

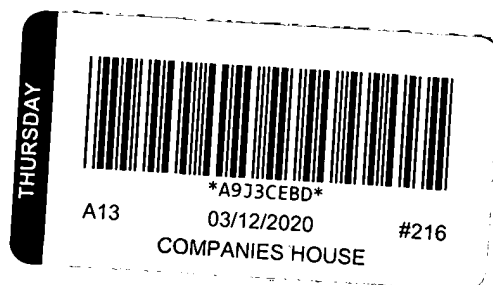
Blue Diamond UK Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number: 02421720 (England & Wales)



Blue Diamond UK Limited

Company Information

Directors	A. Roper R. J. Hemans
Registered number	02421720 (England and Wales)
Registered office	Brambridge Park Garden Centre Kiln Lane Brambridge Eastleigh Hampshire SO5 6HT
Head office	Le Friquet Garden Centre Rue Du Friquet Castel Guernsey GY5 7SS
Independent auditor	BDO Limited PO Box 180 Place du Pre Rue du Pre St Peter Port Guernsey GY1 3LL
Bankers	The Royal Bank of Scotland International Limited (trading as NatWest International) 1 Gategny Esplanade St Peter Port Guernsey Channel Islands GY1 4BQ
Legal representative	Bristows LLP 100 Victoria Embankment London EC4Y 0DH

Blue Diamond UK Limited

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Blue Diamond UK Limited
Strategic Report
For the Year Ended 31 December 2019

The Directors present their Strategic Report of Blue Diamond UK Limited (the "Company") for the year ended 31 December 2019.

Review of the business including financial performance and position

The principal activity of the Company is the operation of garden centres.

2019 was another eventful and successful for Blue Diamond UK Limited, following on from the drama of 2018. Having bought nine garden centres from Wyevale in 2018 at the start of their sale process, we went back for more at the end of the sale process and managed to secure eight more highly prospective properties, including the renowned Bridgemere Nurseries that will allow us to grow and secure our own supply of plants.

Total sales were 53% up, but excluding the additional Wyevalues acquired in 2019, they were still 48% higher. On a like-for-like basis without the contribution from the nine Wyevalues acquired in 2018, the increase was 10%, an exceptional performance. The nine Wyevalues acquired in 2018 all reported very impressive sales growth and there were some notable results from the pre-Wyevale estate, notably Derby, Harlow, Redfields, Fermoy and Coton. Profit before tax increased from £3.5m in 2018 to £7.2m in 2019, a rise of 105%.

In September 2019 we took advantage of the opportunity to purchase seven more garden centres from Wyevale for £11m, including the celebrated site at Bridgemere in Cheshire. We believe we have bought some excellent assets that will deliver significant returns in the future. We are focused on integrating these centres and plan to spend £2m of capital expenditure on them in the first quarter of 2020 as we prepare for the gardening season. These seven stores contributed sales of just under £5m under our ownership in 2019.

We have spent much time and resource on the integration of the Wyevale centres we purchased in 2018 and I am pleased to report that they have delivered outstanding growth in customer numbers and average spend. We have spent just over £4m redeveloping these sites so far, including £1.8m on Bicester and £0.5m on Cadbury, which have seen sales growth of 72% and 53% respectively. We plan to spend another £10m on these nine sites in the next couple of years to maximise their potential.

Gross margin rose from 51.4% to 51.5% mainly because of profit recovery in the restaurants, but the garden centres also recorded an improvement thanks to the benefits of scale. Gross profit rose by 53%.

Operating profit rose from £4.1m to £7.6m thanks to like for like sales growth, the first full year of trading of the nine Wyevalues and the contribution from the seven Wyevalues. Payroll costs were also well controlled, falling from 21.5% of turnover to 20.9%.

The Company enjoys a healthy financial position with net assets of £15.5m and funding available from its ultimate parent company to continue its planned growth strategy.

Key performance indicators

Turnover grew by 53% in total and by 10% on a like-for-like basis. This reflects the first full year of trading of the nine garden centres acquired from Wyevale in August 2018 and the additional seven garden centres acquired in September 2019 from Wyevale.

Our gross margin increased from 51.4% to 51.5%. Operating profit margin improved from 4.1% to 5% and return on capital employed rose from 7.6% to 10.9%.

Average cost per employee decreased by x% whilst average turnover per employee increased by 1%.

Our stock turn improved from 3.0 to 3.3 overall, which reflects the impact of the Wyevalues. We will be focused on improving this to 4.5 in the medium-term.

Blue Diamond UK Limited
Strategic Report (continued)
For the Year Ended 31 December 2019

Principal risks and uncertainties

It is inevitable that the Company will face some risks and uncertainties, of which the main ones are the following:

Weather risk

Unseasonal weather can significantly affect sales, which then cannot be recovered because of the defined patterns of the gardening season. This is what the Company and the Industry suffered in 2012 and 2013. We manage this risk by diversifying our product offering into areas that are less affected by the weather, such as home, pet care and restaurants.

Economic risk

Like all retailers, the Company is exposed to economic weakness and falls in consumer confidence. The last ten years have been very difficult since the onset of the financial crisis in 2008, but we manage this by adopting strict cost control and focusing on working capital management, as well as ensuring our prices are competitive and our offering is tailored to our target market, the ABC1 customer.

