

# Blue Diamond

Annual Report & Accounts

2012

## BLUE DIAMOND LIMITED

(Incorporated in Guernsey, Channel Islands)

G. R. Dorey (Chairman)  
A. Roper (Managing Director)  
P. K. Wright (Finance Director)  
P. J.G. Atkinson  
A. M. Duquemin  
S. J. Falla

### SECRETARY

Mrs. T. M. Shaw

### REGISTERED OFFICE

Le Friquet, Castel, Guernsey, Channel Islands

### AUDITORS

BDO Limited, Place du Pré, Rue du Pré,  
St Peter Port, Guernsey, Channel Islands

### BANKERS

The Royal Bank of Scotland International Limited  
(Trading as NatWest)  
Royal Bank Place, 1 Gategny Esplanade,  
St Peter Port, Guernsey, Channel Islands

### LEGAL REPRESENTATIVES

#### GUERNSEY

Collas Crill, Gategny Court, Gategny Esplanade,  
St Peter Port, Guernsey, Channel Islands

#### UNITED KINGDOM

Bristows, 100 Victoria Embankment,  
London, United Kingdom

## Annual Report & Accounts

# 2012

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Blue Diamond provide an inspirational retail environment with high quality products and distinctive merchandising. We offer our customers style, innovation and importantly a ‘difference factor’ for both their home and garden. We value emotion, as we do sales, and strive to create an aspirational environment that encourages and promotes sales and loyalty right across our customer base.

”





# Chairman's Report

Sales increased from **£52.3 million** to **£58.8 million**

Turnover has **doubled** since 2006

Recommended **final dividend 8.5p** per share

**Garden centre retailing has always been weather dependent and in that respect it can be said that 2012 was an *Annus Horribilis*. A promising early season descended into a period of wet and unremittingly unfavourable weather which has been reflected in the performance of the industry as a whole. These conditions have continued into the first quarter of 2013.**

Like for like turnover was down nearly 5% but with the contributions from acquisitions and Fryer's first full trading year sales increased from £52.3 million to £58.8 million. Profit before tax amounted to £2.977 million which was a reduction of 27% on the profit of £4.080 million of 2011 and well below the budget of £4 million which would have been achievable in a normal trading year. The return on capital employed was 8.6% against 12.6% in 2011.

inevitably ensue, makes this a path the board does not wish to pursue.

Acquisitions will therefore probably be pursued by less capital intensive management and leasehold opportunities funded from profits generated and borrowings which would maintain our gearing at an acceptable level.

I am pleased to report that Stuart Falla MBE joined the board as a non executive director on 27 September 2012 and I am confident that his wide business experience will be of great value.

At all times the group stayed within its banking covenants and extra working capital facilities were put in place to cover any peak borrowings.

The group remains one of the best performing companies in the sector and is increasingly recognised as such by its peers. Turnover has doubled since 2006 and the group is now ranked as the third largest in the country. If this position is to be maintained and the profitability of the group protected, further growth is required to give the purchasing power that will ensure we are able to compete on prices and margins with Dobbies (Tesco) and The Garden Centre Group (formerly Wyevale now Terra Firma) who are both significantly larger.

It is the policy of the group to ensure steady dividend payments and therefore, despite this year's lower profit, the directors recommend the payment of a final dividend of 8.5p per ordinary share (2011: 8.5p) making the total dividend for the year of 13.5p per ordinary share (2011: 13.0p).

**G.R.Dorey, Chairman**

The board have discussed the possibility of broadening the equity base of the company so that this expansion could be achieved fairly rapidly but have decided that the resultant dilution for existing shareholders and the greater regulatory burden that would





## Managing Director's Report



**2011 was Blue Diamond's most profitable year in the company's history and as we entered 2012 the strength of sales experienced in 2011 continued up until the end of March when we were 6.9% up.**

However since April 2012 the industry has been cursed with volatile weather conditions, resulting in a lack of sustained favourable weather conditions to enable momentum to be gained in gardening sales.

This resulted in the industry ending the year down 9% and Blue Diamond ended the year down 6% which equates to £2.5m of sales. It is important

to note the impact on sales, and therefore profitability, was caused by meteorological and not economic factors. From a personal perspective it was the worst trading period experienced by the industry in living memory. However Blue Diamond did outperform many of the top garden centres in the UK in gardening sales. In garden sundries Blue Diamond was down 4.57% compared to

a drop of 9.35% for the Garden Centre Association (GCA). Blue Diamond sales in plants were down 11.61% and the GCA was down 14.2%. The GCA is a membership of 56 destination garden centres who report and share their sales information. Blue Diamond performed marginally better in retaining customer numbers but the GCA was down 4.25% and Blue Diamond was down 3%.

Three years ago I stated the days of guaranteed growth due to an overstimulated economy were fated and that any growth achieved would be through the capitalisation of missed opportunities, which are regularly highlighted through a benchmarking process known as 'Best Performance Indicator' or 'BPI'. This bespoke management tool enables us to optimise our performance within any given product category at all times.

**Blue Diamond consistently outperforms the industry in sales growth**

One bright spot in the trading year was during Christmas when our sales increased by 13%. This sales growth was achieved in part through concentrating on actively growing our sales through improvements in ranging and one notable success was ornamental lights which were up 54%.

Whilst this level of disruption to trade is rare it is a reality that the industry will need to continue to adjust its retail offer to mitigate the impact of weather on gardening sales as it is common knowledge that weather patterns are predicted to become more frequent.

This tool has identified potential annual sales increases of over 4% per year over three years which equates to £7.1m in sales.

Whilst Blue Diamond consistently outperforms the industry in sales growth due to our strategy over the years of spear heading growth areas in non-core gardening products and restaurants the industry is playing catch up.

Blue Diamond stores sell 50% more indoor living than the average GCA store. Five years ago this gap was substantially wider at 115% less volume than Blue Diamond centres.





Blue Diamond's homemade cakes

Ten years ago Blue Diamond was the first garden centre group to introduce ladies fashion. Back in 2009 when the GCA first reported on clothing sales they were delivering 140% less volume in clothing sales than Blue Diamond. The gap has now closed to 100% less. As a company we must be aware that our competitors are continually closing the gap on the point of difference we offer and thus in 2013 we are researching new product categories that will enable us to retain a point of difference and continue to grow the business.

Blue Diamond has seen turnover grow over the past five years by 53%. Therefore it is important that we strengthen our commercial disciplines in tandem with a growing company. Although in 2012 we experienced a weakening of our business due to the weather we looked at ways of strengthening our business for the future. Thus a thorough review of our stock management processes from buying through to retailing has been implemented and this review will effect an improvement to margin in 2013.

#### Grosvenor

Grosvenor Garden Centre, a £6m turnover garden centre owned by the Duke of Westminster was successfully acquired in April 2012 and an agreement reached for a 35 year lease. We are pleased to report this loss making business has already been moved into profit during 2012.



*We are researching new product categories that will enable us to retain a point of difference and continue to grow the business.*



*Alan Roper commenting on how Blue Diamond will evolve.*

#### Fryers Rose Nursery

As mentioned in previous reports acquiring Fryers Garden Centre included the acquisition of a rose nursery which traded mail order roses. We persisted with the nursery through 2012 with the primary objective of supplying Blue Diamond with exclusive roses. However we carried on fulfilling the mail order market and through a proactive approach by the team we discovered a huge potential export market. This resulted in £240k of export orders during the 2012/2013 rose season. The strategy going forward is to exploit the mail order opportunity of the rose nursery however both the growing and the mail order process will be contracted out.

