

Company Registration No. 01413241

**MATLOCK GARDEN, WATERLIFE & PET
CENTRE LIMITED**

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

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REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of the company, which is registered in England, for the period 4 April 2008 to 31 December 2008.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

PRINCIPAL ACTIVITIES

The principal activity of the company was the operation of garden centres. The company transferred its business during the period to a fellow subsidiary and the principal activity has changed to property holding.

FIXED ASSETS

Movements on intangible fixed assets and tangible fixed assets are set out in notes 6 and 7 respectively to the financial statements.

REPORT OF THE DIRECTORS**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

As part of the restructuring and sale of the company, the trade and assets of one of the company's trading operations and the company's investment property were distributed as a dividend in specie. The entire share capital of the company was then purchased by MGCL Limited, a 100% subsidiary of Blue Diamond Limited. The company's other trading operations and assets, with the exception of the company's land and buildings were transferred to Blue Diamond UK Limited, a fellow subsidiary company, immediately upon acquisition. The company's main activity changed to property holding with effect from 4 April 2008 and the remaining land and buildings within the company were revalued at that date.

RESULTS AND DIVIDENDS

The results of the company for the period are set out in detail on page 5.

The directors report a dividend in specie of the trade and assets of one of the company's operations at a net book value of £1,323,774 declared on 4 April 2008. The directors do not recommend the payment of a final dividend.

DIRECTORS

The directors of the company who served during the period were:-

A. Roper
P.K. Wright

The directors had no interest in the share capital of the company at any time during the period.

The directors' interests in the ordinary shares of Blue Diamond Limited, the ultimate parent company at 3 April 2008 and at 31 December 2008 was as follows:-


10p Ordinary shares

A. Roper	1,000
P.K Wright	500

AUDITORS

Cooper Parry LLP resigned as auditors to the company on 18 March 2009 and the firm of BDO Novus (Audit) Limited was subsequently appointed to fill the vacancy. A resolution to re-appoint BDO Novus (Audit) Limited as auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 31 April 2009


.....
A. Roper

MATLOCK GARDEN, WATERLIFE & PET CENTRE LIMITED**REPORT OF THE INDEPENDENT AUDITORS**

To the shareholders of Matlock Garden, Waterlife & Pet Centre Limited

We have audited the financial statements of Blue Diamond UK Limited for the period 4 April 2008 to 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MATLOCK GARDEN, WATERLIFE & PET CENTRE LIMITED**REPORT OF THE INDEPENDENT AUDITORS****Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2008 and its result for the period 4 April 2008 to 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO NOVUS (Audit) Limited.

**BDO NOVUS (AUDIT) LIMITED
REGISTERED AUDITORS**

Place du Pré
Rue du Pré
St Peter Port
Guernsey

21 April 2009.

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 4 APRIL 2008 TO 31 DECEMBER 2008

	Note	Period 4 April 2008 to 31 December 2008 £	Period 1 April 2007 to 3 April 2008 £
TURNOVER	2	-	5,920,177
Cost of sales		-	(3,085,998)
GROSS PROFIT		-	2,834,179
Other income		351,198	124,174
Administrative expenses		-	(2,070,350)
OPERATING PROFIT	2,3	351,198	888,003
Interest receivable		-	35,382
Interest payable		-	(116,970)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		351,198	806,415
Taxation charged	5	(93,987)	(191,481)
PROFIT FOR THE FINANCIAL PERIOD	15	257,211	614,934

A statement of movements on reserves is included in note 15 to these financial statements.

The notes on pages 8 to 18 form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE PERIOD 4 APRIL 2008 TO 31 DECEMBER 2008

		Period 4 April 2008 to 31 December 2008 £	Period 1 April 2007 to 3 April 2008 £
Profit for the financial period		257,211	614,934
Unrealised surplus on revaluation of freehold property	7	3,821,239	-
Total recognised gains and losses for the financial period		<u>4,078,450</u>	<u>614,934</u>

A reconciliation of movements in shareholders' funds is set out in note 16 to the financial statements.

The notes on pages 8 to 18 form an integral part of these financial statements.

