

REGISTERED NUMBER: 01391377 (England and Wales)

**CHESTER GARDEN CENTRE LIMITED**  
**ANNUAL REPORT AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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**CHESTER GARDEN CENTRE LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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**CHESTER GARDEN CENTRE LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**DIRECTORS:**

A Roper  
R J Hemans

**REGISTERED OFFICE:**

Brambridge Park Garden Centre  
Klin Lane  
Brambridge  
Eastleigh  
Hampshire  
SO50 6HT

**TRADING ADDRESS:**

Grosvenor Garden Centre  
Wrexham Road  
Belgrave  
Chester  
CH4 9EB

**REGISTERED NUMBER:**

01391377 (England and Wales)

**AUDITORS:**

BDO LLP  
Arcadia House  
Maritime Walk  
Ocean Walk  
Southampton  
SO14 3TL

**BANKERS:**

The Royal Bank of Scotland International Limited  
(trading as NatWest International)  
1 Glatigny Esplanade  
St Peter Port  
Channel Islands  
GY1 4BQ

Barclays Bank plc  
P O Box 3333  
1 Snowhill  
Snowhill  
Queensway  
Birmingham  
B3 2WN

**HEAD OFFICE:**

Rue due Friquet  
Castel  
Guernsey  
Channel Islands  
GY5 7SS

## **CHESTER GARDEN CENTRE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **PRINCIPAL ACTIVITY**

The Company's principal activity is the operation of a garden centre.

#### **REVIEW OF THE BUSINESS INCLUDING FINANCIAL PERFORMANCE AND POSITION**

After the rollercoaster year of 2020, the pandemic continued to have a material impact on the Company, both operationally and financially. Many restrictions remained in place during the year and the restaurant was unable to re-open until 17 May, but the business performed well and has reported a strong financial result.

The Company delivered an increase in profit after tax of 92% from £0.95m to £1.83m. Turnover was strong as consumers remained focused on their homes and their gardens whilst travelling abroad was more problematic and whilst they were working from home. Garden centres were considered safe places to shop during the pandemic and more convenient than the High Street. Consumers showed a preference to return to shops and restaurants when restrictions loosened as the year progressed. Gross profit benefited from lower discounting as demand was so strong and our offer was well received. Tight control was exercised over staff costs and other costs.

Full-year turnover increased by nearly 38% with the majority of the increase in the garden centre although the restaurant reported higher turnover as it was open for longer in 2021. Gross margin improved from 49% to 50.8% mainly because of lower discounting but also because of the sales mix. Gross profit rose by nearly 43%.

Operating profit grew from £1.07m to £2.13m. The Company enjoys a healthy financial position with net assets of £9.8m and funding available from its ultimate parent company to continue its planned growth strategy.

#### **KEY PERFORMANCE INDICATORS**

Turnover increased by 38% in total. The gross margin strengthened from 49% to 50.8%. Operating profit margin strengthened from 13.4% to 19.4% thanks to the factors described above and our return on capital employed increased from 13.4% to 21.7%.

Average cost per employee increased by 3.7% whilst average turnover per employee increased by 37%. We are seeing pay pressures increasing but we are managing our employees more efficiently.

Our stock turn increased from 4.4 to 5.3 as we managed our stock well during major supply chain disruption and uncertainty.

**CHESTER GARDEN CENTRE LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

It is inevitable that the Company will face some risks and uncertainties, of which the main ones are the following:

**Weather risk**

Unseasonal weather can significantly affect sales, which then cannot be recovered because of the defined patterns of the gardening season. This is what the Company and the Industry suffered in 2012 and 2013. We manage this risk by diversifying our product offering into areas that are less affected by the weather, such as home, pet care and restaurants.

**Economic risk**

Like all retailers, the company is exposed to economic weakness and falls in consumer confidence. The last twelve years have been very difficult since the onset of the financial crisis in 2008, but we manage this by adopting strict cost control and focusing on working capital management, as well as ensuring our prices are competitive and our offering is tailored to our target market, the ABC1 customer.

**Competition risk**

Although the garden centre industry remains fairly fragmented, it is consolidating rapidly. We are focused on our competitive position and intend to participate in the consolidation of the industry to build scale and harvest all the benefits that brings, and we will remain ruthlessly devoted to our target market, the ABC1 customer, offering them the environment, service and product range they demand.