#### Jersey Associates

Our associated Jersey firms headed by John Le Sueur and Company had another good year and contributed £259k to the profits of the Group. David Dumosch in particular continues to produce very good profits during difficult trading times for Jersey agriculture.

#### Brown & Green

Included in the associated profits is a £16k loss attributable to Brown & Green. While we were hoping to see the company breakeven in 2012 we can still be pleased with the result given the challenging year experienced.

The second full year of the company saw turnover grow to £1,397k. This was split between Trentham £975k (up 18%), Derby £260k (up 7%) and 3Shires £162k (opened in 2012). The margin was up over 3% to 32.8%.

Finally I would like to thank the many dedicated and hard working staff that work for the company. I have no doubt that without their considerable commitment and efforts we would not be as successful as we are.

Alan Roper, Managing Director



# REDFIELDS GARDEN CENTRE

“Redfields is a very well run centre with **massive potential**, and when the redevelopment is complete it will be amongst the **UK’s best** centres”

- Alan Roper, Managing Director



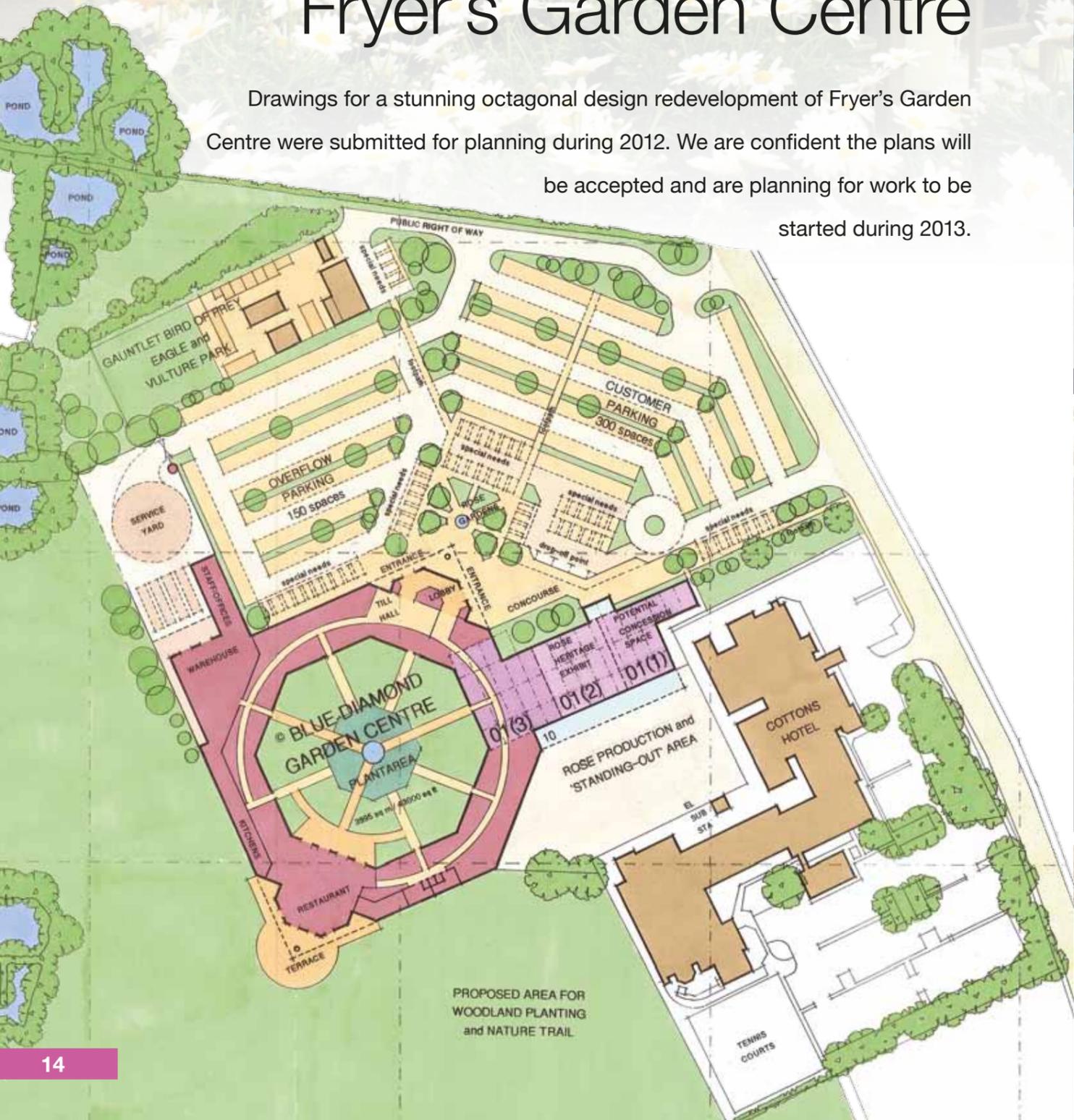
September 2013 will see phase one of the **brand new redevelopment** completed at Redfields Garden Centre. The final project will be a **brand new 6,000sqm** centre which will boast a **unique mezzanine restaurant**, while covered open-sided canopies will link the rest of the site to the main building.

The development will feature a new compact **open plant sales area**, as well as **341 car parking spaces** and **improved storage** and to help support **home delivery** and **internet shopping** services.

**Fryer's**  
Garden Centre  
KNUTSFORD

## Proposed development of Fryer's Garden Centre

Drawings for a stunning octagonal design redevelopment of Fryer's Garden Centre were submitted for planning during 2012. We are confident the plans will be accepted and are planning for work to be started during 2013.



## Acquisition of Grosvenor Garden Centre

April 2012 saw Blue Diamond acquire its 14th centre, Grosvenor Garden Centre located in a beautiful area of Chester in affluent Cheshire. Acquiring the business and a 35 year leasehold from the Duke of Westminster, this latest addition to our portfolio of destination garden centres means our annual turnover will now be in excess of £65m, which firmly plants us as the third largest garden centre group in the UK.

When acquired, Grosvenor had a turnover of £6 million but the intention has always been to quickly increase this figure to £8 million, and within 6 months of Blue Diamond's involvement Grosvenor Garden Centre has moved from loss into profit; a testament to our unique and successful way of retailing.



## Report of the Directors

The directors submit their report and the audited financial statements of the company and of the group for the year ended 31 December 2012. The consolidated financial statements have been prepared on the basis set out in note 1 to the financial statements. The company is incorporated in Guernsey.

### Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which 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 and are in accordance with applicable laws. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. 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.

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; having taken all the steps the directors ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Principal Activities

The principal activity of the company is to act as a holding company.

The principal activities of the group are the retailing of garden centre products, sports goods, furniture and giftware, and the holding of investments and property.

### Results and Dividends

The results of the group for the year are set out in detail on page 18.

The directors have paid a final dividend in respect of 2011 of £436,350 (net) and report the payment of an interim dividend for the year ended 31 December 2012 of £256,676 (net). The directors are recommending the payment of a final dividend for the year of £436,350 (net).

### Directors

The directors of the company who served during the year were :-

G.R. Dorey	(Chairman)
A. Roper	(Managing Director)
P.K. Wright	(Finance Director)
P.J.G. Atkinson	
A.M. Duquemin	
S.J. Falla	(Appointed 27 September 2012)

### Auditor

A resolution to re-appoint BDO Limited as auditor will be proposed at the Annual General Meeting.

