions	10,949	12,627	50	23,626
Disposals	(30,240)	(1,789)	(30)	(32,059)
At 25 December 2016	**337,009**	**136,325**	**43**	**473,377**
Accumulated depreciation:				
At 28 December 2014	9,641	23,046	-	32,687
Charge for the year	5,515	18,032	25	23,572
Eliminated on disposals	(4,613)	(90)	-	(4,703)
At 27 December 2015	10,543	40,988	25	51,556
Asset transfer	-	(2,311)	(11)	(2,322)
Depreciation charge for the year	6,423	18,018	21	24,462
Impairment charge for the year	33,369	4,757	-	38,126
Eliminated on disposals	(5,792)	(1,360)	(30)	(7,182)
At 25 December 2016	**44,543**	**60,092**	**5**	**104,640**
Net book value:				
At 25 December 2016	**292,466**	**76,233**	**38**	**368,737**
At 27 December 2015	**316,823**	**98,182**	**49**	**415,054**

The carrying amount of the Group's land and buildings includes an amount of £23,013,157 (2015: £23,205,025) in respect of assets held under finance leases.

The Company has no property plant and equipment (2015: £nil).

During the year a detailed review of fixed assets was undertaken and as a result certain assets have been reclassified from property, plant and equipment to intangible assets through an asset transfer.

13. Property, plant and equipment (continued)

Impairment of property, plant and equipment

The Group has determined that for the purposes of impairment testing, each centre is a cash-generating unit ('CGU'). The Group tests each CGU annually for impairment or more frequently if there are indications that the CGU might be impaired. The recoverable amounts of the CGU are based on the higher of value in use or fair value less costs of disposal. Fair values for the Group's properties were determined with the assistance of independent, professional advisors where appropriate.

The net carrying value of £368.7 million (2015: £415.1 million) above comprises £275.2 million (2015: £415.1 million) of assets in unimpaired CGUs and £93.5 million (2015: £nil) of assets remaining in impaired CGUs. Of the unimpaired assets, £197.9 million (2015: £nil) carrying value was supported by value in use and £77.3 million (2015: £nil) was supported by fair value. Due to the individual nature of each property, these fair values are classified as Level 3 within the fair value hierarchy.

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

The Group prepares detailed cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and assumes a growth rate applied into perpetuity of 2.5% (2015: 2.5%).

The rate used to discount the forecast cash flows is the Group's weighted average cost of capital of 8.87% (2015: 8.69%).

A total impairment loss of £38.1 million (2015:£nil) has been recognised in the year reflecting fluctuations expected from centre level performance in addition to the continuing challenging economic conditions. These losses have been included as a non-recurring item in 2016 within 'operating expenses'.

14. Investments

	Notes	Group £'000	Company £'000
Cost			
At 28 December 2014		7,000	14,178
Acquisitions during the year		-	-
At 27 December 2015		7,000	14,178
Acquisitions during the year	27	-	-
At 25 December 2016		**7,000**	**14,178**
Impairment:			
At 28 December 2014		7,000	-
Impairment charge		-	-
At 27 December 2015		7,000	-
Impairment charge		-	-
At 25 December 2016		**7,000**	**-**
Net book value:			
At 25 December 2016		**-**	**14,178**
At 27 December 2015		**-**	**14,178**

14. Investments (continued)

A list of group investments in subsidiaries is shown below:

