

We just keep growing...



Blue Diamond Limited
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 June 2019



COMPANY INFORMATION

BLUE DIAMOND LIMITED

(Incorporated in Guernsey, Channel Islands)

DIRECTORS

S. Burke (Chairman)
 A. Roper (Managing Director)
 R.J. Hemans (Finance Director)
 C.L. Williams
 Sir John Collins
 T. Carey (appointed 1 October 2019)
 S.J. Falla, MBE retired on 28 June 2019

COMPANY SECRETARY

R.J. Hemans

COMPANY NUMBER

12307 (Guernsey)

REGISTERED OFFICE

Rue du Friquet
 Castel
 Guernsey
 GY5 7SS

INDEPENDENT AUDITOR

BDO Limited
 Place du Pré
 Rue du Pré
 St. Peter Port
 Guernsey
 GY1 3LL

BANKERS

The Royal Bank of Scotland International Limited
 (Trading as NatWest)
 Royal Bank Place
 1 Glatigny Esplanade
 St. Peter Port
 Guernsey
 GY1 4BQ

LEGAL REPRESENTATIVES

GUERNSEY

Carey Olsen
 Carey House
 Les Banques
 St. Peter Port
 Guernsey
 GY1 4BZ

UNITED KINGDOM

Bristows LLP
 100 Victoria Embankment
 London
 EC4Y 0DH

CONTENTS

Company Information	2
Interim Management Statement	3
Interim Consolidated Income Statement	4
Interim Consolidated Statement of Comprehensive Income	5
Interim Consolidated Balance Sheet	6
Interim Consolidated Statement of Changes in Equity	7
Interim Consolidated Cash Flow Statement	8
Notes to the Interim Consolidated Financial Statements	9

INTERIM MANAGEMENT STATEMENT



I am pleased to report strong trading figures for the first half of 2019 and on further positive changes in the Blue Diamond business.

Total sales increased by 57% to £86.7m whilst like for like sales (including East Bridgford) were 12% ahead of 2018. UK like for like sales were up 13% and Channel Islands sales were up 4%. The weather was generally benign, which helped this performance, but we continue to outperform the GCA, both in total and across most of the major categories.

Gross margins strengthened in the period, driven in particular by improved restaurant figures and new buying arrangements for furniture. Although we saw some increases in overheads, and in interest payable on our enlarged debt, profit before tax increased by 56% to £7.6m. This includes an exceptional profit of £0.5m from the sale of surplus land at Fryer's.

Our net debt at the end of June was equivalent to one and a half times annual EBITDA, against the Board's ceiling of three times, and our gearing was 39%.

Given the level of activity involved in the Wyevale acquisitions, and its potential to distract from the core business, we are pleased to have achieved such a strong performance from the existing Blue Diamond centres. Some of the larger stores, including Redfields, Trentham and Grosvenor, did particularly well. East Bridgford is now trading like for like and we are pleased with its progress.

In the nine stores purchased from Wyevale last year, we saw overall sales growth of 37% compared with their performance a year ago (under previous ownership). We have carried out a diverse range of improvements to these stores, from full refurbishment to minor layout changes. In Bicester and Nailsworth, where we did full refurbishments, we have recorded sales increases of 55% and 27% respectively; but there has been significant improvement in every store. Overall, we are very pleased with the performance of the nine stores and they contributed a significant profit in the period.

In July I wrote to tell you that we planned to acquire a further six stores from Wyevale, with the possibility of one other. In the event we acquired all seven sites and they joined the Blue Diamond family in September. Along with the six listed in my letter, we also acquired the Bridgemere Garden Centre, a site with significant heritage which came with a seventy-acre freehold nursery, from which we will be able to supply both mainstream and exclusive plants to our own stores. The total outlay including stock was £10.3m, and the most recent annual results from these stores showed turnover of £18.6m and EBITDA of £2.6m. The acquisition was funded by a combination of additional debt facilities and existing resources.