Approved by the Board of Directors

G.R. Dorey	A. Roper
Director	Director

25 April 2013

## Independent Auditor's Report to the Members of Blue Diamond Limited

We have audited the financial statements of Blue Diamond Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all

the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and of the parent affairs as at 31 December 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**BDO Limited**  
Chartered Accountants  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

25 April 2013

## Consolidated Profit and Loss Account

Year ended 31 December 2012

	Note	2012 £	2011 £
<b>Turnover</b>	2	58,841,044	52,289,045
Cost of sales		(30,055,740)	(27,015,106)
<b>Gross profit</b>		28,785,304	25,273,939
Administrative expenses		(25,794,670)	(21,129,747)
Other income		214,056	-
<b>Group operating profit</b>	2	3,204,690	4,144,192
Group share of associated companies' profits for the year		242,612	247,007
<b>Profit on ordinary activities before interest</b>		3,477,302	4,391,199
Interest receivable		14,167	15,444
Interest payable		(483,973)	(327,104)
<b>Profit on ordinary activities before taxation</b>		2,977,496	4,079,539
<b>Taxation</b>			
Group	3	(582,860)	(755,671)
Group share of associated companies'		(37,671)	(38,894)
		(620,531)	(794,565)
<b>Profit on ordinary activities after taxation</b>	14	2,356,965	3,284,974
<b>Earnings per share</b>	17	36.73p	51.19p

The notes on pages 23 to 41 form an integral part of these financial statements.

## Consolidated Statement of Total Recognised Gains and Losses

Year ended 31 December 2012

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the profit for the financial year.

A statement of movements on reserves is included in note 14 to the financial statements.

A reconciliation of movements in shareholders' funds is set out in note 15 to the financial statements.

The notes on pages 23 to 41 form an integral part of these financial statements.

# Consolidated Balance Sheet

31 December 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Intangible assets			
- Goodwill		484,019	320,000
- Negative goodwill		(378,726)	(403,561)
	5	105,293	(83,561)
Tangible assets	6	44,008,872	41,271,179
Investments	7	1,127,622	1,106,831
		45,241,787	42,294,449
<b>Current assets</b>			
Stocks		12,656,503	11,536,405
Debtors	8	3,220,262	2,770,030
Cash and bank balances		2,123,210	853,135
		17,999,975	15,159,570
<b>Creditors – amounts falling due within one year</b>	9	(15,136,164)	(9,358,436)
<b>Net current assets</b>		2,863,811	5,801,134
<b>Total assets less current liabilities</b>		48,105,598	48,095,583
<b>Creditors – amounts falling due after more than one year</b>	10	(12,362,355)	(13,976,844)
<b>Provisions for liabilities</b>	12	(272,453)	(311,888)
		35,470,790	33,806,851
<b>Capital and reserves</b>			
Share capital	13	641,691	641,691
Share premium account		21,056	21,056
Reserves	14	34,808,043	33,144,104
<b>Shareholders' funds</b>	15	35,470,790	33,806,851

Approved by the Board of Directors and authorised for issue by:

G.R. Dorey                      A. Roper  
Director                              Director

25 April 2013

The notes on pages 23 to 41 form an integral part of these financial statements.

# Balance Sheet - Company

31 December 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	6	274,999	308,661
Investments	7	7,401,934	7,401,934
		7,676,933	7,710,595
<b>Current assets</b>			
Debtors	8	24,660,665	21,377,977
Cash and bank balances		445,694	333,981
		25,106,359	21,711,958
<b>Creditors – amounts falling due within one year</b>	9	(8,197,706)	(3,405,546)
<b>Net current assets</b>		16,908,653	18,306,412
<b>Total assets less current liabilities</b>		24,585,586	26,017,007
<b>Creditors – amounts falling due after more than one year</b>	10	(17,202,306)	(18,180,151)
		7,383,280	7,836,856
<b>Capital and reserves</b>			
Share capital	13	641,691	641,691
Share premium account		21,056	21,056
Reserves	14	6,720,533	7,174,109
<b>Shareholders' funds</b>	15	7,383,280	7,836,856

Approved by the Board of Directors and authorised for issue by:

G.R. Dorey                      A. Roper  
Director                              Director

25 April 2013

The notes on pages 23 to 41 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

Year ended 31 December 2012

	Note	2012 £	2011 £
<b>Reconciliation of group operating profit to net cash inflow from operating activities</b>			
Group operating profit		3,204,690	4,144,192
Amortisation of goodwill		26,800	20,000
Amortisation of negative goodwill		(24,835)	(24,835)
Depreciation of tangible fixed assets		1,349,348	1,073,873
Increase in operating debtors		(587,225)	(323,012)
Decrease/(increase) in stocks		782,871	(713,634)
(Decrease)/increase in operating creditors		(655,623)	839,139
<b>Net cash inflow from operating activities</b>		<b>4,096,026</b>	<b>5,015,723</b>
<b>Cash flow statement</b>			
	22		
Net cash inflow from operating activities		4,096,026	5,015,723
Returns on investments and servicing of finance	(i)	(469,806)	(311,660)
Dividends from associates		184,150	183,250
Taxation paid		(554,850)	(682,807)
Capital expenditure and financial investment	(i)	(1,534,376)	(887,900)
Acquisition and disposals	(i)	(2,727,442)	(2,862,077)
Equity dividends paid		(693,026)	(667,359)
<b>Cash outflow before financing</b>		<b>(1,699,324)</b>	<b>(212,830)</b>
Financing	(i)	1,735,531	(723,610)
<b>Increase/(decrease) in cash in the year</b>		<b>36,207</b>	<b>(936,440)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Change in net debt resulting from cash flows	(ii)	36,207	(936,440)
Movement in bank loans	(i)	(1,779,896)	723,610
Inception of hire purchase contracts		(216,674)	-
Movement in net capital obligations under hire purchase contracts	(ii)	44,365	-
<b>Movement in net debt</b>		<b>(1,915,998)</b>	<b>(212,830)</b>
<b>Net debt at 1 January</b>	(ii)	<b>(15,754,457)</b>	<b>(15,541,627)</b>
<b>Net debt at 31 December</b>	(ii)	<b>(17,670,455)</b>	<b>(15,754,457)</b>

The notes on pages 23 to 41 form an integral part of these financial statements.

# Notes to the Financial Statements

31 December 2012

## 1. ACCOUNTING POLICIES

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries for the year ended 31 December 2012. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Associated companies are consolidated based on their results for the year ended on the dates shown in note 7. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. The principal accounting policies which the directors have adopted within that convention are set out below.

### Compliance with Accounting Standards

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards.

### 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 and negative goodwill is amortised over a period of 20 years. The directors have elected to amortise goodwill over 20 years as this represents the estimated useful economic life of the businesses acquired.

### Tangible Assets and Depreciation

Freehold land and buildings are stated at their revalued amounts, being their current value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred to the capital reserve.

The directors consider that the group's 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 depreciation charge would not be material and therefore is not charged in the profit and loss account. The directors perform annual impairment reviews in accordance with the requirements of Financial Reporting Standard No. 11 – Impairment of Fixed Assets and Goodwill, and of Financial Reporting Standard No. 15 – Tangible Fixed Assets, to ensure that the carrying value of the freehold buildings is not greater than their recoverable amount.

# Notes to the Financial Statements

31 December 2012

## 1. ACCOUNTING POLICIES (continued)

### Tangible Assets and Depreciation (continued)

The group considers impairment whenever events or changes in circumstances indicate that the carrying amount of any asset or group of assets may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset is less than the carrying amount.

No depreciation is provided on freehold land, or on freehold investment properties in accordance with Statement of Standard Accounting Practice No. 19.

