

Blue Diamond UK Properties Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number: 01413241 (England and Wales)



Blue Diamond UK Properties Limited

Company Information

Directors	A. Roper R.J. Hemans
Registered number	01413241 (England and Wales)
Registered office	Brambridge Park Garden Centre Kiln Lane Brambridge Eastleigh Hampshire SO50 6HT
Head office	Rue du Friquet Castel Guernsey Channel Islands GY5 7SS
Independent auditor	BDO Limited PO Box 180 Place du Pre Rue du Pre St Peter Port Guernsey GY1 3LL

Blue Diamond UK Properties Limited

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Blue Diamond UK Properties Limited

Directors' Report For the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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.

Principal activity

The principal activity of the Company is property holding.

Going concern

The novel coronavirus pandemic (COVID-19) declared in March 2020 has had a significant impact on the trading results in 2020 of the Company's Ultimate Parent Company and its Group, Blue Diamond Limited and will likely do so to some lesser extent in 2021. The disclosure in note 15 sets out the Directors' rationale for the adoption of the going concern basis in the preparation of the financial statements.

Directors

The Directors who served during the year and to date were:

A. Roper
R.J. Hemans

Results and dividends

The profit for the year, after taxation, amounted to £2,111,933 (2018: £1,392,764).

The Company did not pay any interim dividends during the year and the Directors do not intend to recommend a final dividend for the year (2018: £nil).

Blue Diamond UK Properties Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Disclosure of information to auditor

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

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

Post balance sheet event

The details of the impact on the Company of the novel coronavirus pandemic (COVID-19) declared in March 2020 are disclosed in note 15 to the financial statements.

Independent auditor

The auditor, BDO Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. The Directors have also taken advantage of the small companies' exemption to not prepare a Strategic Report.

Approval

This report was approved by the Board and signed on its behalf by:



.....
R.J. Hemans
Director

Date: 28/9/20

Opinion

We have audited the financial statements of Blue Diamond UK Properties Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, and the related 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 Section 1A of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), applicable to small entities.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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 properly prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter - impact of COVID-19

We draw attention to note 15 of the Financial Statements, which describes the impact of COVID-19 on the business after the balance sheet date. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 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
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report; 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 in the Directors' Report, 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.

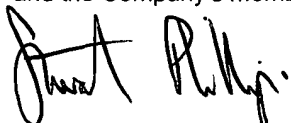
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located at the FRC'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.



Stuart Martin Philips (Senior Statutory Auditor)
For and on behalf of BDO Limited, Statutory Auditor
Place du Pre
Rue du Pre
St Peter Port
Guernsey

Date: 25 September 2020

Blue Diamond UK Properties Limited

Statement of Income and Retained Earnings For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Revenue	4	2,357,527	2,096,623
Administrative expenses		(11,762)	(14,613)
Profit on sale of freehold property		500,000	-
Operating profit	4	2,845,765	2,082,010
Interest receivable	5	-	1,113
Interest payable	6	(249,627)	(375,674)
Profit before tax		2,596,138	1,707,449
Tax on profit	7	(484,205)	(314,685)
Profit for the financial year		<u>2,111,933</u>	<u>1,392,764</u>
Retained earnings at the beginning of the year		12,655,214	11,262,450
Profit for the year		2,111,933	1,392,764
Retained earnings at the end of the year		<u>14,767,147</u>	<u>12,655,214</u>

All of the amounts included above relate to continuing activities.

The notes on pages 8 to 14 form part of these financial statements.

Blue Diamond UK Properties Limited
Registration number: 01413241 (England and Wales)

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investment property	8		26,410,196		26,628,533
			<u> </u>		<u> </u>
Creditors: amounts falling due within one year	9	(163,367)		(287,451)	
		<u> </u>		<u> </u>	
Net current liabilities			(163,367)		(287,451)
			<u> </u>		<u> </u>
Total assets less current liabilities			26,246,829		26,341,082
			<u> </u>		<u> </u>
Creditors: amounts falling due after more than one year	10		(10,113,723)		(12,370,474)
Deferred tax	11		(1,345,959)		(1,295,394)
			<u> </u>		<u> </u>
Net assets			14,787,147		12,675,214
			<u> </u>		<u> </u>
Capital and reserves					
Share capital	12		19,508		19,508
Capital redemption reserve			492		492
Profit and loss account			14,767,147		12,655,214
			<u> </u>		<u> </u>
Total equity			14,787,147		12,675,214
			<u> </u>		<u> </u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



.....
R.J. Hemans
Director

Date: 23/9/20

The notes on pages 8 to 14 form part of these financial statements.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Blue Diamond UK Properties 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 Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of investment properties, and in accordance with Section 1A of Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") as applicable to small entities, and the Companies Act 2006.

