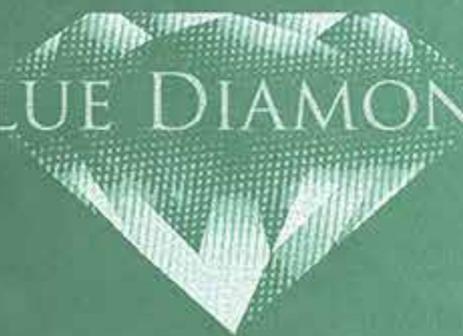


*We just keep growing...*

BLUE DIAMOND

Blue Diamond  
ANNUAL REPORT & CONSOLIDATED  
FINANCIAL STATEMENTS  
**2015**





BLUE DIAMOND

Inspirational retailing  
with a creative  
point of difference.

We offer style,  
emotion and innovation for  
the Home and Garden.

Striving to create an  
inspirational environment  
that encourages  
loyalty and satisfaction  
for all our customers.





# Blue Diamond

## ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

# 2015

### 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

12307

#### 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 Glatigny Esplanade  
St. Peter Port  
Guernsey  
Channel Islands

#### LEGAL REPRESENTATIVES

##### GUERNSEY

Collas Crill  
Glatigny Court  
Glatigny Esplanade  
St. Peter Port  
Guernsey  
Channel Islands

##### UNITED KINGDOM

Bristows LLP  
100 Victoria Embankment  
London  
United Kingdom

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# CHAIRMAN'S REPORT



Sales  
increased 18%  
to £82.7m

Net profit  
before tax  
increased 47%  
to £6.6m

Recommended  
final dividend  
16p  
per share

I am very pleased to report that the good results shown at the half-year have carried through into 2015 as a whole. We achieved sales growth of 18%, 5% on a like-for-like basis, and our profit before tax was up 47% to £6.6m. This profit increase came not only from higher sales, but also from recent acquisitions, especially Newbridge, along with margin improvements and good cost control. It was particularly pleasing to see strong cash generation during the year, with debt at just 2 times EBITDA by the year end.

During the year, the Board adopted a strategy aimed at achieving significant growth in shareholder value over a five-year period. This plan focuses on further acquisitions, which we will pursue actively but in line with the Board's appetite for risk and properly-managed debt levels. We hope to announce the next acquisition soon.

Alongside this we intend to develop a number of our existing sites, in some cases to create larger centres but in all cases to upgrade to the best trading standards of the Group. Festival and Trentham have been successfully refurbished in October 2015 and February 2016 respectively, and more are planned in the coming year.

Our aim is to create an enlarged estate of substantial home/garden/leisure centres, catering for a more discerning customer, and each ranking as a top quality destination store within our industry. To that end, we were delighted that Redfields was recognised by the Garden Retail Awards as the best new development of the year.

We believe that with this strategy, we can invest your money for good returns and so we are proposing to increase the final dividend this year by 33% to 16 pence per share, making the total dividend for the year 24 pence per share. We believe this represents a good balance between distribution and re-investment of profits. Our shareholders will also be pleased to note the more favourable tax treatment of dividends in future, which is explained more fully in note 8 to the financial statements.

We have taken steps during the year to improve shareholder communication, in particular with the launch of our new investor relations section on the Blue Diamond website. We have also held face to face meetings with our largest shareholders. We hope to see more

shareholders engage with us in the coming years and at the AGM on 16th June.

We are keen to encourage investment by existing and new shareholders, and so based in part on shareholder feedback, the Board is proposing at this year's AGM to remove the right for directors to have 'first refusal' on any shares which come up for sale.

There have been some important changes in the Board. As you know, Geoff Dorey, our former Chairman, retired at the last AGM after a lifetime's dedication to Blue Diamond. I am very glad that we continue to benefit from Geoff's advice in his new role as Life President.

Subsequent to the year end, Peter Atkinson has stepped down as a director after more than 24 years with Blue Diamond. I would like to thank him on your behalf for all the value he has given us down the years and I hope he will continue his association with us. Meantime we have appointed Patricia Alford-Burnett as a director. Patricia has led many high quality retail businesses, including Wallis, Jaeger and The White Company, and we are delighted that she has joined us.

The new financial year has started well, although the key gardening season is just beginning. We are confident in the prospects for Blue Diamond this year and beyond.

Retail is a demanding business to work in, and success depends on the way we look after our customers week in, week out. We are very lucky to have a great retail team who do this brilliantly, and I would like to acknowledge and thank them for making Blue Diamond what it is.

Simon Burke

CHAIRMAN

# MANAGING DIRECTOR'S REPORT

In last year's report I was pleased to report that profit before tax was up 34% to £4.5m and stated that I expected the profit momentum to continue into 2015, so it gives me even greater pleasure to report that profit before tax has increased again, this time by 47%, generated by an increase in total sales of 18%. The like-for-like sales increase was 5%. Our year end profit before tax of £6.6m is an increase of £2.1m on 2014. Newbridge Garden Centre (acquired January 2015) and Trelawney Garden Centre (acquired November 2014) contributed £1.6m to profit before tax in 2015. Underlying profit before tax in the rest of the business increased by £0.8m but this was reduced by a lease provision and other one-off items totalling £0.3m.

The year started with a gearing ratio of 42% and, despite the acquisition of Newbridge, by the year end the gearing was lower than when the year started, dropping to 37%. This improvement to gearing was also achieved in a year when we reinvested a total of £2.4m into our existing centres.

Last year I reported that stock turn had risen from 2.5 to 2.9, following the improved focus on stock management that started in September 2012, and this continuing process has resulted in like-for-like stock levels reducing by £2.7m since then. I am pleased to report stock turn has now improved further to 3.4, just 0.1 shy of the medium-term target announced in last year's report.

Net margin for the garden centres increased by 1% helped by improved terms with suppliers, a reflection of the increasing size of the Group, which is the third largest in the UK.

The share price started the year at £5.25 and ended the year at £8.50, with earnings per share increasing by 51% to 90.43p.

Whichever measurement you use, 2015 delivered.

This was the second favourable year for gardening sales following the poor gardening season of 2012/13 caused by extremely unfavourable weather patterns. Like-for-like cash profit growth (excluding Trelawney and Newbridge) in Gardening and Plants was 4% and 10% respectively, whilst Home was 3% and Clothing 6%. Total restaurant sales

increased by 16% (5% like-for-like), although gross margin was down by 0.4%, mainly due to a disagreement with our main restaurant supplier, which we have now changed.

The CI centres' sales performances continued to remain subdued compared to the mainland, although Jersey is improving ahead of Guernsey with footfall now static following a brief decline and sales growth of 2%. Conversely, Guernsey's footfall and sales fell by 1%, whilst the UK centres' like-for-like footfall grew by an average of 3%.

Following the successful launch of Redfield's and the well-received retail and restaurant design, we have embarked on a programme to refresh our centres, many of which were based on the original Trentham garden centre retail design that launched 11 years ago. Festival was the first centre to receive this treatment and was completed at the end of October. The following months saw sales rise in the restaurant by as much as 65%, and in the garden centre by 28%. Trentham was completed in March of this year. Derby and St Peter's Garden Centres are next to be refurbished.

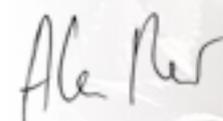
Like-for-like growth (footfall and average spend) is much harder to wring from the business now we are in a low-inflation, low-growth economy and consumer spending is not being driven by personal debt to the extent it was previously. To stimulate growth these days one must work harder at detail and differentiation, this applies to product as well as the retail and restaurant environment, areas in which Blue Diamond excels and is regarded as being at the forefront of the garden centre sector. I believe this consistent approach over the years coupled with an ABI demographic focus and a lean attitude to cost management are the reasons behind the underlying success of the Group. Thus within this more challenging retail environment Blue Diamond is well poised to continue to thrive, grow and capitalise on the still fragmented ownership within the garden centre sector.