Name	Country of incorporation	Percentage holding by Company	Percentage holding by Group	Direct/ Indirect
Trellis Holdco Limited	England & Wales	100%	100%	Direct
Trellis Finance Limited	England & Wales	nil	100%	Indirect
Trellis Investment Limited	England & Wales	nil	100%	Indirect
Trellis Acquisitions Limited	England & Wales	nil	100%	Indirect
Trellis Management Limited	England & Wales	nil	100%	Indirect
Garden Centres Holdings Limited	England & Wales	nil	100%	Indirect
Blooms Garden Centres limited	England & Wales	nil	100%	Indirect
The Garden Centre Group Limited	Scotland	nil	100%	Indirect
EHGT Limited	England & Wales	nil	100%	Indirect
Wyevale Acquisitions Borrower Limited	England & Wales	nil	100%	Indirect
Wyevale Garden Centre Holdings Limited	England & Wales	nil	100%	Indirect
Wyevale Garden Centres Acquisitions Limited	England & Wales	nil	100%	Indirect
Podington Nurseries Limited	England & Wales	nil	100%	Indirect
Raglan Garden Centre Limited	England & Wales	nil	100%	Indirect
Golden Acres Holdings Limited	England & Wales	nil	100%	Indirect
Golden Acres Nurseries Limited	England & Wales	nil	100%	Indirect
Pacific Shelf 1435 Limited	Scotland	nil	100%	Indirect
Pacific Shelf 1436 Limited	Scotland	nil	100%	Indirect
Pacific Shelf 1437 Limited	Scotland	nil	100%	Indirect
Pacific Shelf 1447 Limited	Scotland	nil	100%	Indirect
Garden Centre Property Development Trading Limited	England & Wales	nil	100%	Indirect
Gardenscape Supplies Limited	England & Wales	nil	100%	Indirect
Sage Recruitment Limited	England & Wales	nil	100%	Indirect
Prince's Garden Centres Limited	England & Wales	nil	100%	Indirect
Floris Limited	Scotland	nil	100%	Indirect
Bressingham Limited	England & Wales	nil	100%	Indirect
Continental Shelf 399 Limited	England & Wales	nil	100%	Indirect
Continental Shelf 400 Limited	England & Wales	nil	100%	Indirect
Blooms of Bressingham Holdings Limited	England & Wales	nil	100%	Indirect
Jardinerie Limited	England & Wales	nil	100%	Indirect
Blooms of Bressingham Limited	England & Wales	nil	100%	Indirect
Blooms New Plants Limited	England & Wales	nil	100%	Indirect
Gardeneasy.com Limited	England & Wales	nil	100%	Indirect
The Garden and Leisure Centre Limited	England & Wales	nil	100%	Indirect
CSL Holdings Limited	England & Wales	nil	100%	Indirect
Bridgemere Nurseries Limited	England & Wales	nil	100%	Indirect

14. Investments (continued)

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

15. Share of results of associate and jointly controlled entity

	2016 £'000	2015 £'000
Balance at the beginning of the year	-	2,364
Share of associate result	-	-
Elimination to full consolidation	-	(2,364)
Interest in associate at end of the year	**-**	**-**

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

16. Inventories

	Group 2016 £'000	Group 2015 £'000
Goods for resale	42,390	50,323
Consumables	639	663
	43,029	**50,986**

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

17. Trade and other receivables

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade receivables	6,674	-	6,857	-
Other receivables	11,879	-	6,119	-
Prepayments	4,540	-	5,463	-
Amounts receivable from subsidiaries	-	268,253	-	245,222
	23,093	**268,253**	**18,439**	**245,222**

The Directors consider the allowance made for irrecoverable amounts to be immaterial. The Directors consider that the carrying amount of the trade and other receivables approximates their fair value. Interest is charged at 6% (2015: 6%) on balances owed by group undertakings except for Trellis Holdco Limited for which the rate is 8% (2015: 8%). Amounts past due not impaired are immaterial.

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

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

18. Trade and other payables

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade payables	36,407	-	35,630	-
Other payables	14,519	-	30,565	-
Accruals and deferred income	20,105	-	16,780	472
	71,031	**-**	**82,975**	**472**

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

19. Borrowings

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Unsecured borrowing at amortised cost				
Shareholder loan	235,096	235,096	210,007	210,007
Secured borrowing at amortised cost				
Term loan facilities – related party	21,123	-	-	-
Term loan facilities – third party	180,587	-	261,148	-
Total borrowings	**436,806**	**235,096**	**471,155**	**210,007**
The borrowings are repayable as follows:				
Due within one year	9,423	-	68,167	-
In the second to fifth years	137,438	-	142,259	-
After five years	289,945	235,096	260,729	210,007
Amount due for settlement after 12 months	**427,383**	**235,096**	**402,988**	**210,007**

The amount due within one year in 2016 relates to accrued interest rather than principal repayments due.

