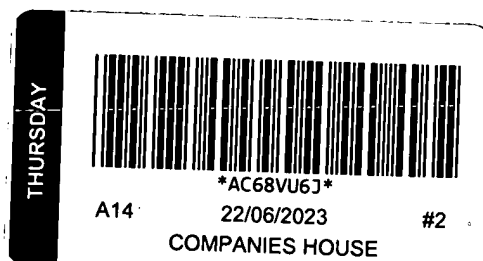


REGISTERED NUMBER: 01391377 (England and Wales)

CHESTER GARDEN CENTRE LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



CHESTER GARDEN CENTRE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2022

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CHESTER GARDEN CENTRE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS:

A Roper
R J Hemans

REGISTERED OFFICE:

Brambridge Park Garden Centre
Kiln 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 Gategny 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 2022

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS INCLUDING FINANCIAL PERFORMANCE AND POSITION

The Company enjoyed records profits in 2020 and 2021 during the COVID pandemic when consumers were focused on their homes and gardens, but the emergence from the pandemic, the war in Ukraine and difficult economic conditions, combined with a fire that destroyed our warehouse, meant that 2022 was a very difficult trading year and profits declined accordingly.

Profit after tax fell from £1.8m to £1.5m. Turnover decreased as the ending of COVID restrictions at the end of February 2022 meant that consumers could resume their pre-COVID activities such as travel and outdoor entertainment, and consequently had less time and money to spend on their homes and gardens.

The fall in turnover was somewhat mitigated by the fact that the restaurant was open for the full year. Whilst the weather was generally favourable with more sun and less rainfall than average, consumer spending was under pressure because of interest rate, tax and inflation increases, whilst the tight labour market led to significant pay increases along with recruitment and retention challenges, and the war in Ukraine drove massive hikes in utility costs.

A fire at our warehouse caused major disruption to the garden centre whilst it was being cleared up and in the following weeks because of stock replenishment problems. We have submitted a business interruption claim to compensate for this and await the final outcome. Included within miscellaneous income is £293,391 for this claim, please see note 6 for further details.

Gross margin actually improved because restaurant sales represented a higher proportion of the sales mix and they are higher margin than garden centre sales.

Operating profit fell from £2.1m to £1.6m. The Company enjoys a healthy financial position with net assets of £11.3m and funding available from its ultimate parent company to continue its planned growth strategy. Capital expenditure was just under £0.2m as we invested in the refurbishment of the plant area.

KEY PERFORMANCE INDICATORS

Turnover decreased by 9% in total with a 14% fall in garden centre sales being offset by a 52% increase in restaurant sales because restaurants were open for a full year. The gross margin strengthened from 50.8% to 51.4% thanks to the sales mix, with a higher proportion of higher margin restaurant sales. Administrative expenses as a % of turnover increased from 33% to 40% because the Company paid rates for six months (none in 2021), payroll costs increased significantly due to the tight labour market and electricity costs spiralled because of the war in Ukraine. Operating profit margin weakened from 15.5% to 19.4% due to the factors described above and our return on capital employed decreased from 21.7% to 13.8%.

Average cost per employee increased by 28% whilst average turnover per employee increased by 9%. Pay remains under pressure but we are employing fewer, higher-quality colleagues.

Our stock turn decreased from 5.3 to 4.5 in line with pre-pandemic levels, but the disruptions to demand and supply chains have certainly made it more difficult to manage stock. It will be a key focus in 2023 and 2024 to bring stock levels down again.

CHESTER GARDEN CENTRE LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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.

The possible effect of adverse scenarios on the various bank covenants that the group has in place for its bank facilities during the next 12 months trading has been modelled. As part of this, the Directors have considered the point at which these covenants would not be met. The conclusion of this modelling 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. The Company has access to nearly £65m of borrowing facilities until at least 31 March 2025, following the Group's establishment of the £10m accordion facility to finance its acquisition programme and for general working capital purposes, and the exercise of the first one-year extension.

FUTURE DEVELOPMENTS

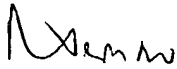
We are expecting 2023 to be another challenging year with consumer spending under pressure and continuing cost pressures, particularly in payroll as the labour market remains tight. We will be focusing on optimising sales, margin and costs by benchmarking more rigorously the performance of the garden centre against other stores in the wider Blue Diamond Group.

We are forecasting an increase in profit from higher sales and we are already enjoying positive sales growth year to date, particularly in the restaurant. Energy costs are moderating and should fall this year as we reduce consumption through various energy saving initiatives such as controlled thermostats and cultural change.