**Funding risk**

The company is dependent on its ultimate parent company for funding. The ultimate parent company enjoys an excellent relationship with its bank, offers material asset backing, has access to sufficient finance and currently benefits from low interest rates. The company is regularly monitoring this and is focused on managing its cash flows and working capital.

**Employee risk**

The success of the company is dependent on the recruitment, retention and motivation of its employees, particularly directors and managers. The company offers competitive remuneration packages, the opportunity of an interesting career and progression, develops and trains its employees and communicates with them regularly by both telling and listening.

**COVID-19 risk**

The coronavirus represents a major health, social and economic risk that is affecting customers' ability to purchase (both physically and financially) and retailers' ability to provide their service. Supply chains are being disrupted and the UK Government is having to shut down large parts of society and the economy.

**FUTURE DEVELOPMENTS**

We expect 2022 to be a more difficult year as we learn to live with the pandemic, life normalises and the COVID 'bubble' deflates meaning consumers will spend less time and money on their homes and gardens. We are already seeing lower sales in the first three months of 2022 compared with 2021, although they remain significantly ahead of 2019 and where we forecast them to be in 2022 before the pandemic. Consumer finances are under pressure from higher taxes, inflation and interest rates, which is also certain to affect spending in 2022.

We are experiencing substantial cost pressures, in our supply chain, employee remuneration and energy costs. Container prices remain elevated although they have moderated recently, UK inflation of over 6% and the desire to attract and retain the best employees mean we are offering our employees significant pay increases and the war in Ukraine is raising our electricity costs.

We are therefore anticipating a more subdued 2022 although the performance will remain solid. The long-term growth drivers for the garden centre are still strong, however, and we will continue to invest in the centre and our employees.

**ON BEHALF OF THE BOARD:**



.....  
R J Hemans - Director

28 April 2022

## **CHESTER GARDEN CENTRE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their report and the financial statements for the year ended 31 December 2021.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- o select suitable accounting policies and then apply them consistently;
- o make judgments and accounting estimates that are reasonable and prudent;
- o state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- o prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £1,829,817 (2020: £951,746).

The Company did not pay any dividends during the year under review (2020: £nil).

#### **MATTERS COVERED IN THE STRATEGIC REPORT**

The principal activity and future developments of the Company are set out in the Strategic Report.

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

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

- o so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- o the Directors have taken all the steps that ought to have been taken as Directors in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

A Roper  
R J Hemans

#### **AUDITORS**

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

**CHESTER GARDEN CENTRE LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**ON BEHALF OF THE BOARD:**



.....  
R J Hemans - Director

28 April 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
CHESTER GARDEN CENTRE LIMITED**

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**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Chester Garden Centre Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
CHESTER GARDEN CENTRE LIMITED**

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**Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

***Extent to which the audit was capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- discussions with management regarding consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
CHESTER GARDEN CENTRE LIMITED**

- challenging assumptions made by management in their significant accounting estimates in particular in relation to estimates of inventory provisions and assessing whether the judgements made in accounting entries are indicative of potential bias;
- identifying and testing journal entries, in particular any manual journal entries posted to revenue or control accounts and journals posted by senior management;
- reviewing senior management board meeting minutes for evidence of any fraud or non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been 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.

DocuSigned by:

*Malcolm Thixton*

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Malcolm Thixton (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton

28 April 2022

Date: .....

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**CHESTER GARDEN CENTRE LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>TURNOVER</b>	4	<b>11,015,197</b>	<b>7,986,809</b>
Cost of sales		<u>(5,419,829)</u>	<u>(4,071,720)</u>
<b>GROSS PROFIT</b>		<b>5,595,368</b>	<b>3,915,089</b>
Administrative expenses		<u>(3,675,618)</u>	<u>(3,139,762)</u>
		<b>1,919,750</b>	<b>775,327</b>
Other operating income	6	<u>214,548</u>	<u>296,838</u>
<b>OPERATING PROFIT</b>	4	<b>2,134,298</b>	<b>1,072,165</b>
Interest receivable	7	<u>112,562</u>	<u>95,883</u>
<b>PROFIT BEFORE TAXATION</b>		<b>2,246,860</b>	<b>1,168,048</b>
Tax on profit	8	<u>(417,043)</u>	<u>(216,302)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>1,829,817</u></b>	<b><u>951,746</u></b>
Retained earnings at beginning of year		<b>7,001,844</b>	<b>6,050,098</b>
Profit for the year		<u>1,829,817</u>	<u>951,746</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>		<b><u>8,831,661</u></b>	<b><u>7,001,844</u></b>