19. Borrowings (continued)

The Group's bank debt facilities as at 25 December 2016 were as follows:

Facility A
A seven year facility with a maximum limit of £35.0 million. The facility was amortising according to a fixed repayment schedule until the Senior Financing Agreement ('SFA') was amended on 21 December 2016 ('Amendment Date'). The facility is now non-amortising and will be repaid in full on maturity (December 2018). However, mandatory or voluntary repayments are applied on a pro-rata basis. Interest is paid based on a margin over LIBOR (margin 4.75% at 2016 year end; 4.00% in 2015) plus mandatory costs. At the Balance sheet date the Group had utilised £35.0 million of this facility, with an outstanding principal balance of £2.9 million (2015: £18.4 million).

Facility B
A seven year facility with a maximum limit of £65.0 million. The facility will be repaid in full on maturity (March 2019). However, mandatory or voluntary repayments are applied on a pro-rata basis. Interest is paid based on a margin over LIBOR (margin 5.25% at 2016 year end; 4.50% in 2015) plus mandatory costs. At the Balance sheet date the Group had utilised £65.0 million of this facility, with an outstanding principal balance of £28.6 million (2015: £64.6 million).

Capex/Acquisition facility
A seven year facility with a maximum limit of £30.0 million. The facility was amortising according to a fixed repayment schedule until the Amendment Date. However, it is now non-amortising and will be repaid in full on maturity (December 2018). Mandatory or voluntary repayments are applied on a pro-rata basis. Interest is paid based on a margin over LIBOR (margin 5.00% at 2016 year end; 3.75% in 2015) plus mandatory costs. At the Balance sheet date the Group had utilised £30.0 million, with an outstanding principal balance of £11.2 million (2015: £29.8 million).

Revolving facility
A seven year facility with a maximum limit of £30.0 million. The facility will be paid in full on maturity (March 2019). Interest is paid based on a margin over LIBOR (margin 4.25% at 2016 year end; 4.00% in 2015) plus mandatory costs. At the Balance sheet date the Group had £8.0 million undrawn in this facility (2015: £15.0 million).

Capex Facility B/C
During 2014, the Group entered into a new capex facility with a maximum limit of £40.0 million. This facility was increased to £80.0 million in 2015 and the facility was fully drawn at the year end. The facility will be paid in full in line with facility B. Interest is paid based on a margin over LIBOR (margin 5.25% at 2016 year end; 3.75% in 2015) plus mandatory costs.

Capex Facility D
At the Amendment Date, the Group entered into a new capex facility with a maximum limit of £10.0 million. The facility will be repaid in full on maturity (March 2019). Interest will be paid based on a margin over LIBOR (margin currently 5.25%) plus mandatory costs. At the balance sheet date the Group had £10.0 million undrawn under this facility.

As part of the amendment and extension of the Group's Senior Facilities Agreement in December 2016, Terra Firma Holdings Limited, a related party of the Group replaced an existing lender in the syndicate of lenders included in this agreement. Terra Firma Holdings Limited committed to a total of £21.5 million across four of the above facilities.

Garden Centre Property Development Trading Limited ('GCPDT') Loan
One of the Group's subsidiary entities GCPDT has an external loan with an outstanding balance of £5.2 million as at 25 December 2016. Interest is paid at a rate of 4.69%. Principal and interest payments are made on a monthly basis and the loan will be fully repaid by December 2018.

Secured loan note facility
A 10 year facility with a maximum limit of £38.0 million. The facility will be paid in full on maturity. Interest will be accrued at 8% (2015: 8%) and is satisfied by the issuance of 'Payment in Kind Notes'. This facility has been fully utilised at Balance sheet date.

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

Under the terms of the agreement the Group is also subject to an annual maximum Capex spend limit and a liquidity test at two dates (31 December 2016 and 31 March 2017).

19. Borrowings (continued)

Shareholder loan
The Group also has a 10 year shareholder loan from Carmel Capital VII Sàrl of £138 million. The loan will be paid in full on maturity in 2022. Interest is accrued at 12% which is compounded on an annual basis on the 31st December each year.

Financial liabilities analysed by maturity date

2016	Loans £'000	Finance leases £'000	Trade and other payables £'000	Shareholder loan £'000
Due within one year	9,423	456	50,926	-
In the second to fifth years	137,438	1,529	-	-
After five years	54,850	3,520	-	235,096
	201,711	**5,505**	**50,926**	**235,096**
2015				
Due within one year	68,167	375	66,195	-
In the second to fifth years	142,259	1,265	-	-
After five years	50,722	4,004	-	210,007
	261,148	**5,644**	**66,195**	**210,007**

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

20. Financial instruments

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group at the Balance sheet date consists of debt, which includes the borrowings disclosed in note 19, cash and equity attributable to equity holders of the parent, reserves and retained earnings as disclosed in notes 24 to 25.