BALANCE SHEET

31 DECEMBER 2008

	Note	31 December 2008		3 April 2008	
		£	£	£	£
FIXED ASSETS					
Intangible asset	6	-	-		46,000
Tangible assets	7		6,000,000		3,634,231
Investment property	8	-	-		381,875
			6,000,000		4,062,106
CURRENT ASSETS					
Stock	9	-	-	911,349	
Debtors	10	-	-	401,059	
Cash at bank and in hand		-	-	301,205	
			-	1,613,613	
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(310,478)		(1,406,969)	
NET CURRENT (LIABILITIES)/ ASSETS			(310,478)		206,644
TOTAL ASSETS LESS CURRENT LIABILITIES			5,689,522		4,268,750
CREDITORS – AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR	12		-		(1,160,376)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	13		-		(173,528)
			5,689,522		2,934,846
CAPITAL AND RESERVES					
Called up share capital	14		19,508		19,508
Reserves	15		5,670,014		2,915,338
EQUITY SHAREHOLDERS' FUNDS	16		5,689,522		2,934,846

The notes on pages 8 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 April 2009

and signed on behalf of the Board of Directors by



 A. Roper

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES**Convention**

These financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of freehold land and buildings. The principal accounting policies which the directors have adopted within that convention are set out below.

Income

Turnover represented the total of sales income (net of value added tax) from the retailing of garden centre products.

Rental income was accounted for on an accruals basis.

Freehold land and buildings

The directors consider that the company's freehold buildings are maintained in such a state of repair that their residual value is at least equal to their net book value. As a result the corresponding depreciation charge would not be material and therefore is not charged in the profit and loss account. The directors perform annual impairment reviews in accordance with the requirements of Financial Reporting Standard No. 11 – Impairment of Fixed Assets and Goodwill and of Financial Reporting Standard No. 15 – Tangible Fixed Assets, to ensure that the carrying value of such assets is not lower than their recoverable amount.

Freehold investment property

In accordance with Statement of Standard Accounting Practice No. 19 the company's freehold investment property was carried at its open market value.

Stock

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

Goodwill

Goodwill represented the amount by which the purchase consideration for the acquisition of a business exceeded the fair value to the company of the separable net assets acquired. Goodwill was amortised to the profit and loss account over its estimated economic life. Amortisation was provided over a period of 15 years.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Going concern

The directors have prepared the financial statements on a going concern basis. The directors consider this to be appropriate as they have received assurances from the company's ultimate parent company to the effect that the ultimate parent company will continue to make funds available to the company for the foreseeable future and will continue to meet the company's obligations to other creditors as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

2. TURNOVER AND OPERATING PROFIT

Turnover and operating profit for the comparative period derived wholly from discontinued activities that were carried out exclusively in the United Kingdom and were wholly attributable to the principal activity of the company that was the operation of garden centres. The principal activity changed to property holding on 4 April 2008, and the operating profit for the current financial period derives exclusively from this activity, which is carried out in the United Kingdom.

3. OPERATING RESULT/PROFIT

	Period 4 April 2008 to 31 December 2008	Period 1 April 2007 to 3 April 2008
	£	£
Operating result/profit is stated after charging:		
Auditors' remuneration	-	7,000
Depreciation	-	147,036
Amortisation	-	7,000
Hire of tangible assets under operating leases:		
- Plant and machinery	-	11,072
Profit on sale of tangible assets	-	(128)
	<hr/>	<hr/>

4. EMPLOYEES

The average weekly number of employees, including directors, during the period was as follows:

	Period 4 April 2008 to 31 December 2008	Period 1 April 2007 to 3 April 2008
	No.	No.
Management	-	8
Retail	-	72
	<hr/>	<hr/>
	-	80
	<hr/>	<hr/>
Staff costs comprise:	£	£
Wages and salaries	-	1,302,332
Social security costs	-	94,844
Other pension costs	-	9,976
	<hr/>	<hr/>
	-	1,407,152
	<hr/>	<hr/>

The directors did not receive any emoluments from the company during the period (2008: £197,664).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

5. TAXATION

Provision has been made in these financial statements for United Kingdom taxation as follows :-