Competition risk

Although the garden centre industry remains fairly fragmented, it is consolidating rapidly. We are focused on our competitive position and intend to participate in the consolidation of the industry to build scale and harvest all the benefits that brings, and we will remain ruthlessly devoted to our target market, the ABC1 customer, offering them the environment, service and product range they demand.

Funding risk

The Company is dependent on its ultimate parent company for funding. The ultimate parent company enjoys an excellent relationship with its bank, offers material asset backing, has access to sufficient finance and currently benefits from low interest rates. The Company is regularly monitoring this and is focused on managing its cash flows and working capital.

Employee risk

The success of the Company is dependent on the recruitment, retention and motivation of its employees, particularly directors and managers. The Company offers competitive remuneration packages, the opportunity of an interesting career and progression, develops and trains its employees and communicates with them regularly by both telling and listening.

COVID-19 risk

The coronavirus represents a major health, social and economic risk that is affecting customers' ability to purchase (both physically and financially) and retailers' ability to provide their service. Supply chains are being disrupted and the UK Government is having to shut down large parts of society and the economy. Our response to this risk is articulated below.

Future developments

It is disheartening that after such a positive year in 2019, the result has been completely eclipsed by the impact of the global pandemic COVID-19. COVID-19 led to the statutory closure of our garden centres on 23 March, which could not have happened at a worse time when the core gardening season was about to start. We make about 90% of our profits during this period.

Sales have inevitably collapsed this period but we have taken all the necessary steps to secure the survival of the business, including the launch of a home delivery and online operation that has proven to be more successful than expected and has provided a lifeline to the Company. In addition, we have furloughed a material proportion of our employees whilst we monitor rigorously the cost of those employees still working in the business, taken advantage of the rates-free period offered by the UK Government, received support from our landlords, reduced all controllable costs practically down to zero and negotiated payment plans with our suppliers that meets both their needs and ours.

Blue Diamond UK Limited
Strategic Report (continued)
For the Year Ended 31 December 2019

Future developments (continued)

As I write this report, the garden centres have re-opened on 13 May 2020 with all the required social distancing and health protection measures in place, whilst most of the restaurants will re-open in July 2020.

Early signs are positive that customers will spend on gardening and plants as they seek to enjoy what remains of the gardening season and to enhance their homes and gardens where they are having to spend a lot of their time during the lockdown.

However, there is still much uncertainty over the future and how COVID-19 will affect consumers and our business, both in the short-term as far as future waves of the virus are concerned and in the medium to long-term as far as it affects consumer behaviour and incomes.

The full-year outcome for 2020 is impossible to forecast, although it will likely be worse than 2019.

Blue Diamond UK Limited is strong enough to manage the impact of COVID-19, thanks to the actions we have taken, the support of our stakeholders and the stability of our ultimate parent company. The next few years may be weaker than recent ones as economic activity recovers and we adapt to the social changes the virus will impose, but we will continue to focus on our customers, look after our employees, support our suppliers and invest in the business as we await the upturn that will certainly come. Please note the disclosures on going concern in the Directors' Report and note 23.

I would like to thank all our customers, employees, suppliers, landlords, local authorities and the UK Government for the incredible support they have given us during this extraordinarily difficult time. Our survival would not be possible without them, but we recognise that the health and safety of our fellow human beings has to be the main priority and we will always play our part in securing this.

Section 172 (1) Statement

Promoting the success of the company

Background

This is the first year that large companies must publish a statement describing how their Directors have complied with Section 172 (1) of the Companies Act 2006. Section 172 (1) requires Directors to act in the way they consider would be most likely to promote the success of their company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- (a) the likely long-term consequences of decisions;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between the company's owners.

This statement outlines how the Board of Blue Diamond UK Limited take these factors into account in their decision-making.

Who is our member?

Blue Diamond UK Limited is a wholly-owned subsidiary of Blue Diamond Trading Limited, a company registered and controlled in Guernsey. Blue Diamond Trading Limited is in turn a wholly-owned subsidiary of Blue Diamond Limited, a company also registered and controlled in Guernsey.

Blue Diamond UK Limited
Strategic Report (continued)
For the Year Ended 31 December 2019

Section 172 (1) Statement (continued)

Our purpose and values

Our company exists to offer our customers inspirational retailing with a point of difference. We offer style, emotion and innovation for the home and garden. We strive to create an aspirational environment for all our customers, one which secures their loyalty and guarantees their satisfaction.

We embrace the individual heritage and location of all our garden centres, respecting where they have come from and the communities they serve.

We encourage entrepreneurialism in our employees and empower them to make both decisions and a difference. We set aside a wholly 'corporate' approach with the intention of fostering creativity, authenticity and effectiveness, whilst still managing risk and safeguarding the health and safety of our stakeholders.

Strategy and risk

Our strategy is to grow our profits each year through a combination of organic expansion, acquisition and the development of both greenfield and existing sites.

We identify the key risks the business faces and ensure they are managed to acceptable levels.

Who are the company's key stakeholders?

