

Blueco Limited

Strategic report, directors' report and financial statements

30 June 2014

Registered number 3196199

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Strategic report, directors' report and financial statements

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Strategic Report for the year ended 30 June 2014

The directors present their strategic report with audited financial statements of the company for the year ended 30 June 2014.

RESULTS FOR THE YEAR

The profit for the year after taxation amounted to £311,856,800 (2013: £12,082,920). This included a profit of £392,105,661 on the disposal of the company's beneficial interest in the Bluewater Shopping Centre to Greenhithe Investments Limited. During the year, dividends of £68,482,262 were paid, representing a cash dividend of £810,000 and a dividend in specie of £67,672,262.

REVIEW OF THE BUSINESS

The principal activity of Blueco Limited is property development and investment holdings. During the year, the company amended its memorandum of association to allow the company to enter into trust arrangements. Blueco Limited subsequently granted two partial declarations of trust, transferring its beneficial interest in the Bluewater Shopping Centre to Greenhithe Investments Limited in consideration for the market value of the centre. The company continues to hold the legal title to the freehold of Bluewater.

KEY PERFORMANCE INDICATORS

The company's principal financial assets are cash and trade and other receivables therefore the credit risk it faces is primarily attributable to its trade receivables. An allowance for impairment is made when there is an objective evidence that the company will not be able to recover all amounts according to the original terms of the receivables concerned.

CREDIT PAYMENT POLICY

Land Securities Properties Limited, a fellow group undertaking, manages payments to suppliers for the Land Securities Group. The Company agrees the terms and conditions under which business transactions with its suppliers are conducted. It is policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

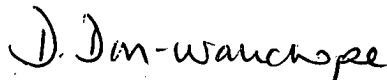
FINANCIAL RISK MANAGEMENT

The Company's main risks are credit risk and interest rate risk. Given the absence of external borrowings in the Company, these risks are not considered material.

While the Company has minimal short term liquidity requirements, any funding requirements could be covered by committed facilities held by other group companies.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's Annual Report, which does not form part of this report.

By order of
the Board



D Don-Wauchope

5 Strand

London

WC2N 5AF

16th March 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2014.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste and recycling.

Directors

The directors who held office during the year were as follows:

D Don-Wauchope (appointed 24 June 2014)
Land Securities Management Services Limited (appointed 15 July 2014)
LS Director Limited (appointed 15 July 2014)
M Boor (resigned 24 June 2014)
C S Matheson (resigned 24 June 2014)
M S Khan (appointed 01 April 2014/resigned 16 May 2014)
G B Sherwin (appointed 24 June 2014/resigned 16 Jan 2015)
A M De Souza (appointed 24 June 2014/resigned 16 Jan 2015)
C M Gill (appointed 24 June 2014/resigned 16 Jan 2015)

Political and charitable contributions

The company made no political or charitable contributions during the year (2013: £nil).


Statement as to disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



D Don-Wauchope

Director
5 Strand
London
WC2N 5AF

16th March 2015

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Blueco Limited

We have audited the financial statements of Blueco Limited for the year ended 30 June 2014 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



William Meredith
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL

16 March 2015

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 £	2013 £
Revenue	2	694,153,213	28,803,224
Cost of Sales		(276,600,377)	(844,563)
Gross profit		417,552,836	27,958,661
Administrative expenses		(11,021,759)	(7,932,212)
Profit before interest and taxation		406,531,078	20,026,449
Financial income		116,915	172,706
Financial expense	5	(4,266,306)	(4,352,585)
Profit on ordinary activities before taxation		402,381,686	15,846,570
Taxation	6	(90,524,886)	(3,763,650)
Profit on ordinary activities after taxation		311,856,800	12,082,920
Total comprehensive income for the year		311,856,800	12,082,920

All activities are continuing.

The company had no recognised gains or losses other than the profit for the year.

There is no difference between the profit as reported and the profit on a historical cost basis.

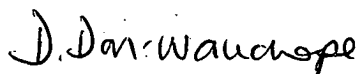
The notes on pages 9 to 13 form an integral part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 £	2013 £
Non current assets			
Non current receivables	7	-	7,892,379
		<u>-</u>	<u>7,892,379</u>
Current assets			
Development property	8	-	273,201,335
Trade and other receivables	9	684,126,245	1,159,738
Cash		-	35,186,956
		<u>684,126,245</u>	<u>309,548,030</u>
Total assets		<u>684,126,245</u>	<u>317,440,409</u>
Current liabilities			
Trade and other payables	10	(316,919,209)	(111,460,053)
Interest bearing borrowings	11	-	(82,147,858)
		<u>(316,919,209)</u>	<u>(193,607,911)</u>
Total liabilities		<u>(316,919,209)</u>	<u>(193,607,911)</u>
Net assets		<u>367,207,036</u>	<u>123,832,498</u>
Capital and reserves			
Called up share capital	12	60,000,010	60,000,010
Retained earnings		307,207,026	63,832,488
Total equity		<u>367,207,036</u>	<u>123,832,498</u>

The notes on pages 9 to 13 form an integral part of these financial statements.