We of course continue to keep complacency away from our door by religiously pushing the boundaries of our offer and constantly innovating, whilst ensuring we carefully manage our growth with the implementation

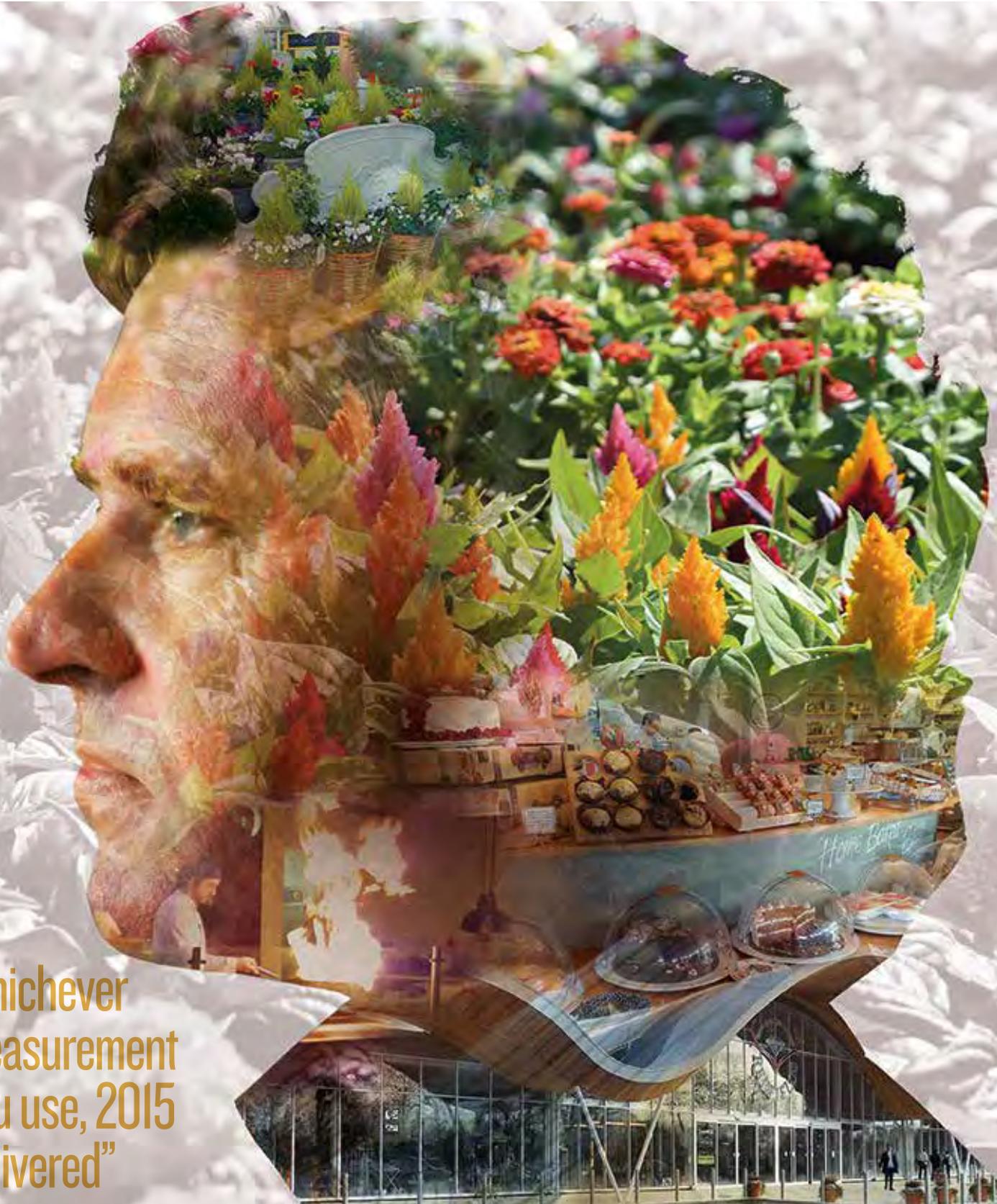
of well thought-out additional management resources. 2015 was testament to that fact, 2016 will see more evidence of this, an example of which follows.

Blue Diamond have converted more customer spend per head on the Home and Clothing offer than the industry average by a substantial margin over many years, however with the industry playing catch up and the need to stimulate growth, we have been focussing on refreshing our ranges in these key areas to maintain our point of difference and I expect growth to be more substantive in 2016 within these ranges as a result.

Empowering our employees is another key facet of our success and I would like to close my report by thanking them for their dedication, commitment and hard work, without which our Group would not continue to thrive and prosper.



**Alan Roper**  
Managing Director



“Whichever measurement you use, 2015 delivered”