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

	2016 £'000	2015 £'000
Debt	436,806	471,155
Cash	**(34,861)**	**(146,488)**
Net debt	401,945	324,667
Total equity	49,365	49,365
Net debt : equity ratio	**8.1:1**	**6.6:1**

Debt is defined as short and long-term borrowings, as detailed in note 19.

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

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

20. Financial instruments (continued)

Categories of financial instruments

Financial assets	**Carrying value 2016 £'000**	Carrying value 2015 £'000
Loans and receivables (including cash and cash equivalents)	**53,413**	**159,466**
Financial liabilities		
Borrowings held at amortised cost	493,238	542,994
Derivative instruments in designated hedge accounting relationships	369	798
	493,607	**543,792**

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

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

Currency derivatives
The Group operates wholly in the United Kingdom. Sales and the majority of purchases are in local currency and all loans are in sterling. The Group and Company have minimal foreign exchange exposure (assets or liabilities) and therefore the financial statements do not contain any numerical disclosures on currency risk. The Group has used forward contracts, principally for US$, when any exposure has arisen. The fair value of the forward contract at 25 December 2016 was £nil (2015: £136,000).

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

20. Financial instruments (continued)

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

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

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

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

Outstanding contracts (receive floating / pay fixed)	**Average contract fixed interest rate 2016 %**	**Notional principal value 2016 £'000**	**Fair value 2016 £'000**
2 to 5 years	**1.48**	**65,115**	**(369)**

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

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

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

20. Financial instruments (continued)

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

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

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

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

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

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

	Fair value hierarchy	**2016 £'000**	2015 £'000	Valuation technique and key inputs
Interest rate swaps	2	(369)	(798)	**Discounted cash flow** Future cash flows are estimated and discounted based on the applicable yield curves derived from quoted interest rates.
Forward contracts	2	-	136	**Discounted cash flow** Future cash flows are estimated based on observable forward exchange rates at the year end and contract forward rates discounted at a rate that reflects the credit risk.

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

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

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

20. Financial instruments (continued)

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

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates at the Balance sheet date. For floating rate liabilities, the analysis is prepared assuming the average amount of floating rate liability throughout 2016 of £125,670,000 (2015: £171,550,000) (excluding the variable overdraft) was outstanding for the whole year.

A 0.5% increase or decrease is used in management's assessment of the reasonably possible change in interest rates. If interest rates had been 0.5% lower/higher and all other variables were held constant, the Group's:

- loss for the year ended 25 December 2016 would increase/decrease by £0.8 million (2015: £0.9 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

20. Financial instruments (continued)

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

2016	**Weighted average interest rate %**	**Less than 1 month £'000**	**1-3 months £'000**	**3 months to 1 year £'000**	**1-5 years £'000**	**After 5 years £'000**	**Total £'000**
Variable interest rate instrument	6.7%	1,327	553	4,662	153,297	-	159,839
Fixed interest rate instruments	9.6%	41	83	372	1,983	492,346	494,825
Derivative financial instrument	1.5%	29	65	-	-	-	94
	10.1%	**1,397**	**701**	**5,034**	**155,280**	**492,346**	**654,758**

2015	Weighted average interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	After 5 years £'000	Total £'000
Variable interest rate instrument	6.0%	53,090	1,786	19,380	156,440	-	230,696
Fixed interest rate instruments	9.2%	33	66	299	93,960	436,313	530,671
Derivative financial instrument	1.5%	25	50	226	319	-	620
	8.9%	**53,148**	**1,902**	**19,905**	**250,719**	**436,313**	**761,987**

Notes to financial statements

For the year ended 25 December 2016 (continued)

20. Financial instruments (continued)

Credit risk management

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

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

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

	2016 £'000	2015 £'000
Current 0-30 days	3,118	4,561
Overdue 31-60 days	1,476	352
Overdue 61-90 days	646	265
Overdue 90-120 days	56	-
Overdue +120 days	1,378	1,679
	6,674	**6,857**

