

REGISTERED NUMBER: 02421720 (England and Wales)

**BLUE DIAMOND UK LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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BLUE DIAMOND UK LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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BLUE DIAMOND UK LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS: A Roper
R J Hemans

REGISTERED OFFICE: Brambridge Park Garden Centre
Kiln Lane
Brambridge
Eastleigh
Hampshire
SO50 6HT

REGISTERED NUMBER: 02421720 (England and Wales)

AUDITORS: BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

BANKERS: The Royal Bank of Scotland International Limited
(trading as NatWest International)
1 Gilegny Esplanade
St Peter Port
Guernsey
Channel Islands
GY1 4BQ

Barclays Bank plc
P O Box 3333
1 Snowhill
Snowhill
Queensway
Birmingham
B3 2WN

LEGAL REPRESENTATIVE: Bristows LLP
100 Victoria Embankment
London
EC4Y 0DH

BLUE DIAMOND UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report for the year ended 31 December 2021.

REVIEW OF THE BUSINESS INCLUDING FINANCIAL PERFORMANCE AND POSITION

In 2021 we achieved an extraordinary result, but this was still significantly affected by the pandemic in terms of closures, trading and government financial support. Although we expect a fall in profit in 2022, we will nevertheless emerge from the pandemic period stronger, more profitable and with a much better balance sheet than we had in 2019.

The Company delivered an increase in profit after tax of 109% from £11.02m to £23.04m. Turnover was strong as consumers remained focused on their homes and their gardens whilst travelling abroad was more problematic and whilst they were working from home. Garden centres were considered safe places to shop during the pandemic and more convenient than the High Street. Consumers showed a preference to return to shops and restaurants when restrictions loosened as the year progressed. Gross profit benefited from lower discounting as demand was so strong and our offer was well received. Tight control was exercised over staff costs and other costs.

In November 2021, we acquired the trade and net assets of Mere Park Garden Centre in Shropshire. Mere Park's contribution was not material in 2021, but it is a high-quality freehold asset that we expect to deliver more than £5m of turnover per annum upon maturity.

On 1 April 2021, we acquired the remaining 75% of the issued share capital of Milton Park (Dorset) Limited, which owns the trade and net assets of Orchard Park Garden Centre. The trade and net assets of Milton Park were transferred to Blue Diamond (UK) Ltd on that date.

We invested heavily in growth during the year, with £9.5m spent on capital investment into the existing estate. Major projects included the redevelopment of Melbicks, Cadbury, Sanders and Weybridge Garden Centres, the expansion of the Nursery at Bridgemere and the opening of our central warehouse in Nottinghamshire.

Full-year turnover increased by nearly 29% from £174.8m to £224.9m with the majority of the increase in the garden centres although the restaurants also reported higher turnover as they were open for longer in 2021. Gross margin improved from 49.8% to 50.9% mainly because of lower discounting but also because of the sales mix. Gross profit rose by nearly 31.5%.

Operating profit grew by 89% from £15.6m to £29.4m thanks to the strong trade and robust cost control.

The Company enjoys a healthy financial position with net assets of £48.7m compared with £27.1m in the prior year, and funding remains available from its ultimate parent company to continue its planned growth strategy.

Freehold properties were revalued during the year leading to a revaluation gain of £2m. Stocks increased by 59% as a result of major supply chain disruptions caused by the pandemic, the increase in the cost of transporting stock and to meet higher demand.

KEY PERFORMANCE INDICATORS

Turnover increased by 29% in total. The gross margin rose from 49.8% to 50.9%. Operating profit margin strengthened from 8.9% to 13.1% thanks to the factors described above and our return on capital employed increased from 22.3% to 29.7%.

Average cost per employee increased by 2.5% whilst average turnover per employee increased by 16.3%.

Our stock turn decreased from 3.8 to 3.6 as a result of the major supply chain disruption and uncertainty arising from the pandemic. We expect it will increase as the business returns to normal and we will target 4.5 in the medium term.

These key performance indicators illustrate how profitability has improved and support our ability to manage our key current asset, stock, under difficult circumstances and following significant, recent acquisitions.

BLUE DIAMOND UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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. If adverse weather affects the key trading period of April to June, customers will not spend that money on their gardens later in the year because the opportunity has gone. 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 as the economic cycle progresses. 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.

Average turnover per employee has increased due to consumer spending habits slowly improving following the uncertainty caused by the pandemic. Average spend per customer has also increased when compared to pre-pandemic levels in 2019 allowing average turnover per employee ratios to improve whilst still maintaining capacity within our workforce and concern for our employees well-being.

COVID-19 risk

The coronavirus impact is being felt less on demand now than on our supply chain (with many products coming from China) and on the operation of our stores, with high cases leading to staff absence.

BLUE DIAMOND UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

FUTURE DEVELOPMENTS

We expect 2022 to be a more difficult year as we learn to live with the pandemic, life normalises and the COVID 'bubble' deflates meaning consumers will spend less time and money on their homes and gardens. We are already seeing lower sales in the first three months of 2022 compared with 2021, although they remain significantly ahead of 2019 and where we forecast them to be in 2022 before the pandemic. Consumer finances are under pressure from higher taxes, inflation and interest rates, which is also certain to affect spending in 2022.

