We're still growing...

Blue Diamond Limited
INTERIM REPORT AND ACCOUNTS
30 June 2014

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INTERIM MANAGEMENT STATEMENT

Trading performance

The Group's trading performance was very strong during the first six months of 2014, with profit before tax increasing from £1.3m in 2013 to £1.8m. The favourable weather that prevailed from March onwards and the robust economic recovery in the UK, combined with the redevelopment of Redfields Garden Centre and the acquisition of Fermoy's Garden Centre in 2013, meant that turnover rose by nearly 16% year on year. Even on a like-for-like basis, excluding Fermoy's, turnover increased by more than 10%.

The industry as a whole has enjoyed a good first six months in 2014, but the Group outperformed the Garden Centre Association (GCA) average in terms of sales, customer numbers and average spend across the portfolio of garden centres and restaurants Excluding the Channel Islands, where the economies have been flat (particularly in Guernsey), our improvement over the GCA is even starker. Our performance has been especially strong in plants and garden sundries, although we reported weaker results in furniture and gifts as stock arrived late and our rivals continue to catch up with our product offering.

All of our centres have performed well with the exceptions of Derby (major, prolonged roadworks impeded access to the centre), Festival (intense competition on the retail park) and Le Friquet (economic softness in Guernsey). There was very strong growth in particular at Brambridge, Fryers, Chatsworth, Grosvenor, Matlock, Wilton and the redeveloped Redfields.

The segmental analysis in note 8 shows the relative performances of the UK and CI businesses. UK turnover grew by 20% (12% excluding Fermoy's Garden Centre), whilst CI turnover increased by only 2%, with all of the growth coming from Jersey. The Channel Island businesses continue to enjoy higher profit margins than the UK but they have more capital tied up in them so their return on capital employed is lower.

Gross profit rose from £14.6m to £16.8m. Although this gives a lower margin of 49.3% compared with 49.8% in 2013, this is mainly the result of our prudent estimate of the retrospective discounts we will receive from suppliers at the end of the year, depending on meeting pre-determined targets. Indeed, our EPOS system indicates that our gross margin (before retrospective discounts) for the first six months of 2014 was actually higher than 2013.

Administrative expenses in the first six months of 2014 increased by £1.6m to £15m, a rise of 12% on 2013. As a percentage of sales, however, this represents a reduction to 44% from 46% in the first six months of 2013. It is the consequence of the acquisition of Fermoy's Garden Centre, the redevelopment of Redfields, investment in and reorganisation of the support functions required to manage a group of this scope and scale, and the resumption of the Verve magazine marketing campaign that did not take place in 2013.

Interest payable during the first half of 2014 increased to £0.3m following the refinancing at higher interest rates in December 2013 of the Group's largest term loan and revolving credit facilities. Interest cover is solid at 7.7 times, which compares with 7.2 times at the same stage of 2013. Taxation is calculated on a prudent basis using the same rate charged in 2013, although it should be lower in 2014 given the reduction in UK corporation tax and the UK government's increase in capital allowances to encourage investment.

Overall, earnings per share for the six months to 30 June 2014 grew significantly to 24.61p, which is an increase of 37% on the prior year and gives the Group a solid foundation for the rest of 2014. Return on capital employed improved to 3.7% during the first six months of 2014, from 2.9% in the same period of 2013.

Financial position and cash flow

Shareholders' funds grew by £1.1m or 2.8% during the period to £39.7m, giving a book value of £6.18 per share.

Tangible assets increased by £0.8m thanks to the investment in Phase Two of Redfields, storage facilities at Le Friquet, a new roof at Three Shires and the refurbishment of Fermoy's Garden Centre.

Stock increased by £3.3m from the end of 2013, which reflects the seasonality of the business, along with the strong growth experienced to date in 2014 and the acquisition of Fermoy's Garden Centre. Stock turnover decreased slightly on the full-year 2013 to 2.51 from 2.54, but improved significantly on the first six months of 2013 when it was 2.24. Stock levels have fallen by over £1m since June 2014, which would have been even higher had it not been for the expansion of Redfields.

There was a decrease in cash of £6.4m during the first six months of 2014. This has resulted from the increase in stock and capital expenditure as described above, and

the repayment of £2.75m of the £3m revolving credit facility. Net debt increased by £3.1m to £18.7m, which represents a gearing ratio of 47%. This is higher than the year-end 2013 ratio of 40% but, given the seasonality of the business and its cash flows, is an improvement on the 49% at the end of June 2013. Net debt to EBITDA also improved from 7.8 times at the end of June 2013 to 6.5 times at the end of June 2014.