Depreciation on other fixed assets is calculated to write down their cost on a straight line basis over the period of their estimated useful economic lives, with a part year charge according to the month of acquisition. Estimated useful economic lives have been assessed as follows:-

Leasehold improvements	Length of lease
Short leasehold building	Over the life of the primary lease term
Machinery, plant and equipment	2 - 10 years
Motor vehicles	4 years
Furniture, fixtures and fittings	3 - 10 years
Computer equipment	3 years

### Turnover

Turnover comprises revenue from the retailing of garden centre products, sports goods, furniture, giftware and is measured at the fair value of the consideration received or receivable for goods and services 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 title has passed to them.

Turnover also includes rent receivable from fixed asset property investments in the year and this is recognised on an accruals basis.

### Operating leases

Except in circumstances where, in the opinion of the directors, it would not give a true and fair view of the company's results for a particular accounting period, rentals payable under operating leases are charged to the profit and loss account in equal annual amounts over the primary period of the lease in accordance with Urgent Issues Task Force Abstract 28.

### Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less any impairment in value.

### Investments in associated undertakings

An associated undertaking is an entity over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee, but does not exercise control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

# Notes to the Financial Statements

31 December 2012

## 1. ACCOUNTING POLICIES (continued)

### Stocks

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

### Deferred taxation

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

Deferred tax balances are recognised for all temporary differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

### Pension costs

As detailed in note 21 the group participates in defined contribution schemes for both its Channel Island and United Kingdom employees. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# Notes to the Financial Statements

31 December 2012

## 2. TURNOVER AND GROUP OPERATING PROFIT

Turnover and group operating profit derive wholly from continuing activities. Group operating profit is stated after charging:

	2012 £	2011 £
Depreciation (note 6)	1,349,348	1,073,873
Amortisation of goodwill (note 5)	26,800	20,000
Amortisation of negative goodwill (note 5)	(24,835)	(24,835)
Non-executive directors' remuneration	97,394	83,300
Auditor's remuneration – audit and assurance review services	76,200	78,436

On 1 April 2012 the group acquired 100% of the issued share capital of Chatsworth Garden Centre Limited and on 2 April 2012 the group acquired 100% of the issued share capital of Chester Garden Centre Limited (formerly Grosvenor Garden Centre Limited). An analysis of the group's results from continuing activities including acquisitions is given below:

	Continuing £	2012 Acquired £	Total £	2011 Total £
Turnover	52,240,676	6,600,368	58,841,044	52,289,045
Cost of sales	(26,778,075)	(3,277,665)	(30,055,740)	(27,015,106)
Gross profit	25,462,601	3,322,703	28,785,304	25,273,939
Administrative expenses	(22,617,430)	(3,177,240)	(25,794,670)	(21,129,747)
Other income	214,056	-	214,056	-
Group operating profit	3,059,227	145,463	3,204,690	4,144,192

# Notes to the Financial Statements

31 December 2012

## 3. GROUP TAX

The group's tax charge for the year is made up as follows:

	2012 £	2011 £
<i>Provision for Guernsey Income Tax at 0%/20%:</i>		
Based on the Guernsey taxable profits for the year	102,042	103,842
Under-provision in prior year	-	28,113
<i>Provision for U.K. Corporation Tax at 24% (2011: 26%):</i>		
Based on the UK taxable profits for the year	502,817	613,889
Over-provision in prior years	(4,093)	(12,692)
Withholding tax on group interest	52,750	50,500
Deferred tax credit (note 12)	(70,656)	(27,981)
	582,860	755,671

The group's Guernsey profits are chargeable to Guernsey income tax at the standard rate of 0%, with the exception of rental income from Guernsey properties, which is taxed at 20%. The group's Jersey trading profits for the period are charged at a rate of 0%.

## 4. EQUITY DIVIDENDS PAID

	2012 £	2011 £
Final 2011 dividend of 8.5p per share (2010: 8p per share)	545,437	513,353
Less: tax at 20%	(109,087)	(102,671)
Dividend paid (net)	436,350	410,682
Interim 2012 dividend of 5p per share (2011: 5p per share)	320,846	320,846
Less: tax at 20%	(64,170)	(64,169)
Dividend paid (net)	256,676	256,677
Total dividends paid (note 14)	693,026	667,359

# Notes to the Financial Statements

31 December 2012

## 5. INTANGIBLE ASSETS - GOODWILL

	Goodwill £	Negative Goodwill £	Total £
<b>Cost</b>			
At 1 January 2012	400,000	(496,691)	(96,691)
Acquired during the year	190,819	-	190,819
At 31 December 2012	590,819	(496,691)	94,128
<b>Amortisation</b>			
At 1 January 2012	80,000	(93,130)	(13,130)
Amortisation for the year	26,800	(24,835)	1,965
At 31 December 2012	106,800	(117,965)	(11,165)
<b>Net Book Value</b>			
At 31 December 2012	484,019	(378,726)	105,293
At 31 December 2011	320,000	(403,561)	(83,561)

The goodwill brought forward relates to the acquisition of the business trade and net assets in 2007 of 3Shires Garden Centre, located in Gloucestershire. The negative goodwill relates to the acquisition of the business trade and net assets in 2008 of Derby Garden Centre and Matlock Garden Centre, both of which are located in Derbyshire. During the year the group acquired the 100% of the issued share capital of Chatsworth Garden Centre Limited and Chester Garden Centre Limited (note 23).

## 6. TANGIBLE ASSETS

GROUP	Freehold Land & Buildings £	Short Leasehold Building £	Leasehold Improvements £	Machinery Plant & Equipment £	Motor Vehicles £	Furniture Fixtures & Fittings £	Computer Equipment £	Total £
<b>Cost/Valuation</b>								
At 1 January 2012	34,265,475	250,000	4,294,326	1,863,071	192,532	5,397,693	873,319	47,136,416
Additions	485,277	-	2,010,023	445,380	15,124	1,044,808	89,596	4,090,208
Disposals	-	-	-	(11,152)	(8,000)	-	(11,053)	(30,205)
At 31 December 2012	34,750,752	250,000	6,304,349	2,297,299	199,656	6,442,501	951,862	51,196,419
<b>Depreciation</b>								
At 1 January 2012	-	206,594	1,218,963	740,731	138,143	2,906,513	654,293	5,865,237
Charge for the year	-	20,832	199,494	59,011	20,709	919,633	129,669	1,349,348
On disposals	-	-	-	(11,152)	(4,833)	-	(11,053)	(27,038)
At 31 December 2012	-	227,426	1,418,457	788,590	154,019	3,826,146	772,909	7,187,547
<b>Net Book Value</b>								
At 31 December 2012	34,750,752	22,574	4,885,892	1,508,709	45,637	2,616,355	178,953	44,008,872
At 31 December 2011	34,265,475	43,406	3,075,363	1,122,340	54,389	2,491,180	219,026	41,271,179

# Notes to the Financial Statements

31 December 2012

## 6. TANGIBLE ASSETS (continued)

The group's freehold land, buildings and investment properties are included in these financial statements at the directors' estimate of their open market value at 31 December 2012. The directors' assessment of current value is based upon professional valuations carried out by C M Lovell MRICS., of Lovell & Partners Limited, and by A Evans BSc MRICS Dip Rating ACI Arb IRRV (Hons), of Gilbert Evans, both members of the Royal Institute of Chartered Surveyors, as at 31 December 2010, with subsequent additions valued at cost to the group.

In the opinion of the directors, the estimated residual values of the group's freehold buildings used as trading properties is considered not to be significantly different from the value of £28,684,406 (2011: £28,199,129) at which they are included in the financial statements. Depreciation is not provided on freehold buildings for this reason. Included within freehold land and buildings at 31 December 2012 is property to the value of £265,000 (2011: £265,000) which would be defined as freehold investment property under Statement of Standard Accounting Practice No. 19, and freehold land valued at £5,801,346 (2011: £5,801,346).