We are experiencing substantial cost pressures, in our supply chain, employee remuneration and energy costs. Container prices remain elevated although they have moderated recently, UK inflation of over 6% and the desire to attract and retain the best employees mean we are offering our employees significant pay increases.

We now import over 900 containers of product a year. The average shipping cost per container in 2022 was £8k higher than in 2021, an annual cost increase of £7.4m. Container costs in 2020 were only £2.5m, rising to over £10m in 2022. Despite this sizeable cost increase, we successfully passed this cost onto the consumer through retail price increases and grew the garden centre's gross margin by 0.8%. The latter was achieved by reducing the promotional activity we apply to products that sell in high volumes, which was possible because consumer demand for gardening products was so high.

Management closely monitor the impact of the supply chain disruption and increasing costs on the Company and will endeavour to react in a way that best serves both our customers and our Company.

The war in Ukraine is having an immediate impact on the Company by way of significant rising energy costs and continued uncertainty. We acknowledge the concerns of our stakeholders regarding the wider impact of this war on the Company and will regularly review and react to business risks to protect the interests of our stakeholders.

We are therefore anticipating a more subdued 2022, although the performance will remain solid. The long-term growth drivers for the garden centre are still strong, however, and we will continue to invest in the centre and our employees.

We are planning to continue our programme of significant capital investment into our portfolio of stores during 2022, to take advantage of the growth opportunity. Expected major projects include further investment in Sanders, Melbicks and Cadbury, the refurbishment of Cardiff and Mere Park Garden Centres, new restaurants at Willton, Bridgemere, Cardiff and Springfields and a new retail system.

In January 2022, we acquired the entire issued share capital of Blackdown Garden Centre Limited, which owns a single freehold garden centre in Somerset. We expect to invest nearly £5m in Blackdown during 2022 to bring it up to the Blue Diamond standard, and that it will deliver more than £8m of turnover per annum upon maturity.

BLUE DIAMOND UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172(1) STATEMENT

Promoting the success of the company

Background

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.

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.

We encourage stakeholder engagement as part of our wider feedback culture and the senior management team meet twice a year to discuss any points raised by our stakeholders to ensure they are heard and any concerns are acted upon.

The Board ensure that Annual General Meetings (AGMs) are held and shareholders are engaged in the major decisions of the Group.

BLUE DIAMOND UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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 Mere Park and Blackdown Garden Centres 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 the recent 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 at 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.

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 nearly 800,000 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 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.

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.

BLUE DIAMOND UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Acting fairly as between the Company's owners

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

Major decisions

We acquired Mere Park Garden Centre in November 2021, which is a high-quality freehold asset that we expect to deliver more than £5m of turnover upon maturity.

In April 2021, we acquired the remaining 75% of the issued share capital of Milton Park (Dorset) Limited, which owns the trade and net assets of Orchard Park Garden Centre. We have been operating Orchard Park since 2018 and it is producing £4m turnover per annum, which exceeds our original projections.

We continue to invest heavily in the business, spending £9.5m on the existing estate. We assess all capital expenditure on the basis of financial returns and meeting the brand retail standards.

In March 2021 we opened our central warehouse in Nottinghamshire which will alleviate space constraints in centres and optimise replenishment.

In January 2022, we acquired the entire issued share capital of Blackdown Garden Centre Limited, which owns a single freehold garden centre in Somerset. We expect to invest nearly £5m in Blackdown during 2022 to bring it up to the Blue Diamond standard, and that it will deliver more than £8m of turnover per annum upon maturity.

ON BEHALF OF THE BOARD:



.....
R J Hemans - Director

28 April 2022

BLUE DIAMOND UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report together with the audited financial statements for the year ended 31 December 2021.

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:

- o select suitable accounting policies and then apply them consistently;
- o make judgments and accounting estimates that are reasonable and prudent;
- o state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- o 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 17.

The Company paid a final dividend of £2.8m (2020: £nil) during the year.

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.

BLUE DIAMOND UK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Blue Diamond UK Limited is indirectly owned 100% by its ultimate parent company, Blue Diamond Limited, and forms part of the Blue Diamond Group, the second largest garden centre group in the UK.

Blue Diamond Limited has over 360 private shareholders and takes its corporate governance responsibilities very seriously. All corporate governance arrangements are put in place by Blue Diamond Limited and apply to all the companies in the group, including Blue Diamond UK Limited.

Blue Diamond Limited has a board of seven directors, of which two directors form the board of Blue Diamond UK Limited. All major decisions taken by Blue Diamond UK Limited must be approved by the board of Blue Diamond Limited.

Blue Diamond Limited does not follow a specific corporate governance code but it does look to the Wates Corporate Governance Principles for Large Private Companies for guidance, using the follow approach:

Purpose and leadership

Blue Diamond Limited recognises the company's purpose is to deliver inspirational retailing with a point of difference, offering style, emotion and innovation for the home and garden and striving to create an aspirational environment that encourages our customers' loyalty and satisfaction. This purpose is communicated throughout our business and celebrated each year at our Annual Awards Do where employees' achievements are recognised. Our Managing Director lives and breathes this approach and our strategy is focused on the development of teams that can deliver this, the engagement of our customers with a deep, wide and exciting product range and the acquisition, development and maintenance of garden centres that can realise this.

