

## **Blue Diamond UK Limited**

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number: 02421720 (England & Wales)



# Blue Diamond UK Limited

## Company Information

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Directors	A. Rope 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 2018**

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The Directors present their strategic report of Blue Diamond UK Limited (the "Company") for the year ended 31 December 2018.

#### **Business review and principal activity**

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

By any standards, 2018 was a dramatic year for Blue Diamond UK. Our biggest garden centre opening ever, the acquisition of nine centres from Wyevale, a sale-and-leaseback of Brambridge Park Garden Centre and extraordinary swings in weather all played their part. I am very pleased to report that we have navigated them all with success.

Total sales were 42% up, but excluding the former Wyevales, they were 22% up. On a like-for-like basis without the contribution from East Bridgford the increase was 8%. I am pleased to report that the majority of centres showed good growth, with particularly strong sales in Coton and Derby following their refits in 2017. Profit before tax increased from £2.9m in 2017 to £3.5m in 2018, a rise of 22%.

2018 was a year the Group seized a rare opportunity for significant growth when we purchased nine Wyevale garden centres with an annual turnover of £37m. The purchase completed in mid-August and the significant task began to assimilate the businesses into the Group.

This scale of acquisition normally carries a degree of disruption, however with eight months having passed since the purchase I am pleased to say the integration has not had any detrimental impact upon either the team, the existing, or the new businesses. We naturally absorbed an operational loss from the Wyevale centres for the final four months of the year because sales did not include the key spring and summer gardening period and the fact that the centres were inherently in a poor state upon acquisition. A refurbishment programme to bring these tired businesses up to the Blue Diamond format and standard started in January of this year and will continue through to 2020.

The aim is to double the turnover of these businesses over the coming years, which is based on benchmarking their current performance relative to retail space against our performance. Early signs are encouraging, with sales for the first quarter of 2019 for the ex-Wyevales up 62% compared to the wider Group performance of 28%.

2018 also saw the opening of a new-build garden centre at East Bridgford near Nottingham. Named "Blue Diamond Garden & Home" at East Bridgford, this business is our first ever new-build centre to achieve nearly £10m turnover in its first trading year, which was only nine months due to opening at the end of March. Originally budgeted to achieve £10m sales in its third year, the centre has been widely recognised by both our customers and the industry as being a standard bearer.

Gross margin grew again by 0.3% to 51.4%. This would have been stronger were it not for the restaurants which experienced some margin erosion. This has been repaired. Like-for-like restaurant sales were down due to increased competition on one of our multi-retail sites and operational issues in a further two restaurants. These issues have been resolved.

#### **Financial key performance indicators**

Turnover grew by 42% in total and by 8% on a like-for-like basis. This reflects the inclusion of Bridgford Garden Centre, which opened in March 2018, and the acquisition of nine garden centres from Wyevale in August 2018.

Our gross margin increased from 51.1% to 51.4%. Operating profit margin declined from 4.7% to 4.1% as a result of start-up losses incurred in the former Wyevale sites, which also lowered our return on capital employed from 11.8% to 7.6%. This is expected to recover sharply in future years.

Excluding the Wyevales our stock turn improved from 4.1 to 4.4, which has already surpassed our next target of 4.3 as we continue our focus on stock management. We will now be focusing on a stock turn target of over 4.5 in the next couple of years.

# Blue Diamond UK Limited

## Strategic Report (continued)

### For the Year Ended 31 December 2018

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#### 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.

#### Future developments

The new financial year has started well. Given the very bad weather last year, we were expecting significant growth in the first few months and results have so far met or exceeded expectations. The Wyevale stores should start to make a significant contribution to our results in 2019 and so we are confident about the prospects for this year.

Looking further ahead, we see significant scope for continuing growth in the Wyevale stores, with more investment in refurbishment there. There are still several opportunities to enlarge existing Blue Diamond stores and we have identified some additional new build sites. Taken together, these provide a significant runway for investment and growth over the coming years.

This new business coupled with the growth from the recent acquisitions should see the Company's turnover approach £150 million within the next five years.

#### Approval

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



.....  
**R. J. Hemans**  
Director

Date:

8/7/19

# Blue Diamond UK Limited

## Directors' Report For the Year Ended 31 December 2018

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

### 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for the Company's financial statements 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;
- 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 to 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 8.