Effective engagement with our stakeholders is critical to our success. Our shareholder is vitally important to both our funding and our operation, and both directors of the Company are also directors of our Parent Company and Ultimate Parent Company. We would not be able to provide our service or deliver the excellent standards that define us, if it were not for our amazing employees. We are focused on responding to the needs of, and building long-term relationships with, our customers. Other key stakeholders are the producers and suppliers that we purchase goods and services from, and the communities in which we operate. Our other major stakeholders are the seventeen landlords who own the freeholds of our properties.

Long-term sustainability

The directors take all decisions in the long-term interests of the Company. The key focus is on growth, which is essential for the survival of all businesses. Decisions on acquisitions such as that of the Wyevale 7 are made to improve the financial strength, customer relevance and competitive position of the Company. The long-term sustainability of the Company is at the forefront of decision-making, particularly in response to the structural changes like the internet that have affected retail in recent years, and in 2020 the impact of the Coronavirus pandemic. The Directors review the performance of the Company against its competitors every month using information supplied by the Garden Centre Association.

Employees

Our employees are the heart of everything we do and embody the driving ethos of the Company, that of offering our customers a point of difference. We recognise talent and achievement by seeking firstly to promote from within. We offer a development programme that allows our employees to learn and progress, particularly in customer service. We strive to attract and retain the best employees by offering a stimulating environment where their opinion matters and by providing an attractive remuneration package. We celebrate the achievements of all our employees at our Annual Awards Do and invite employees to participate in product development initiatives for all of our categories. Many of our employees are also shareholders in the Ultimate Parent Company.

Employees receive updates on the Company's performance from regular dialogue with management, email updates and the Annual Awards Do. The Directors are accessible at all times and visible through their regular site visits to the stores. Employees are encouraged and empowered to make a difference and make decisions, which are celebrated if successful and used as a learning tool if not.

Blue Diamond UK Limited
Strategic Report (continued)
For the Year Ended 31 December 2019

Section 172 (1) Statement (continued)

Customers

Our customers are at the heart of everything we do and we recognise that we would not have a business without their support and loyalty, which we endeavour to cultivate. We aim to build long-term relationships with our customers and maximise their enjoyment and appreciation of their homes and gardens, which both play such a central role in their lives.

We have developed a customer loyalty programme that now has over 500,000 members. We use this as a method of communicating with our customers and to offer them opportunities that are not available to others. We track the financial contribution our loyalty customers make to our business. We make full use of social media to communicate with our customers and encourage their engagement. We make a point of responding to all customers. We ask customers to communicate with us by using our customer feedback portal and ensure we respond to all enquiries, resolve the issues and learn from them. The Directors review all customer feedback daily.

Producers and suppliers

Our success as a retailer depends on a robust, mutually beneficial, trusted and transparent supply chain. We aim to conduct all of our business relationships with integrity and expect the same from our suppliers. We work closely with a number of producers and suppliers from many different countries. It is the strength of our relationships with suppliers that allows us to offer high-quality, value for money products to our customers.

The relationships with our suppliers are managed by the Heads of each Category and there is regular dialogue between them. We monitor our payment practices every month and report to the relevant authorities twice a year. The Directors are accessible to suppliers and there is frequent communication between both parties. The period of lockdown resulting from COVID-19 demonstrated the strength of the relationships between the Company and its suppliers because we took the approach that we needed to be open and honest with suppliers, communicate with them, agree payment plans and deliver on what we promised. Many suppliers have thanked us for this approach and we have certainly benefited post-lockdown from the approach we took in that our stock availability has been better than a number of our competitors.

Landlords

The Directors have direct relationships with all our landlords and high-level, strategic communication occurs at this level whilst operational issues are managed at centre-level. We recognise the contribution of our most important physical asset and take every step to ensure that all our actions take into account the owners of our properties. The response of our landlords to the financial damage wrought by the Coronavirus demonstrates again the strength of our key relationships, with nearly all of our landlords offering a rental discount to compensate for our losses.

Community and environment

The Company aims to contribute to the wellbeing of the communities where it operates, including those which create and grow our products and minimise any detrimental effect its operations may have on the environment. Employees are encouraged to support their local communities through volunteering opportunities and the Company continues to support programmes that contribute to causes that enhance society.

We have launched a biodegradable shopping bag that is better for the environment, we support a number of charities such as Greenfingers and local events such as the Malvern Show and RHS events, and we embrace ethically-sourced, environmentally-friendly products such as Eco-Orchids and real Christmas trees. We are aware of the impact many of our products have on the environment and comply with all environmental and regulatory obligations as well as ensuring our suppliers do the same.

Blue Diamond UK Limited
Strategic Report (continued)
For the Year Ended 31 December 2019


Section 172 (1) Statement (continued)

Acting fairly as between the Company's owners

This is not relevant to the Company because there is only one owner.

Approval

This Strategic Report was approved by the Board and signed on its behalf by:


.....

R. J. Hemans
Director

Date: 23/9/20

Blue Diamond UK Limited
Directors' Report
For the Year Ended 31 December 2019

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

Results and dividends

The results of the Company for the year are set out in detail in page 9.

The Company did not pay an interim dividend during the year (2018: £nil) and the Directors do not intend to declare a final dividend for the year (2018: £nil).

Going concern

As a result of the novel coronavirus pandemic (COVID-19) declared in March 2020, there has been a substantial impact on the Company's trading results post year end due to the lockdown imposed by the UK Government. Please refer to note 23 for further information.