Board composition

The board of Blue Diamond Limited is composed of seven members, two executive directors and five non-executive. Our Managing Director has over 25 years of success in garden centre retailing, whilst our Chairman also has deep and extensive experience of consumer retail in both private and public companies. The other directors also have relevant skills and knowledge in retail, finance and consumer sectors. The board meets five times a year and there is a schedule of delegated authorities that defines its power. The board as a whole meets as the Nominations Committee and there is also an Audit Committee and Remuneration Committee with clear terms of reference and overseen by non-executive directors with relevant skills and experience.

Director responsibilities

The board and individual directors are all experienced directors and understand their duties as directors under the Companies Act 2006. The schedule of delegated authorities defines their responsibilities in relation to Blue Diamond Limited.

Opportunity and risk

The board discusses strategy formally once a year but at each meeting considers what progress is being made. The board understands that the strategy involves growing the business by taking advantage of acquisition opportunities of both greenfield and brownfield sites and the redevelopment of existing sites. All decisions taken by the board are considered in the context of their impact on the Group's reputation, long-term health, customers, employees, suppliers, community and shareholders. The risks of decisions are also assessed in terms of their likelihood and impact as well as agreeing mitigation strategies.

Remuneration

The Group, of which the Company is a part, has a remuneration committee with clear terms of reference informed by The Combined Code and overseen by two non-executive directors with relevant skills and experience. The remuneration committee reports to the board twice a year and ensures that executive directors and senior management are remunerated so as to ensure their recruitment, retention and motivation in the context of the need to secure the long-term financial and cultural health of the Group. The two directors of the Company fall under the scope of the Group remuneration committee.

Stakeholder relationships and engagement

The directors are focused on their duties to stakeholders and achieve this through monitoring of the Group's customer loyalty scheme, attendance at the Annual Awards Do with employees and annual site visits and open, two-way communication with shareholders through the AGM. The Company Secretary acts as a conduit between shareholders and the board, and the Chairman is also available to shareholders.

BLUE DIAMOND UK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Employee Involvement

As an employer of over 3,000 colleagues, we strongly believe that all employees have the right to work in a safe environment, whereby they feel engaged with senior management and the major decisions made by management that directly impact them.

Principal decisions made by the Group and employee engagement is further documented in the Strategic Report on page 7 and the Directors Report on page 8.

STREAMLINED ENERGY AND CARBON REPORTING

Energy Consumption (kWh)

	2021	2020
Electricity	11,188,187	10,692,572
Natural Gas	9,276,217	9,269,813
Transport Fuels	1,275,342	1,447,425
Bottle Gas (LPG)	1,659,478	2,380,548
Other Fuels	1,026,536	1,093,796
Total	24,425,760	24,884,154

Greenhouses Gas Emissions (tonnes of CO₂ equivalent)

From combustion of fuels		
Natural Gas	1,699.03	1,704.44
Transport Fuels	302.08	348.21
Bottle Gas	355.94	510.58
Other Fuels	212.42	211.96
Subtotal	2,569.47	2,775.19
 Purchased Electricity	 2,375.59	 2,492.87
Subtotal	2,375.59	2,492.87
 Total Emissions	 4,945.06	 5,268.06

Intensity ratios

Annual MWh per £m sales Revenue	109	142
Annual Tonnes per CO ₂ Sales Revenue	22	30

Our energy efficiency programme led to a 2% decline in energy consumption and a 7% decrease in total emissions.

We will continue to work hard to reduce further energy consumption and total emissions. We are embedding carbon awareness in the culture of the company and introducing simple initiatives like central control of tamper-free thermostats.

Calculation methodology

In order to calculate the above disclosure, the usage was collated from all the utility invoices across all garden centres for the year to 31 December 2021. This was then converted from kWh into tCO₂e in line with the 2019 UK Government environmental reporting guidance.

BLUE DIAMOND UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS

Price risk

The company is exposed to price risk due to normal economic and commercial increases in the purchase price of goods and services. The Company mitigates this by dealing with a wide range of suppliers and negotiating robustly and fairly with them.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract, leading to a financial loss. The Company is exposed to credit risk from its concession partners, customer accounts and from its financing activities, including deposits with bank and financial institutions. The Company mitigates this risk with clear, robust credit control procedures. The value of the Company's debt exceeds its bank deposits.

Liquidity risk

Liquidity risk arises when a company is unable to meet its short-term financial obligations because it is unable to convert its assets into cash without incurring a loss. The Group manages this risk with robust stock and debtor management as well as having access to the borrowing facilities of its ultimate parent company.

STATEMENT OF ENGAGEMENT WITH SUPPLIERS/CUSTOMERS

Suppliers

Blue Diamond UK Limited has a dedicated buying team working closely with national and international suppliers of products that we sell through our garden centres and websites. We attach great importance to our relationships with our suppliers and collaborate with them on a number of projects including our brand products. We are in constant communication with them, hold regular meetings and ensure that payments are made in accordance with our terms and conditions and both parties' respective circumstance. Payment Practice Reporting is published every six months and is benchmarked against competitors within the industry.