	Period 4 April 2008 to 31 December 2008 £	Period 1 April 2007 to 3 April 2008 £
<i>UK Corporation Tax</i>		
Current tax on profits for the period	93,987	265,000
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(73,159)
	<hr/>	<hr/>
Tax on profit on ordinary activities	93,987	191,481
	<hr/>	<hr/>

The current tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	31 December 2008 £	3 April 2008 £
Profit on ordinary activities before tax	93,987	806,415
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 30%)	98,335	241,925
Marginal relief	(4,348)	-
Depreciation in excess of capital allowances	-	(465)
Disallowed expenditure	-	23,540
	<hr/>	<hr/>
Current tax charged	93,987	265,000
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

6. INTANGIBLE ASSET

Goodwill	£
COST	
At 4 April 2008	105,000
Disposal	(105,000)
	<hr/>
At 31 December 2008	-
	<hr/>
AMORTISATION	
At 4 April 2008	59,000
On disposal	(59,000)
	<hr/>
At 31 December 2008	-
	<hr/>
NET BOOK VALUE	
At 31 December 2008	-
	<hr/>
At 3 April 2008	46,000
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

7. TANGIBLE ASSETS

	Freehold Land and Buildings £	Plant and Machinery £	Total £
COST/VALUATION			
At 4 April 2008	2,947,996	1,744,302	4,692,298
Disposals	(769,235)	(1,744,302)	(2,513,537)
Surplus on revaluation (note 15)	3,821,239	-	3,821,239
	<hr/>	<hr/>	<hr/>
At 31 December 2008	6,000,000	-	6,000,000
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 4 April 2008	302,025	756,042	1,058,067
On disposals	(302,025)	(756,042)	(1,058,067)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	-	-
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 2008	6,000,000	-	6,000,000
	<hr/>	<hr/>	<hr/>
At 31 December 2007	2,645,971	988,260	3,634,231
	<hr/>	<hr/>	<hr/>

The company's freehold land and buildings are included in these financial statements at the directors' estimate of their open market value at 31 December 2008. The directors' assessment of current value is based upon professional valuations carried out by J R Cresswell BA (Hons) MSc MRICS of Fletcher King Chartered Surveyors as at 9 January 2008.

8. INVESTMENT PROPERTY

	£
COST AND VALUATION	
At 4 April 2008	381,875
Disposal	(381,875)
	<hr/>
At 31 December 2008	-
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

9. STOCK

	31 December 2008 £	3 April 2008 £
Finished goods and goods for resale	-	911,349

10. DEBTORS

	31 December 2008 £	3 April 2008 £
DUE WITHIN ONE YEAR		
Other debtors	-	315,167
DUE AFTER MORE THAN ONE YEAR		
Other debtors	-	85,892
	-	401,059

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2008 £	3 April 2008 £
Bank loans and overdraft	-	279,408
Trade creditors	-	727,830
UK corporation tax payable	88,987	265,000
Other taxes and social security	-	111,213
Accruals and deferred income	-	23,518
Due to ultimate parent company (note 20)	221,491	-
	310,478	1,406,969

The loans and bank overdraft were secured by legal charges over the company's assets. Interest was accrued at 1.5% above the bank base rate. The loans were repaid during the period.

The amount due to ultimate parent company is interest free and unsecured, with no fixed date for repayment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

12. CREDITORS - AMOUNT FALLING DUE
AFTER MORE THAN ONE YEAR

	31 December 2008 £	3 April 2008 £
Bank loan	-	960,376
Other loan	-	200,000
	<hr/>	<hr/>
	-	1,160,376
	<hr/>	<hr/>

Creditors include amounts not wholly repayable within 5 years as follows:

	31 December 2008 £	3 April 2008 £
Repayable by instalments	-	27,597
	<hr/>	<hr/>

The other loan was owed to Nottingham Garden Centre & Death Retirement Benefits Scheme, the trustees of which were former directors of the company, and both loans were repaid during the period.

