

We just keep growing...



Blue Diamond Limited
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 June 2020



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Blue Diamond Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 June 2020

BLUE DIAMOND LIMITED

(Incorporated in Guernsey, Channel Islands)

DIRECTORS

S. Burke (Chairman)
A. Roper (Managing Director)
R.J. Hemans (Finance Director)
Sir John Collins
C.L. Williams
T.Carey

COMPANY SECRETARY

R.J. Hemans

REGISTERED NUMBER

12307 (Guernsey)

REGISTERED OFFICE

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INDEPENDENT AUDITOR

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BANKERS

The Royal Bank of Scotland
International Limited
(Trading as NatWest)
1 Glatigny Esplanade
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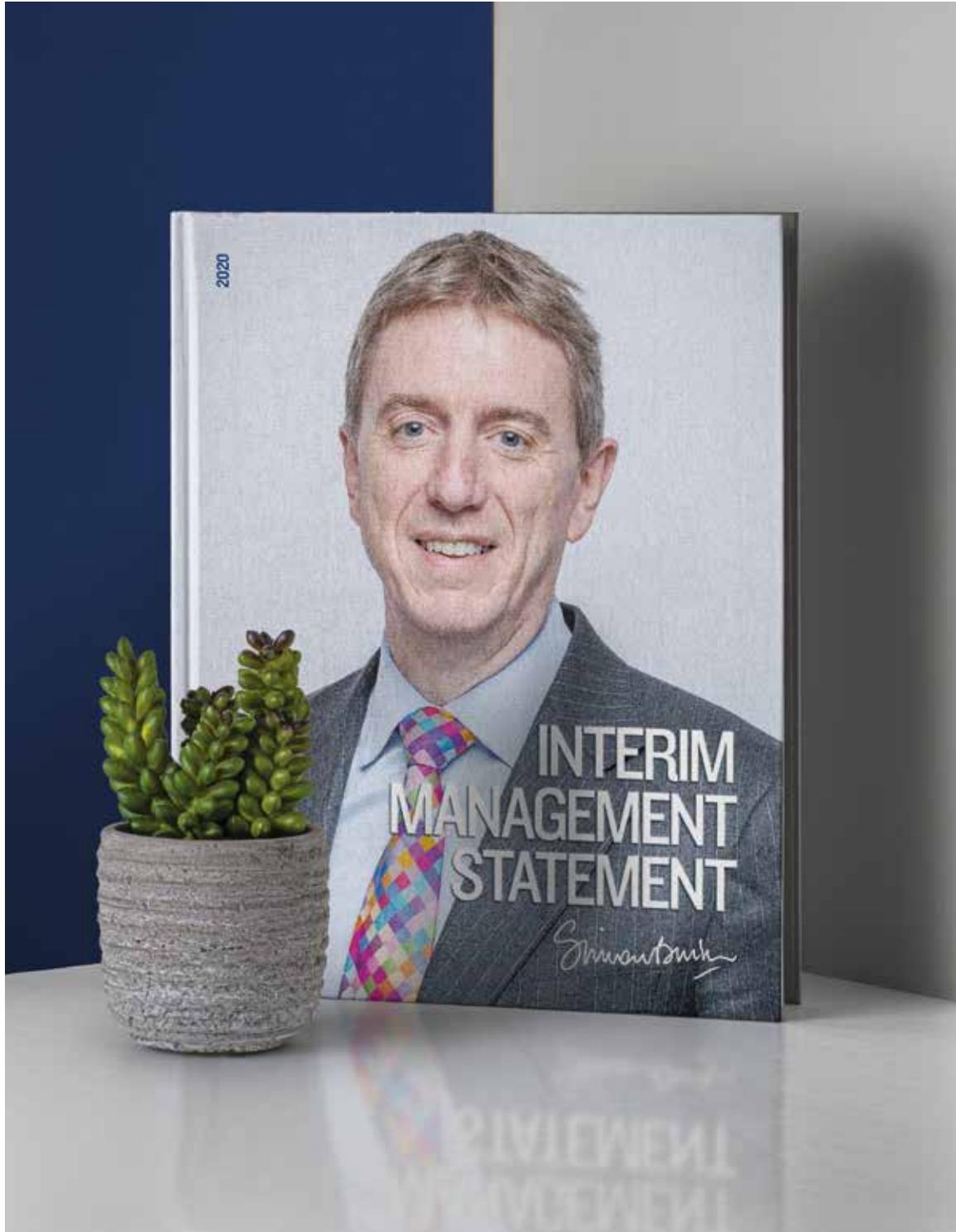
LEGAL REPRESENTATIVES

GUERNSEY

Carey Olsen
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UNITED KINGDOM

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2020 has been a year like no other. Shareholders have had updates from me charting the very low point we were at in April and later the recovery we saw once the business had started to re-open. It has been a torrid period for many parts of the economy, in particular the retail and hospitality segments in which we trade.