Customers

The Company engages with customers through regular updates in garden centres, by post and email and through our website. We have a loyalty scheme with over half a million customers that we use every week to drive engagement, spend and retention. We distribute offers to our customers every year through our Verve magazine. There is a portal on our website, which allows customers to give feedback on their experience, which our Managing Director monitors daily. We offer an online and in-store 'Plant Doctor' service that allows customers to ask questions about their gardening activities. Blue Diamond have a dedicated Customer Service team in each of our centres, which helps customers with a range of queries and questions. Talks, presentations and tutorials are a regular part of our services and engagement with customers. Mystery shopper visits take place in each of our garden centres once a year. Directors and senior managers visit garden centres regularly to talk and listen to customers.

POST BALANCE SHEET EVENTS

On 7 January 2022 the Company acquired 100% of the share capital of Blackdown Garden Centre Limited for £4.25m plus net current assets at the date of completion, which are currently unknown but not expected to exceed £0.2m.

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 2 to 7.

DISCLOSURE OF INFORMATION TO AUDITOR

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

- o so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and;
- o 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.

BLUE DIAMOND UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

INDEPENDENT AUDITOR

In accordance with section 485 of the Companies Act 2006, BDO LLP 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.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

A Roper
R J Hemans

ON BEHALF OF THE BOARD:



.....
R J Hemans - Director

28 April 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BLUE DIAMOND UK LIMITED**

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

We have audited the financial statements of Blue Diamond UK Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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).

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUE DIAMOND UK LIMITED

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 misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, 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 Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Auditors' 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Evaluation of management incentives, including the extent to which remuneration is influenced by the financial performance of the Company, and opportunities for fraudulent manipulation of the financial statements such as management override. This evaluation involved a particular focus on the judgements and estimates such as the inventory provision and considering the impact of these judgements and estimates on the financial performance including the impact on profit before tax;
- Discussion with management regarding known or suspected instances of non-compliance with laws and regulations or fraud;
- Obtaining an understanding of controls designed to prevent and detect irregularities and fraud;
- Review of board meeting minutes for any evidence of fraud or non-compliance with laws and regulations; and
- Assessment of journal entries to accounts that were considered to carry a greater risk of fraud as part of our planned audit approach including manual journals posted to revenue and journals posted by senior management.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BLUE DIAMOND UK LIMITED**

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

Malcolm Thixton

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Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton

Date: 28 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BLUE DIAMOND UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
TURNOVER	4	224,861	174,846
Cost of sales		<u>(110,475)</u>	<u>(87,855)</u>
GROSS PROFIT		114,386	86,991
Distribution costs		(171)	(498)
Administrative expenses		<u>(92,726)</u>	<u>(80,574)</u>
		21,489	5,919
Other operating income	7	<u>7,918</u>	<u>9,657</u>
OPERATING PROFIT	4	29,407	15,576
Interest payable	8	<u>(590)</u>	<u>(785)</u>
PROFIT BEFORE TAXATION		28,817	14,791
Tax on profit	9	<u>(5,768)</u>	<u>(3,771)</u>
PROFIT FOR THE FINANCIAL YEAR		23,049	11,020
OTHER COMPREHENSIVE INCOME			
Revaluation of freehold properties		2,028	2,762
Movement in deferred tax relating to revaluation of freehold properties		<u>(616)</u>	<u>(525)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>1,412</u>	<u>2,237</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>24,461</u>	<u>13,257</u>


The notes on pages 13 to 35 form part of these financial statements.

BLUE DIAMOND UK LIMITED (REGISTERED NUMBER: 02421720)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	4,238	2,337
Tangible assets	12	65,730	52,788
Investments	13	9,583	11,525
		<u>79,551</u>	<u>66,650</u>
CURRENT ASSETS			
Stocks	14	38,866	23,681
Debtors	15	7,551	4,343
Cash at bank and in hand		<u>1,879</u>	<u>915</u>
		<u>46,296</u>	<u>28,939</u>
CREDITORS			
Amounts falling due within one year	16	<u>(25,022)</u>	<u>(26,020)</u>
NET CURRENT ASSETS		<u>21,274</u>	<u>2,919</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>100,825</u>	<u>69,569</u>
CREDITORS			
Amounts falling due after more than one year	17	<u>(48,692)</u>	<u>(40,677)</u>
DEFERRED TAXATION	18	<u>(3,391)</u>	<u>(1,811)</u>
NET ASSETS		<u>48,742</u>	<u>27,081</u>
CAPITAL AND RESERVES			
Called up share capital	19	626	626
Share premium		375	375
Revaluation reserve		3,849	2,237
Profit and loss account		<u>44,092</u>	<u>23,843</u>
		<u>48,742</u>	<u>27,081</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2022 and were signed on its behalf by:



R J Hemans - Director

The notes on pages 19 to 35 form part of these financial statements.