The Board has reviewed a number of scenarios including what it considers to be the worst case of double-digit like-for-like sales declines against 2019 in 2020 and 2021, along with the additional actions that it could take to mitigate the impact including the sale of surplus land, a redundancy programme, significant cost reductions and the issue of new shares in the Ultimate Parent Company, and has concluded that the Company remains a going concern.

Furthermore, the development of the Company's online and home delivery operation continues apace with expansion into our Home, Fashion and Christmas products, and would provide further protection for the business that has not been factored into the worst case scenario.

Accordingly, the Directors are satisfied that the Company will continue to meet its liabilities as they fall due and have adopted the going concern basis of preparation in the financial statements.

Blue Diamond UK Limited
Directors' Report (continued)
For the Year Ended 31 December 2019

Directors

The Directors who served during the year and to date were:

A. Roper
R. J. Hemans

Disabled employees

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Company's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Company. Retraining of employees who become disabled whilst employed by the Company is offered where appropriate.

Employee involvement

As with all growing companies, finding the right people is a constant challenge. This is particularly difficult for us as our ethos is different from those in our sector. We have recognised that our best people have come from within and are very pleased that many of our employees are developing into fine department heads, managers and category managers over the last year.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and the Company as a whole.

Matters covered in the Strategic Report

The principal activity, business review and information on likely future developments in the business of the Company are included in the Strategic Report on pages 1 to 3.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

The events materially affecting the Company since the year end are set out in note 23 to the Financial Statements.

Blue Diamond UK Limited
Directors' Report (continued)
For the Year Ended 31 December 2019

Independent auditor

Under section 487(2) of the Companies Act 2006, BDO Limited will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Approval

This Directors' Report was approved by the Board and signed on its behalf by:



.....
R. J. Hemans
Director

Date: 23/9/20

Opinion

We have audited the financial statements of Blue Diamond UK Limited ("the Company") for the year ended 31 December 2019, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Emphasis of matter - Impact of COVID-19

We draw attention to note 23 of the Financial Statements, which describes the impact of COVID-19 on the business after the balance sheet date. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic Report and Directors' Report.

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

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

Responsibilities of the Directors

As explained more fully in the Directors' Responsibilities Statement in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

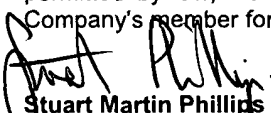
In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located at the FRC's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's member 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 member those matters we are required to state to the member 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 member for our audit work, for this report, or for the opinions we have formed.


Stuart Martin Phillips (Senior Statutory Auditor)
For and on behalf of BDO Limited, Statutory Auditor
Place du Pre
Rue du Pre
St Peter Port
Guernsey

Date: 25 September 2020

Blue Diamond UK Limited
Statement of Income and Retained Earnings
For the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	151,137	98,850
Cost of sales		(73,345)	(47,997)
Gross profit		<u>77,792</u>	<u>50,853</u>
Administrative expenses		(73,204)	(48,475)
Other operating income		3,685	1,680
Operating profit	4	<u>8,273</u>	<u>4,058</u>
Interest payable	6	(1,084)	(549)
Profit before tax		<u>7,189</u>	<u>3,509</u>
Tax on profit	7	(1,451)	(712)
Profit for the financial year		<u><u>5,738</u></u>	<u><u>2,797</u></u>
Retained earnings at the beginning of the year		7,986	5,189
Profit for the year		5,738	2,797
Retained earnings at the end of the year		<u><u>13,724</u></u>	<u><u>7,986</u></u>

All of the amounts included above relate to continuing activities.


The notes on pages 14 to 31 form part of these financial statements.

Blue Diamond UK Limited
Registered number: 02421720 (England and Wales)

Statement of Financial Position
As at 31 December 2019

		2019	2019	As restated	As restated
	Note	£000	£000	2018	2018
				£000	£000
Fixed assets					
Intangible assets	8		2,487		2,505
Tangible assets	9		50,268		38,214
Investments	10		9,564		9,490
			<u>62,319</u>		<u>50,209</u>
Current assets					
Stocks	11	22,124		15,958	
Debtors	12	5,196		3,926	
Cash at bank and in hand		1,574		1,432	
		<u>28,894</u>		<u>21,316</u>	
Creditors: amounts falling due within one year	13	(17,776)		(16,630)	
Net current assets			<u>11,118</u>		<u>4,686</u>
Total assets less current liabilities			<u>73,437</u>		<u>54,895</u>
Creditors: amounts falling due after more than one year	14		(58,712)		(45,908)
Net assets			<u>14,725</u>		<u>8,987</u>
Capital and reserves					
Share capital	16		626		626
Share premium account			375		375
Profit and loss account			13,724		7,986
Total equity			<u>14,725</u>		<u>8,987</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:


.....
R. J. Hemans
Director

Date: 23/9/20

The notes on pages 14 to 31 form part of these financial statements.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

1. General information

Blue Diamond UK Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the principal activity is set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been consistently applied:

2.2 FRS 102 - reduced disclosure exemptions

In preparing the financial statements of the Company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- No cash flow statement or net debt reconciliation has been presented for the Company;
- Disclosure in respect of the categories of financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the group as a whole.

This information is included in the consolidated financial statements of Blue Diamond Limited as at 31 December 2019 and these financial statements may be obtained from the registered address of the head office as set out on the Company Information page.