Company

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

21. Deferred tax

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

	Business combinations non-deductible assets £'000	Short term timing differences and losses £'000	Accelerated tax depreciation £'000	Tax deductible goodwill & intangible assets £'000	Derivative financial liability £'000	Retirement benefit obligations £'000	Unfavourable leases £'000	Total £'000
Balance at 28 December 2014	27,497	(8,756)	2,785	(1,274)	(216)	(343)	(7,739)	11,954
Prior year tax adjustment	2,583	(1,230)	(1,940)	-	-	-	93	(494)
Recognised at acquisition	3,394	(3,370)	(40)	(691)	-	-	-	(707)
(Credit)/charge to income	(5,881)	-	308	-	-	(277)	1,829	(4,021)
Credit to equity	-	-	-	-	51	73	-	124
At 27 December 2015	27,593	(13,356)	1,113	(1,965)	(165)	(547)	(5,817)	6,856
Prior year tax adjustment	768	(48)	200	660	21	(23)	-	1,578
Recognised at acquisition	4,979	-	-	-	-	-	-	4,979
(Credit)/charge to income	(8,307)	13,404	(2,653)	66	-	80	343	2,933
(Credit)/charge to equity	-	-	-	-	81	(441)	-	(360)
At 25 December 2016	**25,033**	**-**	**(1,340)**	**(1,239)**	**(63)**	**(931)**	**(5,474)**	**15,986**

As described in note 11, the UK corporation tax rate reduced from 21% to 20% from 1 April 2015. In accordance with the Finance (No.2) Act 2016, the UK corporation tax rate will reduce to 19% from 1 April 2017 and 17% from 1 April 2020. As these changes had been substantively enacted at the Balance sheet date they are reflected in these financial statements.

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

	2016 £'000	2015 £'000
Deferred tax liabilities	23,693	28,706
Deferred tax assets	(7,707)	(21,850)
	15,986	**6,856**

The Group has an unrecognised deferred tax assets of £13.4 million relating to trading losses.

22. Obligations under finance leases

	Minimum lease payments 2016 £'000	Present value of minimum lease payments 2016 £'000	Minimum lease payments 2015 £'000	Present value of minimum lease payments 2015 £'000
Amounts payable under finance leases:				
Within one year	496	456	398	375
In the second to fifth years inclusive	1,983	1,529	1,544	1,265
After five years	7,900	3,520	6,717	4,004
	10,379	5,505	8,659	5,644
Less: future finance charges	(4,874)		(3,015)	
Present value of lease obligations	5,505		5,644	
Less: Amount due for settlement within 12 months		(456)		(375)
		5,049		**5,269**

It is the Group's policy to lease certain of its properties under finance leases. 10 of the Group's properties are financed under this method. The most significant lease, representing approximately 49% of these finance leases, expires in 2034. For the year ended 25 December 2016, the average effective borrowing rate was 7.56% (2015: 7.56%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets. The Company does not have any finance lease obligations (2015: £nil).

23. Provisions

	Fair value dilapidation provision £'000	Dilapidation provision £'000	Unfavourable lease provision £'000	Total £'000
Balance at 28 December 2014	6,715	-	38,229	44,944
Release of provision no longer required	-	-	(5,562)	(5,562)
Utilisation of provision	(7,243)	-	(3,338)	(10,581)
Unwinding of discount on provisions	528	-	2,987	3,515
At 27 December 2015	-	-	32,316	32,316
Provision recognised	-	2,058		2,058
Utilisation of provision	-	-	(2,910)	(2,910)
Unwinding of discount on provisions	-	-	2,792	2,792
At 25 December 2016	**-**	**2,058**	**32,198**	**34,256**

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

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

The Company had £nil unfavourable lease provision at 25 December 2016 (2015: £nil).

Fair value dilapidation provision
A fair value dilapidation provision was created in 2012 as part of the acquisition accounting for the acquisition of the Group. This provision was fully utilised/released during the prior year.

Dilapidation provision
A new dilapidations provision was created in 2016 and relates to management estimate of the cost to return existing leasehold property to their original condition.

