

We just keep growing...



Blue Diamond Limited

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

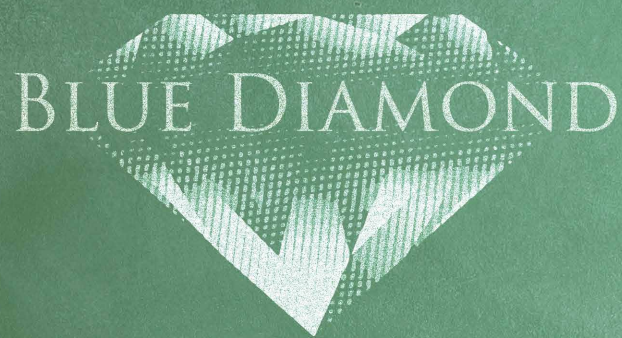
FOR THE SIX MONTHS ENDED

30 June 2016



CONTENTS

Company Information	4
Interim Management Statement	5
Interim Consolidated Income Statement	6
Interim Consolidated Statement of Comprehensive Income	7
Interim Consolidated Balance Sheet	8
Interim Consolidated Statement of Changes in Equity	9
Interim Consolidated Cash Flow Statement	10
Notes to the Interim Consolidated Financial Statements	11



Profit before tax
has increased
from
£3.2m (2015)
to
£3.9m (2016).

Interim dividend
8.5p per share,
an increase of
6.25%
on last year



COMPANY INFORMATION

BLUE DIAMOND LIMITED

(Incorporated in Guernsey, Channel Islands)

DIRECTORS

S. Burke (Chairman)
A. Roper (Managing Director)
R.J. Hemans (Finance Director)
S.J. Falla MBE
Sir John Collins
P.A. Alford-Burnett

COMPANY NUMBER

I2307

REGISTERED OFFICE

Rue du 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
I Glategny Esplanade
St. Peter Port
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LEGAL REPRESENTATIVES

GUERNSEY

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Glategny Court
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UNITED KINGDOM

Bristows LLP
100 Victoria Embankment
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INTERIM MANAGEMENT STATEMENT



We had a very strong first half last year, and so it is particularly pleasing to be able to report a further significant improvement to you this year.

Our sales were up by 10%, or 6% on a like-for-like basis. UK sales were again the strongest, but it was also good to see growth coming back to our Island centres this year. Thanks to our continuing focus on retail disciplines, the Group's unique profit benchmarking process, product range differentiation and margin improvements, this sales growth produced a 20% increase in profit before tax for the period.

Further tightening of working capital enabled us to achieve strong cash flow and despite the acquisition of Harlow Garden Centre in May, our debt ratios are better than this time last year.

Our sales were again stronger than the wider industry, giving us evidence of the appeal of our trading format to the customer. This was also seen in the very good performances of Springfields and Trentham following their refurbishment.

I referred in my last report to our strategy to grow and improve our estate of market-leading centres, and plans for this continue. Harlow Garden Centre is performing in line with expectations, but we see this site as having much greater potential and are actively working on a significant expansion and redevelopment. Plans are advanced in two other centres, and a refurbishment of Derby is underway. There is also an encouraging pipeline of potential acquisitions and we are in active discussion on a number of them.

The Board is focused on ways to capitalise on all these opportunities for the creation of shareholder value, whilst maintaining proportionate debt levels. We are therefore proposing an interim dividend of 8.5p per share, an increase of 6.25% on last year, which will be payable on the 6th December 2016.

Meanwhile our trade has continued to be good since the half-year and we have seen no impact on customers from the Brexit vote. We are substantially hedged against currency movements for the rest of this year and are working on strategies to protect margins in 2017 should sterling continue to be weak. We remain confident about the prospects for the business.

A handwritten signature in black ink, reading "Simon Burke".

Simon Burke
Chairman

Interim Consolidated Income Statement

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 £'000 £	Six months ended 30 June 2015 £'000 £	Year ended 31 December 2015 £'000 £
Turnover		44,284	40,369	82,751
Cost of sales	2	(22,379)	(20,589)	(41,625)
Gross profit		21,905	19,780	41,126
Administrative expenses		(18,031)	(16,451)	(34,329)
Other operating income		262	214	397
Group operating profit	2	4,136	3,543	7,194
Share of profit in associated undertakings		105	-	55
Gain on financial derivatives		-	-	66
Profit on ordinary activities before interest		4,241	3,543	7,315
Interest receivable		4	15	18
Interest payable		(350)	(345)	(728)
Profit on ordinary activities before taxation		3,895	3,213	6,605
Taxation on profit on ordinary activities	3	(593)	(479)	(775)
Group's share of associated companies' tax		-	-	(27)
Profit on ordinary activities after taxation		3,302	2,734	5,803
Earnings per share	6	51.3p	42.6p	90.4p

The notes on pages 11 to 15 form part of these financial statements.



Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June 2016 £'000 £	Six months ended 30 June 2015 £'000 £	Year ended 31 December 2015 £'000 £
Profit for the financial period/year	3,302	2,734	5,803
Unrealised surplus on revaluation of freehold properties	-	-	3,905
Taxation in respect of items of other comprehensive income	-	-	(516)
Total other comprehensive income for the period/year	-	-	3,389
Total comprehensive income for the period/year	3,302	2,734	9,192
Profit for the financial period/year attributable to shareholders	3,302	2,734	5,803
Total comprehensive income attributable to shareholders	3,302	2,734	9,192

The notes on pages 11 to 15 form part of these financial statements.



Interim Consolidated Balance Sheet

For the six months ended 30 June 2016

	Note	30 June 2016 £'000	30 June 2015 £'000 (as restated)	31 December 2015 £'000
Fixed assets				
Intangible assets		2,006	1,304	1,338
Tangible assets	4	64,964	55,286	60,151
Investments		1,086	1,194	1,086
		68,056	57,784	62,575
Current assets				
Stocks		15,743	15,714	12,299
Debtors		3,998	3,645	4,200
Cash and bank balances		2,890	2,977	4,636
		22,631	22,336	21,135
Creditors - amounts falling due within one year		(22,905)	(16,589)	(17,936)
Net current (liabilities)/assets		(274)	5,747	3,199
Total assets less current liabilities		67,782	63,531	65,774
Creditors - amounts falling due after more than one year		(14,030)	(19,120)	(14,498)
Provisions for liabilities		(1,817)	(1,021)	(1,839)
Net assets		51,935	43,390	49,437
Capital and reserves				
Share capital	7	644	642	642
Share premium account		189	21	21
Capital reserve		9,439	9,439	9,439
Revaluation reserve		11,044	7,656	11,044
Profit and loss account		30,619	25,632	28,291
Shareholders' funds		51,935	43,390	49,437

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 September 2016. They were signed on its behalf by:

S. Burke
Director



A. Roper
Director



The notes on pages 11 to 15 form part of these financial statements.



Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss £'000	Total equity £'000
1 January 2016	642	21	9,439	11,044	28,291	49,437
Comprehensive income	-	-	-	-	3,302	3,302
Profit for the six month period						
Contributions by and distributions to owners						
Share capital issued	2	168	-	-	-	170
Dividends	-	-	-	-	(974)	(974)
Total contributions by and distributions to owners	2	168	-	-	(974)	(804)
30 June 2016	644	189	9,439	11,044	30,619	51,935
1 January 2015 - as restated	642	21	9,439	7,655	23,515	41,272
Comprehensive income	-	-	-	-	2,734	2,734
Profit for the six month period						
Distributions to owners	-	-	-	-	(616)	(616)
Dividends						
30 June 2015	642	21	9,439	7,655	25,633	43,390
1 January 2015 - as restated	642	21	9,439	7,655	23,515	41,272
Comprehensive income	-	-	-	-	5,803	5,803
Profit for the year						
Other comprehensive income	-	-	-	3,905	-	3,905
Surplus on revaluation of freehold properties						
Taxation in respect of other comprehensive income	-	-	-	(516)	-	(516)
Total comprehensive income	-	-	-	3,389	5,803	9,192
Distributions to owners	-	-	-	-	(1,027)	(1,027)
Dividends						
31 December 2015	642	21	9,439	11,044	28,291	49,437

The notes on pages 11 to 15 form part of these financial statements.



Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Cash flows from operating activities			
Profit for the financial period/year	3,302	2,734	5,803
Adjustments for:			
Amortisation and depreciation	903	843	1,720
Share of profit after tax of associated companies	(105)	-	(28)
Profits on disposals of tangible fixed assets	-	-	(16)
Gain on derivative instrument	-	-	(66)
Foreign exchange gains	-	-	(17)
Net interest payable	345	330	710
Taxation expense	589	479	775
Decrease/(increase) in trade and other debtors	307	119	(412)
(Increase)/decrease in stocks	(3,083)	(2,953)	876
Increase in trade and other creditors	4,476	3,219	994
(Decrease)/increase in provisions	(20)	-	181
Cash from operations	6,714	4,771	10,520
Interest paid	(349)	(345)	(684)
Taxation paid	(24)	(205)	(574)
Net cash generated from operating activities	6,341	4,221	9,262
Cash flows used in investing activities			
Proceeds from sale of tangible fixed assets	-	-	24
Purchases of tangible fixed assets	(1,774)	(943)	(2,641)
Dividends received on fixed asset investments	-	-	136
Acquisitions of business operations	(4,750)	(6,460)	(7,878)
Cash acquired on acquisitions	2	-	1,576
Investment in associated undertaking	-	-	(564)
Interest received	4	15	-
Net cash used in investing activities	(6,518)	(7,388)	(9,347)
Cash flows from financing activities			
Capital element of finance leases repaid	(121)	(120)	(209)
Equity dividends paid	(974)	(616)	(1,027)
New bank loans net of issue costs	-	6,930	6,930
Repayment of bank loans	(1,203)	(1,190)	(2,463)
Receipts from issue of share capital	170	-	-
Net cash (used in)/from financing activities	(2,128)	5,004	3,231
Net (decrease)/ increase in cash and cash equivalents	(2,305)	1,837	3,146
Cash and cash equivalents at beginning of period/year	2,077	(1,086)	(1,086)
Foreign exchange gains	-	-	17
Cash and cash equivalents at end of period/year	(228)	751	2,077
Cash and cash equivalents comprise:			
Cash at bank and in hand	2,890	2,977	4,636
Bank overdrafts	(3,118)	(2,226)	(2,559)
	(228)	751	2,077

The notes on pages 11 to 15 form part of these financial statements.



Notes to the Interim Consolidated Financial Statements

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

Blue Diamond Limited is a company registered in Guernsey under the Guernsey (Companies) Law, 2008. The address of the registered office is given on the contents page and the Group's principal activity is the operation of garden centres.

These interim financial statements have been prepared in accordance with applicable United Kingdom accounting standards, following the adoption of accounting policies set out in FRS102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. These interim financial statements have also been prepared in accordance with the guidance issued in FRS 104 'Interim Financial Reporting' issued by the Financial Reporting Council. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2015 Annual Report.

The consolidated profit and loss account, consolidated statement of recognised gains and losses, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the interim consolidated financial statements are unaudited and not reviewed pursuant to the guidance issued by the Financial Reporting Council.

The interim financial report and accounts were approved by the Board of Directors on 13 September 2016.

2. TURNOVER AND GROUP OPERATING PROFIT

Acquisition of subsidiary undertaking

On 17 May 2016 the Company acquired the trade and net assets of Harlow Garden Nurseries, a partnership with the principal activity of operating a retail garden centre.

In calculating the goodwill arising on acquisition, the fair values of the net assets of Harlow Garden Nurseries have been assessed and adjustments made to net book value where necessary. The operating assets and liabilities acquired on 17 May 2016 were:

	Net Book Value £'000	Revaluation £'000	Fair Value £'000
Harlow Garden Nurseries			
Tangible fixed assets	642	3,043	3,685
Stocks	361	-	361
Cash	2	-	2
Net assets acquired	1,005	3,043	4,048
Cash consideration (including expenses)			4,750
Goodwill arising on acquisition			702



Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2016

2. TURNOVER AND GROUP OPERATING PROFIT (Continued)

An analysis of the Group's results from continuing activities including acquisitions is given below:

	Continuing £'000	30 June 2016 Acquired £'000	Total £'000	30 June 2015 £'000
Turnover	43,449	835	44,284	40,369
Cost of sales	(21,915)	(464)	(22,379)	(20,589)
Gross profit	21,534	371	21,905	19,780
Administrative expenses	(17,854)	(177)	(18,031)	(16,451)
Other operating income	262	-	262	214
Group operating profit	3,942	194	4,136	3,543

3. GROUP TAX

The tax charge applicable to the results for the six months ended 30 June 2016 and for the six months ended 30 June 2015 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 2015. 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 2015.

4. TANGIBLE ASSETS

The valuation of the Group's freehold land, buildings and investment properties have been brought forward at 30 June 2016 without amendment from the preceding Annual Report. The Directors do not consider movements in value between the interim period end and the preceding year end to be material to the Consolidated Statement of Financial Position.