2.3 Going concern

The novel coronavirus pandemic (COVID-19) declared in March 2020 has had a significant impact on the Company's trading results in 2020 and will likely do so to some lesser extent in 2021. Please see the disclosure in the Directors' Report and note 23, which sets out the Directors' rationale for the adoption of the going concern basis in the preparation of the financial statements.

2.4 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent company, Blue Diamond Limited, and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.5 Turnover

Turnover comprises revenue from garden centres and is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of returns, Value Added Tax, other sales taxes and discounts. Sales of goods are recognised at the point of sale to the customer when the Company has transferred the significant risks and rewards of ownership to the buyer.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.6 Other operating income

Other operating income includes concession rental income, which is recognised in the Statement of Income and Retained Earnings over the period of the lease.

2.7 Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight-line basis over the lease term.

Operating lease incentives received to enter into lease agreements are released to the Statement of Income and Retained Earnings over the term of the lease. The unamortised balance is recognised in creditors.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Finance costs

Finance costs are charged to the Statement of Comprehensive over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Intangible assets - Goodwill

Goodwill represents the amount by which the purchase consideration for the acquisition of a business exceeds the fair value to the Company of the separable net assets acquired. Negative goodwill represents the amount by which the fair value of the separable net assets of a business acquired exceeds the purchase consideration. Goodwill is initially recognised at cost and is subsequently measured at cost less accumulated amortisation and impairment, if applicable.

Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised to 'administrative expenses' over 10 to 20 years. Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and other assumptions that market participants would consider in respect of similar businesses.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold land	- Not depreciated
Freehold buildings	- 40 - 50 years
Leasehold improvements	- 10 - 35 years, limited to the lease term
Motor vehicles	- 4 years
Furniture, fixtures and equipment	- 3 - 10 years
Computer equipment	- 3 - 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

2.12 Revaluation of tangible fixed assets

Freehold land and buildings property are initially recognised at cost and subsequently carried at fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair values are determined from market-based evidence obtained by independent professionally qualified valuers every three years. The Directors carry out desktop reviews of the fair values in between the independent valuations to ensure that the amounts do not differ materially from that which would have been determined using independent valuations at the reporting date.

Revaluation gains and losses are recognised in Other Comprehensive Income unless losses exceed the previously recognised gains in which case the excess losses are recognised in the Statement of Income and Retained Earnings. Any reversals of such losses are also recognised in the Statement of Income and Retained Earnings.

The Directors consider that the freehold buildings used as trading properties are maintained in such a high state of repair that their residual value is at least equal to their net book value. As a result, the corresponding depreciable amount would not be material and therefore no depreciation expense is charged in the Statement of Income.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.13 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Investment in associated undertaking

An entity is treated as an associated undertaking where the Company exercises significant influence in that it has the power to participate in the operating and financial policy decisions but not control.

The investment in associated undertaking is initially recognised at the transaction price (including transaction costs) and is subsequently carried at cost less any impairment.

2.15 Stocks

Stocks, which comprise retail goods for resale, are stated at the lower of cost and net realisable value after making due provision for damaged, obsolete or slow moving items.

Cost is calculated using the weighted average method and includes all costs incurred in bringing each product to its present location and condition. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

2.16 Supplier income

The price that the Company pays suppliers for goods is determined through negotiations with suppliers regarding both the list price and a variety of rebates and discounts. The principal categories of rebate income are in the form of volume and marketing rebates.

Volume rebates are earned on purchases from the supplier and are recognised over the period set out in the supplier agreement.

Marketing rebates include promotions, mark downs and marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific products.

Rebate income is recognised when the Company has contractual entitlement to the income, the income can be estimated reliably, and when it is probable the income will be received. Rebate income recognised is recorded against cost of sales and stocks, which is adjusted to reflect the lower purchase cost for the goods on which a rebate is earned. Depending on the agreement with suppliers, rebate invoices are either received in cash from the supplier or netted off against payments made to suppliers. Rebates receivable at the year-end are presented as trade debtors.

2.17 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities including trade and other receivables, trade creditors and loans from related parties.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.19 Cash at bank and on hand

Cash is represented by cash in hand, current bank accounts and deposits with financial institutions with maturities of three months or less and are subject to insignificant risk of change in value.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Current and deferred taxation

The tax expense for the year comprises of current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income or expense recognised directly in equity is also recognised directly in equity respectively.

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.22 Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

2.23 Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following significant judgements and key estimates:

Goodwill:

Goodwill arising on the acquisition of garden centres and restaurants is amortised over 20 years because these are long term investments that are expected to last 20 years. They are reviewed annually for any signs of impairment.

No impairment of goodwill is required because the recoverable amounts exceed their carrying amounts based on management's assessment of market conditions and financial and operating performances.

Tangible fixed assets:

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

No impairment of fixed assets is required because the recoverable amounts exceed their carrying amounts based on management's assessment of market conditions and financial and operating performances.

Stocks:

Determining stock provisioning involves estimating the realisable value of the stocks held by the Group. Calculating the recoverable realisable value of stocks requires a degree of estimation in terms of the likely demand and prices for individual stock items. Management monitor demand very closely and continue to ensure that any changes in the market are appropriately reflected in their assessments.