Notes to financial statements

For the year ended 25 December 2016 (continued)

24. Share capital

Authorised:

Group and Company	2016 £'000	2015 £'000
49,365,426 (2015: 49,365,426) **Ordinary shares at £1 each**	**49,365**	**49,365**

Issued and fully paid:

Group and Company	2016 £'000	2015 £'000
49,365,426 (2015: 49,365,426) **Ordinary shares at £1 each**	**49,365**	**49,365**

Voting rights

Each share is entitled to one vote in any circumstance.

Dividends

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

25. Reserves

Group	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 28 December 2014	(681)	(13,514)	(14,195)
Cash flow hedge recognised through other comprehensive expense	234	-	234
Other comprehensive expense for the year	-	13,840	13,840
Balance at 27 December 2015	(447)	326	(121)
Cash flow hedge recognised through other comprehensive income	570	-	570
Other comprehensive income for the year	-	(124,205)	(124,205)
Balance at 25 December 2016	**123**	**(123,879)**	**(123,756)**

Company	Retained earnings £'000
Balance at 28 December 2014	3,006
Total comprehensive expense for the year	(3,450)
Balance at 27 December 2015	(444)
Total comprehensive expense for the year	(1,584)
Balance at 25 December 2016	**(2,028)**

Hedging reserve

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

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

26. Notes to the cash flow statement

	Notes	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Operating (loss)/profit from continuing operations		(74,105)	-	47,865	-
Adjustments for:					
Bad debt write-off		635	-	353	-
Depreciation of property, plant and equipment	13	24,462	-	23,572	-
Amortisation of intangible assets	12	4,158	-	38	-
Impairment	12, 13	51,276	-	-	-
Negative Goodwill released to the income statement		(206)	-	-	-
Pension adjustment to reflect true cash payment		(455)	-	(267)	-
Gain on disposal of property, plant and equipment		(19,241)	-	(50,172)	-
Other non-cash items in operating profit		533	-	(970)	-
Operating cash flows before movements in working capital		(12,944)	-	21,389	-
Increase in inventories		9,096	-	(6,531)	-
Decrease in receivables		(5,215)	-	4,395	-
Increase/(decrease) in payables		(13,561)	-	19,084	-
Decrease in provisions	23	(852)	-	(10,581)	-
Net cash (outflow)/ inflow from operating activities		**(23,475)**	**-**	**27,756**	**-**

27. Acquisition of subsidiary

In 2016 the Group acquired 100% of the share capital of Woodcote Green Nurseries (Holdings) Limited, the parent company of Woodcote Green Nurseries Limited. The Group also acquired the trade and assets of Wolds View Garden Centre (formerly Crowders). Total cash consideration for the acquisitions was £25.6 million.

These transactions were accounted for by the acquisition accounting method.

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

	2016 £'000
Property, plant & equipment	29,653
Inventory	1,138
Financial assets	819
Financial liabilities	(1,577)
Non current assets:	
Deferred tax	(4,979)
Total identifiable assets	25,054
Goodwill	(206)
Total consideration	**24,847**
Satisfied by:	
Net cash outflow arising on acquisition	
Cash consideration	25,593
Less: cash and cash equivalent balances acquired	(745)
	24,847

Acquisition related costs of £5.5 million were incurred as a result of these transactions. Please see note 6 for further details.

Negative goodwill of £0.2 million has been written off to the income statement.

The acquisitions contributed £17.3 million revenue and £3.1 million profit to the Group's loss before tax for the period between the date of acquisition and the balance sheet date. If the acquisitions had been completed on the first day of the calendar year the Group revenues for the period would have increased by £0.7 million and loss before tax decreased by £0.1 million.

28. Operating lease arrangements

The Group as lessee

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**17,483**	**8,727**

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

	2016 £'000	2015 £'000
Within one year	17,483	8,727
In the second to fifth years inclusive	66,558	33,981
After five years	285,215	140,754
	369,256	**183,462**

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

29. Retirement benefit schemes

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

Defined contribution schemes

The total cost charged to Income statement of £1,604,000 (2015: £1,173,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit schemes

The most recent formal actuarial valuation in respect of the defined benefit scheme was carried out by a qualified actuary as at 1 January 2015 using the Projected Unit Credit method. This was then rolled forward to 25 December 2016 taking into account the changes to the assumptions to reflect the requirements of IAS 19. The actuarial valuation mortality assumptions are based on the Self Administered Pension Scheme ('SAPS') tables, with future mortality improvements based on the CMI 2016 Proposed2015 Core Projections model, allowing for a long term improvement rate of 1.25% p.a. The mortality tables are adjusted to take account of scheme-specific experience, based on the longevity analysis carried out using the Aon Hewitt Longevity Model.

