



The small company specialists

COMPANY INFORMATION

Blooms of Bressingham Holdings PLC (LSE:BBR)

Date Prepared: October 2006

Company Eye Ranking

40/50

EDITOR'S NOTE

Founded in the early 50's, Blooms of Bressingham has become a well respected name in the gardening profession worldwide for both the introduction of award winning new plants and for innovation in garden centres. With strong botanical roots in plant development and garden design, the Blooms family have remained active contributors to Blooms of Bressingham for 3 generations; a rare heritage that the company are extremely proud of. The company operates eight garden centres and

offers customers the gardening products and tools to take care of their garden. Its wholly owned subsidiary is Blooms of Bressingham Limited.

The company ended last year producing a healthy profit that has continued into this year. These have been achieved against the background of difficult trading conditions for the whole garden centre industry. Blooms have an existing portfolio of investments and we believe the company has potential for growth as a short term investment.

KEY POINTS

* Chelsea Flower Show 2006
Blooms of Bressingham Garden Silver Gilt Winners
* Blooms WIN Gold-Gilt at RHS Chelsea Flower Show 2005

Company Name	Blooms of Bressingham Holdings PLC
Current Price	75.50p
Status	AIM
Market Cap	£25.78 m
Shares in Issue	34.90 m
Activities	Operation of retail garden centre
Sector	General Retailers
Corporate advisor	Teather & Greenwood Ltd
Registrar	Capita IRG PLC

HISTORY

Alan Bloom was one of the great British plantsmen of the twentieth century. A gardener from the age of 16, he bought Bressingham Hall, Norfolk in 1946 and founded a world-renowned gardening dynasty that today spans three generations.

The development of Blooms Nurseries Ltd during the 1950s saw many award-winning new plant introductions into the UK. In 1953, Alan started work on the Dell Garden which today features 47 island beds, planted with over 5000 different plants.

In 1962, Alan Blooms sons - Robert and Adrian joined their father, adding a retail and mail order business in 1964. By the time Alan passed the reins to his sons in 1970, Blooms of Bressingham was a well-established gardening name with many Chelsea Gold Medals and well-known plant introductions to their credit. Plants such as Crocosmia 'Lucifer' and Achillea 'Moonshine' were introduced by Blooms and are still amongst the top sellers today.

THE BUSINESS

Blooms of Bressingham Holdings PLC is a United Kingdom-based holding company. The Company, along with its subsidiaries, is principally engaged in the operation of retail garden centers. As of January 29, 2006, Blooms of Bressingham Holdings PLC operated ten garden centers from its Gloucester-based head office. Its wholly owned subsidiary is

Blooms of Bressingham Limited. In January 2006, the Company formed Blooms Property Limited Partnership (BPLP), a 50/50 joint venture with LaSalle Investment Management (LaSalle), to buy and hold certain of its freehold garden center properties.



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ACTIVITIES

Gloucester

The new centre at Gloucester is one of the largest in the area with its size increasing from 23,000 sq ft to 68,000 sq ft. With a huge heated covered area for its wide range of products including concession companies, houseplants, gifts, accessories, garden furniture, BBQs, gardening sundries and a new 250 seat coffee shop and large outdoor plant area, the centre can offer an extensive range of plants for every garden situation. Strategically located between Cheltenham and Bristol near to the newly improved south Gloucester exit of the M5, Blooms at Gloucester is easy to get to and has free parking for 290 cars.

Gloucester, currently Blooms largest turnover store, achieved over £4m annualised sales in the first year. 17,000 sq ft of the total 68,000 sq ft heated covered space is taken by retail tenants who have also traded well. Both the restaurant and

gift ranges out-performed its expectations, Christmas trading, with a large area designated to seasonal displays, proved to be very popular and the centre has gained a good reputation for its heritage category of plants.

Rugby

Rugby has 43,000 sq ft of inspirational, superb quality and value gardening and home interior requirements. Located on the main A45 Rugby to Coventry road Blooms at Rugby has spaces for 200 cars in the free car park.

Second largest centre, performed well on outdoor plants, furniture and cafe. However, gifts and gardening sales have taken more time to build up as it generally takes a new site 18 to 24 months to establish its reputation with customers. Overall the first year's turnover, annualised at approximately £3.3m.