Acquisition accounting:

During the prior year, the Company acquired the trade and assets of Wyvale Garden Centres. Following the acquisition an exercise was undertaken in accordance with FRS 102, in order to calculate the fair value of the acquired assets and liabilities. In carrying out the fair value exercise, stocks were reviewed and subsequently adjusted for, based primarily on a revised ranging strategy which contemplated a shift/discontinuation of certain sub-categories.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

4. Turnover and operating profit

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

The operating profit is stated after charging/(crediting):

	2019	2018
	£000	£000
Amortisation of goodwill	148	161
Amortisation of negative goodwill	(27)	(25)
Depreciation of tangible fixed assets	3,495	2,245
Profit on disposal of tangible assets	(9)	-
Net foreign exchange losses	1	2
 Fees payable to the Company's auditor:		
- Audit fee pursuant to legislation	47	40
- Other assurance services	5	4
 Operating lease rentals: land and buildings	-	4,269
Other operating income: concession rents receivable	(3,574)	(1,649)
	<u> </u>	<u> </u>

Operating profit is stated after charging management fees totalling £7,469,304 (2018: £5,347,803) payable to the parent company and the ultimate parent company. The Directors and other key management personnel did not receive any emoluments from the Company during the year (2018: £nil). An element of management fees relates to the provision of services by certain directors and key management personnel who are employed by the parent and ultimate parent companies.

5. Employees

Staff costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	29,470	19,838
Social security costs	1,777	1,202
Cost of defined contribution scheme	422	184
	<u>31,669</u>	<u>21,224</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2019	2018
	No.	No.
Management	55	40
Retail	2,977	2,247
	<u>3,032</u>	<u>2,287</u>

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

Employees (continued)

Employees are eligible to join a Group Personal Pension Plan operated by Aviva and offered through Blue Diamond Limited (note 24). This is a defined contribution pension scheme whereby funding is based on a fixed percentage of salary and the assets of the scheme are held separately from those of the Company in an independently administered fund. During the year the Company's contributions to the fund amounted to £59,711 (2018: £33,748).

The Company also pays contributions on behalf of certain of its employees to the National Employment Savings Trust ("NEST"), which is a pension scheme set up by the UK Government. The pension costs charged in these financial statements includes contributions to NEST for the year amounting to £362,010 (2018: £150,418).

6. Interest payable

	2019	2018
	£000	£000
On loan from ultimate parent company	1,078	542
On finance leases	6	6
Other interest payable	-	1
	<u>1,084</u>	<u>549</u>

7. Taxation

	2019	2018
	£000	£000
UK corporation tax		
Current tax on profits for the year	1,152	512
Adjustments in respect of previous periods	1	64
Total current tax	<u>1,153</u>	<u>576</u>
Deferred tax		
Origination and reversal of timing differences	184	148
Adjustments in respect of previous periods	114	(12)
Total deferred tax	<u>298</u>	<u>136</u>
Taxation on profit	<u><u>1,451</u></u>	<u><u>712</u></u>

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of UK corporation tax of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	7,189	3,509
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,366	667
Effects of:		
Expenses not deductible for tax purposes	-	27
Non-taxable income	(14)	-
Adjustments to tax charge in respect of prior periods	115	52
Deferred tax rate difference	(1)	(17)
Group relief	(15)	(17)
Total tax charge for the year	1,451	712

Factors that may affect future tax charges

Although the UK tax rate for 1 April 2020 was previously announced to reduce to 17%, subsequent to the year end, the Government has announced the rate will remain at 19%.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

8. Intangible assets

	Goodwill £000	Negative goodwill £000	Total £000
Cost			
At 1 January 2019	3,355	(508)	2,847
Arising from business combinations (note 17)	130	-	130
	<u>3,485</u>	<u>(508)</u>	<u>2,977</u>
At 31 December 2019			
	<u>3,485</u>	<u>(508)</u>	<u>2,977</u>
Amortisation			
At 1 January 2019	605	(263)	342
Charge for the year	174	(26)	148
	<u>779</u>	<u>(289)</u>	<u>490</u>
At 31 December 2019			
	<u>779</u>	<u>(289)</u>	<u>490</u>
Net book value			
At 31 December 2019	<u>2,706</u>	<u>(219)</u>	<u>2,487</u>
At 31 December 2018	<u>2,750</u>	<u>(245)</u>	<u>2,505</u>

At 31 December 2019, the carrying amount of goodwill attributable to Coton Orchard Garden Centre, following the acquisition of the three concessions in 2017 and the garden centre in 2016 is £948,491 (2018: £1,003,000). The remaining amortisation period of this goodwill is 19 years. At 31 December 2019, the carrying amount of goodwill in relation to Trelawney Garden Centre, which is also individually material, is £772,657 (2018: £824,000), with a remaining amortisation period of 16 years.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Tangible fixed assets