BLUE DIAMOND UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £'000	Profit and loss account £'000	Share premium £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1 January 2020	626	12,823	375	-	13,824
Comprehensive income for the year					
Profit for the year	-	11,020	-	-	11,020
Surplus on revaluation of freehold properties	-	-	-	2,762	2,762
Movement on deferred tax relating to revaluation of freehold properties	-	-	-	(525)	(525)
Other comprehensive income for the year	-	-	-	2,237	2,237
Balance at 31 December 2020	<u>626</u>	<u>23,843</u>	<u>375</u>	<u>2,237</u>	<u>27,081</u>
Comprehensive income for the year					
Profit for the year	-	23,049	-	-	23,049
Surplus on revaluation of freehold properties	-	-	-	2,028	2,028
Movement on deferred tax relating to revaluation of freehold properties	-	-	-	(616)	(616)
Other comprehensive income for the year	-	-	-	1,412	1,412
Distributions to shareholders					
Dividends (note 10)	-	(2,800)	-	-	(2,800)
Balance at 31 December 2021	<u>626</u>	<u>44,092</u>	<u>375</u>	<u>3,649</u>	<u>48,742</u>

The notes on pages 19 to 35 form part of these financial statements.

BLUE DIAMOND UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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:

Going concern

The financial statements have been prepared on the going concern basis as the Directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the Company is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that the global and UK outbreak of COVID-19 has had a profound impact on the global and UK economy and businesses.

As a result of the market uncertainty due to the ongoing impact of COVID-19 the possible effect on available cash during the next 12 months trading has been modelled under a range of assumptions and sensitivities. As part of this, the Directors have produced a detailed going concern stress test for the Blue Diamond Limited Group, of which this company is a part. The conclusion of our stress test for Blue Diamond Limited is that the business could sustain a material loss of turnover over the course of the 12 months following date of the financial statements, without exceeding current banking facilities. Even then the Company and the Group has multiple options available to remain a going concern, including but not limited to cost reductions, scaling back its uncommitted capital expenditure programme and cancelling or reducing the interim and final dividends.

The Group, and the companies which are wholly owned, is expected to remain in a strong financial position during the forecast period from the date of signing the accounts. The Directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis. Following the Group's refinancing on 31 March 2021, the Company has access to £60m of borrowing facilities until at least 31 March 2024.

Financial reporting standard 102 - reduced disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

This information is included in the consolidated financial statements of Blue Diamond Limited as at 31 December 2021 and these financial statements may be obtained from the registered address of the head office as set out on the Company Information page.

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES – continued

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 401 of the Companies Act 2006.

Functional and presentation currency

The group financial statements are presented in pound sterling and rounded to thousands.

The company's functional and presentation currency is the pound sterling.

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.

Other operating income

Other operating income includes concession rental income, which is recognised in the Statement of Comprehensive Income on a straight-line basis over the period of the lease. Any variable lease payments are recognised when they arise.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure within Other Operating Income.

During the year, income received from the Coronavirus Job Retention Scheme has been accounted for in accordance with the above.

Operating leases

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

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

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Consolidated Statement of Comprehensive Income over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Consolidated Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

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 when they are due. Amounts not paid are shown within accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

BLUE DIAMOND UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES – continued

Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

Current and deferred taxation

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

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:

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.

- o 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
- o Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

Tangible fixed assets (excluding individual freehold properties)

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.

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES – continued

Tangible fixed assets - continued

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 Comprehensive Income.

Revaluation of tangible fixed assets

Individual freehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits in which case the excess losses are recognised in profit or loss.

Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Investment in joint ventures

During May 2018, Blue Diamond UK Limited entered into a transaction to acquire 25% of Milton Park (Dorset) Limited from Lagan Farms (Dorset) Limited. At the same time, an option was put in place for both the buyers and sellers to allow the disposal of the remaining 75%.

In May 2020, the Lagan Farms (Dorset) Limited exercised their option to sell the remaining 75%.

On 1 April 2021 the Company exercised the call option to purchase the remaining 75% of the share capital of Milton Park (Dorset) Limited for £1,807,770. The subsequent treatment of this investment follows the investment in subsidiaries accounting policy.

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 - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

Supplier rebates

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.

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.

Financial assets are initially recognised at transaction price (including transaction costs) and subsequently held at amortised cost. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

Debtors

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

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.

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.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

Administrative expenses

Administrative expenses include all wages and salaries.

The Company benefited from £2.6m of rates discounts from UK Local Authorities in 2021 as part of the relief offered to retail and hospitality businesses to mitigate the impact of Covid-19.

Revaluation reserve

The revaluation reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Share premium

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

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 POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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.

Freehold properties are revalued by an independent valuation expert on a regular basis such that the carrying value is in line with prevailing market rates. The valuation uses the profits method which is based on the group's estimates and assumptions concerning its future revenue growth, trading and cash flows.

There are a number of estimates considered as part of the valuation process including assessing the garden centre market as a whole and the availability of comparable data within the market, the useful economic life of each property and considering expected future consumer spending habits and trends which may have an impact on the valuation of the properties.

Stocks:

Determining stock provisioning involves estimating the realisable value of the stocks held by the Company. 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 - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

All turnover is generated from the sale of goods.

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

	2021	2020
	£000	£000
Amortisation of goodwill	172	175
Amortisation of negative goodwill	(25)	(25)
Depreciation of tangible fixed assets	5,057	4,420
Profit on disposal of tangible assets	(10)	(1)
Net foreign exchange losses	-	25
Fees payable to the Company's auditor:		
- Audit fee pursuant to legislation	47	47
- Other assurance services	-	5
Operating lease rentals: land and buildings	17,889	13,192
Other operating income: concession rents receivable	(3,760)	(3,814)
Other operating income: government grants	<u>(4,117)</u>	<u>(5,799)</u>

Operating profit is stated after charging management fees totalling £9,909,740 (2020: £8,530,937) 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 (2020: £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.