It is remarkable, then, that I can report to you this set of results which, although down on the same period last year, show the great resilience of our business in the face of these challenges. Profit before tax declined by 17% to £6.3m (a 12% decline excluding the profit on sale of freehold properties in 2019), despite the fact that all but one of our centres were closed for almost one third of the period, and our restaurants for more than half the period.

Total sales declined by 5% whilst like-for-like sales fell by 16%, being 7% down in retail and 58% in the restaurants. Gross margins fell only because of the change in mix, with a lower proportion of our sales coming from the higher-margin restaurants. Like-for-like margins were in line with last year. The ex-Wyevale centres, purchased in both 2018 and 2019, saw the strongest performance in sales and continued to track well ahead of their targets (adjusted for Covid).

This resilient financial performance is due to a number of factors. Firstly, the online and delivery business we set up during lockdown, the business rates holiday and the furlough scheme all greatly helped to mitigate the impact of closure. A majority of our landlords also helped to support us with rent reductions. Secondly, the rebound in trading following re-opening exceeded our expectations, and, even more welcome, it has been sustained at strong levels ever since. We have also been able to find ways of reducing overhead costs, many of which we will continue into the future.

Cash has been conserved to the point where net cash flow was actually strongly positive in the period, and debt at 30 June represented just 0.8 times EBITDA, a gearing of 16.5%. These figures need to be seen in the context of a significant increase in creditors as many cash payments were delayed, a VAT deferral of £3m and the postponement of other liabilities including bonuses. Some of this cash will therefore have flowed back out since the period end, or will do so later, but it is good news that we have not needed to use the additional bank facilities we negotiated back in March.

The Board has given careful consideration to the question of a dividend. We have to balance a favourable cash position with the continuing heightened risk profile created by Covid. We believe that our recovery has been strong enough to justify resuming dividend payments and so we are proposing to pay an interim dividend for 2020 of 2p per share, in line with 2019. The dividend will be paid on 3 December 2020 to those shareholders on the register at 30 November 2020. We will of course review the position again at the year-end.

The strength of recent trade, including in the restaurants, has restored some measure of confidence in the prospects for the year as a whole. However there are still many potential risks in the short term and it would be unwise to make any firm predictions.

Looking further ahead, I believe that garden centres will be one of the winners from this crisis, benefiting from a further decline in the attractiveness of high streets and large shopping centres, and people's reinvigorated focus on their homes and gardens as a result of the pandemic. Blue Diamond's broad, high-quality ranges with so much exclusive product position us well to take advantage of these trends, as we have already seen in our continuing outperformance of industry figures. We also now have an operational online business that we can develop in coming years. It is still unclear what kind of world will emerge from the pandemic, but I am optimistic that Blue Diamond can continue to thrive in it.



Simon Burke
Chairman
7 September 2020

Interim Consolidated Income Statement

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 £'000 £	Six months ended 30 June 2019 £'000 £	Year ended 31 December 2019 £'000 £
Turnover	3	82,751	86,667	181,590
Cost of sales		(42,391)	(41,896)	(88,322)
Gross profit		40,360	44,771	93,268
Administrative expenses		(35,243)	(38,619)	(81,507)
Other operating income		1,785	1,617	3,687
Profit on sale of freehold properties		-	500	500
Group operating profit		6,902	8,269	15,948
Share of profit in associated undertakings		56	99	168
Loss on financial derivatives		-	-	(105)
Profit before interest		6,958	8,368	16,011
Interest receivable		1	20	27
Interest payable		(645)	(753)	(1,683)
Profit before tax		6,314	7,635	14,355
Taxation on profit	2	(1,207)	(1,408)	(2,728)
Profit for the financial period/year		5,107	6,227	11,627
Earnings per share	5	14.80p	18.05p	33.70p

All amounts relate to continuing operations.

There were no items of other comprehensive income during the current or prior period/year.

The notes on pages 10 to 15 form part of these financial statements.