The Company did not pay an interim dividend during the year (2017: £nil) and the Directors do not intend to declare a final dividend for the year (2017: £nil).

### 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.

# Blue Diamond UK Limited

## Directors' Report (continued) For the Year Ended 31 December 2018

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### 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 and 2.

### 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

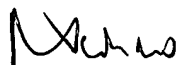
There have been no significant events affecting the Company since the year end.

### 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 report was approved by the Board and signed on its behalf by:



.....  
**R. J. Hemans**  
Director

Date:

8/7/19

## **Independent Auditor's Report to the Member of Blue Diamond UK Limited**

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### **Opinion**

We have audited the financial statements of Blue Diamond UK Limited ("the Company") for the year ended 31 December 2018, 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 2018 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.

### **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.



## Independent Auditor's Report to the Member of Blue Diamond UK Limited (continued)

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### 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.

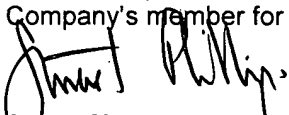
In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company 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 Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's 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: 09 July 2019

# Blue Diamond UK Limited

## Statement of Income and Retained Earnings For the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
<b>Turnover</b>	4	98,850	69,452
Cost of sales		(47,997)	(33,949)
<b>Gross profit</b>		50,853	35,503
Administrative expenses		(48,475)	(32,692)
Other operating income		1,680	431
<b>Operating profit</b>	4	4,058	3,242
Interest payable	6	(549)	(366)
<b>Profit before tax</b>		3,509	2,876
Tax on profit	7	(712)	(496)
<b>Profit for the financial year</b>		2,797	2,380
<b>Retained earnings at the beginning of the year</b>		5,189	2,809
Profit for the year		2,797	2,380
<b>Retained earnings at the end of the year</b>		7,986	5,189

All of the amounts included above relate to continuing activities.


The notes on pages 9 to 22 form part of these financial statements.

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

**Statement of Financial Position**  
**As at 31 December 2018**

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>Fixed assets</b>					
Intangible assets	8		2,505		2,509
Tangible assets	9		38,214		14,290
Investments	10		8,350		8,350
			<u>49,069</u>		<u>25,149</u>
<b>Current assets</b>					
Stocks	11	15,958		8,747	
Debtors	12	3,926		1,264	
Cash at bank and in hand		1,432		731	
		<u>21,316</u>		<u>10,742</u>	
Creditors: amounts falling due within one year	13	(16,630)		(8,417)	
<b>Net current assets</b>			<u>4,686</u>		<u>2,325</u>
<b>Total assets less current liabilities</b>			<u>53,755</u>		<u>27,474</u>
Creditors: amounts falling due after more than one year	14		(44,768)		(20,932)
Deferred tax	16		-		(352)
<b>Net assets</b>			<u>8,987</u>		<u>6,190</u>
<b>Capital and reserves</b>					
Share capital	17		626		626
Share premium account			375		375
Profit and loss account			7,986		5,189
<b>Total equity</b>			<u>8,987</u>		<u>6,190</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: 8/7/19

The notes on pages 9 to 22 form part of these financial statements.

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 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:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement or net debt reconciliation has been presented for the Company;
- Disclosure in respect of the categories of financial instruments is 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 2018 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 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.

#### 2.4 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 2018**

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**2. Accounting policies (continued)**

**2.5 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.

**2.6 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.

**2.7 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.

**2.8 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.

**2.9 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.

**2.10 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.

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.10 Tangible fixed assets (continued)

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.

#### 2.11 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. Any reversals of such losses are also recognised in the Statement of Income.

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.

#### 2.12 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.13 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.

# **Blue Diamond UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2018**

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### **2. Accounting policies (continued)**

#### **2.14 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.

#### **2.15 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.

#### **2.16 Debtors**

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

#### **2.17 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.

#### **2.18 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.

#### **2.19 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.

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.19 Current and deferred taxation

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.

#### 2.20 Share premium

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

#### 2.21 Profit and loss account

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

### 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 the Directors' assessment of market conditions and financial and operating performances.