We are now beginning the process of integrating these stores, making use of the learnings from the first group of acquired centres. There are many opportunities to invest in these stores, to expand their capacity or to make other improvements, and there remain many good opportunities to invest in the previously existing Blue Diamond estate, in the earlier Wyevale acquisitions, and in some promising green-field developments. These will underpin our ability to continue growing the business into the medium term. For now, however, the Board's priority is to reduce debt and create better headroom underneath our targeted three times net debt to EBITDA ceiling. With this in mind we are proposing an interim dividend of 2p per share, an increase of 11% on 2018.

Since the end of the period we have seen good trading and we are confident in our Christmas offer. We believe that we can bring substantial improvement to the latest group of Wyevale stores, which will further grow profits. The continuing cloud on the horizon is the unresolved Brexit position and the instability it is causing. I believe this is a significant risk to our trading, in common with a great many other businesses.

Finally, I am delighted to confirm that Tom Carey joined the Board at the end of September. Tom will be known to many of you as a prominent Guernsey advocate and partner in Carey Olsen, who have advised Blue Diamond on legal matters in recent years. I am very glad to welcome Tom to our Board.

Simon Burke
Chairman
3 October 2019

Interim Consolidated Income Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 £'000 £	Six months ended 30 June 2018 £'000 £	Year ended 31 December 2018 £'000 £
Turnover	3	86,667	55,350	127,796
Cost of sales		(41,896)	(27,530)	(62,297)
Gross profit		44,771	27,820	65,499
Administrative expenses		(38,619)	(22,938)	(56,794)
Other operating income		1,617	231	1,714
Profit on disposal of freehold property		500	-	-
Profit on sale and leaseback of freehold property		-	-	1,491
Group operating profit		8,269	5,113	11,910
Share of profit/(loss) in associated undertakings		99	88	(102)
Gain on financial derivatives		-	-	94
Profit on ordinary activities before interest		8,368	5,201	11,902
Interest receivable		20	5	21
Interest payable		(753)	(297)	(1,106)
Profit on ordinary activities before tax		7,635	4,909	10,817
Tax on profit on ordinary activities	2	(1,408)	(856)	(1,777)
Profit for the financial period/year		6,227	4,053	9,040
Earnings per share	5	18.05p	11.88p	26.41p

All amounts relate to continuing operations.

The notes on pages 9 to 15 form part of these financial statements.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June 2019 £'000 £	Six months ended 30 June 2018 £'000 £	Year ended 31 December 2018 £'000 £
Profit for the financial period/year	6,227	4,053	9,040
Other comprehensive income			
Unrealised surplus on revaluation of freehold properties	-	-	-
Movement on deferred tax relating to the revaluation of properties	-	-	-
Other comprehensive income for the period/year	-	-	-
Total comprehensive income for the period/year	6,227	4,053	9,040

The notes on pages 9 to 15 form part of these financial statements.

Interim Consolidated Balance Sheet

As at 30 June 2019

	Note	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Fixed assets				
Intangible assets		2,761	2,795	2,844
Tangible assets	6	93,998	75,853	91,565
Investments	7	1,713	2,085	1,632
		98,472	80,733	96,041
Current assets				
Stocks		32,159	19,319	20,259
Debtors		9,753	5,151	9,790
Cash and bank balances		3,233	1,060	10,774
		45,145	25,530	40,823
Creditors - amounts falling due within one year		(29,151)	(19,087)	(26,087)
Net current assets		15,994	6,443	14,736
Total assets less current liabilities		114,466	87,176	110,777
Creditors - amounts falling due after more than one year		(32,673)	(15,098)	(33,784)
Provisions for liabilities				
Deferred tax		(1,029)	(1,627)	(1,029)
Other provisions		(59)	(84)	(71)
Net assets		80,705	70,367	75,893
Capital and reserves				
Share capital		690	683	690
Share premium		5,015	3,868	5,015
Capital reserve		9,439	9,439	9,439
Revaluation reserve		9,172	13,699	9,331
Profit and loss account		56,389	42,678	51,418
Shareholders' funds		80,705	70,367	75,893

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 October 2019. They were signed on its behalf by:

S. Burke
Director



A. Roper
Director



The notes on pages 9 to 15 form part of these financial statements.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss £'000	Total Equity £'000
At 1 January 2019	690	5,015	9,439	9,331	51,418	75,893
Comprehensive income						
Profit for the period	-	-	-	-	6,227	6,227
Transfer of realised gain on disposal of freehold property				(159)	159	-
Distributions to shareholders						
Dividends	-	-	-	-	(1,415)	(1,415)
At 30 June 2019	690	5,015	9,439	9,172	56,389	80,705
At 1 January 2018	683	3,868	9,439	13,699	39,922	67,611
Comprehensive income						
Profit for the period	-	-	-	-	4,053	4,053
Distributions to shareholders						
Dividends	-	-	-	-	(1,297)	(1,297)
At 30 June 2018	683	3,868	9,439	13,699	42,678	70,367
At 1 January 2018	683	3,868	9,439	13,699	39,922	67,611
Comprehensive income for the year						
Profit for the year	-	-	-	-	9,040	9,040
Other comprehensive income						
Transfer of realised gain on disposal of freehold property	-	-	-	(4,368)	4,368	-
Other comprehensive income for the year	-	-	-	(4,368)	4,368	-
Total comprehensive income for the year	-	-	-	(4,368)	13,408	9,040
Contributions by and distributions to shareholders						
Shares issued during the year	7	1,147	-	-	-	1,154
Dividends	-	-	-	-	(1,912)	(1,912)
Total transactions with shareholders	7	1,147	-	-	(1,912)	(758)
At 31 December 2018	690	5,015	9,439	9,331	51,418	75,893

The notes on pages 9 to 15 form part of these financial statements.

Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Cash flows from operating activities			
Profit for the financial period/year	6,227	4,053	9,040
<i>Adjustments for:</i>			
Amortisation and depreciation	2,011	1,248	2,990
Share of (profit)/loss before tax of associated companies	(99)	(88)	102
Profit on disposal of freehold property	(500)	-	(1,490)
Loss on disposal of other tangible assets	12	-	-
(Gain)/loss on financial derivatives	-	-	(94)
Interest payable	753	297	1,106
Interest receivable	(20)	(5)	(21)
Taxation charge	1,408	856	1,777
Increase in trade and other debtors	(103)	(167)	(3,264)
Increase in stocks	(11,900)	(6,246)	(4,111)
Increase in trade and other creditors	2,835	4,566	9,886
Decrease in provisions	(12)	(18)	(30)
Cash inflows from operations	612	4,496	15,891
Interest paid (net)	(733)	(287)	(988)
Taxation paid	(835)	(938)	(1,191)
Net cash (used in)/generated from operating activities	(956)	3,271	13,712
Cash flows used in investing activities			
Proceeds from sale of tangible fixed assets	1,000	-	24,295
Purchases of tangible fixed assets	(4,873)	(3,963)	(7,763)
Dividend received from associated company	-	-	125
Acquisition costs of business combinations	-	(1,213)	(41,196)
Acquisition of investment in associated company	-	-	(1,103)
Repayments from/(advances to) associated company	140	-	(381)
Proceeds from sale of share in associated company	-	45	-
Net cash used in investing activities	(3,733)	(5,131)	(26,023)
Cash flows from financing activities			
Capital element of finance leases repaid	(24)	(24)	(47)
Equity dividends paid	(1,415)	(1,297)	(1,912)
Repayment of bank loans	(1,413)	(605)	(1,536)
Bank loan net of repayment	-	-	20,580
Proceeds from issue of ordinary shares	-	-	1,154
Net cash (used in)/from financing activities	(2,852)	(1,926)	18,239
Net (decrease)/increase in cash and bank balances	(7,541)	(3,786)	5,928
Cash and bank balances at beginning of the period/year	10,774	4,846	4,846
Cash and bank balances at end of the period/year	3,233	1,060	10,774
Cash and bank balances comprise:			
Cash at bank and in hand	4,962	3,407	10,774
Bank overdrafts	(1,729)	(2,347)	-
	3,233	1,060	10,774

The notes on pages 9 to 15 form part of these financial statements.

Notes to the Interim Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

These Interim Condensed Consolidated Financial Statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with the guidance issued in FRS 104 'Interim Financial Reporting' issued by the Financial Reporting Council. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2018 Annual Report.

The Interim Consolidated Income Statement, Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Balance Sheet, Interim Consolidated Statement of Changes in Equity, Interim Consolidated Cash Flow Statement and Notes to the Interim Consolidated Financial Statements are unaudited and not reviewed pursuant to the guidance issued by the Financial Reporting Council.

The Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 3 October 2019.

2. GROUP TAX

The tax charge applicable to the results for the six months ended 30 June 2019 and for the six months ended 30 June 2018 is calculated by multiplying profit before tax by a rate of tax estimated by the Directors. The estimated rate of tax is based on the assumption tax will be payable at 19% in the UK, 0% in Guernsey and 20% in Jersey. The movement in the deferred tax liability at the balance sheet dates, included in provisions for liabilities, is estimated using similar assumptions based on the results for the year ended 31 December 2018.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2019

3. TURNOVER AND GROUP OPERATING PROFIT

Segmental analysis

	United Kingdom			Channel Islands			Group		
	Six months to 30 June 2019 £'000	Six months to 30 June 2018 £'000	Year ended 31 December 2018 £'000	Six months to 30 June 2019 £'000	Six months to 30 June 2018 £'000	Year ended 31 December 2018 £'000	Six months to 30 June 2019 £'000	Six months to 30 June 2018 £'000	Year ended 31 December 2018 £'000
Turnover	78,312	47,288	111,107	8,355	8,062	16,689	86,667	55,350	127,796
Profit before interest and tax									
Segment profit	10,363	6,716	13,500	1,922	1,865	3,946	12,285	8,581	17,446
Profit on disposal of freehold property	-	-	-	-	-	-	500	-	-
Profit on sale and leaseback of freehold property	-	-	-	-	-	-	-	-	1,491
Group costs	-	-	-	-	-	-	(4,417)	(3,380)	(7,035)
Profit before interest and tax	10,363	6,716	13,500	1,922	1,865	3,946	8,368	5,201	11,902
Segment total assets less current liabilities									
Segment net assets	N/A	N/A	77,494	N/A	N/A	21,834	N/A	N/A	99,328
Unallocated assets and liabilities	N/A	N/A	-	N/A	N/A	-	N/A	N/A	11,449
Total assets less current liabilities	N/A	N/A	77,494	N/A	N/A	21,834	N/A	N/A	110,777

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

A segmental analysis of total assets less current liabilities has been provided only for the year ended 31 December 2018.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2019

3. TURNOVER AND GROUP OPERATING PROFIT (continued)

Acquisitions during the year

The Group acquired nine former Wyevale Garden Centres in August and September 2018, which are disclosed in the table below under 'Acquired'.

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

	30 June 2019 Continuing £'000	30 June 2019 Acquired £'000	30 June 2019 Total £'000	30 June 2018 Continuing £'000	30 June 2018 Acquired £'000	30 June 2018 Total £'000	31 December 2018 Continuing £'000	31 December 2018 Acquired £'000	31 December 2018 Total £'000
Turnover	61,824	24,843	86,667	55,350	-	55,350	113,822	13,974	127,796
Cost of sales	(29,670)	(12,226)	(41,896)	(27,530)	-	(27,530)	(55,835)	(6,462)	(62,297)
Gross profit	32,154	12,617	44,771	27,820	-	27,820	57,987	7,512	65,499
Administrative expenses	(25,869)	(12,750)	(38,619)	(22,938)	-	(22,938)	(48,009)	(8,785)	(56,794)
Other operating income	267	1,350	1,617	231	-	231	514	1,200	1,714
Profit on disposal of freehold properties	500	-	500	-	-	-	-	-	-
Profit on sale and lease-back of freehold property	-	-	-	-	-	-	1,491	-	1,491
Group operating profit	7,052	1,217	8,269	5,113	-	5,113	11,983	(73)	11,910

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2019

4. DIVIDENDS

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Final 2018 dividend of 4.1p per share (2017: 3.8p per share)	1,415	1,297	1,297
Interim 2018 dividend of 1.8p per share (2017: 1.8p per share)	-	-	615
	1,415	1,297	1,912

5. EARNINGS PER SHARE

	30 June 2019 Profit for the year £'000	30 June 2019 Earnings per share p	30 June 2018 Profit for the year £'000	30 June 2018 Earnings per share p	31 December 2018 Profit for the year £'000	31 December 2018 Earnings per share p
Basic earnings per share	6,227	18.05	4,053	11.88	9,040	26.41

Earnings per share is calculated by dividing the profit for the financial period/year attributable to the members of Blue Diamond Limited by the weighted average number of ordinary shares in issue, which was 34,500,000 (30 June 2018: 34,139,480; 31 December 2018: 34,230,351). The earnings per share figures to 30 June 2019 and 30 June 2018 represent six months' earnings per share and not a full year.