Interim Consolidated Balance Sheet

As at 30 June 2020

	Note	30 June 2020 £'000	30 June 2020 £'000	30 June 2019 £'000	30 June 2019 £'000	31 December 2019 £'000	31 December 2019 £'000
Fixed assets							
Intangible assets		2,738		2,761		2,826	
Tangible assets	6	103,652		93,998		103,387	
Investments	7	1,920		1,713		1,777	
			108,310		98,472		107,990
Current assets							
Stocks		34,544		32,159		26,699	
Debtors		7,810		9,753		9,967	
Cash and bank balances		17,841		3,233		322	
			60,195		45,145		36,988
Creditors - amounts falling due within one year		(45,609)		(29,151)		(25,988)	
Net current assets			14,586		15,994		11,000
Total assets less current liabilities			122,896		114,466		118,990
Creditors - amounts falling due after more than one year			(31,111)		(32,673)		(32,337)
Provisions for liabilities							
Deferred tax			(1,192)		(1,029)		(1,192)
Other provisions			(71)		(59)		(46)
Net assets			90,522		80,705		85,415
Capital and reserves							
Share capital			690		690		690
Share premium			5,015		5,015		5,015
Capital reserve			9,439		9,439		9,439
Revaluation reserve			9,172		9,172		9,172
Profit and loss account			66,206		56,389		61,099
Shareholders' funds			90,522		80,705		85,415

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 7 September 2020. They were signed on its behalf by:

S. Burke
Director



A. Roper
Director



The notes on pages 10 to 15 form part of these financial statements.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital £'000	Share premium £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2020	690	5,015	9,439	9,172	61,099	85,415
Comprehensive income						
Profit for the period	-	-	-	-	5,107	5,107
At 30 June 2020	690	5,015	9,439	9,172	66,206	90,522
At 1 January 2019	690	5,015	9,439	9,331	51,418	75,893
Comprehensive income						
Profit for the period	-	-	-	-	6,227	6,227
Transfer of realised gain on sale of freehold properties	-	-	-	(159)	159	-
Total comprehensive income for the period	-	-	-	(159)	6,386	6,227
Distributions to shareholders						
Dividends (note 4)	-	-	-	-	(1,415)	(1,415)
At 30 June 2019	690	5,015	9,439	9,172	56,389	80,705
At 1 January 2019	690	5,015	9,439	9,331	51,418	75,893
Comprehensive income for the year						
Profit for the year	-	-	-	-	11,627	11,627
Transfer of realised gain on sale of freehold properties	-	-	-	(159)	159	-
Total comprehensive income for the year	-	-	-	(159)	11,786	11,627
Distributions to shareholders						
Dividends (note 4)	-	-	-	-	(2,105)	(2,105)
Total transactions with shareholders	-	-	-	-	(2,105)	(2,105)
At 31 December 2019	690	5,015	9,439	9,172	61,099	85,415

The notes on pages 10 to 15 form part of these financial statements.

Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit for the financial period/year	5,107	6,227	11,627
<i>Adjustments for:</i>			
Amortisation and depreciation	2,420	2,011	4,233
Loss/(profit) on disposal of other tangible assets	-	12	(9)
Foreign exchange (gains)/losses	(68)	-	67
Amortisation of lease incentive	(17)	-	(34)
Profit on sale of freehold properties	-	(500)	(500)
Share of profit before tax of associated companies	(56)	(99)	(168)
Loss on financial derivatives	-	-	105
Interest payable	645	753	1,683
Interest receivable	(1)	(20)	(27)
Taxation charge	1,207	1,408	2,728
Increase in stocks	(7,845)	(11,900)	(4,863)
Decrease/(increase) in trade and other debtors	1,975	(103)	(678)
Increase/(decrease) in trade and other creditors	20,741	2,835	(2,444)
Increase/(decrease) in provisions	25	(12)	(25)
Lease incentive received	-	-	1,021
Cash inflows from operations	24,133	612	12,716
Interest paid (net)	(498)	(733)	(1,410)
Taxation paid	(842)	(835)	(1,970)
Net cash generated from/(used in) operating activities	22,793	(956)	9,336
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	-	1,000	1,023
Purchases of tangible fixed assets	(2,597)	(4,873)	(7,140)
Purchase of further shares in associate	(98)	-	-
Acquisition costs of business combinations	-	-	(11,078)
Repayments from associate company	182	140	394
Net cash used in investing activities	(2,513)	(3,733)	(16,801)
Cash flows from financing activities			
Capital element of finance leases repaid	(24)	(24)	(48)
Equity dividends paid	-	(1,415)	(2,105)
Repayment of bank loans	(625)	(1,413)	(2,500)
Finance charges paid	(80)	-	(366)
Net cash used in financing activities	(729)	(2,852)	(5,019)
Net increase/(decrease) in cash and cash equivalents	19,551	(7,541)	(12,484)
Cash and bank balances at beginning of the period/year	(1,710)	10,774	10,774
Cash and bank balances at end of the period/year	17,841	3,233	(1,710)
Cash and cash equivalents comprise:			
Bank and cash balances	17,841	4,962	322
Bank overdrafts	-	(1,729)	(2,032)
	17,841	3,233	(1,710)

The notes on pages 10 to 15 form part of these financial statements.