#### **Tangible fixed assets:**

Tangible fixed assets are depreciated over their useful lives considering 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 considered.

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.



# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

#### **Acquisition accounting:**

During the year, the Company acquired the trade and assets of nine Wyevale 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.

### 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):	2018 £000	2017 £000
Amortisation of goodwill	161	141
Amortisation of negative goodwill	(25)	(25)
Depreciation of tangible fixed assets	2,245	1,521
Loss on disposal of tangible assets	-	10
Foreign exchange losses/(gains)	2	(6)
Fees payable to the Company's auditor:		
- Audit fee pursuant to legislation	40	30
- Other assurance services	4	4
Operating lease rentals: land and buildings	4,269	6,086
Other operating income: concession rents receivable	(1,649)	(410)
	<u>          </u>	<u>          </u>

Operating profit is stated after charging management fees totalling £5,347,803 (2017: £4,347,701) 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 (2017: £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:	2018 £000	2017 £000
Wages and salaries	19,838	13,501
Social security costs	1,202	822
Cost of defined contribution scheme	184	78
	<u>          </u>	<u>          </u>
	21,224	14,401
	<u>          </u>	<u>          </u>

**Blue Diamond UK Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**5. Employees (continued)**

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Management	40	36
Retail	2,247	1,323
	<u>2,287</u>	<u>1,359</u>

Employees are eligible to join a Group Personal Pension Plan operated by Aviva and offered through Blue Diamond Limited (note 22). 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 £33,748 (2017: £24,408).

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 £150,418 (2017: £53,652).

**6. Interest payable**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
On loan from ultimate parent company	542	356
On finance leases	6	9
Other interest payable	1	1
	<u>549</u>	<u>366</u>

**7. Taxation**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>UK corporation tax</b>		
Current tax on profits for the year	512	576
Adjustments in respect of previous periods	64	(77)
	<u>576</u>	<u>499</u>
<b>Total current tax</b>	576	499
<b>Deferred tax</b>		
Origination and reversal of timing differences	148	20
Adjustments in respect of previous periods	(12)	(23)
	<u>136</u>	<u>(3)</u>
<b>Total deferred tax</b>	136	(3)
	<u>712</u>	<u>496</u>
<b>Taxation on profit on ordinary activities</b>	712	496

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 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% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	3,509	2,876
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	667	554
<b>Effects of:</b>		
Expenses not deductible for tax purposes	27	29
Adjustments to tax charge in respect of prior periods	52	(100)
Tax rate change on opening balances	(17)	(3)
Fixed asset differences	-	31
Group relief	(17)	(15)
<b>Total tax charge for the year</b>	<b>712</b>	<b>496</b>

#### Factors that may affect future tax charges

The UK corporation tax main rate will decrease to 17% with effect from 1 April 2020. This rate was substantively enacted at the year end and is reflected in these financial statements.

### 8. Intangible assets

	Goodwill £000	Negative goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2018	3,223	(508)	2,715
Additions	132	-	132
At 31 December 2018	3,355	(508)	2,847
<b>Amortisation</b>			
At 1 January 2018	444	(238)	206
Charge for the year	161	(25)	136
At 31 December 2018	605	(263)	342
<b>Net book value</b>			
At 31 December 2018	2,750	(245)	2,505
At 31 December 2017	2,779	(270)	2,509

At 31 December 2018, 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 £1,003,000 (2017: £1,058,000). The remaining amortisation period of this goodwill is 19 years. At 31 December 2017, the carrying amount of goodwill in relation to Trelawney Garden Centre, which is also individually material, is £824,000 (2017: £876,000), with a remaining amortisation period of 16 years.