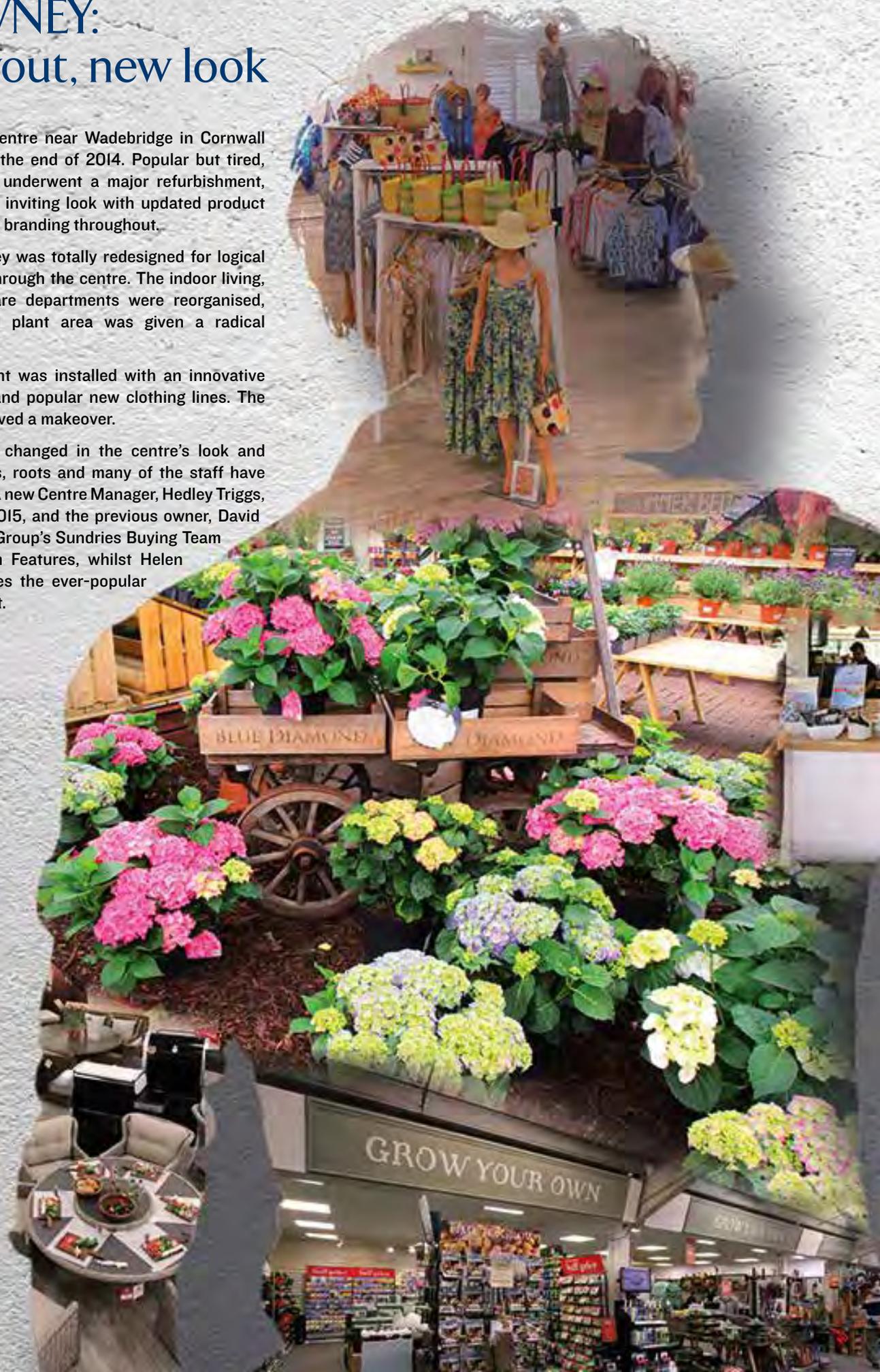
# TRELAWNEY: New layout, new look

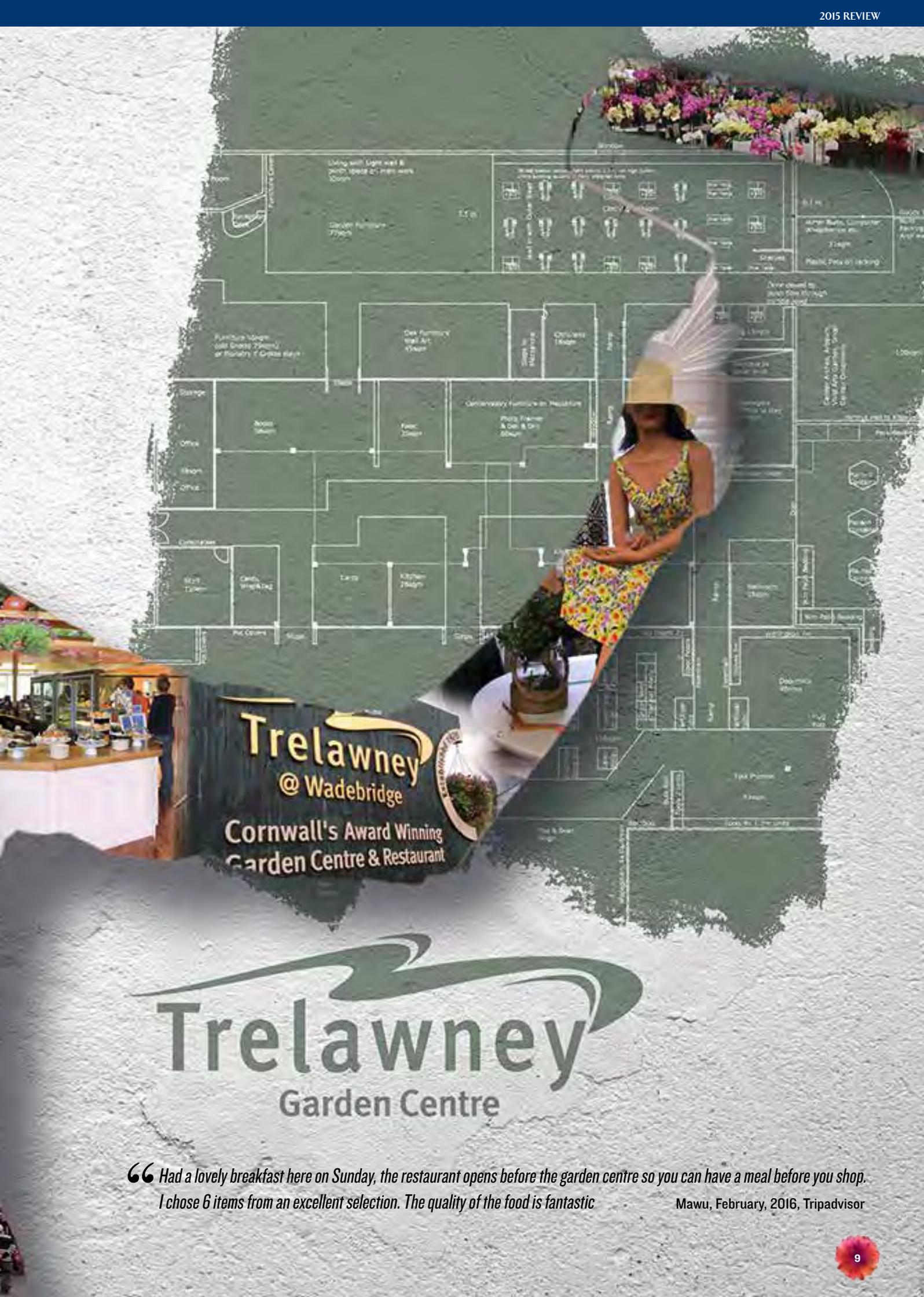
Trelawney Garden Centre near Wadebridge in Cornwall joined the Group at the end of 2014. Popular but tired, just months later it underwent a major refurbishment, creating a fresh and inviting look with updated product ranges and improved branding throughout.

The customer journey was totally redesigned for logical and easy progress through the centre. The indoor living, sundries and birdcare departments were reorganised, whilst the seasonal plant area was given a radical makeover.

A fashion department was installed with an innovative decorative scheme and popular new clothing lines. The restaurant also received a makeover.

Although much has changed in the centre's look and layout, its local links, roots and many of the staff have remained the same. A new Centre Manager, Hedley Triggs, arrived in October 2015, and the previous owner, David Danning, joined the Group's Sundries Buying Team in charge of Garden Features, whilst Helen Symons still manages the ever-popular Carriages Restaurant.





**Trelawney**  
@ Wadebridge  
Cornwall's Award Winning  
Garden Centre & Restaurant

# Trelawney

## Garden Centre

“ Had a lovely breakfast here on Sunday, the restaurant opens before the garden centre so you can have a meal before you shop. I chose 6 items from an excellent selection. The quality of the food is fantastic

Mawu, February, 2016, Tripadvisor

# JOINT ENTERPRISE REFURBISHMENT. Taking Springfields to another level



Festival Garden Centre transformed into Springfields Home & Garden in the Autumn of 2015, completely changing our customers' shopping experience from outlet to a fully ranged garden centre.

The renovation saw the centre and its shop fit change dramatically, which in turn has improved Springfields' profitability.

The gardening offer was moved and dovetailed with the plant area outside under an enlarged canopy. This, in turn, made more space inside which led to the extension of the restaurant. Whilst The Noshery raised eyebrows with its name, it did not disappoint with its new layout and food offerings. The restaurant's layout went from an open plan format to a self-contained dining experience. The introduction of 'floated ceilings', coupled with beautiful chandeliers and comfortable seating, created an altogether luxurious yet intimate atmosphere for our customers.

Looking forward to 2016, the outside area is due to be developed further to include garden features, and raised sleeper beds have already been placed.



“Visited yesterday for lunch, restaurant very busy but wait for food was minutes, staff very friendly and helpful. Been before and enjoyed the food however the recent refurbishment makes the atmosphere and experience wonderful! Everything here is homemade. Went back in the afternoon for coffee and carrot cake, thoroughly enjoyable!”  
Dotty, Nov, 2015, Tripadvisor

# Springfields HOME & GARDEN

“ Called in here when out shopping at Springfields. First visit since the facelift. Lovely light, clean and bright place to have lunch. Very obliging staff and excellent selection of food. Lovely.

Sally M, Jan 2016, Tripadvisor



“ Following recent upgrades this has become a lovely place to eat. The food is good and the staff helpful, it can get very busy at times but that is the sign of a great restaurant.

Michael S, Dec 2015, Tripadvisor

# THE CLOCK TOWER MAKE-OVER. It's about time!

Derby Garden Centre's restaurant, The Clock Tower, underwent a widely-admired transformation in the spring and summer of 2015. The refurbishment created a self-contained restaurant which replaced the previous open-plan format. The restaurant was beautifully decorated in line with the Group's signature colour palette and the logo and signage redesigned for more impact.

A brand new play area, complete with forest-inspired design and interactive screens, has proved very popular and continues to attract positive feedback with much increased morning visits by mothers and babies, as well as after-school visits.

Stylish new furniture with smaller table sizes enabled an increase of 50 covers, which has contributed to increased turnover as well as higher revenue spend.

Thanks to developments behind the scenes in the kitchen, the restaurant's fresh home-made cake offering has been a key improvement, complemented by an extended breakfast menu.

Due to its more self-contained environment, Restaurant Manager Paul Jordan has noticed an increase in private events bookings, which in turn has provided the restaurant with more sales opportunities.

*“You can smell this place before you find it hidden amongst the pot plants and pot pourri. We always pop in for a coffee. Scones are scrummy. Sandwiches are fresh and no tinned fillings here. It's not expensive either. Lovely.*

Anne, April 2016, Tripadvisor



## We win a Nationwide Housewares Retailing Award

Blue Diamond were delighted to win the 'Non-Specialist Multiple Retailer' award at the Excellence in Housewares Awards on 7th October 2015 at The Lancaster London Hotel.

This prestigious award recognises excellence in homewares retailing and is based on factors including ranging, merchandising and customer service.

Head of Home, Helen Keith, and her team of specialist buyers, Tom Grinnall and Linda Duggan, received the award on behalf of all those at Blue Diamond who contributed to the achievement.

*'It is such an honour to receive this award, not only for our Home Department but for our entire organisation,'* said Helen.



## Patricia Alford-Burnett joins the Group: 2016

Patricia has served as the CEO of both public and privately owned companies. She is an experienced multi-channel retailer.

Most recently she was CEO of The White Company for 6 years and prior to that served as CEO of ILLUM, a prestigious Danish department store operator, and UK fashion retailers Jaeger and Wallis.

Chairman Simon Burke commented, *"Patricia will bring many qualities to our Board, but I am particularly looking forward to the perspective she will bring on our female customer, along with her insights into brand, marketing, online, people and culture."*

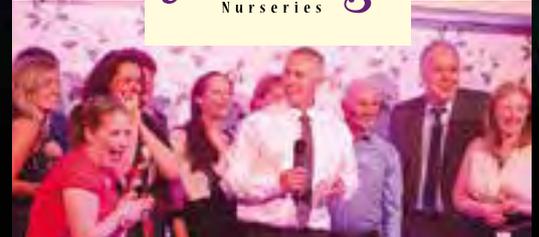


In April 2015, a Garden Product Comparison Survey, carried out 10 days before Easter and collated by mdj2 associates, revealed that Blue Diamond was the most competitive garden centre chain, with the cheapest prices for 24 out of 44 products.

2015



Newbridge  
Nurseries



THE  
Vines  
RESTAURANT

Blue Diamond rolled out the red carpet in March 2016, hosting a glittering evening for the 6th annual Blue Diamond Awards at Trentham Garden Centre in Stoke-on-Trent.

The event celebrated the greatest achievements within the Group since 2015, recognising and rewarding the hard work and dedication of staff throughout both garden centres and restaurants.

Twenty three awards were presented for outstanding performances in all departments from the core categories of plants and gardening to home, customer service and restaurants.

'Garden Centre of the Year' was awarded to Newbridge Nurseries, which joined the group in January 2015. *'I'm thrilled we won such a prestigious award'*, said Manager Steve Nicholls. *'It's been the best 13 months of my career since we joined the Group; with the help and leadership of Alan, we can really see the light!'*

The Vines Restaurant, based at Chatsworth Garden Centre, won the final award of the evening with Restaurant Manager, Eloise Young, who also manages The Garden Gallery at Matlock Garden Centre, taking to the stage. *'I want to thank my fantastic teams at both restaurants for all their support and for helping me grow within Blue Diamond,'* said Ms. Young. *'This fantastic award spurs me on to achieve and I look forward to another fantastic year!'*

ROY WALKER, the manager of 3 Shires Garden Centre, was also honoured with a special mention and gift at the end of the ceremony. Over the next year, Mr Walker will be retiring after

18 years of outstanding contribution and dedication to the company.