The group has provided first legal charges in favour of The Royal Bank of Scotland International Limited (trading as Natwest) over freehold land and buildings with a carrying value of £17,197,170 (2011: £17,130,967) and a bond to the value of £6,000,000 (2011: £6,000,000) as security for the group's bank loan and overdraft facilities.

Included in tangible fixed assets are assets acquired under hire purchase contracts as follows:

	Cost £	Accumulated Depreciation £	Depreciation for year £
Furniture, fixtures and fittings	171,945	30,258	14,525
Machinery, plant and equipment	78,506	1,801	1,801
Motor vehicle	10,503	1,966	1,966
Computer equipment	6,587	1,232	1,232

COMPANY	Leasehold Improvements £	Machinery Plant & Equipment £	Furniture Fixtures & Fittings £	Computer Equipment £	Total £
<b>Cost</b>					
At 1 January 2012	642,433	10,661	27,665	218,999	899,758
Additions	-	4,271	10,653	7,748	22,672
At 31 December 2012	642,433	14,932	38,318	226,747	922,430
<b>Depreciation</b>					
At 1 January 2012	393,040	7,260	13,430	177,367	591,097
Charge for the year	24,214	2,552	4,522	25,046	56,334
At 31 December 2012	417,254	9,812	17,952	202,413	647,431
<b>Net Book Value</b>					
At 31 December 2012	225,179	5,120	20,366	24,334	274,999
At 31 December 2011	249,393	3,401	14,235	41,632	308,661

# Notes to the Financial Statements

31 December 2012

## 7. INVESTMENTS

GROUP	2012 £	2011 £
<b>Investments in associated companies:</b>		
Shares at cost	84,250	84,250
Group share of retained reserves	1,039,708	1,018,917
	1,123,958	1,103,167
<b>Other investment - at cost:</b>		
Held by Blue Diamond Limited (see below)	3,664	3,664
<b>Group Total</b>	<b>1,127,622</b>	<b>1,106,831</b>
<b>COMPANY</b>		
<b>Investments in subsidiary companies - at cost/valuation:</b>		
B.D. Properties Limited ordinary £1 shares	394,186	394,186
Blue Diamond Trading Limited ordinary £1 shares	1,497,827	1,497,827
MGCL Limited	5,422,007	5,422,007
	7,314,020	7,314,020
<b>Investments in associated companies - at cost:</b>		
David Dumosch Limited ordinary £1 shares	38,250	38,250
John Le Sueur & Company Limited ordinary £1 shares	23,000	23,000
Brown and Green (Farm Shops) Limited ordinary £1 shares	23,000	23,000
	84,250	84,250
<b>Other investment - at cost:</b>		
Kenilworth Vineries Limited - 1,333 ordinary £1 shares	3,664	3,664
<b>Company Total</b>	<b>7,401,934</b>	<b>7,401,934</b>

# Notes to the Financial Statements

31 December 2012

## 7. INVESTMENTS (continued)

At 31 December 2012, the company held the following direct and indirect investments in subsidiary and associated companies. All of the companies are incorporated in Guernsey, except as noted below.

Subsidiary Companies	Principal Activity	Accounting Date
<b>Direct:</b>		
B.D. Properties Limited	Property & investment holding 100%	31 December
Blue Diamond Trading Limited	Investment holding 100%	31 December
MGCL Limited (England)	Investment holding 100%	31 December
Fryer's Nurseries Limited (England)	Dormant 100%	31 December
<b>Indirect:</b>		
BDL No.1 Limited	Dormant 100%	31 December
BDL No.2 Limited	Dormant 100%	31 December
Blue Diamond UK Limited (England)	Garden centre retailer 100%	31 December
Chatsworth Garden Centre Limited (England)	Garden centre retailer 100%	31 December
Chester Garden Centre Limited (England)	Garden centre retailer 100%	31 December
Fruit Export Company Limited	Garden centre retailer 100%	31 December
Goodies Limited	Gift retailer 100%	31 December
Matlock Garden, Waterlife & Pet Centre Limited (England)	Property holding 100%	31 December
Olympus Sportswear (Guernsey) Limited	Sportswear & equipment retailer 100%	31 December
St. Martins Garden and Pet Centre Limited	Non-trading 100%	31 December
St. Peters Furniture Centre Limited (Jersey)	Non-trading 100%	31 December
St. Peters Garden Centre Limited (Jersey)	Garden centre retailer 100%	31 December
<b>Associated Companies</b>		
<b>Direct:</b>		
David Dumosch Limited (Jersey)	Agricultural & horticultural merchants & produce handlers 45%	31 October
John Le Sueur & Company Limited (Jersey)	Investment holding 50%	30 September
Brown & Green (Farm Shops) Limited (England)	Food retailer 50%	31 December
<b>Indirect:</b>		
Olympus Sportswear (Jersey) Limited	Sportswear & equipment retailer 50%	30 September

During the year the group acquired 100% of the issued share capital in Chatsworth Garden Centre Limited through Blue Diamond UK Limited and Chester Garden Centre Limited through Blue Diamond Trading Limited (note 23).

# Notes to the Financial Statements

31 December 2012

	GROUP		COMPANY	
	2012 £	2011 £	2012 £	2011 £
<b>8. DEBTORS</b>				
<b>Due within one year</b>				
Trade debtors	483,470	191,408	-	-
Prepayments and sundry debtors	2,488,338	2,098,356	603,753	289,557
Inter-company loans - subsidiary companies	-	-	784,456	141,690
Associated company loan	248,454	248,454	248,454	248,454
Other loan account	-	231,812	-	231,812
	3,220,262	2,770,030	1,636,663	911,513
<b>Due after more than one year</b>				
Inter-company loans - subsidiary companies	-	-	23,024,002	20,466,464
<b>Total debtors</b>	3,220,262	2,770,030	24,660,665	21,377,977

The inter-company loans are all unsecured, bear interest at 1.5% above sterling LIBOR and have no fixed terms for repayment. The associated company loan, due from John Le Sueur & Company Limited, is unsecured, repayable on demand and subject to interest at a fixed rate of 1.5% above one month sterling LIBOR. The other loan account, which relates to the group's previous management arrangement with Chatsworth Garden Centre Limited, was transferred to the inter-company loan balances during the year on acquisition of the company by the group.

	GROUP		COMPANY	
	2012 £	2011 £	2012 £	2011 £
<b>9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Bank overdrafts	1,512,760	278,892	-	-
Bank loans (note 11)	5,851,860	2,351,856	5,851,860	2,351,856
Net capital obligations under hire purchase contracts	66,690	-	-	-
Amounts due to subsidiary companies	-	-	1,831,827	534,915
Amounts due to associated company	26,718	-	26,718	-
Trade creditors	4,174,881	3,288,706	1,444	3,358
Accruals and sundry creditors	2,842,059	2,893,899	485,857	515,417
Taxation payable - Guernsey	264,365	162,323	-	-
Taxation payable - UK	396,831	382,760	-	-
	15,136,164	9,358,436	8,197,706	3,405,546

The bank overdrafts are secured by a composite cross guarantee between the group companies as set out in note 20 and by a first legal charge over certain of the group's garden centre properties as set out in note 6. The amounts due to subsidiary companies are unsecured, bear interest at 1.5% above sterling LIBOR and have no fixed terms for repayment.

The amount due to associated company is unsecured and interest free, with no fixed terms for repayment.