	Freehold property £000	Leasehold improve- ments £000	Motor vehicles £000	Furniture, fixtures and equipment £000	Computer equipment £000	Total £000
Cost						
At 1 January 2019	10,415	20,229	348	15,995	1,805	48,792
Additions	-	1,474	179	3,933	580	6,166
Acquired in business combinations (note 17)	8,037	644	-	716	-	9,397
Disposals	-	-	(14)	(15)	-	(29)
At 31 December 2019	18,452	22,347	513	20,629	2,385	64,326
Depreciation						
At 1 January 2019	-	2,476	277	6,991	834	10,578
Charge for the year	-	998	57	2,043	397	3,495
Disposals	-	-	(14)	(1)	-	(15)
At 31 December 2019	-	3,474	320	9,033	1,231	14,058
Net book value						
At 31 December 2019	18,452	18,873	193	11,596	1,154	50,268
At 31 December 2018	10,415	17,753	71	9,004	971	38,214

Security

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £000	2018 £000
Furniture, fittings and equipment	-	76

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

10. Investments

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost			
At 1 January and 31 December 2019	8,350	-	8,350
Prior year adjustment (note 18)	-	1,140	1,140
	<hr/>	<hr/>	<hr/>
At 1 January 2019 (as restated)	8,350	1,140	9,490
Share of profit for the year	-	74	74
	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>8,350</u>	<u>1,214</u>	<u>9,564</u>

Investments in subsidiary companies

The Company owns the whole of the allotted ordinary share capital of Chatsworth Garden Centre Limited and Newbridge Nurseries Limited, both incorporated in England.

The principal activity of Chatsworth Garden Centre Limited is that of a garden centre retailer and its financial year end is 31 December. The profit before tax for the year ended 31 December 2019 for Chatsworth Garden Centre Limited was £222,035 (2018: £148,248) and its net assets at 31 December 2019 were £1,021,515 (2018: £799,480). The trade and net assets of Chatsworth Garden Centre Limited were transferred to Blue Diamond UK Limited on 31 December 2019. The subsidiary will become dormant in the second half of 2020.

Newbridge Nurseries Limited ceased trading on 31 December 2015 after transferring its net trading assets to the Company and is currently dormant. The net assets of the Company at 31 December 2019 were £8,682,104 (2018: £8,682,104).

Investment in associated undertaking

The Company owns 25% of the issued share capital of Milton Park (Dorset) Limited, a company registered in England and Wales, with the principal activity of a garden centre. The Company is party to a put and call option with the Sellers to acquire the remaining 75% of the ordinary shares in April 2020 for £1,837,500 adjusted for RPI between May 2018 and April 2020.

Subsequent to the year end, the Sellers have exercised the put option but completion of the option has been deferred until 31 May 2021 (note 23).

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

11. Stocks

	2019	2018
	£000	£000
Goods for resale	22,124	15,958

Goods for resale are disclosed net of a provision for slow moving and obsolete stock of £493,000 (2018: £559,966). An impairment reversal of £66,996 (2018: £129,982) was recognised in cost of sales against stock as a movement in the provision.

12. Debtors

	2019	2018
	£000	£000
Trade debtors	523	371
Other debtors	345	479
Prepayments	4,141	2,756
UK corporation tax recoverable	-	22
Deferred taxation (note 15)	187	298
	<u>5,196</u>	<u>3,926</u>

13. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	11,082	11,086
Other taxes and social security	4,302	3,877
Accruals	1,818	1,574
Lease incentive (note 14)	34	-
UK corporation tax payable	495	-
Obligations under finance leases	45	93
	<u>17,776</u>	<u>16,630</u>

Assets secured under the obligation under finance lease agreements are disclosed in note 9.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

14. Creditors: amounts falling due after more than one year

	2019	As restated
	£000	2018
		£000
Lease incentive	953	-
Amount due to Blue Diamond Limited	57,759	45,908
	<u>58,712</u>	<u>45,908</u>

The lease incentive is amortised over the term of the lease of 30 years. The amounts falling due in over 5 years total £816,078.

The amount due to Blue Diamond Limited, the ultimate parent company, is unsecured, bears interest at 1.5% (2018: 1.5%) above the one-month LIBOR rate on the net amount payable and is repayable on demand. The Directors have received assurances from the ultimate parent company that it will not require repayment of the loan within at least twelve months from the date of approval of these financial statements.

15. Deferred taxation

	2019	2018
	£000	£000
At beginning of year	298	(352)
Charged to profit	(298)	(135)
Arising on business combinations (note 17)	187	785
At end of year	<u>187</u>	<u>298</u>

The provision for deferred tax is made up as follows:

	2019	2018
	£000	£000
Accelerated capital allowances	<u>187</u>	<u>298</u>

16. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
626,000 ordinary shares of £1 each	<u>626</u>	<u>626</u>

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

17. Business combinations

In September 2019 the Company acquired the business and trading assets of seven Wyevale Garden Centres and Bridgemere Nurseries. In calculating the goodwill arising on acquisition, the fair value of net assets acquired have been assessed and adjustments from book value have been made where necessary.

	Book value £000	Fair value adjustment £000	Fair value £000
Fixed assets			
Tangible	11,281	(2,000)	9,281
Stocks	1,706	(130)	1,576
Deferred tax on differences between fair values and tax bases (note 15)	-	187	187
Total assets	<u>12,987</u>	<u>(1,943)</u>	<u>11,044</u>
Creditors			
Due within one year	(96)	-	(96)
Net assets	<u>12,891</u>	<u>(1,943)</u>	<u>10,948</u>
Goodwill (note 8)	130	-	130
Total purchase consideration (including expenses of £352,192)	<u><u>13,021</u></u>	<u><u>(1,943)</u></u>	<u><u>11,078</u></u>

The useful economic life of goodwill has been estimated to be 10 years.