## Report of the Directors for the year ended 31 December 2015

The Directors submit their report and the audited financial statements of the Group for the year ended 31 December 2015. 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 statement

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 Group at the end of the year and of the profit or loss of the Group for that year 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 Group 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 the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

### Provision of information to the auditor

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

- so far as that Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- that the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Group's auditor in connection with preparing its report and to establish that the Group's auditor is aware of that information.

### Principal activity

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

### Results and dividends

The results of the Group for the year are set out in detail on pages 16 and 17.

A final dividend in respect of 2014 of £616,023 (net) was paid to the shareholders on 10 June 2015 and an interim dividend for the year ended 31 December 2015 of £410,682 (net) was paid on 1 December 2015.

The Directors are recommending the payment of a final dividend for the year ended 31 December 2015 of 16p per share.

### Directors

S. Burke (appointed 1 March 2015)  
G.R. Dorey (resigned 10 June 2015)  
A. Roper  
R.J. Hemans  
P.J.G. Atkinson (resigned 21 April 2016)  
S.J. Falla, MBE  
Sir John Collins

On 1 February 2016 P A Alford-Burnett was appointed as an additional director of the Company.

### Independent auditor

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

### Approval

This Directors' Report was approved by order of the Board on 21 April 2016.



**R.J. Hemans**  
Director

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

We have audited the Consolidated Financial Statements of Blue Diamond Limited for the year ended 31 December 2015 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the related notes 1 to 29. 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 and 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 Consolidated 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 Consolidated Financial Statements.

### 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 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 Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's affairs as at 31 December 2015 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

3 May 2016

## Consolidated Profit and Loss Account

Year ended 31 December 2015

	Note	2015 £'000	2014 £'000 (as restated)
<b>Turnover</b>	3	82,751	70,271
Cost of sales		(41,625)	(35,682)
<b>Gross profit</b>		41,126	34,589
Administrative expenses		(34,329)	(30,041)
Other operating income		397	417
<b>Group operating profit</b>	3	7,194	4,965
Share of profit for the year in:			
- Associated undertakings	11	55	119
Gain on financial derivatives		66	-
<b>Profit on ordinary activities before interest</b>		7,315	5,084
Interest receivable	5	18	6
Interest payable	6	(728)	(584)
<b>Profit on ordinary activities before taxation</b>		6,605	4,506
Taxation on profit on ordinary activities	7	(775)	(654)
Group's share of associated companies' tax	11	(27)	(21)
<b>Profit for the financial year</b>		5,803	3,831
<b>Earnings per share</b>	22	90.43p	59.71p

All amounts relate to continuing operations.

The notes on pages 22 to 46 form part of these financial statements.

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Note	2015 £'000	2014 £'000 (as restated)
<b>Profit for the financial year</b>		5,803	3,831
Unrealised surplus on revaluation of freehold properties	10	3,905	-
Taxation in respect of items of other comprehensive income	18	(516)	-
<b>Total other comprehensive income for the year</b>		3,389	-
<b>Total comprehensive income for the year</b>		9,192	3,831
<b>Profit for the financial year attributable to shareholders</b>		5,803	3,831
<b>Total comprehensive income attributable to shareholders</b>		9,192	3,831

The notes on pages 22 to 46 form part of these financial statements.

## Consolidated Balance Sheet

Year ended 31 December 2015

	Note	2015 £'000	2015 £'000	2014 £'000 (as restated)	2014 £'000 (as restated)
<b>Fixed assets</b>					
Intangible fixed assets	9		1,338		1,192
Tangible fixed assets	10		60,151		48,732
Investments	11		1,086		1,215
			<b>62,575</b>		<b>51,139</b>
<b>Current assets</b>					
Stocks	12	12,299		12,519	
Debtors	13	4,200		3,695	
Cash and bank balances		4,636		1,418	
		<b>21,135</b>		<b>17,632</b>	
<b>Creditors: amounts falling due within one year</b>	14	<b>(17,936)</b>		<b>(12,565)</b>	
			<b>3,199</b>		<b>5,067</b>
<b>Net current assets</b>					
			<b>65,774</b>		<b>56,206</b>
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>	15		<b>(14,498)</b>		<b>(13,950)</b>
<b>Provisions for liabilities</b>	18		<b>(1,839)</b>		<b>(984)</b>
			<b>49,437</b>		<b>41,272</b>
<b>Net assets</b>					
<b>Capital and reserves</b>					
Called up share capital	20		642		642
Share premium			21		21
Capital reserve			9,439		9,439
Revaluation reserve			11,044		7,655
Profit and loss account			28,291		23,515
			<b>49,437</b>		<b>41,272</b>
<b>Shareholders' funds</b>					

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2016.



R.J. Hemans  
Director

The notes on pages 22 to 46 form part of these financial statements.

## Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
<b>1 January 2015 – as restated</b> (note 29)	642	21	9,439	7,655	23,515	41,272
<b>Profit for the year</b>	-	-	-	-	5,803	5,803
Surplus on revaluation of freehold properties	-	-	-	3,905	-	3,905
Taxation in respect of other comprehensive income	-	-	-	(516)	-	(516)
<b>Total other comprehensive income</b>	-	-	-	3,389	-	3,389
<b>Total comprehensive income for the year</b>	-	-	-	3,389	5,803	9,192
<b>Distributions to owners</b> Dividends (note 8)	-	-	-	-	(1,027)	(1,027)
<b>31 December 2015</b>	642	21	9,439	11,044	28,291	49,437

	Share capital £'000	Share premium £'000	Capital Reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
<b>1 January 2014 – as restated</b> (note 29)	642	21	9,439	7,655	20,505	38,262
<b>Comprehensive income for the year</b> Profit for the year	-	-	-	-	3,831	3,831
<b>Distributions to owners</b> Dividends (note 8)	-	-	-	-	(821)	(821)
<b>31 December 2014 – as restated</b> (note 29)	642	21	9,439	7,655	23,515	41,272

The notes on pages 22 to 46 form part of these financial statements.

## Consolidated Statement of Cash Flows

Year ended 31 December 2015

		2015 £'000	2014 £'000 (as restated)
<b>Cash flows from operating activities</b>	<b>Note</b>		
Profit for the financial year		5,803	3,831
<i>Adjustments for:</i>			
Amortisation of goodwill	3,9	58	8
Depreciation of tangible fixed assets	3,10	1,662	1,597
Share of profit for the year after tax of associated companies	11	(28)	(98)
(Profits)/losses on disposals of tangible fixed assets	3	(16)	14
Gain on derivative instrument	17	(66)	-
Foreign exchange gains	3	(17)	-
Interest receivable	5	(18)	(6)
Interest payable	6	728	584
Taxation expense	7	775	654
Increase in trade and other debtors		(412)	(239)
Decrease in stocks		876	273
Increase/(decrease) in trade creditors		994	(2,363)
Increase in provisions		181	-
<b>Cash from operations</b>		<b>10,520</b>	<b>4,255</b>
Interest paid		(684)	(578)
Taxation paid		(574)	(424)
<b>Net cash generated from operating activities</b>		<b>9,262</b>	<b>3,253</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of tangible fixed assets		24	11
Purchases of tangible fixed assets	10	(2,641)	(2,032)
Dividends received on fixed asset investments		136	154
Purchase of subsidiary undertaking	24	(7,878)	(1,601)
Cash acquired with subsidiary undertakings	24	1,576	5
Investment in associated undertaking		(564)	(21)
<b>Net cash used in investing activities</b>		<b>(9,347)</b>	<b>(3,484)</b>
<b>Cash flows from financing activities</b>			
Capital element of lease repaid	16	(209)	(224)
Equity dividends paid	8	(1,027)	(821)
New bank loans net of issue costs	16	6,930	-
Repayment of bank loans	16	(2,463)	(4,805)
<b>Net cash from/(used in) financing activities</b>		<b>3,231</b>	<b>(5,850)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,146</b>	<b>(6,081)</b>
Cash and cash equivalents at beginning of year		(1,086)	4,995
Foreign exchange gains	3	17	-
<b>Cash and cash equivalents at end of year</b>		<b>2,077</b>	<b>(1,086)</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		4,636	1,418
Bank overdrafts		(2,559)	(2,504)
		<b>2,077</b>	<b>(1,086)</b>

The notes on page 22 to 46 form part of these financial statements.

## Notes to the Financial Statements

Year ended 31 December 2015

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## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES

#### Accounting policies

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 nature of the Company's operations and its principal activities are set out in the Report of the Directors. The Consolidated Financial Statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of the first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

#### *Parent Company disclosure*

The financial statements do not include the separate financial statements of the Parent Company and advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the Parent Company would be identical;
- No cash flow statement has been presented for the Parent Company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been consistently applied:

#### **Basis of consolidation**

The Consolidated Financial Statements present the results of Blue Diamond Limited and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

#### **Turnover**

Turnover comprises revenue from garden centres and is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of returns, Value Added Tax, other sales taxes and discounts. Sales of goods are recognised at the point of sale to the customer when the Group has transferred the significant risks and rewards of ownership to the buyer.

#### **Other operating income**

Other operating income includes concession rental income, which is recognised in the Profit and Loss Account over the period of the lease.