# Notes to the Financial Statements

31 December 2012

## 10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2012 £	2011 £	2012 £	2011 £
Bank loans (note 11)	12,256,736	13,976,844	12,256,736	13,976,844
Net capital obligations under hire purchase contracts	105,619	-	-	-
Amounts due to subsidiary companies	-	-	4,945,570	4,203,307
	12,362,355	13,976,844	17,202,306	18,180,151

The amounts due to subsidiary companies are unsecured, bear interest at 1.5% above sterling LIBOR and have no fixed terms for repayment. The net capital obligations under hire purchase contracts are wholly repayable within 3 years.

## 11. BANK LOANS

	2012 £	2011 £
Repayable by instalments	15,108,596	15,328,700
Not repayable by instalments	3,000,000	1,000,000
	18,108,596	16,328,700
Aggregate amounts repayable:		
Due within one year	5,851,860	2,351,856
Due after more than one year:		
- between one and two years	6,078,574	8,191,927
- between two and five years	6,178,162	5,784,917
	12,256,736	13,976,844
	18,108,596	16,328,700

The bank loans bear interest at commercial rates linked to LIBOR and the Bank of England Base Rate as agreed with The Royal Bank of Scotland International Limited (trading as NatWest).

One term loan is repayable in forty-five monthly instalments which commenced on 15 March 2010. Each monthly instalment is calculated using a seven year capital and interest repayment programme with a final lump sum payment due on 15 December 2013.

The second term loan is repayable in sixty monthly instalments which commenced on 29 September 2011. Each monthly instalment is calculated using a ten year capital and interest repayment programme with a final lump sum payment due on 29 September 2016.

# Notes to the Financial Statements

31 December 2012

## 11. BANK LOANS (continued)

The third term loan is repayable in sixty monthly instalments which commenced on 1 April 2012. Each monthly instalment is calculated using a ten year capital and interest repayment programme with a final lump sum payment due on 30 March 2017.

The group's working capital revolving facility of £3,000,000 is committed until 30 November 2013 and the overdraft facilities are reviewed annually. A further £2,000,000 working capital facility is committed until 31 December 2013 and was undrawn at the year end.

The loans are secured by way of a first legal charge over certain of the group's properties as disclosed in note 6. The group has also provided a cross guarantee as detailed in note 20 to the financial statements.

## 12. DEFERRED TAXATION

GROUP	2012 £	2011 £
<b>Provision for deferred tax</b>		
Accelerated capital allowances	272,453	311,888
Movement in the year:		
At 1 January 2012	311,888	331,178
Credited to consolidated profit loss account (note 3)	(70,656)	(27,981)
Acquired during the year	31,221	8,691
At 31 December 2012	272,453	311,888

## 13. SHARE CAPITAL

	2012 £	2011 £
<b>Authorised</b>		
6,800,000 Ordinary shares of 10p each	680,000	680,000
100,000 Unclassified shares of 10p each	10,000	10,000
	690,000	690,000
<b>Allotted and fully paid</b>		
6,416,910 Ordinary shares of 10p each	641,691	641,691

The issued share capital of the company is owned by numerous parties and therefore, in the opinion of the directors, there is no ultimate controlling party of the company as defined by Financial Reporting Standard No. 8 - Related Party Disclosures. The register of shareholders and their holdings (including the directors' beneficial interests) in the ordinary shares of Blue Diamond Limited is available for inspection at the registered office of the company.

# Notes to the Financial Statements

31 December 2012

## 14. RESERVES

GROUP	Capital £	Revaluation £	Revenue £	Total £
At 1 January 2012	9,439,229	6,211,785	17,493,090	33,144,104
Profit for the financial year	-	-	2,356,965	2,356,965
Dividends paid (net) (note 4)	-	-	(693,026)	(693,026)
At 31 December 2012	9,439,229	6,211,785	19,157,029	34,808,043

## COMPANY

	Capital £	Revenue £	Total £
At 1 January 2012	6,625,579	548,530	7,174,109
Profit for the financial year	-	239,450	239,450
Dividends paid (net) (note 4)	-	(693,026)	(693,026)
At 31 December 2012	6,625,579	94,954	6,720,533

## 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2012 £	2011 £	2012 £	2011 £
Profit/(loss) for the financial year	2,356,965	3,284,974	239,450	(1,601,901)
Dividends paid (net)	(693,026)	(667,359)	(693,026)	(667,359)
Net addition to/(reduction in) shareholders' funds	1,663,939	2,617,615	(453,576)	(2,269,260)
Opening shareholders' funds	33,806,851	31,189,236	7,836,856	10,106,116
Shareholders' funds at 31 December	35,470,790	33,806,851	7,383,280	7,836,856

# Notes to the Financial Statements

31 December 2012

## 16. PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF BLUE DIAMOND LIMITED

Of the group profit for the financial year attributable to the members of Blue Diamond Limited, a profit of £239,450 (2011: loss of £1,601,901) is dealt with in that company's own financial statements.

## 17. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit for the financial year attributable to the members of Blue Diamond Limited of £2,356,965 (2011: £3,284,974) by the number of ordinary shares in issue.

## 18. FINANCIAL COMMITMENTS

### Commitments under operating leases

The group leases property on short leaseholds. The rentals payable under these leases in the next year are as follows:-

Date of termination of lease:	2012 £	2011 £
In one year	63,156	-
In two to five years	106,000	169,156
After five years	2,833,725	2,164,346
	3,002,881	2,333,502

### Capital commitment

The group is committed to capital expenditure for the refurbishment of Redfields Garden Centre in terms of its operating lease agreement. The refurbishment is expected to commence from July 2013 and the total expected cost is approximately £3,000,000. No contracts were entered into before the financial year end relating to the works to be undertaken. Redfields Garden Centre is a garden centre operated by Blue Diamond UK Limited (note 7).

## 19. RELATED PARTY TRANSACTIONS

In the preparation of these financial statements the directors have taken advantage of the exemption under Financial Reporting Standard No. 8 - Related Party Disclosures and have not disclosed the details of related party transactions with entities that are part of the Blue Diamond Limited group or investees of the group.

The directors and close family members of the directors received dividends in aggregate, on the same terms as other shareholders, of £208,383 (2011: £195,781).

# Notes to the Financial Statements

31 December 2012

## 20. CONTINGENT LIABILITIES

In consideration for making available to the Blue Diamond Limited group loan and overdraft facilities of up to £22,108,595 The Royal Bank of Scotland International Limited (trading as NatWest) has requested that a composite cross guarantee structure be established.

Accordingly, the following Blue Diamond Limited group companies have entered into such cross guarantees.

B.D. Properties Limited	Fruit Export Company Limited
BDL No 1 Limited	Goodies Limited
BDL No 2 Limited	Matlock Garden, Waterlife & Pet Centre Limited
Blue Diamond Limited	MGCL Limited
Blue Diamond Trading Limited	Olympus Sportswear (Guernsey) Limited
Blue Diamond UK Limited	St. Peters Furniture Centre Limited
Chester Garden Centre Limited	St. Peters Garden Centre Limited
Chatsworth Garden Centre Limited	St. Martins Garden and Pet Centre Limited

Additionally, B.D. Properties Limited has guaranteed the bank borrowings of John Le Sueur & Company Limited, in the sum of £250,000. In the opinion of the directors, no liability to the company or to the group is expected to arise as a result of these guarantees.

## 21. PENSION COSTS

### United Kingdom employees

Group employees in the United Kingdom may be eligible to join a Group Personal Pension Plan operated by Aviva. 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 group in an independently administered fund. The pension cost charged in these accounts includes contributions payable by group companies to the fund in the year ended 31 December 2012 amounting to £22,063 (2011: £20,402).