CHESTER GARDEN CENTRE LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

We will be investing nearly £0.3m in the centre this year with a new roof and customer toilets the main projects. The expansion of the restaurant remains a medium-term objective and the long-term outlook remains positive.

ON BEHALF OF THE BOARD:



.....
R J Hemans - Director

27 April 2023

CHESTER GARDEN CENTRE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

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 £1,471,494 (2021: £1,829,817).

The Company did not pay any dividends during the year under review (2021: £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 2022 to the date of this report.

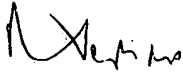
A Roper
R J Hemans

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 2022

ON BEHALF OF THE BOARD:



.....
R J Hemans - Director

27 April 2023

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

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 2022 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 2022 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

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.

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

Date:05 May 2023

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 2022

	Notes	2022 £	2021 £
TURNOVER	4	10,064,257	11,015,197
Cost of sales		<u>(4,890,020)</u>	<u>(5,419,829)</u>
GROSS PROFIT		5,174,237	5,595,368
Administrative expenses		<u>(4,007,590)</u>	<u>(3,675,618)</u>
		1,166,647	1,919,750
Other operating income	6	<u>388,354</u>	<u>214,548</u>
OPERATING PROFIT	4	1,555,001	2,134,298
Interest receivable	7	<u>272,281</u>	<u>112,562</u>
PROFIT BEFORE TAXATION		1,827,282	2,246,860
Tax on profit	8	<u>(355,788)</u>	<u>(417,043)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,471,494</u>	<u>1,829,817</u>
Retained earnings at beginning of year		8,831,661	7,001,844
Profit for the year		<u>1,471,494</u>	<u>1,829,817</u>
RETAINED EARNINGS AT END OF YEAR		<u>10,303,155</u>	<u>8,831,661</u>

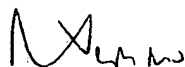
The notes on pages 12 to 19 form part of these financial statements

CHESTER GARDEN CENTRE LIMITED (REGISTERED NUMBER: 01391377)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022**

	Notes	2022	2021
		£	£
FIXED ASSETS			
Tangible assets	9	2,048,794	2,101,646
CURRENT ASSETS			
Stocks	10	1,112,479	1,065,499
Debtors	11	9,974,680	8,334,712
Cash at bank and in hand		<u>82,463</u>	<u>45,950</u>
		11,169,622	9,446,161
CREDITORS			
Amounts falling due within one year	12	<u>(1,915,261)</u>	<u>(1,716,146)</u>
NET CURRENT ASSETS		<u>9,254,361</u>	<u>7,730,015</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,303,155</u>	<u>9,831,661</u>
CAPITAL AND RESERVES			
Share capital	15	1,000,000	1,000,000
Retained earnings		<u>10,303,155</u>	<u>8,831,661</u>
		<u>11,303,155</u>	<u>9,831,661</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2023 and were signed on its behalf by:



.....
R J Hemans - Director

The notes on pages 12 to 19 form part of these financial statements.

CHESTER GARDEN CENTRE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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.

The possible effect of adverse scenarios on the various bank covenants that the group has in place for its bank facilities during the next 12 months trading has been modelled. As part of this, the Directors have considered the point at which these covenants would not be met. The conclusion of this modelling 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. The Company has access to nearly £65m of borrowing facilities until at least 31 March 2025, following the Group's establishment of the £10m accordion facility to finance its acquisition programme and for general working capital purposes, and the exercise of the first one-year extension.

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 2022

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.

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 2022

2. ACCOUNTING POLICIES – continued

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 was calculated using the weighted average method and includes all costs incurred in bringing each product to its present location and condition. With effect from 1 January 2022, the Group moved to the FIFO (First In First Out) method to reflect the impact of inflation, align the EPOS system with the financial accounts and to improve the accuracy of intra-year management reporting. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

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 2022**

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):

	2022 £	2021 £
Depreciation of tangible fixed assets	208,662	175,980
Concession rental income	(94,962)	(36,349)
Fees payable to the Company's auditor:		
- Audit pursuant to legislation	6,000	6,000
Foreign exchange gains	(58)	(65)
Operating lease rentals: property	784,586	801,760
Defined benefit pension cost	23,710	20,904

Operating profit is stated after charging management fees of £436,787 (2021: £478,059) 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:

	2022 £	2021 £
Wages and salaries	1,595,145	1,502,957
Social security costs	111,288	89,980
Cost of defined contribution scheme	23,710	20,904
	<u>1,730,143</u>	<u>1,613,841</u>

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

	2022 No.	2021 No.
Management	3	3
Retail	119	142
	<u>122</u>	<u>145</u>

CHESTER GARDEN CENTRE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 (2021: £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 £23,710 (2021: £20,904).