#### **Pension costs**

The Group participates in defined contribution pension schemes for both its Channel Island and United Kingdom employees. Contributions to these schemes are charged to the Profit and Loss Account in the year in which they become payable.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### Foreign currency translation

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'administrative expenses'.

#### Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### Intangible assets – Goodwill

Goodwill represents the amount by which the purchase consideration for the acquisition of a business exceeds the fair value to the Group of the separable net assets acquired. Negative goodwill represents the amount by which the fair value of the separable net assets of a business acquired exceeds the purchase consideration. Goodwill is initially recognised at cost and is subsequently measured at cost less accumulated amortisation and impairment, if applicable.

Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised to 'administrative expenses' over 20 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and other assumptions that market participants would consider in respect of similar businesses.

#### Tangible fixed assets

##### *Revaluation of freehold land and buildings*

Individual freehold properties are carried at fair value at the balance sheet date. Fair values are determined from market based evidence and valuations are performed with sufficient regularity to ensure that the carrying amount does not differ significantly from what would be determined using fair value.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains, in which case the excess losses are recognised in the Profit and Loss Account. Any reversals of previously recognised losses are recognised in the Profit and Loss Account.

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 depreciable amount would not be material and therefore no depreciation expense is charged in the Profit and Loss Account. The Directors perform annual impairment reviews to ensure that the carrying value of the freehold buildings is not greater than their recoverable amount.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### Tangible fixed assets (continued)

##### *Other tangible fixed assets*

Tangible fixed assets, other than freehold land and buildings, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Profit and Loss Account during the period in which they are incurred.

#### Depreciation

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold buildings – garden centres	-	40 – 50 years
Short leasehold building	-	Over the life of the primary lease term
Leasehold improvements	-	Length of lease
Machinery and equipment	-	3 – 10 years
Motor vehicles	-	4 years
Furniture, fixtures and fittings	-	4 – 10 years
Computer equipment	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Profit and Loss Account.

#### Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### Associates

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions but not control.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### Associates (continued)

In the Consolidated Financial Statements, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any premium on acquisition is dealt with in accordance with the Group's goodwill policy.

#### Stocks

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

Cost is calculated using the weighted average method and includes all costs incurred in bringing each product to its present location and condition. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution. At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Profit and Loss Account.

#### Supplier income

The price that the Group pays suppliers for goods is determined through negotiations with suppliers regarding both the list price and a variety of rebates and discounts. The principal categories of rebate income are in the form of volume and marketing rebates.

Volume rebates are earned on purchases from the supplier and are recognised over the period set out in the supplier agreement.

Marketing rebates include promotions, mark downs or marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific products.

Rebate income is recognised when the Group has contractual entitlement to the income, the income can be estimated reliably, and when it is probable the income will be received. Rebate income recognised is recorded against cost of sales, as the amount of any volume rebates that could be offset against the costs of stocks held at the year-end are immaterial. Depending on the agreement with suppliers, rebates invoices are either received in cash from the supplier or netted off against payments made to suppliers. Rebates receivable at the year-end are presented as trade debtors.

#### Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management strategy.

#### Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure movements in to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the Profit and Loss Account. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward foreign currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### Financial instruments

With the exception of derivative instruments, the Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments, such as loans and other accounts receivable and payable, are initially measured at the present value of the future payments and subsequently at amortised cost using the effective interest rate method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at the market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation, of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Leased assets: Lessee

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

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

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

#### Onerous leases

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

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### Current and deferred taxation

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the jurisdictions where the Group's subsidiaries operate and generate taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### Dividends

Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Shareholders at the Annual General Meeting.

#### Reserves

The Group's reserves are as follows:

- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital reserve represents profits on the disposal of fixed property assets and capital dividends received. These profits are transferred to the capital reserve from the Profit and Loss Account in the period in which the profits are recognised.
- The revaluation reserve represents the unrealised revaluation gains on freehold land and buildings.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these Consolidated Financial Statements, the Directors have made the following judgements:

- Goodwill arising on the acquisition of businesses is amortised over 20 years because these are long term investments that will last significantly longer than 20 years and they are reviewed regularly for any signs of impairment.
- Freehold buildings are not depreciated because the residual value of the properties at the end of their useful life will be higher than their current value. The Group spends significant amounts on their maintenance and refurbishment. If there was an indication of a permanent reduction in their carrying value then an impairment would be recognised. Freehold land is considered to have an unlimited useful life and is therefore not depreciated.
- Freehold land and buildings are revalued based on advice from an expert and an assessment of market conditions and the financial and operating performances of the underlying businesses.
- Freehold land at Les Baissieres in Guernsey with a carrying amount of £265,000 has not been revalued because there is limited comparable information and the future value of the site depends on the States of Guernsey's review of planning policy.
- No impairment of fixed assets and goodwill is required because the fair values exceed their carrying values based on management's assessment of market conditions and financial and operating performances.
- Stock is reviewed constantly for damage, obsolescence and slow movement and no provision is required because it would be immaterial given the proactive, vigilant approach management takes.
- Assessing the outcome of uncertain tax provisions requires judgements to be made regarding the result of negotiations with and enquiries from tax authorities. The assessments made are based on advice from independent tax advisers and the status of on-going discussions with the relevant tax authorities.

#### *Other key sources of estimation uncertainty*

##### *Tangible fixed assets (see note 10)*

Tangible fixed assets, other than properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Key inputs into the property valuations included the financial performance of the garden centres, market conditions, benchmarking and physical inspection of the properties.

##### *Acquisition accounting (note 24)*

During the year, the Group acquired the trade and assets of Newbridge Nurseries Limited and Stooks LLP. Following these acquisitions an exercise was undertaken in accordance with FRS 102, in order to calculate the fair value of the acquired assets and liabilities. Goodwill arose during the year as a result of the acquisition accounting and was capitalised in line with the requirements of the standard. In carrying out the fair value exercise, the Group made the following significant judgements that had a material impact on the calculation of goodwill:

- Stocks were reviewed and subsequently provided for based primarily on a revised ranging strategy which contemplated a shift/discontinuation of certain sub-categories.
- Property was adjusted to its current market value. The current market value was set with reference to valuation work performed by a third party property expert.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 3. TURNOVER AND GROUP OPERATING PROFIT

	2015 £'000	2014 £'000 (as restated)
<b>Group operating profit is stated after charging/(crediting):</b>		
Amortisation of goodwill	77	34
Amortisation of negative goodwill	(19)	(26)
Depreciation of tangible fixed assets (Profit)/loss on disposal of fixed assets	1,662 (16)	1,597 14
Fees payable to the Group's auditor		
- Audit of the Group's financial statements	30	28
- Audit of the subsidiary companies	60	62
- Other non-audit services	8	3
Foreign exchange gains	(17)	-
Operating leases expense	3,645	3,164
Rental income included in other operating income	(386)	(360)

The Group took over the management of Newbridge Nurseries from 29 January 2015 and Brown & Green Farm Shops from 2 October 2015, and therefore their results have been included in the Group's results from those dates (note 24). Included in the table below under 'Acquired', are the results of Trelawney Garden Centre, which was acquired by the Group with effect from 10 November 2014.

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

	2015 Continuing £'000	2015 Acquired £'000	2015 Total £'000	2014 Continuing £'000	2014 Acquired £'000	2014 Total £'000 (as restated)
<b>Turnover</b>	73,361	9,390	82,751	69,598	673	70,271
Cost of sales	(36,935)	(4,690)	(41,625)	(35,376)	(306)	(35,682)
<b>Gross profit</b>	36,426	4,700	41,126	34,222	367	34,589
Administrative expenses	(30,898)	(3,431)	(34,329)	(29,802)	(239)	(30,041)
Other operating income	372	25	397	417	-	417
<b>Group operating profit</b>	5,900	1,294	7,194	4,837	128	4,965

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 3. TURNOVER AND GROUP OPERATING PROFIT (continued)

#### Segmental analysis

By class of geographical area:	United Kingdom		Channel Islands		Group	
	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)
<b>Turnover</b>	68,205	55,818	14,546	14,453	82,751	70,271
<b>Profit before interest and tax</b>						
Segment profit	8,867	6,218	3,170	2,947	12,037	9,165
Group costs					(4,722)	(4,081)
<b>Group profit before interest and taxation</b>					7,315	5,084

By class of geographical area:	United Kingdom		Channel Islands		Group	
	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)	2015 £'000	2014 £'000 (restated)
<b>Segment total assets less current liabilities</b>						
Segment net assets	46,743	36,600	21,324	21,106	68,067	57,706
Unallocated assets and liabilities					(2,293)	(1,500)
<b>Total assets less current liabilities</b>					65,774	56,206

The segmental analysis is presented to show 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.

### 4. EMPLOYEES

	2015 £'000	2014 £'000 (as restated)
Staff costs (including Directors) consist of:		
Wages and salaries	18,330	16,497
Social security costs	1,098	971
Cost of defined contribution scheme	193	172
	19,621	17,640

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 4. EMPLOYEES (continued)

The average number of full-time equivalent employees (including Directors) during the year was as follows:

	2015 £'000	2014 Number
Management	49	42
Retail	908	824
	<b>957</b>	<b>866</b>

#### *Pensions - 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 financial statements includes contributions payable by Group companies to the scheme in the year ended 31 December 2015 amounting to £73,571 (2014: £57,414). The Group also joined the National Employment Savings Trust ("NEST") in February 2014, which is a pension scheme set up by the UK Government and into which the Group pays contributions on behalf of its employees. The pension costs charged in these financial statements includes contributions payable by Group companies to NEST in the year amounting to £40,865 (2014: £35,787).