### Channel Islands employees

The group's Channel Islands employees may be eligible to join a defined contribution scheme operated by Zurich Assurance plc. The funding is based upon a fixed percentage of salary and the assets of the scheme are held separately from those of the group in an independently administered fund.

The total amount of pension contributions payable by group companies to the Channel Islands scheme in the year ended 31 December 2012 was £91,617 (2011: £95,131). In addition, during the year the group paid contributions of £18,548 (2011: £17,541) into the personal pension scheme of one (2011: one) director of the company.

## 22. CONSOLIDATED CASH FLOW

### (i) Analysis of cash flows for headings netted in the cash flow statement

#### Returns on investments and servicing of finance:

	2012 £	2011 £
Interest received	14,167	15,444
Interest paid	(483,973)	(327,104)
Net cash outflow from returns on investments and servicing of finance	(469,806)	(311,660)

# Notes to the Financial Statements

31 December 2012

## 22. CONSOLIDATED CASH FLOW (continued)

(i) Analysis of cash flows for headings netted in the cash flow statement (continued)	2012 £	2011 £
<b>Capital expenditure and financial investment:</b>		
Purchase of tangible fixed assets	(1,324,363)	(1,142,761)
Proceeds on disposal of tangible fixed assets	3,167	-
Associated company loan repaid	-	200,000
Other loan (advanced)/repaid	(213,180)	54,861
Net cash outflow from capital expenditure and financial investment	(1,534,376)	(887,900)
<b>Acquisitions and disposals:</b>		
Acquisition of subsidiaries (note 23)	(3,113,904)	(2,878,428)
Cash acquired (note 23)	386,462	16,351
Net cash outflow from acquisitions and disposals	(2,727,442)	(2,862,077)
<b>Financing:</b>		
Increase in bank loans	4,500,000	2,000,000
Repayment of bank loans	(2,720,104)	(2,723,610)
Repayment of hire purchase contracts	(44,365)	-
Net cash outflow from financing	1,735,531	(723,610)

(ii) Analysis of changes in net debt	1 January 2012 £	Cash Flows £	Non-cash Movements £	31 December 2012 £
Cash and bank balances	853,135	1,270,075	-	2,123,210
Bank overdrafts	(278,892)	(1,233,868)	-	(1,512,760)
	574,243	36,207	-	610,450
Net obligations under hire purchase contracts	-	44,365	(216,674)	(172,309)
Bank loan due within one year	(2,351,856)	720,104	(4,220,108)	(5,851,860)
Bank loan due after more than one year	(13,976,844)	(2,500,000)	4,220,108	(12,256,736)
	(15,754,457)	(1,699,324)	(216,674)	(17,670,455)

# Notes to the Financial Statements

31 December 2012

## 23. ACQUISITIONS

### Acquisition of Chatsworth Garden Centre Limited

On 1 April 2012 the group acquired 100% of the shares in Chatsworth Garden Centre Limited, a company registered in England with the principal activity of the operation of a retail garden centre.

In calculating the goodwill arising on acquisition, the fair values of the net assets of Chatsworth Garden Centre Limited have been assessed and no adjustments have been made. The operating assets and liabilities acquired on 1 April 2012 were as follows:

	Net Book Value £
Tangible fixed assets	525,692
Debtors	9,387
Stock	585,669
Cash and bank balances	210,642
UK Corporation tax recoverable	(17,447)
Creditors due within one year	(429,261)
Amount due to Blue Diamond Limited	(444,992)
Deferred tax liability	(31,221)
Net assets acquired	408,469
Cash consideration (including expenses of £75,654)	493,652
Goodwill arising on acquisition (note 5)	85,183

Included in accruals and sundry creditors (note 9) is an amount of £163,998 payable on 31 March 2013 in relation to the acquisition. The results of Chatsworth Garden Centre Limited prior to its acquisition were as follows:

Profit and loss	Year Ended 31 March 2012 £
Turnover	2,558,057
Operating profit	15,210
Profit before tax	4,101
Tax on profit on ordinary activities	(13,781)
Loss for the financial period	(9,680)

For the nine month period since acquisition, sales of £1,858,256 and operating profit of £44,901 relating to the company's business are included within the consolidated profit and loss account as "continuing operations – acquisitions" (see note 2).

# Notes to the Financial Statements

31 December 2012

## 23. ACQUISITIONS (continued)

### Acquisition of Chester Garden Centre Limited

On 2 April 2012 the group acquired 100% of the shares in Chester Garden Centre Limited, a company registered in England with the principal activity of the operation of a retail garden centre.

In calculating the goodwill arising on acquisition, the fair values of the net assets of Chester Garden Centre Limited have been assessed and adjustments have been made to net book value where necessary. The operating assets and liabilities acquired on 2 April 2012 were as follows:

	Net Book Value £	Other £	Fair Value £
Tangible fixed assets	2,023,479	-	2,023,479
Debtors	163,063	(77,631)	85,432
Stock	1,342,300	(25,000)	1,317,300
Cash and bank balances	175,820	-	175,820
Creditors due within one year	(992,662)	69,245	(923,417)
Net assets acquired	2,712,000	(33,386)	2,678,614
Cash consideration (including expenses of £129,938)			2,784,250
Goodwill arising on acquisition (note 5)			105,636

The other adjustments relate to assets and liabilities of the company that were specifically not acquired by the group and were transferred out to the previous shareholders. The results of Chester Garden Centre Limited prior to its acquisition were as follows:

	Year Ended 1 April 2012 £
<b>Profit and loss</b>	
Turnover	6,159,755
Operating loss	(78,481)
Loss before tax	(78,481)
Tax on loss on ordinary activities	-
Loss for the financial period	(78,481)

For the nine month period since acquisition, sales of £4,742,112 and operating profit of £100,562 relating to the company's business are included within the consolidated profit and loss account as "continuing operations – acquisitions" (see note 2).

The above figures reflect a preliminary allocation of the purchase consideration to the net assets and liabilities of Chatsworth Garden Centre Limited and Chester Garden Centre Limited acquired during the year. The directors do not believe that any material net adjustments to these allocations will become apparent within the next accounting period.

# Notes to the Financial Statements

31 December 2012

## 23. ACQUISITIONS (continued)

### Cash flows (note 22)

The net outflow of cash arising from the acquisitions of subsidiaries was as follows:

	Consideration Payable £	Cash Acquired £	Amount Outstanding £	Net Outflow £
Chatsworth Garden Centre Limited	493,652	(210,642)	(163,998)	119,012
Chester Garden Centre Limited	2,784,250	(175,820)	-	2,608,430
	3,277,902	(386,462)	(163,998)	2,727,442

## 24. POST BALANCE SHEET EVENTS

The directors recommend the payment of a final dividend in relation to the year ended 31 December 2012 of £436,350 (net), representing a gross dividend of 8.5p per ordinary share.