Outlook

The profit before tax of £1.8m gives the Group a strong platform for the full year. Sales growth has moderated since June 2014 as the comparatives become tougher, but remains strongly ahead of the prior year and has pulled even further away from the GCA. The Board maintains its current full-year forecast of a profit before tax of £4.4m, but clearly the key Christmas trading period and the avoidance of extreme weather patterns will be critical to the delivery of this.

Phase Two of Redfields Garden Centre opened in the middle of September and has been received positively by customers, the industry and employees alike. It will be one of our largest garden centres and will develop steadily over the coming months. Its designs and concepts, by Managing Director Alan Roper, will be rolled out across the rest of the Group over time.

The Board has also approved the acquisition on a leasehold basis of the Group's sixteenth garden centre for £1m plus stock, which is scheduled to complete at the end of October. Located in the South-West of England, it represents an excellent opportunity to grow and develop an established garden centre that is already popular and profitable. It currently produces an annual turnover of £4.1m and should make a small contribution to the Group's profits in 2014.

Board

The Board has undergone no changes since the last Annual Report and Accounts was published and will announce an interim dividend in December.

The Board is pleased to provide this Interim Report and Accounts nearer the end of the period and in more detailed form than hitherto, and trusts that this will be welcomed by all shareholders.

G.R.Dorey
Chairman

Consolidated Profit and Loss Account

Six months ended 30 June 2014	Note	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 December 2013 (audited) £
Turnover		**33,994,686**	29,410,793	62,479,239
Cost of sales		**(17,235,306)**	(14,764,218)	(31,355,096)
Gross profit		**16,759,380**	14,646,575	31,124,143
Administrative expenses		**(15,033,531)**	(13,404,785)	(27,741,364)
Other income		**276,081**	232,864	310,277
Group operating profit		**2,001,930**	1,474,654	3,693,056
Group share of associated companies' profit for the period		**72,141**	55,784	157,959
Profit on ordinary activities before interest		**2,074,071**	1,530,438	3,851,015
Interest receivable		**3,018**	2,280	5,474
Interest payable		**(273,778)**	(213,476)	(490,800)
Profit on ordinary activities before taxation		**1,803,311**	1,319,242	3,365,689
Taxation	2	**(223,959)**	(168,501)	(409,916)
Profit on ordinary activities after taxation		**1,579,352**	1,150,741	2,955,773
Earnings per share	6	**24.61p**	17.93p	46.06p

All amounts relate to continuing activities.

Consolidated Statement of Recognised Gains and Losses

Six months ended 30 June 2014	**Six months ended 30 June 2014 (unaudited) £**	**Six months ended 30 June 2013 (unaudited) £**	**Year ended 31 December 2013 (audited) £**
Profit for the financial period	**1,579,352**	1,150,741	2,955,773
Unrealised surplus on revaluation of freehold property	**-**	-	1,969,476
Unrealised deficit on revaluation of freehold property	**-**	-	(1,087,763)
Total recognised gains and losses for the financial period	**1,579,352**	1,150,741	3,837,486

Consolidated Balance Sheet

As at 30 June 2014	Note		**Six months ended 30 June 2014 (unaudited) £**		**Six months ended 30 June 2013 (unaudited) £**		**Year ended 31 December 2013 (audited) £**
Fixed assets							
Intangible assets							
- Goodwill		**439,708**		469,249		454,478	
- Negative goodwill		**(352,767)**		(366,309)		(365,476)	
			86,941		102,940		89,002
Tangible assets	3		**48,389,143**		43,697,720		47,606,090
Investments			**1,138,522**		1,170,966		1,082,468
			49,614,606		44,971,626		48,777,560
Current assets							
Stocks		**15,371,136**		13,688,104		12,050,887	
Debtors		**4,350,220**		4,218,540		3,714,475	
Cash and bank balances		**2,771,703**		2,616,702		5,079,317	
		22,493,059		20,523,346		20,844,679	
Creditors – amounts falling due within one year		**(17,086,759)**		(18,414,254)		(12,226,649)	
Net current assets			**5,406,300**		2,109,092		8,618,030
Total assets less current liabilities			**55,020,906**		47,080,718		57,395,590
Creditors – amounts falling due after more than one year			**(15,122,906)**		(10,634,817)		(18,547,119)
Provisions for liabilities			**(216,751)**		(260,720)		(233,221)
			39,681,249		36,185,181		38,615,250
Capital and reserves							
Share capital			**641,691**		641,691		641,691
Share premium account			**21,056**		21,056		21,056
Reserves			**39,018,502**		35,522,434		37,952,503
Shareholders' funds	5		**39,681,249**		36,185,181		38,615,250