The assumed life expectations on retirement at age 65 are:

	2016 years	2015 years
Retiring today		
Male	23.0	23.2
Female	24.5	24.8
Retiring in 20 years		
Male	23.5	24.1
Female	26.0	26.6

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

Asset volatility

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

Changes in bond yields

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

29. Retirement benefit schemes (continued)

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

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

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

	Valuation at 2016 %	Valuation at 2015 %
Financial assumptions		
Discount rate	3.0	3.9
Inflation assumption	3.2	3.2
Expected rate of salary increases	2.1	2.1
Future pension increases	3.1	3.1

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

	2016 £'000	2015 £'000
Current service cost	(205)	(231)
Interest cost	(109)	(56)
	(314)	**(287)**

Of the charge for the year, £205,000 (2015: £231,000) has been included in administrative expenses. Interest costs of £109,000 (2015: £56,000) has been included within finance costs.

29. Retirement benefit schemes (continued)

Life expectancy (continued)
Amounts recognised in Statement of Comprehensive Income in respect of these defined benefit schemes are as follows:

	2016 £'000	2015 £'000
Return on plan assets	(2,101)	1,000
Actuarial losses / (gains) due to changes in financial assumptions	5,080	(81)
Actuarial gains due to changes in demographic assumptions	(568)	(22)
Actuarial (gains) / losses due to liability experience	(204)	767
	2,207	**1,664**

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

	2016 £'000	2015 £'000
Present value of defined benefit obligations	30,405	26,010
Fair value of scheme assets	(25,380)	(22,846)
Deficit in scheme	5,025	3,164
Liability recognised in the balance sheet	**5,025**	**3,164**
This amount is present in the balance sheet as follows:		
Non-current liabilities	5,025	3,164
	5,025	**3,164**

29. Retirement benefit schemes (continued)

Life expectancy (continued)
Movements in the present value of defined benefit obligation were as follows:

	2016 £'000	2015 £'000
At 27 December, 2015	26,010	24,888
Service cost	205	231
Interest cost	975	942
Contributions from scheme members	34	37
Actuarial loss	4,308	664
Benefits paid	(1,127)	(752)
At 25 December, 2016	**30,405**	**26,010**

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

	2016 £'000	2015 £'000
At 27 December, 2015	22,846	23,177
Expected return on scheme assets	866	886
Actuarial gain/(loss)	2,101	(1,000)
Contributions from the sponsoring companies	660	498
Contributions from scheme members	34	37
Benefits paid	(1,127)	(752)
At 25 December, 2016	**25,380**	**22,846**

The scheme assets are invested in the following asset classes:

	2016 £'000	2015 £'000
Equity instruments	5,406	4,790
Insured annuities	6,917	6,538
Multi-asset credit	5,034	4,532
Alternative inflation	2,440	-
Gilts	5,398	5,714
Other assets	185	1,272
	25,380	**22,846**

29. Retirement benefit schemes (continued)

Life expectancy (continued)
The history of experience adjustments is as follows:

	2016 £'000	2015 £'000
Experience adjustments on scheme liabilities		
Amount (£)	4,308	664
Percentage of scheme liabilities (%)	**14.2%**	**2.6%**
Experience adjustments on scheme assets		
Amount (£)	2,101	(1,000)
Percentage of scheme assets (%)	**8.3%**	**(4.4%)**

30. Share based payments

The Group operates a long term incentive plan for the executive management team which was implemented in March 2012.

Members of the executive team (the "Managers") hold B ordinary shares in Trellis Management Limited.

The B shares held vest at a rate of 20% per full year of completed service, and unvested shares are forfeited when Managers leave the business.