## 25. SEGMENTAL ANALYSIS

(i) By class of business	Garden Centre Retailing		Other		Group	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Turnover	57,825,033	51,050,617	1,016,011	1,238,428	58,841,044	52,289,045
Profit before tax	1,972,681	2,819,460	1,004,815	1,260,079	2,977,496	4,079,539
Net assets	18,734,574	13,823,336	16,736,216	19,983,515	35,470,790	33,806,851

(ii) By geographical area	United Kingdom		Channel Islands		Group	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Turnover	44,369,640	36,918,789	14,471,404	15,370,256	58,841,044	52,289,045
Profit before tax	713,316	1,112,439	2,264,180	2,967,100	2,977,496	4,079,539
Net assets	22,225,128	18,507,052	13,245,662	15,299,799	35,470,790	33,806,851

# Garden Centres

## 3Shires

**Garden Centre**  
Ledbury Road,  
Newent,  
Gloucestershire,  
GL18 1DL  
Tel: 01531 820941

## Brambridge Park Garden Centre

Kiln Lane,  
Brambridge, Eastleigh,  
Hampshire,  
SO50 6HT  
Tel: 01962 713707

## Chatsworth Garden Centre

Calton Lees,  
Beeley, Matlock,  
Derbyshire,  
DE4 2NX  
Tel: 01629 734004

## Derby Garden Centre

Alfreton Road,  
Little Eaton,  
Derby,  
DE21 5DB  
Tel: 01332 831666

## Evesham

**Garden Centre**  
Evesham Country Park,  
Evesham,  
Worcestershire,  
WR11 4TP  
Tel: 01386 761888

## Festival Garden Centre

Springfields Outlet Village,  
Camel Gate,  
Spalding, Lincolnshire,  
PE12 6ET  
Tel: 01775 760949

## Fryer's Garden Centre

Manchester Road,  
Knutsford,  
Cheshire,  
WA16 0SX  
Tel: 01565 755455

## Grosvenor Garden Centre

Wrexham Road,  
Belgrave, Chester,  
Cheshire,  
CH4 9EB  
Tel: 01244 625200

## Le Friquet Home of Garden and Living

Rue du Friquet,  
Castel,  
Guernsey,  
GY5 7SS  
Tel: 01481 259220

## Matlock Garden Centre

Nottingham Road,  
Tansley, Matlock,  
Derbyshire,  
DE4 5FR  
Tel: 01629 580500

## Redfields Garden Centre

Ewshot Lane, Church  
Crookham, Fleet,  
Hampshire,  
GU52 8UB  
Tel: 01252 624444

## St. Peters Garden Centre

Avenue de la Reine,  
Elizabeth II, St Peter,  
Jersey,  
JE3 7BP  
Tel: 01534 745903

## Trentham Garden Centre

Stone Road, Trentham,  
Stoke-on-Trent,  
Staffordshire,  
ST4 8JG  
Tel: 01782 646644

## Wilton House Garden Centre

Salisbury Road,  
Wilton, Salisbury,  
Wiltshire,  
SP2 0BJ  
Tel: 01722 746746

# Other Retail

## Goodies Gift Shop

Manor Stores  
St Martin  
Guernsey  
GY4 6DA  
Tel: 01481 232888

## Intersport

Unit 2  
Lowlands Industrial  
Estate  
Vale, Guernsey  
GY3 5XQ  
Tel: 01481 200091

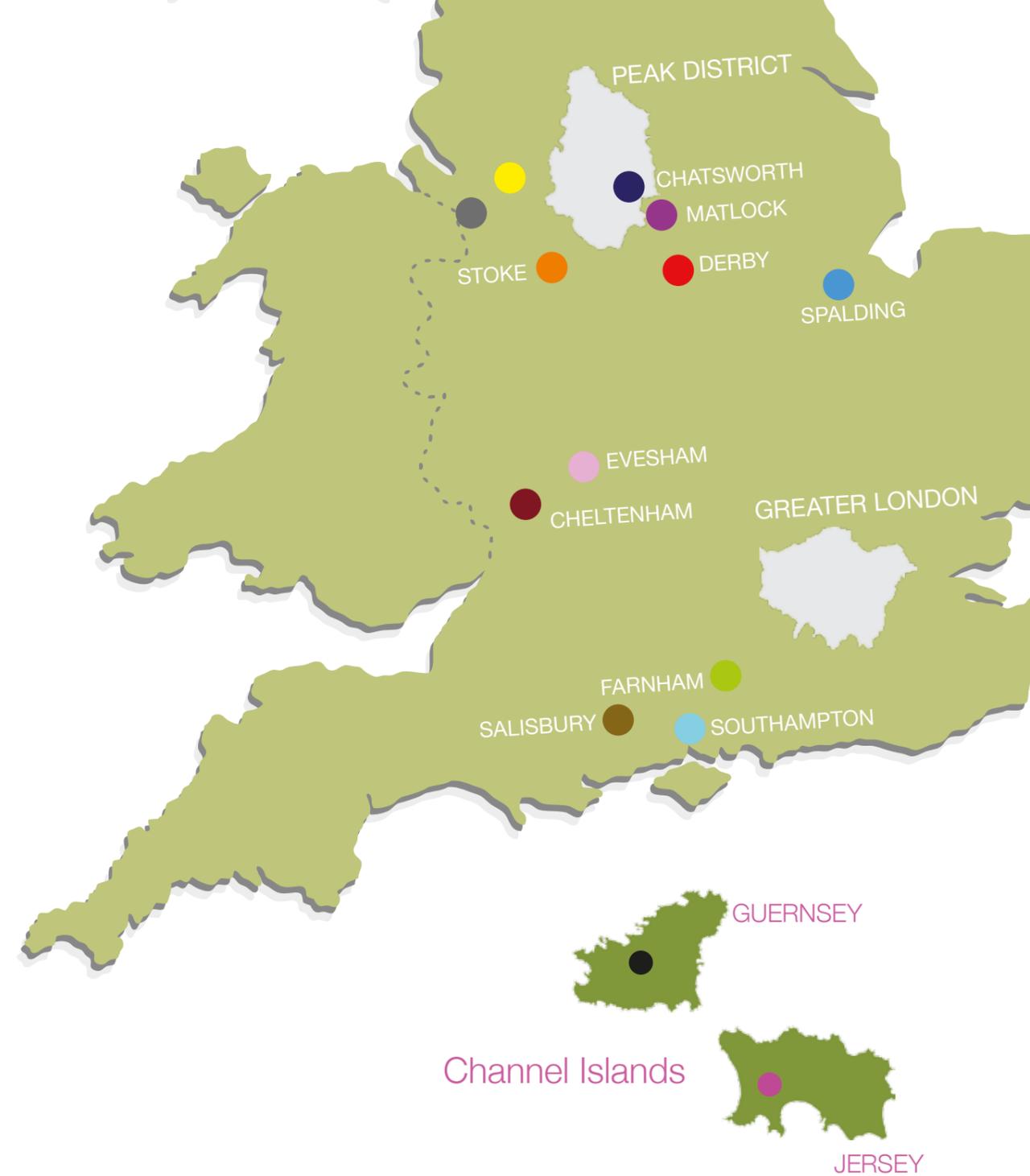
## Brown and Green Locations

Located at  
**Trentham Shopping  
Village**  
Stone Road, Trentham,  
Stoke-on-Trent,  
Staffordshire,  
ST4 8AX  
Tel: 01782 641976

Located at  
**Derby  
Garden Centre**  
Alfreton Road,  
Little Eaton,  
Derby,  
DE21 5DB  
Tel: 01332 835244

Located at  
**3Shires  
Garden Centre**  
Ledbury Road,  
Newent,  
Gloucestershire,  
GL18 1DL  
Tel: 01531 828590

# Blue Diamond in the UK and Channel Islands



## Keeping in touch with Blue Diamond

Blue Diamond has a thriving list of members throughout the UK and Channel Islands, all of which enjoy eligibility for exclusive discount vouchers at special times during the year. In addition we email members with the latest news, new products, exclusive offers, and special events at all of our fourteen garden centres. This ensures that our 'point of difference' retailing can span as far and wide as possible - we even have members in the USA and Australia!

Visit us online at [www.bluediamond.gg](http://www.bluediamond.gg)



## **Blue Diamond Limited**

PO Box 350 | Rue du Friquet | Castel  
Guernsey | Channel Islands | GY1 3XA  
Tel: 01481 210280

[www.bluediamond.gg](http://www.bluediamond.gg)