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 9. Tangible fixed assets

	Freehold property £000	Leasehold improve- ments £000	Motor vehicles £000	Furniture fixtures and equipment £000	Computer equipment £000	Total £000
<b>Cost</b>						
At 1 January 2018	-	10,152	296	11,594	902	22,944
Additions	-	2,027	52	4,082	903	7,064
Acquired in business combinations (note 18)	27,200	8,050	-	1,126	-	36,376
Disposals	(16,785)	-	-	(25)	-	(16,810)
Inter-group transfer	-	-	-	(782)	-	(782)
	<u>10,415</u>	<u>20,229</u>	<u>348</u>	<u>15,995</u>	<u>1,805</u>	<u>48,792</u>
At 31 December 2018	10,415	20,229	348	15,995	1,805	48,792
<b>Depreciation</b>						
At 1 January 2018	-	1,872	239	5,938	605	8,654
Charge for the year	-	604	38	1,373	229	2,244
Disposals	-	-	-	(8)	-	(8)
Inter-group transfer	-	-	-	(312)	-	(312)
	<u>-</u>	<u>2,476</u>	<u>277</u>	<u>6,991</u>	<u>834</u>	<u>10,578</u>
At 31 December 2018	-	2,476	277	6,991	834	10,578
<b>Net book value</b>						
At 31 December 2018	10,415	17,753	71	9,004	971	38,214
At 31 December 2017	-	8,280	57	5,656	297	14,290

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

	2018 £000	2017 £000
Motor vehicles	-	12
Furniture, fittings and equipment	76	119
	<u>76</u>	<u>131</u>

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 10. Investments in subsidiary companies £000

#### Cost

At 1 January 2018 8,350

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 2018 for Chatsworth Garden Centre Limited was £148,248 (2017: £82,172) and its net assets at 31 December 2018 were £799,480 (2017: £681,861).

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 2018 were £8,682,104 (2017: £8,682,104).

### 11. Stocks 2018 £000 2017 £000

Goods for resale 15,958 8,747

Goods for resale are disclosed net of a provision for slow moving and defective goods of £559,966 (2017: £298,766).

### 12. Debtors 2018 £000 2017 £000

Trade debtors	371	277
Other debtors	479	118
Prepayments	2,756	869
UK corporation tax recoverable	22	-
Deferred tax (note 16)	298	-
	3,926	1,264

### 13. Creditors: amounts falling due within one year 2018 £000 2017 £000

Trade creditors	11,086	5,917
Other taxes and social security	3,877	1,739
Accruals	1,574	451
UK corporation tax payable	-	263
Obligations under finance leases (note 15)	93	47
	16,322	8,417

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

<b>14. Creditors: amounts falling due after more than one year</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amount due to Blue Diamond Limited	44,768	20,839
Obligations under finance leases (note 15)	-	93
	<u>44,768</u>	<u>20,932</u>

The amount due to Blue Diamond Limited, the ultimate parent company, is unsecured, bears interest at 1.5% (2017: 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. Finance leases

Minimum lease payments under hire purchase fall due as follows:	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	93	47
Between 1-5 years	-	93
	<u>93</u>	<u>140</u>

Assets secured under these agreements are disclosed in note 9.

<b>16. Deferred tax</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	(352)	(354)
(Charged)/credited to profit	(135)	2
Arising on business combination (note 18)	785	-
	<u>298</u>	<u>(352)</u>
At end of year	298	(352)
The provision for deferred tax is made up as follows:		
Accelerated capital allowances	(298)	352

<b>17. Share capital</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Allotted, called up and fully paid		
626,000 ordinary shares of £1 each	626	626

# Blue Diamond UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 18. Business combinations

On 16 August 2018 and 29 August 2018, the Company acquired the business and trading assets of nine Wyevale Garden Centres in total. 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 adjustments £000	Fair value £000
<b>Fixed assets</b>			
Tangible	30,788	5,588	36,376
<b>Current assets</b>			
Stocks	3,380	(132)	3,248
Prepayments and other debtors	843	-	843
Deferred tax on differences between fair values and tax bases (note 16)	-	785	785
<b>Total assets</b>	<b>35,011</b>	<b>6,241</b>	<b>41,252</b>
<b>Creditors</b>			
Due within one year	(188)	-	(188)
<b>Net assets</b>	<b>34,823</b>	<b>6,241</b>	<b>41,064</b>
Goodwill (note 8)			132
<b>Total purchase consideration (including expenses of £483,789)</b>			<b>41,196</b>

The useful economic life of goodwill has been estimated to be 10 years, based on estimates.

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

	Current period since acquisition £000
Turnover	13,973
Loss for the period	(73)

### 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 £40,463,215 (2017: £24,373,123). In the opinion of the Directors, no liability to the Company is expected to arise as a result of this guarantee.