BLUE DIAMOND UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

5. EMPLOYEES

Staff costs were as follows:

	2021 £000	2020 £000
Wages and salaries	39,098	35,062
Social security costs	2,419	2,133
Cost of defined contribution scheme	<u>638</u>	<u>508</u>
	<u>42,151</u>	<u>37,703</u>

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

	2021 No.	2020 No.
Management	70	61
Retail	<u>3,208</u>	<u>2,904</u>
	<u>3,278</u>	<u>2,965</u>

Employees are eligible to join a Group Personal Pension Plan operated by Aviva and offered through Blue Diamond Limited (note 25). 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 £74,277 (2020: £70,984).

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 £562,233 (2020: £436,804).

6. DIRECTORS REMUNERATION

The two directors of the company are wholly remunerated through the holding company, Enil (2020: Enil) is paid by Blue Diamond (UK) Limited.

7. OTHER OPERATING INCOME

	2021 £000	2020 £000
Government grant income	4,117	5,799
Concession rents receivable	3,760	3,814
Other	<u>41</u>	<u>44</u>
	<u>7,918</u>	<u>9,657</u>

BLUE DIAMOND UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

8. INTEREST PAYABLE

	2021 £000	2020 £000
On loan from ultimate parent company	589	779
On finance leases	1	6
	<u>590</u>	<u>785</u>

9. TAXATION

	2021 £000	2020 £000
UK corporation tax		
Current tax on profits for the year	4,860	2,883
Adjustments in respect of previous periods	(36)	302
Total current tax	<u>4,824</u>	<u>3,185</u>
Deferred tax		
Origination and reversal of timing differences	404	223
Adjustments in respect of previous periods	(24)	363
Changes to tax rates	584	
Total deferred tax	<u>944</u>	<u>586</u>
Taxation on profit	<u>5,768</u>	<u>3,771</u>

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before tax	<u>28,817</u>	<u>14,791</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	5,475	2,810
Effects of:		
Expenses not deductible for tax purposes	34	6
Non-taxable income	-	(115)
Fixed asset differences	69	300
Deferred tax not recognised	(285)	33
Adjustments to tax charge in respect of prior periods	(36)	665
Adjustments to tax charge in respect of prior periods – deferred tax	(24)	
Deferred tax rate difference	535	94
Group relief	-	(22)
Total tax charge for the year	<u>5,768</u>	<u>3,771</u>

Factors that may affect future tax charges

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse. For further information on deferred tax balances see note 18.

BLUE DIAMOND UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

10. DIVIDENDS

	2021 £000	2020 £000
Ordinary shares of £1 each	<u>2,800</u>	<u>-</u>

11. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Negative goodwill £'000	Totals £'000
COST			
At 1 January 2021	3,485	(508)	2,977
Additions	46	-	46
Transferred from Investments (note 13)	<u>2,002</u>	<u>-</u>	<u>2,002</u>
At 31 December 2021	<u>5,533</u>	<u>(508)</u>	<u>5,025</u>
AMORTISATION			
At 1 January 2021	954	(314)	640
Amortisation for year	<u>172</u>	<u>(25)</u>	<u>147</u>
At 31 December 2021	<u>1,126</u>	<u>(339)</u>	<u>787</u>
NET BOOK VALUE			
At 31 December 2021	<u>4,407</u>	<u>(169)</u>	<u>4,238</u>
At 31 December 2020	<u>2,531</u>	<u>(194)</u>	<u>2,337</u>

At 31 December 2021, 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 £839,900 (2020: £894,000). The remaining amortisation period of this goodwill is 16 years. At 31 December 2021, the carrying amount of goodwill in relation to Trelawney Garden Centre, which is also individually material, is £670,000 (2020: £721,000), with a remaining amortisation period of 13 years.

In April 2021, the Company purchased the remaining 75% of the share capital in Milton Park (Dorset) Limited. The trade and assets of this subsidiary were hived up into Blue Diamond UK Limited. Therefore, the difference between the investment value above the net assets of Milton Park (Dorset) Limited has been transferred to goodwill within Blue Diamond UK Limited. This will be amortised going forward.

In November 2021, the Company acquired the trade and assets of Mere Park Garden Centre.

During the year, the trade and net assets of Milton Park (Dorset) hived up into Blue Diamond UK Limited and the continuing trade was conducted by Blue Diamond UK Limited such that it would be Blue Diamond UK Limited that would benefit from the continuing trade.

As a result of the hive up, the investment (note 13) held in Blue Diamond UK Limited appeared overstated given the investment held exceeded the net assets of the individual subsidiary balance sheet.

The Companies Act 2006 requires that, where such overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transaction was merely to reorganise the Group's operations, such a treatment would fail to give a true and fair view and the diminution in value of the investments has instead been re-allocated to goodwill.

The effect on the Company's balance sheet of this departure from the requirements of Schedule 4 is to recognise goodwill of £2,002,000 net of amortisation.