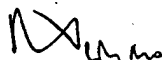
The notes on pages 11 to 18 form part of these financial statements

**CHESTER GARDEN CENTRE LIMITED (REGISTERED NUMBER: 01391377)**

**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2021**

	Notes	£ 2021	£ 2020
<b>FIXED ASSETS</b>			
Tangible assets	9	2,101,646	1,967,618
<b>CURRENT ASSETS</b>			
Stocks	10	1,065,499	863,163
Debtors	11	8,334,712	6,090,578
Cash at bank and in hand		<u>45,950</u>	<u>25,328</u>
		9,446,161	7,079,069
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>(1,716,146)</u>	<u>(1,044,843)</u>
<b>NET CURRENT ASSETS</b>		<u>7,730,015</u>	<u>6,034,226</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,831,661</u>	<u>8,001,844</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	1,000,000	1,000,000
Retained earnings		<u>8,831,661</u>	<u>7,001,844</u>
		<u>9,831,661</u>	<u>8,001,844</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2022 and were signed on its behalf by:



R J Hemans - Director

The notes on pages 11 to 18 form part of these financial statements.

**CHESTER GARDEN CENTRE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. GENERAL INFORMATION**

Chester Garden Centre Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the Company's principal activity is set out in the Strategic Report.

**2. ACCOUNTING POLICIES**

**Basis of preparation of financial statements**

The 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 Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been consistently applied:

**Financial reporting standard 102 - reduced disclosure exemptions**

In preparing the financial statements of the Company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- o No cash flow statement or net debt reconciliation has been presented for the Company;
- o Disclosure in respect of the categories of financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- o No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the group as a whole.

This information is included in the consolidated financial statements of Blue Diamond Limited as at 31 December 2021 and these financial statements may be obtained from the registered address of the head office as set out on the Company Information page.

**Going concern**

The financial statements have been prepared on the going concern basis as the Directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the Company is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that the global and UK outbreak of COVID-19 has had a profound impact on the global and UK economy and businesses.

As a result of the market uncertainty due to the ongoing impact of COVID-19 the possible effect on available cash during the next 12 months trading has been modelled under a range of assumptions and sensitivities. As part of this, the Directors have produced a detailed going concern stress test for the Blue Diamond Limited Group, of which this company is a part. The conclusion of our stress test for Blue Diamond Limited is that the business could sustain a material loss of turnover over the course of the 12 months following date of the financial statements, without exceeding current banking facilities. Even then the Company and the Group has multiple options available to remain a going concern, including but not limited to cost reductions, scaling back its uncommitted capital expenditure programme and cancelling or reducing the interim and final dividends.

The Group, and the companies which are wholly owned, is expected to remain in a strong financial position during the forecast period from the date of signing the accounts. The Directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis. Following the Group's refinancing on 31 March 2021, the Company has access to £60m of borrowing facilities until at least 31 March 2024.

**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, and discounts. Sales of goods are recognised at the point of sale to the customer when the Company has transferred the significant risks and rewards of ownership to the buyer.

All turnover is generated by sale of goods.

**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. ACCOUNTING POLICIES - continued**

**Other operating income**

Other operating income includes concession rental income, which is recognised in the Statement of Income and Retained Earnings over the period of the lease.

**Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure within Other Operating Income.

During the year, income received from the Coronavirus Job Retention Scheme has been accounted for in accordance with the above.

**Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**Operating leases**

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

**Finance costs**

Finance costs are charged to the Statement of Income and Retained Earnings 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.

**Tangible fixed assets**

Tangible fixed assets under the cost model 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.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Over lease period
Motor vehicles	- 4 years
Furniture, fixtures and equipment	- 3 - 10 years
Computer equipment	- 3 - 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or 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 in the Statement of Income and Retained Earnings.

**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. ACCOUNTING POLICIES – continued**

**Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

Cost is calculated using the weighted average method and includes all costs incurred in bringing each product to its present location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase of stock.

**Financial Instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities including trade and other receivables, trade payables and loans to related parties.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

**Debtors**

Short term debtors are measured at transaction price, less any impairment.

**Cash at bank and on hand**

Cash is represented by cash in hand, bank deposits and deposits with financial institutions with maturities of less than three months and have an insignificant risk of change in value.

**Creditors**

Short term creditors are measured at the transaction price.