PROPERTY AND BPLP

In January 2006, Blooms of Bressingham Holdings PLC formed Blooms Property Limited Partnership ("BPLP"), a 50/50 joint venture with LaSalle Investment Management ("La Salle"), to buy and hold certain of Blooms freehold garden centre properties. BPLP is financed 35% with equal equity contributions from the two partners and 65% with debt. This has allowed the company to step up site acquisition and development programme whilst at the same time significantly reducing bank debt in company's trading operations. The first transaction was to sell its freehold centre at Bicester to BPLP, which produced a one-off profit of £2.2m (before tax) for 50% interest sold. This profit is slightly lower than originally anticipated due to additional costs being budgeted for the improvement to the building design, which will enhance sales and profitability of the site. The creation of BPLP as a cost efficient funding

vehicle has in turn allowed Blooms, with partner, to buy a freehold garden centre at Worcester. In addition Blooms have bought the freehold of a garden centre at Stevenage and subject to acquiring planning permission to redevelop the centre they plan to sell the freehold to BPLP later this year. These centres are both very well placed and will undergo redevelopment over the next two years. These acquisitions bring the total number of garden centres owned and operated by Blooms to ten. In addition to acquiring Worcester and Stevenage, the company also refurbished its centres at Cardiff and Cheltenham this spring. In the future, subject to planning, Blooms also intend to expand significantly at least two of its centres, Cardiff and Solihull, to create modern retail destinations. The company now has the financing mechanism in place to undertake this systematically over the next four years.

CENTRE STRATEGY

Blooms strategy remains to acquire centres in good edge of town locations with development potential, and to maximise the development of its existing portfolio. With the creation of BPLP the company has the financing mechanism to allow Blooms to do this.

With the successful launch of Gloucester and Rugby the company now has garden centre industry best practice in layout, shop fitting and merchandising, which the company will progressively roll out to all existing centres, improving the standards of visual merchandising across the Group.

The major Bicester development has now started. The ground works are nearly completed with the building frame planned to go up in June. The core garden centre space will be completed by the end of the financial year. The present centre will continue to trade until the end of

December and the new centre will open in February 2007 and Blooms will take a 50 year lease from BPLP. A further 30,000 sq ft of heated space for retail tenants will then be built where the present garden centre stands. This will be completed in summer 2007 with the tenants opening in autumn 2007, which will complete the development.

Blooms at Bicester will be trading from more than 54,000 sq ft of heated space where, as well as the expected full garden centre range, there will be a 400 seat restaurant and 100 seat cafe, an indoor and outdoor play area, a local farm /organic food shop, a cut flower shop and Blooms' innovatively designed authoritative outdoor plants department. There will also be a further 30,000 sq ft of unheated covered space where bedding plants and containers will be merchandised to its latest standards.



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Early this year, Blooms purchased its ninth centre at Stevenage. The 10.6-acre site is half a mile from junction 8 of the A1(M) just north of the town. The company is in the process of making a planning application to develop a garden centre capable of turnover of approximately £4-5m. Subject to satisfactory planning permission being received, it is intended that BPLP will acquire the site and finance its redevelopment over the coming winter, with Blooms taking a 50-year lease BPLP also acquired, on 3rd March 2006, Blooms' tenth centre operating on a 17-acre site at Worcester situated on the A38 just on the edge of the town. Planning permission for significant development at this site is already in place. The centre is scheduled for redeveloped in autumn 2007 and, once completed in early spring 2008, will be capable of turnover of £4-5m Blooms is operating this centre under a 50 year lease.

As part of the refurbishment at Cardiff the company has introduced a new 250 seat restaurant and has completely refitted the heated covered space. Although there has been some disruption throughout the early months of 2006, with the café closed for two months, in the weeks following the completion the company has seen good growth.

At Cheltenham Blooms has significantly improved its cafe and created a new building to house garden furniture, as well as a completely new outdoor plant area. As with Cardiff, Cheltenham has been completely re-furbished with new shop fittings and signage. The disruption at Cheltenham was considerable due to it being a compact site. Although finishing touches are still being added to the development, the main disruption is now behind and the company seeing good growth.