6. TANGIBLE ASSETS

The valuation of the Group's freehold land, buildings and investment properties have been brought forward at 30 June 2019 without amendment from the preceding Annual Report. The Group's land and buildings were last subject to an independent professional valuation as at 31 December 2017. The valuations as at 31 December 2019 will be assessed by the directors based on a review of the inputs and judgements taken into account in the preparation of the professional valuations in 2017. This assessment will also take into consideration any recent market transactions for similar properties in similar locations to the properties held by the company and any movements in their fair values will be reflected in the next Annual Report.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2019

7. INVESTMENTS

	Associated undertakings £'000	Unlisted investments £'000	Total £'000
Cost			
At 1 January 2019	1,628	4	1,632
Share of associates' profit for the period after tax	81	-	81
At 30 June 2019	1,709	4	1,713
Net book value			
At 30 June 2019	1,709	4	1,713
At 30 June 2018	2,081	4	2,085
At 31 December 2018	1,628	4	1,632

The Group owns 50% of the issued share capital of John Le Sueur and Company Limited, a company registered in Jersey, with the principal activity of investment holding and a financial year end of 30 September each year.

The Group also owns 25% of the ordinary shares and 100% of the preference shares in Milton Park (Dorset) Limited, a company registered in England, with the principal activity of the operation of a garden centre and a financial year end of 31 December each year. The Group has entered into a put and call option to acquire the remaining 75% of the ordinary shares in April 2020 for £1,837,500 adjusted for RPI between May 2018 and April 2020.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2018

8. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2019 £'000	Cash flows £'000	Non-Cash £'000	30 June 2019 £'000
Cash and cash equivalents	10,774	(7,541)	-	3,233
Obligations under finance leases	(93)	24	-	(69)
Bank loan due within one year	(2,414)	1,413	(1,329)	(2,330)
Bank loan due after more than one year	(33,494)	-	1,250	(32,244)
Net debt	(25,227)	(6,104)	(79)	(31,410)

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). The overall position is as follows:

The Group has one £37m term loan with The Royal Bank of Scotland International Limited (RBSI), which is repayable in thirty-six monthly instalments commencing on 30 September 2018. Each monthly instalment is calculated using a fifteen-year capital and interest repayment programme with a final lump sum payment due on 16 August 2021.

The Group's revolving credit facility increased from £8m to £16m until 30 September 2020, when it decreases to £13m. The limit of £13m is then committed until 16 August 2021. The overdraft facility of £3m has been renewed and is committed until 27 August 2020.

On 30 December 2016 the Group entered into a five year fixed interest rate swap of £7m with NatWest, which expires on 31 December 2021. The swap is non amortising and fixes the one month LIBOR element of the interest payable on the term loans at 0.88%. Interest payable on the loans is made up of the floating one month LIBOR rate and a fixed bank margin. At the end of each month NatWest credits the actual one month LIBOR rate to the Group and then debits the fixed rate of 0.88%. The Board decided to take out this swap to take advantage of low interest rates and to reduce the Group's interest rate risk.

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 11 of the 2018 Annual Report. The Group has also provided a cross guarantee as detailed in note 27 of the 2018 Annual Report.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2018

9. EVENTS AFTER THE BALANCE SHEET DATE

In September 2019, the Group completed the acquisition of seven additional Wyevale Garden Centres properties for a consideration of £7.5m plus stock. Including the estimated value of stock, stamp duty land tax and other acquisition costs, the total outlay will be approximately £10.3m. In 2018, these properties produced a turnover of £18.6m and an EBITDA of £2.6m.

The transaction was financed by a combination of an increase in the Group's revolving credit facility with RBSI from £8m to £16m, and internal funds.



Blue Diamond Limited
PO Box 350, St Peter Port, Guernsey GY1 3XA