The results for the garden centres since date of acquisition are as follows:

	Current period since acquisition £000
Turnover	<u>5,074</u>
Profit for the year	<u><u>541</u></u>

18. Prior year adjustment

The opening balances are restated to reflect the Company's investment in associated undertaking, Milton Park (Dorset) Limited that was acquired in the year ended 31 December 2018 (note 10). Previously, the investment was accounted for in the Company's Ultimate Parent Company, Blue Diamond Limited. There was no impact in the reported earnings brought forward of the Company and the investment with a cost of £1,140,462 was transferred in from the Company's loan account with Blue Diamond Limited as disclosed in note 14.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

19. Contingent liabilities

The Company is party to a composite cross guarantee agreement for the loan and overdraft facilities of its ultimate parent company with The Royal Bank of Scotland International Limited (trading as NatWest International). At the year end the liabilities covered by the guarantee totalled £36,166,667 (2018: £40,463,215). In the opinion of the Directors, no liability to the Company is expected to arise as a result of this guarantee.

20. Capital commitment

The Company is party to an option exercised post year end as set out in notes 10 and 23.

21. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	12,790	10,754
Later than 1 year and not later than 5 years	50,006	42,516
Later than 5 years	272,757	249,326
	<u>335,553</u>	<u>302,596</u>

The future minimum lease payments receivable by the Company under non-cancellable operating leases are as follows:

	2019 £000	2018 £000
Not later than 1 year	3,584	2,411
Later than 1 year and not later than 5 years	4,590	4,024
Later than 5 years	428	29
	<u>8,602</u>	<u>6,464</u>

22. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

The amount due to and terms with the ultimate parent company are set out in note 14.

Blue Diamond UK Limited
Notes to the Financial Statements
For the Year Ended 31 December 2019

23. Post balance sheet events

Business impact of COVID-19

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

COVID-19 is a developing situation and as of 15 September 2020 its assessment will need continued attention and will evolve over time. In the view of the Directors, consistent with many others in our industry, COVID-19 is considered to be a non-adjusting event after the reporting period and no adjustment is made in the financial statements as a result.

The rapid development and fluidity of the COVID-19 virus makes it difficult to predict the ultimate impact at this stage. On 23 March the UK Government ordered the closure of all our garden centres and restaurants, just as the key gardening season was about to begin. The Company was facing an unknown period of no sales but the Directors took a number of actions to generate and conserve cash. These included the development of an online and home delivery operation that generated nearly £9m of sales excluding VAT during the period of lockdown, the utilisation of the UK Government's employee furlough schemes and the deferral of tax liabilities, capital expenditure and bonuses.

Furthermore, we negotiated an additional short-term borrowing facility with the Group's bank. We retain the strong support of RBSI and expect to discuss the renewal of all our Group banking facilities in late summer 2020, for which they have indicated a positive appetite.

We also agreed to defer the purchase of the remaining shares in Orchard Park Garden Centre until May 2021 (as discussed below) and we have been in negotiations with our landlords to achieve viable levels of rent for the periods of closure and reduced trade.

On 13 May the UK Government authorised the re-opening of our garden centres and our restaurants re-opened in July. Trade has recovered well in our garden centres since re-opening as we benefit from the remainder of the gardening season and consumers take advantage of our destination status during lockdown and look to improve their home and garden during their enforced isolation, but this is clawing back only a proportion of the lost sales. This underlines there is still strong demand for our offer but there remains uncertainty in relation to demand as we move out of the gardening season into the second half of the year when our restaurant and non-gardening offer predominate. There is also the risk of a second wave of the virus that could lead to a further lockdown and it is difficult to predict the medium- to long-term impact on consumer shopping habits.

Having taken all these measures into account, as explained in note 2.3 of the financial statements, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

Milton Park option

On 26 May 2020, the Sellers exercised the put option calculated at £1,960,384 in relation to the acquisition of Milton Park (Dorset) Ltd, with 5% of the option price payable on exercise and a further 5% payable six months from the exercise date.

The balance is payable on 31 May 2021, with the final settlement amount to be increased by the higher of 3% or RPI. The completion of the option is secured as follows:

- Milton Park (Dorset) Ltd will provide a guarantee for the payment of the option price, which will be secured by fixed and floating charges over its assets;
- Any intercompany indebtedness owed by Milton Park (Dorset) Ltd to Blue Diamond Ltd or its group companies will be waived or converted into deferred shares at the Seller's option; and
- The rent payable under the lease would be subject to a market rate rent review.

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23. Post balance sheet events (continued)

Milton Park option (continued)

As part of the completion deferral, the Group has also entered into a commitment to continue to fund Milton Park's working capital until 31 May 2021.

24. Ultimate parent undertaking and controlling party

In the opinion of the Directors, the Company's ultimate parent company and ultimate controlling party is Blue Diamond Limited, a company registered in Guernsey. This is the largest and smallest group into which the Company's results are consolidated. Copies of Blue diamond Limited's consolidated financial statements are available from its registered office at Rue du Friquet, Castel, Guernsey, GY5 7SS.

The Company's parent company is Blue Diamond Trading Limited, a company registered in Guernsey.