Notes to the Interim Consolidated Financial Statements

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

Blue Diamond Limited is a private company limited by shares and is registered in Guernsey under the Companies (Guernsey) Law, 2008. The address of the registered office is given on the Company Information page and the Group's principal activity is the operation of garden centres.

These Interim Condensed Consolidated 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 the guidance issued in FRS 104 'Interim Financial Reporting' issued by the Financial Reporting Council. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 Annual Report.

The Interim Consolidated Income Statement, Interim Consolidated Balance Sheet, Interim Consolidated Statement of Changes in Equity, Interim Consolidated Cash Flow Statement and Notes to the Interim Consolidated Financial Statements are unaudited and not reviewed pursuant to the guidance issued by the Financial Reporting Council.

The Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 7 September 2020.

2. GROUP TAX

The tax charge applicable to the results for the six months ended 30 June 2020 and for the six months ended 30 June 2019 is calculated by multiplying profit before tax by a rate of tax estimated by the Directors. The estimated rate of tax is based on the assumption tax will be payable at 19% in the UK, 0% in Guernsey and 20% in Jersey. The movement in the deferred tax liability at the balance sheet dates, included in provisions for liabilities, is estimated using similar assumptions based on the results for the year ended 31 December 2019.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

3. TURNOVER AND GROUP OPERATING PROFIT

Geographic analysis

	United Kingdom			Channel Islands			Group		
	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Turnover	74,906	78,312	164,235	7,845	8,355	17,355	82,751	86,667	181,590
Profit before interest and tax									
Regional profit	9,873	10,363	20,116	1,610	1,922	4,015	11,483	12,285	24,131
Profit on sale of freehold properties	-	-	500	-	-	-	-	500	500
Group costs	-	-	-	-	-	-	(4,525)	(4,417)	(8,620)
Group profit before interest and tax	9,873	10,363	20,616	1,610	1,922	4,015	6,958	8,368	16,011
Total assets less current liabilities									
Net assets	N/A	N/A	76,517	N/A	N/A	22,026	N/A	N/A	98,543
Unallocated assets and liabilities	N/A	N/A	-	N/A	N/A	-	N/A	N/A	20,447
Total assets less current liabilities	-	-	76,517	-	-	22,026	-	-	118,990

The geographic analysis is presented to disclose the profit before interest and taxation and total assets less current liabilities attributable to each geographic area. The Directors believe that this presentation best enables the users of the financial statements to assess the performance of each region as it reflects the profit before financing costs and capital employed in each geographic area. Unallocated assets and liabilities consist of assets and liabilities at the Group's head office in Guernsey and certain assets that cannot be allocated to a segment.

A geographic analysis of total assets less current liabilities has been provided only for the year ended 31 December 2019.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

3. TURNOVER AND GROUP OPERATING PROFIT (continued)

Acquisitions during the year

The Group acquired seven former Wyevale Garden Centres and one Nursery in September 2019, which are disclosed in the table below under 'Acquired'.

An analysis of the Group's results from continuing activities including acquisitions is given below:

	30 June 2020 Continuing £'000	30 June 2020 Acquired £'000	30 June 2020 Total £'000	30 June 2019 Continuing £'000	30 June 2019 Acquired £'000	30 June 2019 Total £'000	31 December 2019 Continuing £'000	31 December 2019 Acquired £'000	31 December 2019 Total £'000
Turnover	72,712	10,039	82,751	61,824	24,843	86,667	176,516	5,074	181,590
Cost of sales	(37,149)	(5,242)	(42,391)	(29,670)	(12,226)	(41,896)	(86,163)	(2,159)	(88,322)
Gross profit	35,563	4,797	40,360	32,154	12,617	44,771	90,353	2,915	93,268
Administrative expenses	(30,811)	(4,432)	(35,243)	(25,869)	(12,750)	(38,619)	(78,678)	(2,829)	(81,507)
Other operating income	1,219	566	1,785	267	1,350	1,617	3,232	455	3,687
Profit on sale of freehold properties	-	-	-	500	-	500	500	-	500
Group operating profit/(loss)	5,971	931	6,902	7,052	1,217	8,269	15,407	541	15,948