These statements were approved by the board of directors on 16/03/2015
and were signed on its behalf by:



D Don-Wauchope
Director

Statement of changes in shareholders' equity
for the year ended 30 June 2014

	Attributable to shareholders		
	Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2012	60,000,010	51,749,568	111,749,578
Retained profit for the year	-	12,082,920	12,082,920
Balance at 30 June 2013	60,000,010	63,832,488	123,832,498
Balance at 1 July 2013	60,000,010	63,832,488	123,832,498
Dividends	-	(68,482,262)	(68,482,262)
Retained profit for the year	-	311,856,800	311,856,800
Balance at 30 June 2014	60,000,010	307,207,026	367,207,036

The notes on pages 9 to 13 form an integral part of these financial statements.

Cashflow statement
for the year ended 30 June 2014

	2014 £	2013 £
Cash flows from operating activities		
Profit for the year	311,856,800	12,082,920
Adjustments for:		
Taxation	90,524,886	3,763,650
Amortisation expense	616,198	616,198
Finance income	(116,915)	(172,706)
Finance expense	4,266,306	4,352,585
Operating profit before changes in working capital	<u>407,147,275</u>	<u>20,642,647</u>
Increase in trade and other receivables	(470,161,247)	(2,295,929)
Increase in development property	-	(2,106,087)
Increase in trade and other payables	123,311,293	6,227,192
Tax paid	(90,524,886)	(3,763,650)
Net cash from operating activities	<u>(30,227,565)</u>	<u>18,704,173</u>
Cash flows from investing activities		
Interest received	116,915	172,706
Net cash from investing activities	<u>116,915</u>	<u>172,706</u>
Cash flows from financing activities		
Cash dividends paid	(810,000)	-
Interest paid	(4,152,393)	(3,845,534)
Other borrowing costs paid	(113,913)	(507,051)
Net cash from financing activities	<u>(5,076,306)</u>	<u>(4,352,585)</u>
Decrease in cash and cash equivalents		
Movement in cash and cash equivalents	(35,186,956)	14,524,294
Cash and cash equivalents at 1 July	<u>35,186,956</u>	<u>20,662,662</u>
Cash and cash equivalents at 30 June	<u>-</u>	<u>35,186,956</u>

The notes on pages 9 to 13 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Blueco Limited (the "Company") is a company incorporated in the UK.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and its interpretations as adopted by the International Accounting Standards Board (IASB).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Revenue

Revenue is rental income stated net of direct property costs and value added tax and also includes proceeds from sale of development properties during the year.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less provision for doubtful debts.

Development property

Property acquired for development and sale in the ordinary course of business is carried at cost to date. Interest is capitalised to individual holdings where the project is externally financed. The net recoverable amount of each material holding is assessed annually by independent valuers and a provision for diminution in value is made where cost exceeds the valuation. Where the valuation is made on a completion basis, estimated costs to completion are considered in this valuation.

Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange differences net of hedged amounts on borrowings. Ancillary costs incurred in connection with the arrangement of borrowings capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the assets. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to the borrowing. To the extent that funds are borrowed generally, the amount of borrowing costs capitalised is calculated by applying a capitalisation rate to the expenditures on that asset.

Taxation

Tax on the profit for the year comprises current tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Cash Flow Statement.

Key estimates and judgements

These accounts are prepared under IFRSs as adopted by the EU. The choice of accounting policies involves, in some cases, management evaluating and choosing the policy that gives the most true and fair view. The most relevant to the company is in relation to the valuation of development property.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 30 June 2014 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Notes to the financial statements (continued)

2 Revenue

Revenue is stated net of value added tax and is derived from the following sources:

	2014	2013
	£	£
Net rental income	25,794,537	28,803,224
Proceeds from sale of development property	668,358,676	-
	<u>694,153,213</u>	<u>28,803,224</u>

All revenue was attributable to the United Kingdom.

3 Directors' remuneration and employees

The directors did not receive any emoluments in respect of their services to the company (2013: £nil).
The company did not employ any staff during the year (2013: nil).

4 Auditor's remuneration

Auditor's remuneration in respect of previous year audit and other fees were paid by Lend Lease Europe Limited (£16,262). The current year fee attributable to the company is £17,000 and will be borne by Land Securities Properties Limited.