**Current and deferred taxation**

The tax expense for the year comprises of current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of Income or expense recognised directly in equity is also recognised directly in equity.

The current 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 countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that 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, and any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**Profit and loss account**

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS, continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**3. JUDGEMENTS IN APPLYING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing these financial statements, the Directors have made the following significant judgments and key estimates:

**Tangible fixed assets:**

Tangible fixed assets 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.

**Stocks:**

Determining stock provisioning involves estimating the realisable value of the stocks held by the Group. Calculating the recoverable realisable value of stocks requires a degree of estimation in terms of the likely demand and prices for individual stock items. Management monitor demand very closely and continue to ensure that any changes in the market are appropriately reflected in their assessments.

**4. TURNOVER AND OPERATING PROFIT**

The Company operates within one business segment being the operation of garden centres and associated business activities, with business principally transacted in the United Kingdom.

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Depreciation of tangible fixed assets	175,980	163,086
Concession rental income	(36,349)	(27,981)
Fees payable to the Company's auditor:		
- Audit pursuant to legislation	6,000	6,000
Foreign exchange gains	(65)	(61)
Operating lease rentals: property	801,760	565,665
Defined benefit pension cost	20,904	13,700

Operating profit is stated after charging management fees of £478,059 (2020: £387,360) payable to the Parent Company and the Ultimate Parent Company. An element of the management fees relates to the provision of services by certain Directors who are employed by the parent and Ultimate Parent Companies.

All turnover is generated by the sale of goods.

**5. EMPLOYEES**

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	1,502,957	1,449,750
Social security costs	89,980	81,368
Cost of defined contribution scheme	20,904	13,700
	<u>1,613,841</u>	<u>1,544,818</u>

The average monthly number of employees during the year was as follows:

	2021 No.	2020 No.
Management	3	3
Retail	<u>142</u>	<u>141</u>
	<u>145</u>	<u>144</u>



**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**5. EMPLOYEES - continued**

The Directors did not receive any emoluments from the Company during the current or prior year.

Employees are eligible to join a Group Personal Pension Plan operated by Aviva and offered through Blue Diamond Limited. 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 Company in an independently administered fund. During the period the Company's contributions to the fund amounted to £nil (2020: £nil). The Company pays contributions on behalf of its employees to the National Employment Savings Trust ("NEST"), which is a pension scheme set up by the UK Government. The pension costs charged in these financial statements includes contributions to NEST for the year amounting to £20,904 (2020: £13,700).

**6. OTHER OPERATING INCOME**

	2021 £	2020 £
Government grant income	177,109	268,227
Concession rents receivable	36,349	27,981
Miscellaneous income	<u>1,090</u>	<u>630</u>
	<u>214,548</u>	<u>296,838</u>

**7. INTEREST RECEIVABLE**

	2021 £	2020 £
On loan due from Ultimate Parent Company	<u>112,562</u>	<u>95,883</u>

**8. TAXATION**

	2021 £	2020 £
<b>UK corporation tax</b>		
Current tax on profits for the year	433,509	229,373
Adjustments in respect of previous periods	<u>(2,378)</u>	<u>(10,436)</u>
<b>Total current tax</b>	<u>431,131</u>	<u>218,937</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	12,794	5,690
Adjustments in respect of previous periods	<u>(2,816)</u>	<u>-</u>
Changes to tax rates	<u>(24,066)</u>	<u>(8,325)</u>
<b>Total deferred tax</b>	<u>(14,088)</u>	<u>(2,635)</u>
<b>Taxation on profit</b>	<u>417,043</u>	<u>216,302</u>

**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**8. TAXATION – continued**

**Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax	<u>2,246,860</u>	<u>1,168,049</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	426,904	221,929
Effects of:		
Non-deductible expense	1,845	-
Effect of other adjustments	14,484	13,134
Effect of tax rate change	(20,996)	(8,325)
Adjustments to tax charge in respect of prior periods	(2,378)	(10,436)
Adjustments to tax charge in respect of prior periods – deferred tax	<u>(2,816)</u>	<u>-</u>
<b>Total tax charge for the year</b>	<u><b>417,043</b></u>	<u><b>216,302</b></u>

**Factors that may affect future tax charges**

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse. For further information on deferred tax balances, see note 13.