#### *Pensions - 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 2015 was £37,724 (2014: £40,750). In addition, during the year the Group paid contributions of £41,335 (2014: £37,805) into the personal pension scheme of two (2014: two) directors of the Company.

5. INTEREST RECEIVABLE	2015 £'000	2014 £'000 (as restated)
Bank interest	1	-
Interest on tax	1	-
Interest on other loans receivable	16	6
	<b>18</b>	<b>6</b>

6. INTEREST PAYABLE	2015 £'000	2014 £'000 (as restated)
Bank loans and overdrafts	692	567
Debt issue costs	17	-
Finance leases and hire purchase contracts	19	17
	<b>728</b>	<b>584</b>

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

<b>7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2015 £'000</b>	<b>2014 £'000 (as restated)</b>
<i>Provision for Guernsey income tax:</i>		
Based on Guernsey taxable profits for the year at 0%	-	-
<i>Provision for U.K. tax:</i>		
Current tax on profits for the year	862	624
Adjustment in respect of previous periods	(209)	(22)
<i>Total current tax</i>	<b>653</b>	602
<i>Provision for deferred tax</i>		
Origination and reversal of timing differences	143	51
Changes to tax rates	(12)	(22)
Adjustment in respect of prior periods	(9)	23
	<b>122</b>	52
<b>Taxation on profit on ordinary activities</b>	<b>775</b>	654

The tax assessed for the year is higher than the standard rate of corporation tax in Guernsey applied to profit before tax. The differences are explained below:	<b>2015 £'000</b>	<b>2014 £'000 (as restated)</b>
Profit on ordinary activities before taxation	6,605	4,506
Profit on ordinary activities at the standard rate of corporation tax in Guernsey of 0% (2014: 0%)	-	-
<i>UK effect:</i>		
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2014: 21%)	997	618
Expenses not deductible for tax purposes	6	3
Effect of tax rate change	(5)	(12)
Tax loss utilised brought forward	(5)	(14)
Adjustment in respect of prior periods	993 (218)	595 59
<b>Taxation on profit on ordinary activities</b>	<b>775</b>	654

The Group's Guernsey and Jersey taxable profits are chargeable to income tax at the standard rate of 0%.

The UK corporation tax rate was 20% with effect from 1 April 2015, which had been substantively enacted at the year end and the rates are reflected in these financial statements.

In the Summer Budget 2015, the UK Government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. In the Budget 2016, the Government announced a further reduction to the Corporation Tax main rate (for all profits except ring-fenced profits) for the year starting 1 April 2020, setting the rate at 17%. Since this has not been substantively enacted at the balance sheet date it is not reflected in these financial statements.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

<b>8. DIVIDENDS</b>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b> <b>(as restated)</b>
<b>Ordinary shares</b>		
Final 2014 dividend paid of 12p (2013: 10p) per share (net of 20% tax)	<b>616</b>	513
Interim 2015 dividend paid of 8p (2014: 6p) per share (net of 20% tax)	<b>411</b>	308
	<b>1,027</b>	821

On 21 April 2016 the Directors proposed a final dividend of 16p per ordinary share. The dividend has not been accrued in these Consolidated Financial Statements because the dividend was declared after the balance sheet date.

The final dividend will be paid out of a combination of pre-2008 reserves and UK taxed profits. Of the final dividend expected to be paid of £1,028,731 (based on the current shares in issue of 6,429,569 – see note 20), £280,896 will come from pre-2008 reserves and will therefore attract a tax credit of £56,179, whilst the balance of £747,835 will be paid gross.

<b>9. INTANGIBLE ASSETS</b>	<b>Goodwill</b> <b>£'000</b>	<b>Negative goodwill</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<i>Cost</i>			
At 1 January 2015 – as restated	<b>1,701</b>	(508)	<b>1,193</b>
On acquisition of subsidiary	<b>240</b>	(36)	<b>204</b>
At 31 December 2015	<b>1,941</b>	(544)	<b>1,397</b>
<i>Amortisation</i>			
At 1 January 2015 – as restated	<b>170</b>	(169)	<b>1</b>
Provision for the year	<b>77</b>	(19)	<b>58</b>
At 31 December 2015	<b>247</b>	(188)	<b>59</b>
<i>Net book value</i>			
At 31 December 2015	<b>1,694</b>	(356)	<b>1,338</b>
At 31 December 2014 – as restated	<b>1,531</b>	(339)	<b>1,192</b>

The goodwill brought forward at the beginning of the year relates to the 2007 acquisition of the business trade and net assets of 3Shires Garden Centre, together with the goodwill on the acquisitions of Chatsworth Garden Centre Limited and Chester Garden Centre Limited that were acquired in 2012, and Trelawney Garden Centre acquired in 2014.

The negative goodwill brought forward at the beginning of the year relates to the acquisitions of the business trade and net assets of Derby Garden Centre and Matlock Garden Centre in 2008, and Fermoy's Garden Centre and Farm Shop acquired in 2013.

The acquisition of the business of Newbridge Nurseries Limited and Stooks LLP resulted in negative goodwill of £36,285 (note 24) during the year and the acquisition of the remaining shares in Brown & Green (Farm Shops) Limited resulted in goodwill of £240,565 (note 24).

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 10. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £'000	Short Leasehold Building £'000	Leasehold Improvements £'000	Machinery and Equipment £'000	Motor Vehicles £'000	Furniture, Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
<i>Cost or valuation</i>								
At 1 January 2015 – as restated	35,802	318	9,479	2,416	309	8,928	1,513	58,765
Additions	340	-	523	66	31	1,404	277	2,641
Acquisitions through business combinations (note 24)	6,300	-	-	10	1	231	1	6,543
Disposals	-	(250)	(2)	(3)	(12)	(90)	(1)	(358)
Transfers	903	(68)	(751)	-	-	(84)	-	-
Revaluations	3,905	-	-	-	-	-	-	3,905
At 31 December 2015	47,250	-	9,249	2,489	329	10,389	1,790	71,496
<i>Depreciation</i>								
At 1 January 2015 – as restated	-	250	1,934	936	139	5,740	1,034	10,033
Provision for the year	-	-	329	201	58	826	248	1,662
Disposals	-	(250)	(2)	(3)	(7)	(87)	(1)	(350)
At 31 December 2015	-	-	2,261	1,134	190	6,479	1,281	11,345
<i>Net book value</i>								
At 31 December 2015	47,250	-	6,988	1,355	139	3,910	509	60,151
At 31 December 2014 – as restated	35,802	68	7,545	1,480	170	3,188	479	48,732

Fittings identified as integral to the freehold buildings were transferred from short leasehold buildings, leasehold improvements and furniture, fixtures and fittings to freehold land and buildings during the year.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 10. TANGIBLE FIXED ASSETS (CONTINUED)

	2015 £'000	2014 £'000 (as restated)
The net book value of land and buildings may be further analysed as follows:		
Freehold land and buildings – garden centres	46,985	35,537
Freehold land (note 2)	265	265
	<b>47,250</b>	<b>35,802</b>

The Group's freehold land and buildings are stated at fair value determined by an independent, professionally qualified valuer as at 31 December 2015. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 2.

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

	2015 £'000	2014 £'000 (as restated)
Historic cost	36,252	28,709
Revaluation losses recognised in the profit and loss account	(1,263)	(1,263)
Revaluation gains recognised in the revaluation reserve	12,261	8,356
At valuation	<b>47,250</b>	<b>35,802</b>

The revaluation gains are stated before deferred tax adjustments of £1,217,153 (2014: £700,734).

In the opinion of the Directors, the estimated residual values of the Group's freehold land and buildings used as trading properties are considered not to be significantly different from the carrying value at which they are included in the financial statements. As the depreciable amount of properties is deemed to be immaterial, there is no depreciation expense on freehold buildings in the current and prior year.

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 £28,150,000 (2014: £17,400,000), promissory notes to the value of £4,000,000 (2014: £2,000,000) and a bond to the value of £6,000,000 (2014: £6,000,000) as security for the Group's bank loan and overdraft facilities (note 16).

#### Finance Leases

The net book value of plant, machinery and vehicles for the Group includes an amount of £352,631 (2014: £524,158) in respect of assets held under finance leases and hire purchase contracts (note 16).

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 11. FIXED ASSET INVESTMENTS

	Associated undertakings £'000	Loans to Associates £'000	Other investments £'000	Total £'000
<i>Cost</i>				
At 1 January 2015 – as restated	84	189	4	277
Transfer to goodwill on acquisition to subsidiary (note 24)	(23)	(189)	-	(212)
At 31 December 2015	61	-	4	65
<i>Share of retained profits</i>				
At 1 January 2015 – as restated	938	-	-	938
Profit for the year	55	-	-	55
Tax on profit	(27)	-	-	(27)
Transfer to goodwill on acquisition to subsidiary (note 24)	191	-	-	191
Dividends received	(136)	-	-	(136)
At 31 December 2015	1,021	-	-	1,021
<i>Net book value</i>				
At 31 December 2015	1,082	-	4	1,086
At 31 December 2014 – as restated	1,022	189	4	1,215

Other investments are shares in other unlisted companies, which are carried at cost. During the year the Group acquired the remaining 50% of the shares in issue of Brown & Green (Farm Shops) Limited, a company incorporated in England and the carrying value of the investment at the date of acquisition to subsidiary of £167,495 (note 24) was transferred to goodwill.