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

4. DIVIDENDS

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Final 2018 dividend of 4.1p per share (2017: 3.8p per share)	-	1,415	1,415
Interim 2019 dividend of 2p per share (2018: 1.8p per share)	-	-	690
	-	1,415	2,105

5. EARNINGS PER SHARE

	30 June 2020 Profit for the year £'000	30 June 2020 Earnings per share p	30 June 2019 Profit for the year £'000	30 June 2019 Earnings per share p	31 December 2019 Profit for the year £'000	31 December 2019 Earnings per share p
Basic earnings per share	5,107	14.80	6,227	18.05	11,627	33.70

Earnings per share is calculated by dividing the profit for the financial period/year attributable to the members of Blue Diamond Limited by the weighted average number of ordinary shares in issue, which was 34,500,000 (30 June 2019: 34,500,000; 31 December 2019: 34,500,000). The earnings per share figures to 30 June 2020 and 30 June 2019 represent six months' earnings per share and not a full year.

6. TANGIBLE ASSETS

The valuation of the Group's freehold land, buildings and investment properties have been brought forward at 30 June 2020 without amendment from the preceding Annual Report. The Group's land and buildings were last subject to an independent professional valuation as at 31 December 2017. The valuations as at 31 December 2020 will be based on a formal valuation exercise carried out on that date by an independent, professionally qualified valuer.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

7. INVESTMENTS

	Associated undertakings £'000	Unlisted investments £'000	Total £'000
Cost			
At 1 January 2020	1,773	4	1,777
Acquisition of additional shareholding in associate	98	-	98
Share of associates' profit for the period after tax	45	-	45
At 30 June 2020	1,916	4	1,920
Net book value			
At 30 June 2020	1,916	4	1,920
At 30 June 2019	1,709	4	1,713
At 31 December 2019	1,773	4	1,777

The Group owns 50% of the issued share capital of John Le Sueur and Company Limited, a company registered in Jersey, with the principal activity of investment holding and a financial year end of 30 September each year.

The Group also owns 25% of the ordinary shares and 100% of the preference shares in Milton Park (Dorset) Limited, a company registered in England, with the principal activity of the operation of a garden centre and a financial year end of 31 December each year. The Group is party to a put and call option with the Sellers to acquire the remaining 75% of the ordinary shares. On 26 May 2020, the Sellers exercised the put option calculated at £1,960,384, with 5% of the option price payable on exercise and a further 5% payable six months from the exercise date. The balance is payable on 31 May 2021, with the final settlement amount to be increased by the higher of 3% or RPI.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

8. ANALYSIS OF CHANGES IN NET DEBT	1 January 2020 £'000	Cash flows £'000	Non-Cash £'000	30 June 2020 £'000
Cash and cash equivalents	(1,710)	19,551	-	17,841
Obligations under finance leases	(45)	24	-	(21)
Bank loan due within one year	(2,500)	705	(759)	(2,554)
Bank loan due after more than one year	(30,800)	-	625	(30,175)
Net debt	(35,055)	20,280	(134)	(14,909)

The bank loans and overdrafts bear interest at commercial rates linked to LIBOR and the Bank of England Base Rate as agreed with The Royal Bank of Scotland International Limited (trading as NatWest). The overall position is as follows:

The Group has a £37m term loan with The Royal Bank of Scotland International Limited, which is repayable in thirty-six monthly instalments commencing on 30 September 2018. Each monthly instalment is calculated using a fifteen-year capital and interest repayment programme with a final lump sum payment due on 27 July 2021. In response to the Covid-19 pandemic on 31 March 2020 the term loan changed to interest payments only until 31 December 2020, when capital payments will recommence.

The Group's revolving credit facility of £16m increased to £24m on 31 March 2020 until 31 December 2020, when it decreases back to £16m until 27 July 2021. The overdraft facility of £3m has been renewed until 31 July 2021 and is repayable on demand.

On 30 December 2016, the Group entered into a five-year fixed interest rate swap of £7m with NatWest, which expires on 31 December 2021. The swap is non amortising and fixes the one-month LIBOR element of the interest payable on the term loans at 0.88%. Interest payable on the loans is made up of the floating one-month LIBOR rate and a fixed bank margin.

At the end of each month NatWest credits the actual one-month LIBOR rate to the Group and then debits the fixed rate of 0.88%. The Board decided to take out this swap to take advantage of low interest rates and to reduce the Group's interest rate risk.

The bank loans and overdrafts are secured by way of first legal charges, bonds, and promissory notes over certain of the Group's properties. The Group has also provided a cross guarantee as detailed in note 28 to the Annual Report for the year ended 31 December 2019.



Blue Diamond Limited
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