**9. TANGIBLE FIXED ASSETS**

	Leasehold improvements £	Motor vehicles £	Furniture, fixtures and equipment £	Computer equipment £	Totals £
<b>COST</b>					
At 1 January 2021	4,314,617	27,619	2,461,527	93,911	6,897,674
Additions	60,178	17,315	223,355	9,160	310,008
Disposals	-	(13,000)	-	-	(13,000)
At 31 December 2021	<u>4,374,795</u>	<u>31,934</u>	<u>2,684,882</u>	<u>103,071</u>	<u>7,194,682</u>
<b>DEPRECIATION</b>					
At 1 January 2021	2,743,680	27,619	2,074,805	83,952	4,930,056
Charge for the year	76,231	3,114	89,370	7,265	175,980
Disposals	-	(13,000)	-	-	(13,000)
At 31 December 2021	<u>2,819,911</u>	<u>17,733</u>	<u>2,164,175</u>	<u>91,217</u>	<u>5,093,036</u>
<b>NET BOOK VALUE</b>					
At 31 December 2021	<u>1,554,884</u>	<u>14,201</u>	<u>520,707</u>	<u>11,854</u>	<u>2,101,646</u>
At 31 December 2020	<u>1,570,937</u>	<u>-</u>	<u>386,722</u>	<u>9,959</u>	<u>1,967,618</u>

**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. STOCKS**

	2021 £	2020 £
Goods for resale	<u>1,065,499</u>	<u>963,163</u>

Goods for resale are disclosed net of a provision for slow moving and obsolete stock of £19,193 (2020: £25,866). An impairment reversal of £6,673 (2020: £5,817) was recognised in cost of sales against stock as a movement in the provision.

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £	2020 £
Trade debtors	13,467	9,303
Prepayments and sundry debtors	(31,055)	24,474
Amount due from Blue Diamond Limited	8,264,818	5,983,407
Deferred tax (note 13)	<u>87,482</u>	<u>73,394</u>
	<u>8,334,712</u>	<u>6,090,578</u>

The amount due from Blue Diamond Limited, the Ultimate Parent Company is unsecured, bears interest at 1.5% (2020: 1.5%) above the one-month LIBOR rate on the net amount receivable and is repayable on demand.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £	2020 £
Trade creditors	661,480	470,246
Accruals and deferred income	331,016	110,878
Other taxes and social security	292,539	243,843
UK corporation tax	<u>431,131</u>	<u>219,876</u>
	<u>1,716,146</u>	<u>1,044,843</u>

**13. DEFERRED TAX**

	2021 £	2020 £
At beginning of year	73,394	70,759
Credited to profit	<u>14,088</u>	<u>2,635</u>
At end of year	<u>87,482</u>	<u>73,394</u>

The deferred tax asset comprises of the following:

	2021 £	2020 £
Capital allowances recoverable	86,379	73,394
Short term timing differences	<u>1,103</u>	<u>-</u>
	<u>87,482</u>	<u>73,394</u>

The Directors are of the opinion that the Company will generate sufficient profits in the future to recover the asset.

**CHESTER GARDEN CENTRE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**14. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021 £	2020 £
Within one year	512,077	512,077
Between one and five years	2,048,310	2,048,310
In more than five years	7,937,202	8,449,279
	<u>10,497,589</u>	<u>11,009,666</u>

**15. SHARE CAPITAL**

	2021 £	2020 £
Authorised, allotted, called up and fully paid 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

**16. CONTINGENT LIABILITIES**

The Company is party to a composite cross guarantee agreement for the loan and overdraft facilities of the Ultimate Parent Company with The Royal Bank of Scotland International Limited (trading as NatWest International). At the year end the liabilities covered by the guarantee totalled £30,125,000 (2020: £33,041,673)

**17. RELATED PARTY TRANSACTIONS**

In the preparation of these financial statements the Directors have taken advantage of the exemption under FRS 102 and have not disclosed the details of related party transactions with wholly owned subsidiaries of Blue Diamond Limited.

The amount due from and terms with Blue Diamond Limited are set out in note 11.

**18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The Company's immediate parent company is Blue Diamond Trading Limited, a company incorporated in Guernsey.

The Ultimate Parent Company is Blue Diamond Limited, a company incorporated in Guernsey. This is the largest and smallest group in which the Company's results are consolidated. Copies of the group financial statements are available from Rue de Friquet, Castel, Guernsey, GY5 7SS.

The issued share capital of Blue Diamond Limited is owned by numerous parties and therefore, in the opinion of the Directors, the ultimate controlling party is Blue Diamond Limited.