The financial statements are presented in 'sterling', which is the Company's functional and presentation currency.

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

The following principal accounting policies have been consistently applied:

2.2 Going concern

The novel coronavirus pandemic (COVID-19) declared in March 2020 has had a significant impact on the trading results in 2020 of the Company's Ultimate Parent Company and its Group, Blue Diamond Limited and will likely do so to some lesser extent in 2021. The disclosure in note 15 sets out the Directors' rationale for the adoption of the going concern basis in the preparation of the financial statements.

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding rebates, value added tax and other sales taxes.

Rental income from turnover based rent agreements is recognised in the period in which the income is earned.

2.4 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.

2.5 Investment property

Investment properties include properties that are held for long term rental yields and/or for capital appreciation. Investment properties are initially recognised at cost and subsequently carried at fair value. Fair values are determined from market-based evidence obtained by independent professionally qualified valuers every three years. The Directors carry out desktop reviews of the fair values in between the independent valuations to ensure that the amounts do not differ materially from that which would have been determined using independent valuations at the reporting date. No depreciation is provided on investment properties. Changes in fair value are recognised in the Statement of Income and Retained Earnings.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.6 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities including loans from 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.

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Current and deferred tax

The tax expense for the year comprises 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 and expense recognised directly in equity is also recognised directly in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the 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.

2.9 Profit and loss account

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

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

Investment property:

Investment property was last revalued in 2017 based on advice from an independent expert and an assessment of market conditions and the financial and operating performances of the underlying businesses. Key inputs into the property valuations included the financial performance of the garden centres, the overall potential for the property and business, location, catchment, local demographics, competition, planning, plot size, market conditions, benchmarking and physical inspection of the properties.

The next independent valuation will take place in 2020. For the year ended 31 December 2019, the Directors have reviewed the previous valuations and have also performed a desktop review of the future cash flows of the existing garden centres. The Directors are satisfied that that any movements since the valuation date did not have a material impact on the values of the properties at year end and therefore there have been no revaluation adjustments in the year.

4. Revenue and operating profit

Revenue, comprising rental income from investment property, and operating profit derive wholly from continuing activities carried out exclusively in the United Kingdom.

No Director received any remuneration during the year and the Company had no employees (2018: nil).

5. Interest receivable

	2019 £	2018 £
On tax recoverable	-	1,113

6. Interest payable

	2019 £	2018 £
On amount due to ultimate parent company	249,627	375,674

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Taxation

	2019 £	2018 £
UK corporation tax		
Current tax on profits for the year	433,664	293,299
Adjustments in respect of previous periods	(24)	(11,578)
Total current tax	<u>433,640</u>	<u>281,721</u>
Deferred tax		
Origination and reversal of timing differences	50,565	27,841
Adjustment in respect of previous periods	-	5,123
Total deferred tax	<u>50,565</u>	<u>32,964</u>
Tax on profit	<u>484,205</u>	<u>314,685</u>

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit before tax	<u>2,596,138</u>	<u>1,707,449</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	493,266	324,415
Effects of:		
Income not taxable for tax purposes	(142,429)	-
Expenses not deductible for tax purposes	143,982	-
Fixed asset differences	(95,197)	-
Chargeable gain	90,556	-
Adjustments to tax charge in respect of prior periods	(24)	(6,455)
Effect of tax rate change	(5,949)	(3,275)
Total tax charge for the year	<u>484,205</u>	<u>314,685</u>

Factors that may affect future tax charges

Although the UK tax rate for 1 April 2020 was previously announced to reduce to 17%, subsequent to the year end, the Government has announced the rate will remain at 19%.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Investment property

	Freehold investment property £
Valuation	
At 1 January 2019	26,628,533
Additions at cost	281,663
Disposals	(500,000)
At 31 December 2019	26,410,196

The carrying values are based on valuations previously carried out as at 31 December 2017 by an independent, professionally qualified valuer and reviewed at the reporting date by the Directors. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual on an open market value for existing use basis. Details of the assumptions made and the key sources of estimation uncertainty are given in note 3.