**Blue Diamond UK Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**20. Commitments under operating leases**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Not later than 1 year	10,754	3,601
Later than 1 year and not later than 5 years	42,516	15,418
Later than 5 years	249,326	81,419
	<u>302,596</u>	<u>100,438</u>

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

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Not later than 1 year	2,411	386
Later than 1 year and not later than 5 years	4,024	767
Later than 5 years	29	743
	<u>6,464</u>	<u>1,896</u>

**21. 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.

**22. 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.



# Blue Diamond UK Limited

## Detailed Profit and Loss Account and Summaries For the Year Ended 31 December 2018

	2018 £000	2017 £000
<b>Turnover</b>	98,850	69,452
Cost of sales	(47,997)	(33,949)
<b>Gross profit</b>	50,853	35,503
<b>Gross profit %</b>	51.4%	51.1%
Other operating income	1,679	431
Administrative expenses	(31,532)	(22,146)
Property expenses	(16,942)	(10,546)
<b>Operating profit</b>	4,058	3,242
Interest payable	(549)	(366)
<b>Profit before tax</b>	3,509	2,876
	<b>2018 £000</b>	<b>2017 £000</b>
<b>Turnover</b>		
Garden centre sales	80,158	57,082
Restaurant sales	18,432	12,370
Other sales	260	-
	98,850	69,452
	<b>2018 £000</b>	<b>2017 £000</b>
<b>Cost of sales</b>		
Opening stocks	9,253	8,207
Purchases	45,950	30,131
Supplier contributions	(132)	(51)
Inter-branch transfers	7,431	3,623
Closing stocks	(15,958)	(8,747)
Cost of growing roses	60	67
Wastage	992	589
Freight	56	38
Insurance	345	92
	47,997	33,949

THIS SCHEDULE IS NOT FOR PUBLICATION

# Blue Diamond UK Limited

## Detailed Profit and Loss Account and Summaries For the Year Ended 31 December 2018

	2018 £000	2017 £000
<b>Other operating income</b>		
Concession rental income	1,649	410
Sundry income	30	21
	<u>1,679</u>	<u>431</u>
	2018 £000	2017 £000
<b>Administrative expenses</b>		
Staff salaries	19,838	13,501
Staff private health insurance	29	34
Staff national insurance	1,202	822
Staff pension costs - defined contribution schemes	184	78
Staff training	51	30
Staff welfare	152	63
Canteen	20	27
Commissions payable	16	2
Motor running costs	148	127
Entertainment	23	17
Hotels, travel and subsistence	222	129
Consultancy	53	-
Printing and stationery	173	123
Postage	124	66
Telephone and fax	121	77
Computer costs	36	18
Advertising and promotion	702	539
Trade subscriptions	2	6
Charity donations	19	5
Legal and professional	21	24
Auditors' remuneration	40	30
Auditors' remuneration - non-audit	45	42
Group management charges	5,348	4,348
Bank charges	553	397
Bad debts	(2)	-
Foreign exchange loss/(gain)	2	(6)
Sundry expenses	29	-
Depreciation	2,245	1,522
Amortisation - goodwill	136	115
Loss on sale of tangible assets	-	10
	<u>31,532</u>	<u>22,146</u>

THIS SCHEDULE IS NOT FOR PUBLICATION

# Blue Diamond UK Limited

## Detailed Profit and Loss Account and Summaries For the Year Ended 31 December 2018

	2018 £000	2017 £000
<b>Property expenses</b>		
Rent - non-operating leases - intercompany	2,702	2,726
Rent - operating leases	7,206	3,360
Rates	2,463	1,412
Water	227	137
Light and heat	1,473	839
Cleaning	547	406
Service charges	327	264
Insurances	294	220
Repairs and maintenance	786	496
Rubbish disposal	451	319
Crockery	62	49
Disposables and sundries	172	133
Security	128	99
Management charges	104	86
	<hr/>	<hr/>
	16,942	10,546
	<hr/>	<hr/>
	2018 £000	2017 £000
<b>Interest payable</b>		
Group interest payable	542	356
Other interest - on overdue tax	-	1
Hire purchase interest payable	6	9
	<hr/>	<hr/>
	548	366
	<hr/>	<hr/>

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