5 Finance expense

	2014	2013
	£	£
Bank loans and overdraft	2,036,082	3,845,533
Other borrowing costs	2,230,224	507,052
	<u>4,266,306</u>	<u>4,352,585</u>

6 Taxation

a) Recognised in the income statement:

	2014	2013
	£	£
Current year tax expense	90,524,886	3,763,650
	<u>90,524,886</u>	<u>3,763,650</u>

b) Reconciliation of the total tax charge

	2014	2013
	£	£
Profit on ordinary activities before tax	402,381,686	15,846,570
Prior year Adjustment	(48,863)	-
	<u>402,332,823</u>	<u>15,846,570</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (2014: 22.50%, 2013: 23.75%)	90,524,886	3,763,560
Non deductible expenses	-	90
Total current tax	<u>90,524,886</u>	<u>3,763,650</u>

There is no unprovided deferred tax.

The above tax calculation is an estimate prepared at the time of signing the financial statements. Any adjustments subsequently agreed with the Inland Revenue will be reflected in the financial statements for the period in which such agreement is reached.

Reductions in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) and to 21% (effective 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. This will reduce the company's future current tax charge accordingly.

(c) Factors that may affect future tax charges

The effective rate of taxation will vary as a result of any dividends paid by subsidiaries, overseas tax rates and the utilisation of tax losses brought forward.

Notes to the financial statements (continued)

7 Non current receivables

	2014	2013
	£	£
Prepayments due after one year	-	7,892,379
	<u>-</u>	<u>7,892,379</u>

8 Development property

	2014	2013
	£	£
Bluewater development at cost at 1 July	273,201,335	271,095,248
Additions	3,051,680	2,106,087
Disposal - cost of sales	<u>(276,253,015)</u>	<u>-</u>
Bluewater development at cost at 30 June	<u>-</u>	<u>273,201,335</u>

9 Trade and other receivables

	2014	2013
	£	£
Prepayments and accrued income	-	1,109,132
Amounts owed by group undertakings	683,333,873	-
Taxation and social security	<u>792,372</u>	<u>50,605</u>
	<u>684,126,245</u>	<u>1,159,738</u>

10 Trade and other payables

	2014	2013
	£	£
Amounts owed to Lend Lease Europe Finance Limited	-	109,397,265
Amounts owed to group undertakings	315,961,911	-
Accruals and deferred income	<u>957,298</u>	<u>2,062,788</u>
	<u>316,919,209</u>	<u>111,460,053</u>

11 Interest bearing borrowings

	2014	2013
	£	£
Finance lease payable (due after 1 year)	-	-
Finance lease payable (due within one year)	<u>-</u>	<u>82,147,858</u>
	<u>-</u>	<u>82,147,858</u>

12 Called up share capital

	2014	2013
	£	£
Authorised		
60,000,010 Ordinary shares of £1 each	<u>60,000,010</u>	<u>60,000,010</u>

13 Financial Risk Management

Introduction and overview

The company has exposure to the following risks:

- Credit risk
- Interest rate risks

This note presents information about the company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Notes to the financial statements (continued)

a) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. There are no significant concentrations of external credit risk with the Company's exposure to other entities in the Land Securities group.

b) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. The Company's policy is to manage interest rate risk that impacts directly on the Company's assets and liabilities.

	Effective interest rate	Floating interest rate £	Non interest bearing £	Total £
As at 30 June 2014				
FINANCIAL ASSETS				
Amounts owed by group undertakings	5.5%	683,333,873	-	683,333,873
Taxation and social security	-	-	792,372	792,372
		<u>683,333,873</u>	<u>792,371</u>	<u>684,126,244</u>

As at 30 June 2014				
FINANCIAL LIABILITIES				
Amounts owed to group undertakings	5.50%	315,961,911	-	315,961,911
Accruals and deferred income	-	-	957,298	957,298
		<u>315,961,911</u>	<u>957,298</u>	<u>316,919,209</u>

	Effective interest rate	Floating interest rate £	Non interest bearing £	Total £
As at 30 June 2013				
FINANCIAL ASSETS				
Non current prepayments and accrued income	-	-	7,892,379	7,892,379
Cash	0%	35,186,956	-	35,186,956
Prepayments and accrued income	-	-	1,109,132	1,109,132
Taxation and social security	-	-	50,606	50,606
		<u>35,186,956</u>	<u>9,052,117</u>	<u>44,239,073</u>

As at 30 June 2013				
FINANCIAL LIABILITIES				
Amounts owed to group undertakings	2.41%	109,397,265	-	109,397,265
Accruals and deferred income	-	-	2,062,788	2,062,788
Non current - other payables	1.62%	82,147,858	-	82,147,858
		<u>191,545,123</u>	<u>2,062,788</u>	<u>193,607,911</u>

Notes to the financial statements (continued)

14 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate parent undertaking is Greenhithe Holdings Limited, a company registered in Jersey. The ultimate parent undertaking of the company is Land Securities Group Plc which is registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by Land Securities Group Plc. The consolidated financial statements of that group may be obtained from www.landsecurities.com.

15 Subsequent events

On 3rd October 2014 the beneficial interest in the Bluewater shopping centre was transferred back to Blueco Limited for consideration of £634.16 million.