The following table reconciles the number of share options outstanding:

	Shares
Outstanding at 29 December 2014	9,999
Forfeited in the year	(1,155)
Issued	-
Exercised	-
Outstanding at 27 December 2015	**8,844**
Forfeited in the year	(2,607)
Issued	-
Exercised	-
Outstanding at 25 December 2016	**6,237**

31. Remuneration of key management personnel and related party transactions

The key management personnel of the Group are not remunerated by the Company, but are remunerated by the Group. Please refer to note 8 for key management personnel remuneration disclosure. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

At 25 December 2016 the Company owed £235,096,000 (2015: £210,007,000) to its immediate parent undertaking and was owed £268,253,000 (2015: £245,222,000) from subsidiaries. For further details see notes 17 and 18.

At 25 December 2016 the Group owed £21.1 million to Terra Firma Holdings Limited, a related party of the group, a part of its Senior Facilities Agreement, for further details see note 19.

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

2016	**Purchase of services £**	**Sale of goods £**	**Amount outstanding at 25 December 2016 £**
Terra Firma Capital Partners III L.P.	-	-	-
Muradv LLP	128,877	-	-
Moloney Search Limited	17,250	-	-
Plantworks Limited	118,019	48,020	(8,731)

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

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

32. Post balance sheet events

On 28 February 2017 the Group undertook a group simplification exercise which resulted in the dissolution of 23 dormant companies. The Group dissolved a further dormant company on 25th July 2017. The dissolutions have not made a material impact on the net assets or results of the Group.

In addition, the Group closed two leasehold garden centres in January 2017, Hillingdon and Folkestone. The closure of these centres has not made a material impact on the net assets or the results of the Group.

Subsequent to the year end, in September 2017 the Group successfully completed a full refinancing of all of its existing external bank debt facilities. The existing Payment-In-Kind Note and Shareholder Loan Note which both mature in 2022 are not included in this refinancing (refer to note 19 for details of existing debt facilities).

The new arrangement comprises the replacement of the outstanding principal senior debt with £141.5 million of new term debt along with a £30 million revolving credit facility to support the Group's working capital requirements, a £10 million capex facility to support capital initiatives and a £35 million Accordion facility to support the Group's future growth plans and acquisition opportunities. All of the new facilities secured will mature in March 2022 and will pay interest based on LIBOR plus applicable margins.

As a result of the new financing agreement, the Group will be subject to quarterly covenant tests over its senior net leverage ratio and will be subject to annual spending limits in regards to Capex expenditure.

33. Ultimate parent undertaking and controlling parties

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

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

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

Other information

Officers and professional advisers

Directors
David Hobbs
Charlotte Broadbent

Company Secretary
Mary Elizabeth Bourlet

Registered office
Wyevale Garden Centres
Syon Park
London Road
Brentford
Middlesex
TW8 8JF
United Kingdom

Auditor
During the year KPMG LLP were appointed as auditors of the Company.

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

www.wgcl.co.uk

Design by Eighth Day

Wyevale
garden
centres

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

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

East
Braintree
Bressingham
Bury St Edmunds
Crowland
Huntingdon
Louth
Ongar
Rayleigh
Royston
Springfield
Sprowston
Stanway
Sudbury
Upminster
Wellingborough
Wolds View
Woodbridge

South
Alfold
Beaconsfield
Binfield
Brighton
Cadnam
Canterbury Chartham
Chichester
Chipperfield
Crawley
Croydon Purley Way
Dorking
Dummer
Elm Court
Enfield
Fair Oak
Findon
Hamstreet
Handcross
Hare Hatch
Harrow
Hastings
Havant
Heathlands
John Browns
Keston
Landford
Lewes
Lower Dicker
Lower Morden
Marlow
Old Barn
Osterley
Paddock Wood
Playhatch
Potters Bar
Pulborough
Rake
Ramsgate
Seven Hills
Sherfield-on-Loddon
Shirley
Syon Park
Thatcham
Tunbridge Wells
West Parley
Weybridge
Willesborough
Windlesham
Windsor
Winnersh
Woking
Woodcote Green
Worthing Ferring
Wych Cross

Wales West & South West
Andover
Ashford Barnstaple
Brockworth
Brooks
Cadbury
Cardiff
Carmarthen
Cheddar
Cheltenham
Endsleigh
Galton
Gloucester
Hereford
Hereford Wellington
Hungerford
Jack's Patch
Keynsham
Lechlade
Lelant
Moreton Park
Nailsworth
Par
Raglan
Salisbury
Sanders
Sidmouth
Swansea
Swindon
Swindon Hay Lane
Taunton
Thornbury
Wimborne