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. TANGIBLE FIXED ASSETS

	Freehold property £'000	Leasehold improvements £'000	Motor vehicles £'000
COST OR VALUATION			
At 1 January 2021	21,015	23,244	646
Additions	-	1,960	223
Acquired in business combinations	5,763	576	2
Disposals	-	-	(20)
Revaluations	1,800	-	-
At 31 December 2021	<u>28,578</u>	<u>25,780</u>	<u>851</u>
DEPRECIATION			
At 1 January 2021	-	4,610	404
Charge for year	228	1,224	121
Disposals	-	-	(14)
Revaluation adjustments	(228)	-	-
At 31 December 2021	<u>-</u>	<u>5,834</u>	<u>511</u>
NET BOOK VALUE			
At 31 December 2021	<u>28,578</u>	<u>19,946</u>	<u>340</u>
At 31 December 2020	<u>21,015</u>	<u>18,634</u>	<u>242</u>

	Furniture, fixtures and equipment £'000	Computer equipment £'000	Totals £'000
COST OR VALUATION			
At 1 January 2021	23,572	2,590	71,067
Additions	7,114	178	9,475
Acquired in business combinations	181	16	6,538
Disposals	(11)	-	(31)
Revaluations	-	-	1,800
At 31 December 2021	<u>30,856</u>	<u>2,784</u>	<u>88,849</u>
DEPRECIATION			
At 1 January 2021	11,544	1,721	18,279
Charge for year	3,056	461	5,090
Disposals	(8)	-	(22)
Revaluation adjustments	-	-	(228)
At 31 December 2021	<u>14,592</u>	<u>2,182</u>	<u>23,119</u>
NET BOOK VALUE			
At 31 December 2021	<u>16,264</u>	<u>602</u>	<u>65,730</u>
At 31 December 2020	<u>12,028</u>	<u>869</u>	<u>52,788</u>

All freehold land and properties were subject to a directors' review based on upon their knowledge of the sector and by reference to previous external independent valuations carried out in previous periods.

BLUE DIAMOND UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

12. TANGIBLE FIXED ASSETS - continued

The carrying values adopted in these financial statements for the year ended 31 December 2021 were based upon desktop valuations undertaken by an external, professionally qualified valuer, Knight Frank LLP. Management have reviewed these valuations and consider it appropriate to recognise these valuations at 31 December 2021.

The valuations were undertaken in accordance with the requirements of the latest editions of RICS Valuations – Global Standards (which incorporate the International Valuation Standards) and the UK National supplement and FRS 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (and any other regulatory requirements).

The valuation of each property was an owner-occupied property; valued to fair value assuming the property would be sold as part of the continuing business.

Details of the assumptions made and the key sources of estimation uncertainty are given in note 3.

The Company has provided first legal charges in favour of The Royal Bank of Scotland International Limited (trading as NatWest) over its freehold properties with a carrying value of £28,578,160 (2020: £21,015,000) as security for the ultimate parent company's bank loan and overdraft facilities (see note 20).

If land and buildings had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2021 £'000	2020 £'000
Historic cost	24,216	18,452
Accumulated depreciation	<u>(427)</u>	<u>(199)</u>
Net book value	<u>23,789</u>	<u>18,253</u>

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000	Investments in joint ventures £000	Total £000
Cost			
At 1 January 2021	8,350	3,175	11,525
Other adjustments		60	60
Transferred to subsidiary companies	3,235	(3,235)	-
Transferred to goodwill	<u>(2,002)</u>	<u>-</u>	<u>(2,002)</u>
At 31 December 2021	<u>9,583</u>	<u>-</u>	<u>9,583</u>
At 31 December 2020	<u>8,350</u>	<u>3,175</u>	<u>11,525</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 30 June. The profit before tax for the period ended 30 June 2021 for Chatsworth Garden Centre Limited was £nil (2020: £nil) and its net assets at 31 December 2021 were £978,301 (2020: £978,301). The trade and net assets of Chatsworth Garden Centre Limited were transferred to Blue Diamond UK Limited on 1 January 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 2021 were £8,682,104 (2020: £8,682,104).

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. FIXED ASSET INVESTMENTS - continued

On 1 April 2021 the Company exercised the call option to purchase the remaining 75% of the share capital of Milton Park (Dorset) Ltd for £1,808,000, including interest. On the same date the trade and net assets of Milton Park (Dorset) Limited were transferred to Blue Diamond UK Limited, leaving Milton Park (Dorset) Limited dormant. The difference between the investment value above the net assets of Milton Park (Dorset) Limited has been transferred to goodwill within Blue Diamond UK Limited (see note 10). Milton Park (Dorset) Limited is now recognised as a subsidiary company.

Subsidiary undertakings

Blue Diamond UK Limited holds 100% of the ordinary share capital in the following subsidiary undertakings, all of which are wholly owned and included in these Consolidated Financial Statements, with the same financial year end:

Directly Held	Incorporated	Principal activity
Chatsworth Garden Centre Limited	Jersey	Dormant
Newbridge Nurseries Limited	UK	Dormant
Milton Park (Dorset) Limited	UK	Dormant

The registered address for Chatsworth Garden Centre Limited and Newbridge Nurseries Limited are the same addresses as shown on the Company Information page.

The registered address for Milton Park (Dorset) Limited is Park Farm, Shaftesbury Road, Gillingham, Dorset, SP8 5JG.