5. EQUITY DIVIDENDS PAID

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Final 2015 dividend of 16p (2014: 12p) per share (net of 20% tax)	974	616	616
Interim dividend paid of 8p per share (net of 20% tax)	-	-	411
Total dividends paid	974	616	1,027

6. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial period/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 2016 and 30 June 2015 represent six months' earnings per share and not a full year.



Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2016

7. SHARE CAPITAL

	30 June 2016 £'000	30 June 2015 £'000	31 December 2016 £'000
<i>Authorised</i>			
6,800,000 ordinary shares of 10p each	680	680	680
100,000 unclassified shares of 10p each	10	10	10
	690	690	690

Allotted, called up and fully paid
6,436,519 (2015: 6,416,910) ordinary
shares of 10p each

644	642	642
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Movement in share capital:

Ordinary shares of 10p each

	Number	£'000
In issue at 1 January 2016	6,416,910	642
Issued in the period	19,609	2
In issue at 30 June 2016	6,436,519	644

During the period, the Company issued 19,609 new authorised shares at an average price of £8.67 to satisfy investor demand. There remain 463,481 authorised but unissued shares in total. 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.

8. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2016 £'000	Cash flows £'000	Non-Cash £'000	30 June 2016 £'000
Cash and bank balances	4,636	(1,746)	-	2,890
Bank overdrafts	(2,559)	(559)	-	(3,118)
Cash and cash equivalents	2,077	(2,305)	-	(228)
Net obligations under hire purchase contracts due within one year	(174)	121	(108)	(161)
Net obligations under hire purchase contracts due after more than one year	(70)	-	(115)	(185)
Bank loan due within one year	(5,957)	1,203	(733)	(5,487)
Bank loan due after more than one year	(14,138)	-	733	(13,405)
Net debt	(18,262)	(981)	(223)	(19,466)

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2016

8. ANALYSIS OF CHANGES IN NET DEBT (Continued)

The bank loans and overdrafts 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-eight monthly instalments, which commenced on 30 January 2015. Each monthly instalment is calculated using a fifteen 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 five year capital and interest repayment programme and will be repaid on 30 March 2017.

The Group's working capital revolving facility of £4,500,000 is committed until 31 December 2016 and the overdraft facilities are reviewed annually. A further £3,000,000 working capital facility is committed until 31 October 2016.

The bank loans and overdrafts are secured by way of first legal charges, bonds and promissory notes over certain of the Group's properties as disclosed in note 10 to the Annual Report. The Group has also provided a cross guarantee as detailed in note 25 to the Annual Report.

9. EVENTS AFTER THE BALANCE SHEET DATE

On 1 September 2016 the Group refinanced the second and third term loans detailed in note 8, along with the working capital revolving facility and the overdraft. The second and third term loans were consolidated into one term loan, which is repayable in up to forty monthly instalments. Each monthly instalment is calculated using a fifteen year capital and interest repayment programme with a final lump sum payment due on 31 December 2019. The Group's working capital revolving facility of £4,500,000 is committed until 31 December 2019 and the overdraft facility of £3,000,000 is committed until 31 October 2017.



Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2016

10. SEGMENTAL ANALYSIS

	United Kingdom			Channel Islands			Group		
	Six months 30 June 2016 £'000	Six months 30 June 2015 £'000	Year ended 31 Dec 2015 £'000	Six months 30 June 2016 £'000	Six months 30 June 2015 £'000	Year ended 31 Dec 2015 £'000	Six months 30 June 2016 £'000	Six months 30 June 2015 £'000	Year ended 31 Dec 2015 £'000
Turnover	37,048	33,417	68,205	7,236	6,952	14,546	44,284	40,369	82,751
Profit before interest and tax									
Segment profit	5,136	4,219	8,867	1,497	1,356	3,170	6,633	5,575	12,037
Group costs							(2,392)	(2,032)	(4,722)
Profit before interest and tax							4,241	3,543	7,315
Segment total assets less current liabilities									
Segment net assets	N/A	N/A	46,743	N/A	N/A	21,324	N/A	N/A	68,067
Unallocated assets and liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2,293)
Total assets less current liabilities							N/A	N/A	65,774

The segmental analysis is presented to disclose the profit before interest and taxation and total assets less current liabilities attributable to each geographic segment. The Directors believe that this presentation best enables the users of the financial statements to assess the performance of each segment as it reflects the profit before financing costs and capital employed in each segment. Unallocated assets and liabilities consist of assets and liabilities at the Group's head office in Guernsey and certain assets that cannot be allocated to a segment.

A segmental analysis of total assets less current liabilities has been provided only for the year ended 31 December 2015.



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