

Blue Diamond UK Properties Limited

Directors' Report and Unaudited Financial Statements

Year Ended

31 December 2017

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
Accountants	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 2017

The Directors present their report and the unaudited financial statements for the year ended 31 December 2017.

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 judgements and accounting 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 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.

Dividends

The results for the year are set out in the Statement of Income and Retained Earnings on page 4.

The Company paid an interim dividend of £nil (2016: £4,000,000) and the Directors do not intend to recommend a final dividend for the year.

Directors

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

A. Roper
R.J. Hemans

Blue Diamond UK Properties Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Audit exemption

In accordance with section 479C of the UK Companies Act 2006 (the 'Act'), Blue Diamond Limited, the Ultimate Parent Company, has given a guarantee to the Company in respect of the year ending 31 December 2017, therefore it is exempt from the requirements of the Act relating to the audit of individual company accounts. The guarantee effectively means that the Blue Diamond Limited will discharge all outstanding liabilities of the Company at 31 December 2017 should the Company be unable to satisfy them

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.

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



.....
R.J. Hemans
Director

Date: 13 June 2018

Blue Diamond UK Properties Limited

Chartered Accountants' Report to the Board of Directors on the Preparation of the Unaudited Statutory Financial Statements of Blue Diamond UK Properties Limited for the Year Ended 31 December 2017

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Blue Diamond UK Properties Limited for the year ended 31 December 2017 which comprise the Statement of Income and Retained earnings, the Statement of Financial Position and the related notes from the Company accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance/>.

This report is made solely to the board of directors of Blue Diamond UK Properties Limited, as a body, in accordance with the terms of our engagement letter dated 8 February 2018. Our work has been undertaken solely to prepare for your approval the financial statements of Blue Diamond UK Properties Limited and state those matters that we have agreed to state to the Board of Directors of Blue Diamond UK Properties Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Blue Diamond UK Properties Limited and its Board of Directors, as a body, for our work or for this report.

It is your duty to ensure that Blue Diamond UK Properties Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of Blue Diamond UK Properties Limited. You consider that Blue Diamond UK Properties Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or review of the financial statements of Blue Diamond UK Properties Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

BDO Limited

BDO Limited
Chartered Accountants
Place du Pre
Rue du Pre
St Peter Port
Guernsey
13 June 2018

Blue Diamond UK Properties Limited

Statement of Income and Retained Earnings For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Revenue		1,947,964	1,794,864
Administrative expenses		(9,480)	(22,394)
Fair value adjustment on investment properties	8	1,906,266	-
Operating profit	4	3,844,750	1,772,470
Interest receivable		-	526
Interest payable	5	(248,898)	(237,797)
Profit before tax		3,595,852	1,535,199
Tax on profit	6	(504,574)	(31,973)
Profit after tax		3,091,278	1,503,226
Retained earnings at the beginning of the year		8,171,172	10,667,946
Profit for the year		3,091,278	1,503,226
Dividends declared and paid	7	-	(4,000,000)
Retained earnings at the end of the year		11,262,450	8,171,172

There were no recognised gains and losses for 2017 or 2016 other than those included above.

The notes on pages 6 to 12 form part of these financial statements.

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

Statement of Financial Position
As at 31 December 2017

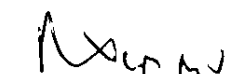
	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Investment property	8		26,100,000		23,198,066
Current assets					
Debtors	9	30,894		1,100	
Creditors: amounts falling due within one year	10	(73,370)		(201,593)	
Net current liabilities			(42,476)		(200,493)
Total assets less current liabilities			26,057,524		22,997,573
Creditors: amounts falling due after more than one year	11		(13,512,644)		(13,751,396)
Deferred tax	12		(1,262,430)		(1,055,005)
Net assets			11,282,450		8,191,172
Capital and reserves					
Called up share capital	13		19,508		19,508
Capital redemption reserve			492		492
Profit and loss account			11,262,450		8,171,172
Total equity			11,282,450		8,191,172

The Directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to small companies' regime and in accordance with the provision of FRS102 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: 13 June 2018

The notes on pages 6 to 12 form part of these financial statements.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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") 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 Section 1A of 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 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

2.3 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.