6. OTHER OPERATING INCOME

	2022 £	2021 £
Government grant income	-	177,109
Concession rents receivable	94,963	36,349
Miscellaneous income	<u>293,391</u>	<u>1,090</u>
	<u>388,354</u>	<u>214,548</u>

Miscellaneous income relates to a business interruption insurance claim resulting from the fire that destroyed the Company's warehouse in June 2022.

7. INTEREST RECEIVABLE

	2022 £	2021 £
On loan due from Ultimate Parent Company	<u>272,281</u>	<u>112,562</u>

8. TAXATION

	2022 £	2021 £
UK corporation tax		
Current tax on profits for the year	342,066	433,509
Adjustments in respect of previous periods	<u>(47,660)</u>	<u>(2,378)</u>
Total current tax	<u>294,406</u>	<u>431,131</u>
Deferred tax		
Origination and reversal of timing differences	13,377	12,794
Adjustments in respect of previous periods	43,781	(2,816)
Changes to tax rates	<u>4,224</u>	<u>(24,066)</u>
Total deferred tax	<u>61,382</u>	<u>(14,088)</u>
Taxation on profit	<u>355,788</u>	<u>417,043</u>

CHESTER GARDEN CENTRE LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

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% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit before tax	<u>1,827,282</u>	<u>2,246,860</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	347,184	426,904
Effects of:		
Non-deductible expense	-	1,845
Effect of other adjustments	8,259	14,484
Effect of tax rate change	4,224	(20,996)
Adjustments to tax charge in respect of prior periods	(41,660)	(2,378)
Adjustments to tax charge in respect of prior periods – deferred tax	<u>43,781</u>	<u>(2,816)</u>
Total tax charge for the year	<u><u>355,788</u></u>	<u><u>417,043</u></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 £
COST					
At 1 January 2022	4,374,795	31,934	2,684,882	103,071	7,194,682
Additions	27,126	-	121,979	6,705	155,810
Disposals	-	-	-	-	-
At 31 December 2022	<u>4,401,921</u>	<u>31,934</u>	<u>2,806,861</u>	<u>109,776</u>	<u>7,350,492</u>
DEPRECIATION					
At 1 January 2022	2,819,911	17,733	2,164,175	91,217	5,093,036
Charge for the year	78,089	4,328	120,011	6,234	208,662
Disposals	-	-	-	-	-
At 31 December 2022	<u>2,898,000</u>	<u>22,061</u>	<u>2,284,186</u>	<u>97,451</u>	<u>5,301,698</u>
NET BOOK VALUE					
At 31 December 2022	<u>1,503,921</u>	<u>9,873</u>	<u>522,675</u>	<u>12,325</u>	<u>2,048,794</u>
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>

CHESTER GARDEN CENTRE LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

10. STOCKS

	2022 £	2021 £
Goods for resale	<u>1,112,479</u>	<u>1,065,499</u>

Goods for resale are disclosed net of a provision for slow moving and obsolete stock of £19,193 (2021: £19,193).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade debtors	8,494	13,467
Prepayments and sundry debtors	92,650	(31,055)
Amount due from Blue Diamond Limited	9,847,436	8,264,818
Deferred tax (note 13)	<u>26,100</u>	<u>87,482</u>
	<u>9,974,680</u>	<u>8,334,712</u>

The amount due from Blue Diamond Limited, the Ultimate Parent Company is unsecured, bears interest at 1.5% (2021: 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

	2022 £	2021 £
Trade creditors	531,864	661,460
Accruals and deferred income	176,927	331,016
Other taxes and social security	293,507	292,539
UK corporation tax	-	431,131
Amounts due to group companies	<u>912,963</u>	<u>-</u>
	<u>1,915,261</u>	<u>1,716,146</u>

13. DEFERRED TAX

	2022 £	2021 £
At beginning of year	87,482	73,394
(Charged) / credited to profit	<u>(61,382)</u>	<u>14,088</u>
At end of year	<u>26,100</u>	<u>87,482</u>

The deferred tax asset comprises of the following:

	2022 £	2021 £
Capital allowances recoverable	25,613	86,379
Short term timing differences	<u>487</u>	<u>1,103</u>
	<u>26,100</u>	<u>87,482</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 2022

14. LEASING AGREEMENTS

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

	2022 £	2021 £
Within one year	512,077	512,077
Between one and five years	2,048,310	2,048,310
In more than five years	<u>7,425,123</u>	<u>7,937,202</u>
	<u>9,985,510</u>	<u>10,497,589</u>

15. SHARE CAPITAL

	2022 £	2021 £
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 £32,625,000 (2021: £30,125,000).

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.