The principal undertakings in which the Group's interest at the year end is 20% or more are as follows:

Name	Proportion of voting rights and ordinary share capital held	Nature of business
<b>Associated Companies</b>		
<i>Direct:</i>		
David Dumosch Limited (Jersey)	45%	Agricultural & horticultural merchants & produce handlers
John Le Sueur and Company Limited (Jersey)	50%	Investment holding

The Group's indirect 50% investment in Olympus Sportswear (Jersey) Limited, through its holding by John Le Sueur and Company Limited, was disposed of during the year after that company was voluntarily wound up. The Group's share of the loss for the year attributable to this discontinued operation was £77,620.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 11. FIXED ASSET INVESTMENTS (continued)

Blue Diamond Limited holds investments in the following undertakings, all of which are included in these financial statements, with the same financial year end:

Name Subsidiary Companies	Ordinary share capital held	Nature of business
<i>Direct:</i>		
B.D. Properties Limited (Guernsey)	100%	Property & investment holding
Blue Diamond Trading Limited (Guernsey)	100%	Investment holding
MGCL Limited (England)	100%	Dormant
Fryer's Nurseries Limited (England)	100%	Dormant
<i>Indirect:</i>		
Blue Diamond UK Limited (England)	100%	Garden centre retailer
Brown & Green (Farm Shops) Limited (England)	100%	Farm shop retailer
Chatsworth Garden Centre Limited (England)	100%	Garden centre retailer
Chester Garden Centre Limited (England)	100%	Garden centre retailer
Fruit Export Company Limited (Guernsey)	100%	Garden centre retailer
Newbridge Nurseries Limited (England)	100%	Garden centre retailer
Goodies Limited (Guernsey)	100%	Gift retailer
Blue Diamond UK Properties Limited (England)	100%	Property holding
Olympus Sportswear (Guernsey) Limited (Guernsey)	100%	Sportswear & equipment retailer
St. Peters Furniture Centre Limited (Jersey)	100%	Non-trading
St. Peters Garden Centre Limited (Jersey)	100%	Garden centre retailer

### 12. STOCKS

	2015 £'000	2014 £'000 (as restated)
Goods for resale	12,299	12,519

### 13. DEBTORS

	2015 £'000	2014 £'000 (restated)
Trade debtors	1,761	1,665
Prepayments	1,561	1,195
Other debtors	564	419
Derivative instrument - at fair value (note 17)	66	-
Guernsey tax recoverable	-	82
UK corporation tax recoverable	-	86
Associated company loan - John Le Sueur and Company Limited (note 11)	248	248
	<b>4,200</b>	<b>3,695</b>

The loan due from John Le Sueur and Company Limited is unsecured, repayable on demand and is subject to interest at 1.5% above one month sterling LIBOR per annum.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

<b>14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(as restated)</b>
Bank loans (note 16)	5,957	1,905
Bank overdrafts (secured) (note 16)	2,559	2,504
Trade creditors	5,483	4,154
Accruals and sundry creditors	3,429	3,437
UK corporation tax payable	334	356
Obligations under finance lease and hire purchase contracts	174	209
	<b>17,936</b>	<b>12,565</b>

<b>15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(as restated)</b>
Bank loans (note 16)	14,138	13,706
Obligations under finance lease and hire purchase contracts	70	244
Accruals and sundry creditors	290	-
	<b>14,498</b>	<b>13,950</b>

<b>16. LOANS</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(as restated)</b>
The maturity of sources of debt finance are as follows:		
In one year or less	5,957	1,905
In more than one year but not more than two years	1,281	8,574
In more than two years but not more than five years	12,857	5,132
	<b>20,095</b>	<b>15,611</b>

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.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 16. 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 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. The Group has also provided a cross guarantee as detailed in note 25 to the financial statements.

<b>Analysis of changes in net debt</b>	<b>1 January 2015 £'000 (restated)</b>	<b>Cash flows £'000</b>	<b>Non-Cash Movements £'000</b>	<b>31 December 2015 £'000</b>
Cash and bank balances	1,418	3,201	17	4,636
Bank overdrafts	(2,504)	(55)	-	(2,559)
	(1,086)	3,146	17	2,077
Obligations under finance lease and hire purchase contracts	(453)	209	-	(244)
Bank loans due within one year	(1,905)	2,463	(6,515)	(5,957)
Bank loans due after more than one year	(13,706)	(6,930)	6,498	(14,138)
	(17,150)	(1,112)	-	(18,262)

### Finance leases

The total of future minimum lease payments under finance leases and hire purchase contacts are:	<b>2015 £'000</b>	<b>2014 £'000 (as restated)</b>
Not later than 1 year	174	209
Later than 1 year and not later than 5 years	70	244
Total	244	453

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 17. FINANCIAL INSTRUMENTS

	2015 £'000	2014 £'000 (restated)
The Group's financial instruments are analysed as follows:		
<b>Financial assets</b>		
Derivative financial instruments measured at fair value through profit or loss	66	-
Financial assets measured at amortised cost	2,573	2,332
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	32,100	26,159

Derivative financial instruments measured at fair value through profit or loss comprise forward exchange contracts. Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by associated undertakings. Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors.

### 18. PROVISIONS FOR LIABILITIES

	Deferred taxation (Note 19) £'000	Onerous lease £'000	Total £'000
At 1 January 2015 – as restated	984	-	984
Charged to profit or loss (note 7)	122	181	303
Charged to other comprehensive income	516	-	516
Arising on business combinations (note 24)	36	-	36
At 31 December 2015	1,658	181	1,839

The onerous lease provision will unwind over 7 years and is disclosed net of rent receivable from sub-letting the site.

### 19. DEFERRED TAXATION

	2015 £'000	2014 £'000 (as restated)
<b>Deferred tax liabilities</b>		
Accelerated capital allowances	441	283
Revaluation of properties	1,217	701
	1,658	984

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 20. SHARE CAPITAL

	2015 £'000	2014 £'000 (as restated)
<i>Authorised</i>		
6,800,000 ordinary shares of 10p each	680	680
100,000 unclassified shares of 10p each	10	10
<i>Allotted, called up and fully paid</i>		
6,416,910 (2014: 6,416,910) ordinary shares of 10p each	690	690
	<b>642</b>	<b>642</b>

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 FRS102 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.

Following the year end, the Company issued 12,659 new authorised shares at an average price of £8.49 to satisfy investor demand. The Directors may issue further authorised shares over time in small, occasional tranches in accordance with investor demand. There remain 470,431 authorised but unissued shares in total.

### 21. PARENT COMPANY LOSS FOR THE YEAR

The Company has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the Parent Company for the year was £33,617 (2014: profit of £106,016).

### 22. 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 £5,802,889 (2014: £3,831,380) by the number of ordinary shares in issue (note 20).

### 23. COMMITMENTS UNDER OPERATING LEASES

The minimum lease payments under the Group's non-cancellable operating leases are set out below:

	2015 £'000	2014 £'000 (as restated)
Not later than 1 year	4,047	3,989
Later than 1 year and not later than 5 years	15,996	16,091
Later than 5 years	66,003	48,760
Total	<b>86,046</b>	<b>68,840</b>

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 23. COMMITMENTS UNDER OPERATING LEASES (continued)

The minimum lease payments receivable by the Group under non-cancellable operating leases are set out below:

	2015 £'000	2014 £'000 (as restated)
Not later than 1 year	385	363
Later than 1 year and not later than 5 years	1,335	1,262
Later than 5 years	685	923
<b>Total</b>	<b>2,405</b>	<b>2,548</b>

### 24. BUSINESS COMBINATIONS

#### *Acquisition of Newbridge Nurseries Limited and Stooks LLP*

On 29 January 2015 the Group acquired 100% of the shares in Newbridge Nurseries Limited, a company registered in England and Wales, whose principal activity is that of the operation of a garden centre, which was paid by cash and financed by a bank loan. On the same date the Group also acquired the business and assets of Stooks LLP, a limited liability partnership with the principal activity of a garden centre restaurant. Stooks is the restaurant located at Newbridge Nurseries.