2.4 Investment property

Investment property is carried at fair value. Fair values are determined from market based evidence normally undertaken by professionally qualified valuers. Revaluations are undertaken with sufficient regularity to ensure that the carrying amount of investment property does not differ materially from that which would be determined using fair value at the reporting date. No depreciation is provided

Changes in fair value are recognised in the Statement of Income and Retained Earnings

2.5 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.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.6 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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 rate method.

2.7 Current and deferred tax

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 and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 Profit and loss account

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

2.9 Dividends

Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

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

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

Investment properties

Investment property was revalued based on advice from an 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.

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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 (2016: nil).

5. Interest payable

	2017 £	2016 £
On amount due to Ultimate Parent Company	247,215	237,797
Other interest payable	1,683	-
	<u>248,898</u>	<u>237,797</u>

6. Taxation

	2017 £	2016 £
UK corporation tax		
Current tax on profits for the year	294,663	275,419
Adjustments in respect of previous periods	2,486	(4,507)
Total current tax	<u>297,149</u>	<u>270,912</u>
Deferred tax		
Origination and reversal of timing differences	231,723	31,621
Adjustment in respect of previous periods	(24,298)	(17,151)
Change in rate	-	(253,409)
Total deferred tax	<u>207,425</u>	<u>(238,939)</u>
Taxation on profit on ordinary activities	<u>504,574</u>	<u>31,973</u>

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

6. 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 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	3,595,852	1,535,199
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	692,078	307,040
Effects of:		
Effect of tax rate change	(30,002)	(253,409)
Adjustments to tax charge in respect of prior periods	(21,812)	(21,658)
Non-taxable income	(366,891)	-
Chargeable gains on property revaluations	226,517	-
Deferred tax not recognised	4,684	-
Total tax charge for the year	504,574	31,973

Factors that may affect future tax charges

The current rate of UK corporation tax of 19% will reduce to 17% with effect from 1 April 2020. This rate was substantively enacted at the financial year end and is reflected in these financial statements.

7. Dividends

	2017 £	2016 £
Interim dividend	-	4,000,000

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

8. Investment property

	Freehold investment property £
Valuation	
At 1 January 2017	23,198,066
Additions at cost	1,135,668
Disposals	(140,000)
Surplus on revaluation	1,906,266
At 31 December 2017	26,100,000

Details on the assumption made and the key sources of estimation uncertainty are given in note 3.

The carrying values are based on valuations as at 31 December 2017 carried out by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual on an open market value for existing use basis.

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 14.

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

	2017 £	2016 £
Historic cost	18,045,409	17,112,300
Accumulated depreciation (40 - 50 years on freehold buildings)	-	-
Carrying value at the end of the year	18,045,409	17,112,300

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. Debtors

	2017 £	2016 £
Prepayments and sundry debtors	30,894	1,100

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

10. Creditors: amounts falling due within one year

	2017 £	2016 £
UK corporation tax	73,370	154,736
Accruals	-	46,857
	<u>73,370</u>	<u>201,593</u>

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

	2017 £	2016 £
Amount due to Blue Diamond Limited	<u>13,512,644</u>	<u>13,751,396</u>

The amount due to Blue Diamond Limited, the Ultimate Parent Company, is unsecured and bears interest at 1.5% (2016: 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.

12. Deferred tax

	2017 £	2016 £
At beginning of year	1,055,005	1,293,944
Charged/(credited) to profit	207,425	(238,939)
At end of year	<u>1,262,430</u>	<u>1,055,005</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	123,796	92,151
Capital gains	1,138,634	962,854
	<u>1,262,430</u>	<u>1,055,005</u>

Blue Diamond UK Properties Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid		
19,508 'A' ordinary shares of £1 each	19,508	19,508

14. 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 £24,373,123 (2016: £25,599,673). In the opinion of the Directors, no liability to the Company is expected to arise as a result of this guarantee.

15. 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.

16. Ultimate parent undertaking and controlling party

The Parent Company and controlling party, which has interests in 100% (2016: 100%) of the issued share capital of the Company, is MGCL Limited, a company incorporated in England. The Ultimate Parent Company is 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 accordance with s479C of the UK Companies Act 2006 (the 'Act'), Blue Diamond Limited has given a guarantee to the Company in respect of the year ending 31 December 2017, which means it is exempt from the requirements of the Act relating to the audit of individual company accounts. The guarantee effectively means that the Blue Diamond Limited will discharge all outstanding liabilities of the Company at 31 December 2017 should the Company be unable to satisfy them.