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

G.R. Dorey
Director

A. Roper
Director

Issued on 25th September 2014

Consolidated Cash Flow Statement

Six months ended 30 June 2014	Note	**Six months ended 30 June 2014 (unaudited) £**	**Six months ended 30 June 2013 (unaudited) £**	**Year ended 31 December 2013 (audited) £**
Reconciliation of group operating profit to net cash (outflow)/inflow from operating activities				
Group operating profit		**2,001,930**	1,474,654	3,693,056
Amortisation of goodwill		**14,770**	14,770	29,541
Amortisation of negative goodwill		**(12,709)**	(12,417)	(24,934)
Depreciation of tangible fixed assets		**803,808**	718,165	1,441,562
Increase in operating debtors		**(717,691)**	(448,423)	(233,658)
(Increase)/decrease in stocks		**(3,320,249)**	(1,031,601)	1,151,940
Increase in operating creditors		**654,134**	934,008	2,695,543
Net cash (outflow)/inflow from operating activities		**(576,007)**	1,649,156	8,753,050
Cash flow statement				
Net cash (outflow)/inflow from operating activities		**(576,007)**	1,649,156	8,753,050
Returns on investments and servicing of finance		**(270,760)**	(211,196)	(485,326)
Dividends from associates		**-**	-	167,950
Taxation paid		**(309,490)**	(373,750)	(708,413)
Capital expenditure and financial investment		**(1,208,910)**	(572,124)	(4,247,145)
Acquisition and disposals		**-**	-	(639,151)
Equity dividends paid		**(513,353)**	(436,350)	(693,026)
Cash (outflow)/inflow before financing		**(2,878,520)**	55,736	2,147,939
Financing		**(3,518,448)**	(1,044,228)	2,236,574
(Decrease)/increase in cash in the period		**(6,396,968)**	(988,492)	4,384,513
Reconciliation of net cash flow to movement in net debt				
Change in net debt resulting from cash flows	7	**(6,396,968)**	(988,492)	4,384,513
Movement in bank loans		**3,460,839**	972,732	(2,308,069)
Movement in net capital obligations under hire purchase contracts		**(206,203)**	71,496	71,495
Movement in net debt		**(3,142,332)**	55,736	2,147,939
Net debt at beginning of period	7	**(15,522,516)**	(17,670,455)	(17,670,455)
Net debt at end of period	7	**(18,664,848)**	(17,614,719)	(15,522,516)

Notes to the Financial Statements

Six months ended 30 June 2014

1. BASIS OF PREPARATION

The Interim Report and Accounts for the six months ended 30 June 2014 has been prepared in accordance with applicable United Kingdom accounting standards, using the same accounting policies set out in the Annual Report and Accounts for the year ended 31 December 2013. The Interim Report and Accounts has also been prepared in accordance with the guidance issued in the Accounting Standards Boards July 2007 Statement relating to interim financial reports.

The financial information has been prepared on a going concern basis and on a historical cost basis as modified by the revaluation of land and buildings.

The Consolidated Profit and Loss Account, Consolidated Statement of Recognised Gains and Losses, Consolidated Balance Sheet and Consolidated Cash Flow Statement are unaudited and not reviewed pursuant to the guidance issued by the Accounting Standards Board. This unaudited Interim Report and Accounts should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended 31 December 2013.

The Interim Report and Accounts was approved by the Board of Directors on 25th September 2014.

2. GROUP TAXATION

The taxation charge applicable to the results for the six months ended 30 June 2014 and for the six months ended 30 June 2013 is calculated by multiplying profit before tax by a rate of tax estimated by the Directors. The estimated rate of tax is based on the effective rate for the year ended 31 December 2013. The movement in the deferred tax liability at the balance sheet dates, included in provisions for liabilities, is estimated using similar assumptions based on the results for the year ended 31 December 2013.

3. TANGIBLE ASSETS

The valuation of the Group's freehold land, buildings and investment properties have been brought forward at 30 June 2014 and 30 June 2013 without amendment from the preceding Annual Reports. The Directors do not consider movements in value between the interim period end and the preceding year end to be significant to the Consolidated Balance Sheet.