13. DEFERRED TAX LIABILITY

	£
(i) Movement in period	
At 4 April 2008	173,528
Transferred on disposal of business assets	(173,528)
	<hr/>
At 31 December 2008	-
	<hr/>

(ii) The amounts of deferred taxation provided and not provided in the financial statements are:

	31 December 2008 £	3 April 2008 £
Accelerated capital allowances	-	173,528
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

14. CALLED UP SHARE CAPITAL

	31 December 2008 £	3 April 2008 £
Authorised:		
99,508 'A' ordinary shares of £1 each	99,508	99,508
492 'B' ordinary shares of £1 each	492	492
	<hr/>	<hr/>
	100,000	100,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
19,508 'A' ordinary shares of £1 each	19,508	19,508
	<hr/>	<hr/>

15. RESERVES

	Capital Redemption Reserve £	Revaluation Reserve £	Profit and Loss Account £	Total £
At 4 April 2008	492	-	2,914,846	2,915,338
Profit for the period	-	-	257,211	257,211
Surplus on revaluation of freehold property (note 7)	-	3,821,239	-	3,821,239
Dividend paid (net)	-	-	(1,323,774)	(1,323,774)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	492	3,821,239	1,848,283	5,670,014
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Period 4 April 2008 to 31 December 2008 £	Period 1 April 2007 to 3 April 2007 £
Profit for the financial period	257,211	614,934
Dividend paid (net)	(1,323,774)	-
	<hr/>	<hr/>
Other recognised gains and losses relating to the financial period	(1,066,563)	614,934
	3,821,239	-
	<hr/>	<hr/>
Net addition to shareholders' funds	2,754,676	614,934
Opening shareholders' funds	2,934,846	2,319,912
	<hr/>	<hr/>
Closing shareholders' funds	5,689,522	2,934,846
	<hr/>	<hr/>

17. DIVIDENDS

	Period ended 31 December 2008 £	Period ended 3 April 2008 £
Dividend in specie	1,323,774	-
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On 4 April 2008 the trade and assets of one of the company's trading operations, together with the investment property, were distributed to the shareholders as a dividend in specie. Subsequent to the dividend, as part of the restructuring of the company, the entire share capital of the company was acquired by MGCL Limited (note 20).

18. PENSION COSTS

Until 3 April 2008 the company participated in a group defined contribution pension scheme and made contributions of £nil (2008: £9,975) to the scheme on behalf of the employees.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

19. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 December 2008, the company was committed to making the following payments during the next year in respect of operating leases:

	31 December 2008 £	3 April 2008 £
<i>Land and buildings</i>		
Leases which expire:		
- Within 1 year	-	13,423
- In 2 to 5 years	-	1,699
	<hr/>	<hr/>
	-	15,122
	<hr/>	<hr/>

The lease commitments were transferred on disposal of the business trade and assets.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company was previously controlled by J E Tarbatt and J Tarbatt. From 4 April 2008 the parent company and controlling party, which has interests in 100% of the issued share capital of the company, is MGCL Limited, a company incorporated in England. The ultimate parent company from date of change in shareholders was Blue Diamond Limited, a company incorporated in Guernsey. 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.

In the preparation of these financial statements the directors have taken advantage of the exemption under Financial Reporting Standard No. 8 - Related Party Disclosures and have not disclosed the details of related party transactions with entities that are part of the Blue Diamond Limited group or investees of that group. Copies of the group financial statements are available from Blue Diamond Limited, La Villiaze, St Saviour, Guernsey, Channel Islands.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

21. CONTINGENT LIABILITY

In consideration for making available to the Blue Diamond Limited group loan and overdraft facilities of up to £19,500,000, The Royal Bank of Scotland International Limited (trading as NatWest) has requested that a composite cross guarantee structure be established.

Accordingly, the following Blue Diamond Limited group companies have entered into such cross guarantees:-

B.D. Properties Limited	Goodies Limited
BDL No 1 Limited	MGCL Limited
BDL No 2 Limited	Matlock Garden, Waterlife & Pet Centre Limited
Blue Diamond Limited	Olympus Sportswear (Guernsey) Limited
Blue Diamond Trading Limited	St Martins Garden & Pet Centre Limited
Blue Diamond UK Limited	St. Peters Furniture Centre Limited
Fruit Export Company Limited	St. Peters Garden Centre Limited

In the opinion of the directors no loss to the company is likely to arise as a result of these guarantees.

22. CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Blue Diamond Trading Limited and is included in the consolidated financial statements of Blue Diamond Limited. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.