The Company has provided first legal charges in favour of The Royal Bank of Scotland International Limited (trading as NatWest International) over its investment property as security for Group bank loan and overdraft facilities as set out in note 13.

If investment property had been accounted for under the historic cost accounting rules, investment property would have been measured as follows:

	2019 £	2018 £
Historic cost	22,398,402	21,929,107
Accumulated depreciation (40 - 50 years on freehold buildings)	-	-
Carrying value at the end of the year	22,398,402	21,929,107

Freehold buildings would not be depreciated because the residual value of the properties at the end of their useful life is expected to be higher than their current value. The Company spends significant amounts on their maintenance and refurbishment. If there was an indication of a permanent reduction in their carrying value then an impairment would be recognised. Freehold land is considered to have an unlimited useful life and would therefore not be depreciated.

9. Creditors: amounts falling due within one year

	2019 £	2018 £
UK corporation tax	163,367	287,451

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Amount due to Blue Diamond Limited	10,113,723	12,370,474

The amount due to Blue Diamond Limited, the ultimate parent company, is unsecured and bears interest at 1.5% (2018: 1.5%) above the one month UK LIBOR rate per annum. Whilst the amount is repayable on demand, the Directors have received assurance from the ultimate parent company that the loan will not be repayable within one year from the date of approval of these financial statements.

11. Deferred tax

	2019 £	2018 £
At beginning of year	1,295,394	1,262,430
Charged to profit	50,565	32,964
At end of year	1,345,959	1,295,394

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	178,587	156,760
Capital gains	1,167,372	1,138,634
	1,345,959	1,295,394

12. Share capital

	2019 £	2018 £
Authorised, allotted, called up and fully paid		
19,508 'A' ordinary shares of £1 each	19,508	19,508

13. Contingent liabilities

The Company is party to a cross guarantee agreement for the Group loan and overdraft facilities of its ultimate parent company, Blue Diamond Limited. At the year end the liabilities covered by these guarantees totalled £36,166,667 (2018: £40,463,215). In the opinion of the Directors, no liability to the Company is expected to arise as a result of this guarantee.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

14. 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 (note 16).

15. Post balance sheet event

Impact of COVID-19

As a result of the novel coronavirus pandemic (COVID-19) declared in March 2020, there has been a substantial impact on the trading results post year end of the Company's Ultimate Parent Company and its Group, Blue Diamond Limited, due to the lockdown imposed by the UK Government and the States of Guernsey and Jersey.

COVID-19 is a developing situation and as of 15 September 2020, its assessment will need continued attention and will evolve over time. In the view of the Directors, consistent with many others in our industry, COVID-19 is considered to be a non-adjusting event after the reporting period and no adjustment is made in the financial statements as a result.

The rapid development and fluidity of the COVID-19 virus makes it difficult to predict the ultimate impact at this stage. On 23 March 2020 the UK Government ordered the closure of all our garden centres and restaurants, just as the key gardening season was about to begin. The Group was facing an unknown period of no sales but the Directors took a number of actions to generate and conserve cash. These included the development of an online and home delivery operation that generated nearly £9m of sales excluding VAT during the period of lockdown, the utilisation of the UK Government's, States of Guernsey's and States of Jersey's employee furlough schemes and the deferral of tax liabilities, capital expenditure and bonuses.

On 13 May 2020 the UK Government authorised the re-opening of our garden centres, and our restaurants opened in July. Trade has recovered well in our garden centres since re-opening as we benefit from the remainder of the gardening season and consumers take advantage of our destination status during lockdown and look to improve their home and garden during their enforced isolation, but this is clawing back only a proportion of the lost sales. This underlines there is still strong demand for our offer but there remains uncertainty in relation to demand as we move out of the gardening season into the second half of the year when our restaurant and non-gardening offer predominate. There is also the risk of a second wave of the virus that could lead to a further lockdown and it is difficult to predict the medium- to long-term impact on consumer shopping habits.

Having taken all these measures into account, as explained in note 2.2 of the financial statements, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

16. Ultimate parent undertaking and controlling party

The Company's immediate parent company is MGCL Limited, a company incorporated in England.

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 du 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.