In calculating the goodwill arising on acquisition, the fair values of the net assets of Newbridge Nurseries Limited and Stooks LLP have been assessed and adjustments made to net book value where necessary. The operating assets and liabilities acquired on 29 January 2015 were:

	Newbridge £'000	Stooks £'000	Total £'000
<i>Fixed assets</i>			
Tangible	6,520	-	6,520
<i>Current assets</i>			
Stocks	422	10	432
Debtors	26	1	27
Cash at bank and in hand	1,499	1	1,500
<b>Total assets</b>	<b>8,467</b>	<b>12</b>	<b>8,479</b>
<i>Creditors</i>			
Due within one year	(523)	(6)	(529)
Deferred tax on differences between fair values and tax bases	(36)	-	(36)
<b>Fair value of net assets</b>	<b>7,908</b>	<b>6</b>	<b>7,914</b>
Negative goodwill (note 9)			(36)
Total purchase consideration (including expenses of £147,961)			7,878

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 24. BUSINESS COMBINATIONS (continued)

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

The results of Newbridge Nurseries Limited since its acquisition are as follows:

	<b>Current period since acquisition £'000</b>
Turnover	4,891
Profit for the year	1,236

#### *Acquisition of Brown & Green (Farm Shops) Limited*

On 30 September 2015 the Group acquired the remaining 50% of the shares in Brown & Green (Farm Shops) Limited, a company registered in England and Wales, whose principal activity is that of the operation of farm shops, for no consideration. In calculating the goodwill arising on acquisition, the fair values of the net assets of Brown & Green (Farm Shops) Limited have been assessed and adjustments made to net book value where necessary. The operating assets and liabilities acquired on 30 September 2015 were:

	<b>£'000</b>
<i>Fixed assets</i>	
Tangible	23
<i>Current assets</i>	
Stocks	224
Debtors	168
Cash at bank and in hand	76
<b>Total assets</b>	<b>491</b>
<i>Creditors</i>	
Due within one year	(898)
<b>Fair value of net liabilities</b>	<b>(407)</b>
Goodwill (note 9)	240
Carrying value of investment at date of acquisition	(167)

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

#### **Total cash flows on acquisitions of subsidiary undertakings**

Purchase consideration settled in cash	(7,878)
Cash and cash equivalents in subsidiaries acquired	1,576
<b>Total cash outflow on acquisitions</b>	<b>(6,302)</b>

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 24. BUSINESS COMBINATIONS (continued)

The results of Brown & Green (Farm Shops) Limited since its acquisition are as follows:

	<b>Current period since acquisition £'000</b>
Turnover	477
Profit for the year	88

### 25. CONTINGENT LIABILITIES

The Company and its subsidiaries (note 11) are party to a composite cross guarantee agreement for the loan and overdraft facilities of the Group with The Royal Bank of Scotland International Limited (trading as NatWest). At the year end the liabilities covered by the guarantee totalled £27,647,992 (2014: £23,011,494).

B. D. Properties Limited, a subsidiary company, has guaranteed the bank borrowings of John Le Sueur and Company Limited (note 11), in the sum of £250,000.

In the opinion of the Directors, no liability to the Group is expected to arise as a result of these guarantees.

### 26. RELATED PARTY DISCLOSURES

In the preparation of these financial statements the Directors have taken advantage of the exemption under FRS102 and have not disclosed the details of related party transactions with wholly owned subsidiaries of Blue Diamond Limited.

#### *Associated companies*

The following transactions took place between the Group and its associated companies during the year, other than the acquisitions in note 24:

	<b>2015 £'000</b>	<b>2014 £'000 (as restated)</b>
Net short-term loan movements	563	21
Management fees received	12	20
Rent received	13	38
Interest receivable	16	5
Dividends received	136	154
Rent paid	(200)	(200)

The following receivable balances relating to associated companies were included in the Consolidated Balance Sheet:

	<b>2015 £'000</b>	<b>2014 £'000 (as restated)</b>
Short-term loans (note 13)	248	248
Loan classified as investment in associated company (note 11)	-	189
	<b>248</b>	<b>437</b>

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 26. RELATED PARTY DISCLOSURES (continued)

Key management personnel, of which there were 17 in 2015 (2014: 16), includes all Directors and a number of senior managers who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation (including salaries, pensions, national insurance and bonuses) paid to key management personnel for services provided to the Group was £1,830,332 (2014: £1,541,431). Included in accruals and sundry creditors (note 14) is an amount of £495,000 (2014: £345,000) due to key management personnel, of which £290,000 (2014: £195,000) is the amount so far accrued in respect of the long-term incentive plan (LTIP) for executive directors, which is based on Group performance targets for the years ending 31 December 2015, 2016 and 2017.

The Directors received dividends in aggregate on the same terms as the other shareholders, of £281,944 (2014: £230,044).

The Directors held the following number of shares at the end of each financial year end:

	2015	2014
Geoffrey Dorey (resigned 10 June 2015)	1,664,500	1,662,000
Simon Burke (appointed 1 March 2015)	5,250	-
Alan Roper	50,354	39,877
Richard Hemans	7,000	3,306
Peter Atkinson (resigned 21 April 2016)	25,000	23,513
Stuart Falla	11,600	11,600
Sir John Collins	8,944	6,444
Patricia Alford-Burnett (appointed 1 February 2016)	-	-
<b>Total number of shares held by Directors</b>	<b>1,772,648</b>	<b>1,746,740</b>

### 27. PARENT COMPANY GUARANTEE – EXEMPTION FROM AUDIT FOR SUBSIDIARY COMPANIES

In accordance with s479C of the UK Companies Act 2006 (the 'Act'), the Group has given a guarantee to the following subsidiary companies in respect of the year ending 31 December 2015, which means they are exempt from the requirements of the Act relating to the audit of individual company accounts. The guarantee effectively means that the Group will discharge all outstanding liabilities of the subsidiary companies at 31 December 2015 should the subsidiary be unable to satisfy them.

Company	Registered Number
Blue Diamond UK Properties Limited	01413241
Brown & Green (Farm Shops) Limited	07343669
Chatsworth Garden Centre Limited	01513341
Chester Garden Centre Limited	01391377
Newbridge Nurseries Limited	00744452

### 28. POST BALANCE SHEET EVENTS

Following the year end, the Company issued 12,659 new authorised shares at an average price of £8.49 to satisfy investor demand. The Directors may issue further authorised shares over time in small, occasional tranches in accordance with investor demand. There remain 470,431 authorised but unissued shares in total.

On 21 April 2016 the Directors proposed a final dividend of 16p per ordinary share. The dividend has not been accrued in these Consolidated Financial Statements because the dividend was declared after the balance sheet date.

The final dividend will be paid out of a combination of pre-2008 reserves and UK taxed profits. Of the final dividend expected to be paid of £1,028,731 (based on the current shares in issue of 6,429,569 – see note 20), £280,896 will come from pre-2008 reserves and will therefore attract a tax credit of £56,179, whilst the balance of £747,835 will be paid gross.

## Notes to the Financial Statements (continued)

Year ended 31 December 2015

### 29. FIRST TIME ADOPTION OF FRS 102

As stated in note 1, these are the Group's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in preparation of an opening FRS 102 balance sheet as at 1 January 2014 (the Group's date of transition).

In preparing its opening FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial statements is set out in the following table and accompanying notes. The retained profit for the year is stated after dividends for the year in the table.

	<b>Equity as at 1 January 2014 £'000</b>	<b>Year ended 31 December 2014 £'000</b>	<b>Equity as at 31 December 2014 £'000</b>
<b>As previously stated under former UK GAAP</b>	38,615	3,010	41,625
Prior year adjustment - correction of error	348	-	348
<b>As restated under former UK GAAP</b>	38,963	3,010	41,973
<b>Transitional adjustments</b>			
Deferred tax recognised on revaluations of properties	(701)	-	(701)
<b>As stated in accordance with FRS 102</b>	<b>38,262</b>	<b>3,010</b>	<b>41,272</b>

#### Prior year adjustments

In the 2013 financial statements the net rental income receivable by B.D. Properties Limited from Le Friquet Garden Centre was incorrectly treated as taxable income in Guernsey when calculating the provision for taxation for the Group. The position was subsequently clarified with the Guernsey tax office, resulting in a refund of tax previously paid of £82,160. The over provision for taxation resulted in equity being understated by £348,074, debtors being understated by £82,160 and creditors falling due within one year being overstated by £265,914 as at 31 December 2013.

Warehouse stock to the value of £189,544 that was disclosed in sundry debtors in the 2014 financial statements has been reclassified to stocks in the restated comparatives. Supplier income receivable at 31 December 2014 totalling £1,034,439 was also reclassified in the comparative figures from other debtors to trade debtors. There was no impact on equity.

#### Revaluation of tangible fixed assets

Under FRS 102, if a revaluation decrease exceeds the accumulated revaluation gains accumulated in the revaluation reserve in respect of an asset, the excess is recognised in profit and loss. Previously, the Group recognised these amounts in the revaluation reserve under UK GAAP. The amount adjusted to transfer accumulated revaluation losses as at 1 January 2014 in respect of such balances to the profit and loss account was £1,263,135 resulting in an increase in the revaluation reserve and a decrease in the profit and loss account. There was no impact on equity.

#### Deferred tax

Under FRS 102 deferred tax is recognised in respect of all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying value for reporting purposes. A deferred tax liability has therefore been recognised on the accumulated revaluation adjustments of properties. The balance at 1 January 2014 was £700,734. There was no adjustment to the liabilities during the financial year ended 31 December 2014 and therefore no adjustment was required to the comparative total comprehensive income for the year.

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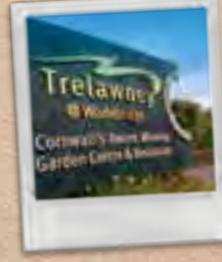


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