14. STOCKS

	2021 £'000	2020 £'000
Goods for resale	<u>38,868</u>	<u>23,681</u>

Goods for resale are disclosed net of a provision for slow moving and obsolete stock of £773,281 (2020: £427,198). A charge of £346,083 (2020: £65,802) was recognised in cost of sales against stock as a movement in the provision.

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade debtors	352	216
Other debtors	2,629	836
Prepayments	3,804	2,554
Amounts due from group undertakings	<u>766</u>	<u>737</u>
	<u>7,551</u>	<u>4,343</u>

Trade debtors are stated after provisions for impairment of £nil (2020: £nil).

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Bank overdrafts	617	-
Trade creditors	15,240	14,943
Other creditors	14	-
Other taxes and social security	4,725	6,062
Accruals	2,790	1,708
Lease incentive	116	116
UK corporation tax payable	1,520	1,424
Obligations under finance leases	-	3
Deferred acquisition of joint venture	-	<u>1,764</u>
	<u>25,022</u>	<u>26,020</u>

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £'000	2020 £'000
Lease incentive	2,760	2,886
Amount due to Blue Diamond Limited	45,932	37,791
	<u>48,692</u>	<u>40,677</u>

The amount due to Blue Diamond Limited, the ultimate parent company, is unsecured, bears interest at 1.5% (2020: 1.5%) above the one-month LIBOR rate on the net amount payable. 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.

18. DEFERRED TAXATION

	2021 £000	2020 £000
At beginning of year	1,811	714
Charged to profit	944	586
Arising on business combinations	20	(14)
Charged to other comprehensive income	618	525
At end of year	<u>3,391</u>	<u>1,811</u>

The provision for deferred tax is made up as follows:

	2021 £000	2020 £000
Other short term timing differences	(37)	(11)
Accelerated capital allowances	3,428	1,822
	<u>3,391</u>	<u>1,811</u>

19. CALLED UP SHARE CAPITAL

	2021 £000	2020 £000
Allotted, called up and fully paid 626,000 ordinary shares of £1 each	<u>626</u>	<u>626</u>

20. 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 £30,125,000 (2020: £33,041,673). 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 - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £000	2020 £000
Not later than 1 year	14,025	13,192
Later than 1 year and not later than 5 years	54,076	51,015
Later than 5 years	<u>269,906</u>	<u>264,858</u>
	<u>338,007</u>	<u>329,065</u>

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

	2021 £000	2020 £000
Not later than 1 year	2,861	2,767
Later than 1 year and not later than 5 years	4,950	4,172
Later than 5 years	<u>657</u>	<u>545</u>
	<u>8,468</u>	<u>7,484</u>

22. POST-BALANCE SHEET EVENTS

On 7 January 2022 the Company acquired 100% of the share capital of Blackdown Garden Centre Limited for £4.25m plus net current assets at the date of completion, which are currently unknown but not expected to exceed £0.2m.

23. CAPITAL COMMITMENTS

On 17 December 2021 the Company exchanged contracts to acquire 100% of the share capital of Blackdown Garden Centre Limited for £4.25m plus net current assets at the date of completion, which are currently unknown but not expected to exceed £0.2m. The transaction completed on 7 January 2022.

24. RELATED PARTY DISCLOSURES

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 17.

25. 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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

26. BUSINESS COMBINATIONS

On 1 April 2021 the Company exercised the call option to purchase the remaining 75% of the share capital of Milton Park (Dorset) Limited. In calculating the goodwill arising on acquisition, the fair value of net assets acquired have been assessed and no adjustments have been considered necessary.

On 1 April 2021, immediately following the purchase of the remaining shares, the trade and assets of Milton Park (Dorset) Limited were hived up into Blue Diamond UK Limited. Further disclosure around this hive up transaction is shown in Note 11.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets			
Tangible fixed assets	775	-	775
Current assets			
Stocks	694	-	694
Debtors	1,034	-	1,034
Cash and bank balances	94	-	94
Creditors: amounts falling due within one year	(882)	-	(882)
Net assets	<u>1,715</u>	-	<u>1,715</u>
Goodwill			2,002
Total purchase consideration			<u>3,717</u>

The useful economic life of goodwill has been estimated to be 20 years.

The results of Milton Park (Dorset) Limited since acquisition are as follows:

	£000
Turnover	<u>3,076</u>
Result for the year	<u>722</u>

BLUE DIAMOND UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

26. BUSINESS COMBINATIONS – continued

On 3 November 2021 the Group completed the acquisition of the business of Mere Park Garden Centre, whose principal activity is that of the operation of a retail garden centre. In calculating the goodwill arising on acquisition, the fair value of net assets acquired have been assessed and no adjustments have been considered necessary.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets			
Tangible fixed assets	5,802	-	5,802
Current assets			
Stocks	310	-	310
Cash and bank balances	4	-	4
Creditors: amounts falling due within one year	(50)	-	(50)
Net assets	<u>6,066</u>	<u>-</u>	<u>6,066</u>
Goodwill			46
Total purchase consideration (including expenses of £85,308)			<u>6,112</u>

The useful economic life of goodwill has been estimated to be 20 years.

The results of Mere Park Garden Centre Limited since acquisition are as follows:

	£000
Turnover	<u>328</u>
Result for the year	<u>138</u>