RESULTS FOR THE 6 MOTHS TO 30TH JULY 2006

For the six months to 30th July 2006 the company turnover has increased by 15.6%, its gross profit margins has increased by 0.7% to 47.9%, and profits before tax, exceptional income and goodwill amortisation has increased by 13.9%.

These figures have been delivered against the back-drop of a particularly bad and late spring in the southern part of the UK affecting horticulture sales, followed by a spell of extremely hot weather in July which similarly reduced company's customers' propensity to shop.

The sales, which are based on four of the company centres that have neither been acquired nor redeveloped within the last 18 months, declined by 2.6%. Since the end of the half year the company like-for-like sales has

recovered and are in line with last year. This has been achieved against the background of the major development at Bicester, included in the like-for-like figures, but which has suffered significant and continued disruption, particularly since the start of the year. The company has continued to invest in its management team during this period in order to support the growth over the coming years.

In line with the statement made at the time of the company preliminary announcement of results in May, the Board expects to recommend an annual dividend at the time of the full-year results but does not intend to pay an interim dividend.

SHARE PERFORMANCE



DIRECTORS

Charles Anthony Good - Non-Executive Chairman
 Stephen Foale - Company Secretary
 Salim Sajid - Operations Director
 Jon Kitching - Chief Executive Officer

Alistair Lorimer - Purchasing and Marketing Director
 Wendy King - Finance Director
 Andrew Peter Biggs - Non-Executive Director
 Christopher Baker - Non-Executive Director



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SHAREHOLDINGS

	Number	%
Charles Good		11.16
Edinburgh House Estates		11.047

	Number	%
David Roberts	3,455,500	10.00
Singer & Friedlander	1,851,352	5.305
J.A. Kitching	1,284,157	5.21

FINANCIAL HISTORY

Profit and loss account for the y/e 29Jan06

£000	6 months to 31st July 2006	Year to 29th Jan 2006
Turnover	14,344	21,254
Cost of sales	(7,479)	(11,200)
Gross profit	6,865	10,054
Amortisation of goodwill	(123)	(375)
Other	(5,827)	(9,427)
Administrative expenses	915	252
Other operating income	487	874
Operating profit	1,402	1,126
Exceptional items	-	3,125
Interest receivable and similar income	104	112
Interest payable and similar charges	(355)	(823)
Profit on ordinary activities before taxation	1,151	3,540
Tax on profit on ordinary activities	(460)	(314)
Profit for the financial period	691	3,226
Basic earnings per share	1.98p	9.78p

Balance Sheet at 29 January 2006

£000	30 July 2006	29 January 2006
Intangible assets	3,736	3,476
Tangible assets	23,870	20,522
Share of gross assets in BPLP	7,000	5,339
Share of gross liabilities in BPLP	(4,820)	(3,630)
Fixed assets	29,786	25,707
Stocks	3,241	2,733
Debtors	1,431	9,040
Cash at bank and in hand	4,810	1,469
Current assets	9,482	13,242
Creditors: amounts falling due within one year	(6,705)	(5,689)
Net current assets	2,777	7,553
Total assets less current liabilities	32,563	33,260
Creditors: amounts falling due after more than one year:		
Convertible debt	(500)	(750)
Lease	(253)	(319)
Bank Loan	(8,000)	(9,000)
Net Assets	23,810	23,191
Capital and reserves		
Called up share capital	3,507	3,507
Share premium account	3,394	3,394
Other reserves	1,783	1,783
Profit and loss account	15,126	14,507
Shareholders' funds	23,810	23,191

RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on

the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document.



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In particular, the value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an

aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered. The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

STRATEGY

The company's strategy remains to invest in and develop major centres. Garden centres remain a unique trading environment, focussed on a

demographic group with high disposable income and should continue to be popular with the consumer.

CONTACT

Bath Road
Haresfield, Near Stonehouse
Gloucestershire
GL10 3DP
United Kingdom

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	38
Customers	38
Low cost	42
Management	
- corporate governance	36
- quality	35
- shareholding	35
Product	35
Sector	36
Financial evaluation	
Early and profitable exit potential	35
Financial strength	
- cash flow	35
- conservative accounting	30
- need for funding	44
Growth at a reasonable price	36
Risk	44
Overall average rating	40



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

Sector

Is the company in an attractive sector that is profitable and adds value?

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