Notes to the Financial Statements

Six months ended 30 June 2014

4. EQUITY DIVIDENDS PAID

	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 December 2013 (audited) £
Final 2013 dividend of 10p per share (2012: 8.5p per share)	**641,691**	545,437	545,437
Less: tax at 20%	**(128,338)**	(109,087)	(109,087)
Dividend paid	**513,353**	436,350	436,350
Interim 2013 dividend of 5p per share	**-**	-	320,846
Less: tax at 20%	**-**	-	(64,170)
Dividend paid	**-**	-	256,676
Total dividends paid	**513,353**	436,350	693,026

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 December 2013 (audited) £
Profit for the financial period	**1,579,352**	1,150,741	2,955,773
Other recognised gains and losses	**-**	-	881,713
Dividends paid (net)	**(513,353)**	(436,350)	(693,026)
Net addition to shareholders' funds	**1,065,999**	714,391	3,144,460
Opening shareholders' funds	**38,615,250**	35,470,790	35,470,790
Closing shareholders' funds	**39,681,249**	36,185,181	38,615,250

Notes to the Financial Statements

Six months ended 30 June 2014

6. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial year attributable to the members of Blue Diamond Limited by the number of ordinary shares in issue. The earnings per share figures to 30 June 2014 and 30 June 2013 represent six months' earnings per share and not a full year.

7. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2014 £	**Cash flows £**	**Non-cash Movements £**	**30 June 2014 £**
Cash and bank balances	**5,079,317**	(2,307,614)	-	2,771,703
Bank overdrafts	**(84,354)**	(4,089,354)	-	(4,173,708)
	4,994,963	(6,396,968)	-	(1,402,005)
Net obligations under hire purchase contracts	**(100,814)**	57,609	(263,812)	(307,017)
Bank loan due within one year	**(1,905,170)**	2,695,262	(2,785,918)	(1,995,826)
Bank loan due after more than one year	**(18,511,495)**	765,577	2,785,918	(14,960,000)
	(15,522,516)	(2,878,520)	(263,812)	(18,664,848)

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 sixty monthly instalments which commenced on 13 January 2014. Each monthly instalment is calculated using a seven year capital and interest repayment programme with a final lump sum payment due on 31 December 2018.

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 7 October 2016.

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 31 December 2016 and the overdraft facilities of £3,000,000 are reviewed annually, with the next review scheduled for 31 October 2014.

The loans are secured by way of a first legal charge over certain of the Group's properties as disclosed in note 6 of the Annual Report for the year end 31 December 2013. The Group has also provided a cross guarantee as detailed in note 20 of the Annual Report.

Notes to the Financial Statements

Six months ended 30 June 2014

8. SEGMENTAL ANALYSIS

(i) By class of business	Garden Centre Retailing			Other			Group		
	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 Dec 2013 (unaudited) £	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 Dec 2013 (unaudited) £	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 Dec 2013 (unaudited) £
Turnover	33,569,072	28,992,589	61,554,462	425,614	418,204	924,777	33,994,686	29,410,793	62,479,239
Profit before interest, tax and group costs	3,967,818	2,925,825	6,977,687	73,421	58,571	171,402	4,041,239	2,984,396	7,149,089
Group costs	-	-	-	-	-	-	(1,967,168)	(1,453,958)	(3,298,074)
Profit before interest and tax	3,967,818	2,925,825	6,977,687	73,421	58,571	171,402	2,074,071	1,530,438	3,851,015
Total assets less current liabilities	N/A	N/A	54,828,662	N/A	N/A	1,660,022	N/A	N/A	57,395,590

(i) By geographical area	United Kingdom			Channel Islands			Group		
	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 Dec 2013 (unaudited) £	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 Dec 2013 (unaudited) £	Six months ended 30 June 2014 (unaudited) £	Six months ended 30 June 2013 (unaudited) £	Year ended 31 Dec 2013 (unaudited) £
Turnover	27,038,239	22,596,902	48,142,750	6,956,447	6,813,891	14,336,489	33,994,686	29,410,793	62,479,239
Profit before interest, tax and group costs	2,680,215	1,819,058	4,667,391	1,361,024	1,165,338	2,481,698	4,041,239	2,984,396	7,149,089
Group costs	-	-	-	-	-	-	(1,967,168)	(1,453,958)	(3,298,074)
Profit before interest and tax	2,680,215	1,819,058	4,667,391	1,361,024	1,165,338	2,481,698	2,074,071	1,530,438	3,851,015
Total assets less current liabilities	N/A	N/A	33,641,666	N/A	N/A	22,847,018	N/A	N/A	57,395,590

The segmental analysis has been presented to show the contribution that each business and geographic segment makes to covering group (i.e. shared) costs. A segmental analysis of total assets less current liabilities has been provided only for the year ended 31 December 2013. The Group total for total assets less current liabilities includes some assets and liabilities that cannot be allocated to a particular segment.

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