

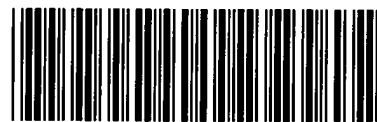
Registered number: 03196199

BLUECO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

THURSDAY



AAØI9PPK

A15

18/03/2021

#22

COMPANIES HOUSE

BLUECO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors of Blueco Limited (the 'Company') present their Strategic Report and the audited financial statements of the Company for the year ended 31 March 2020.

Results for the year

The results are set out in the Statement of Comprehensive Income on page 7.

Review of the business

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

Key performance indicators

The directors assess the performance of the Company by reference to the valuation surplus / deficit upon revaluation of the Company's investment property and profit before tax.

Principal risks and uncertainties

The principal risk facing the Company is that poor performance of the investment property might have a material impact on the asset valuation and rental income in the financial statements. The Company's performance during the year indicates a satisfactory performance of the investment property held. Looking forward, the directors will continue to closely monitor the impact of the Covid-19 pandemic on the performance of the investment property.

Financial risk management

The Company is exposed to liquidity risk, 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.

The Company's principal financial assets are cash and cash equivalents, trade and other receivables and amounts due from Group undertakings and therefore the credit risk it faces is primarily attributable to its trade receivables and amounts due from Group undertakings, as cash has a negligible credit risk. Trade receivables are presented in the Balance Sheet net of allowances for doubtful receivables. The Company assesses on a forward-looking basis, the expected credit-losses associated with its trade receivables and amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable and amounts due from Group undertakings. In determining the expected credit-losses of trade receivables, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis. The balance is low relative to the scale of the Balance Sheet and, owing to the long-term nature and diversity of the Company's tenancy arrangements, the credit risk of trade receivables is considered to be low. Furthermore, a credit report is obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report is used to determine the size of the deposit that is required, if any, from the tenant at inception. In general, these deposits represent between three and six months' rent. In determining the credit-loss of amounts due from Group undertakings, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

There is no material difference between the book value and the fair value of the Company's financial instruments.

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

BLUECO LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

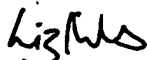
Section 172(1) statement

The Company's ultimate parent company is Land Securities Group PLC which indirectly holds 100% of the ordinary share capital of the Company (refer note 15). The Company's framework in respect of requirements under section 172(1) of the Companies Act is applied through the Land Securities Group's processes and policies, which place stakeholders at the forefront of the Directors' decision making. Details of the Group's framework with respect to interests of customers, communities, employees, partners, suppliers and investors can be found in the consolidated financial statements of Land Securities Group PLC for the year ended 31 March 2020, available on the Group's website, www.landsec.com.

At a Company level, the Directors take the interests of stakeholders, namely the Company's tenants, the Group as the Company's investor and the community in which the Company operates, into account when making relevant decisions, ensuring regular and clear lines of communication between the Company and the stakeholders. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Directors seek to understand the needs and priorities of each group during its discussions. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of the Group's reputation for high standards of business conduct, is integral to the way the Directors operate. The Company Secretary plays a key role in ensuring that stakeholders' interests are fully considered and addressed during the course of the Directors' discussions.

Registered Office
100 Victoria Street
London
SW1E 5JL

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



E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 18 December 2020

Registered and domiciled in England and Wales
Registered number: 03196199

BLUECO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors of Blueco Limited (the 'Company') present their report and the audited financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the audited 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 audited 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited 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 to enable them to ensure that the audited 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.

Directors' engagement statement

Details of how Directors have engaged with key stakeholders of the Company have been disclosed in the Strategic Report.

Principal activity

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

Going concern

Given the significant impact of Covid-19 on the macro-economic conditions in which the Company is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2020. The directors are closely monitoring the impact of Covid-19 on the Company and, given the Company's operating model, believe that the Company has sufficient resources to meet its obligations as they fall due for 12 months after the date of approval of the financial statements. Based on this, together with available market information and the Directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2020.

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 March 2020 (2019: £Nil).

Events after the end of the reporting period

In early 2020 the existence of Covid-19 was confirmed in China and has since spread across a number of countries, resulting in governments taking measures to limit the spread of the disease. Such measures include restrictions on the movement of people and social distancing and resulted in the temporary closure of the shopping centre owned by the Company.

In the six months since year end to September 2020, yields on shopping centres in the UK expanded from 6.00% to 6.50%; per CBRE investment yields respectively at March 2020 and September 2020.

The impact of Covid-19 on investment property values continues to be actively monitored.

BLUECO LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Directors

The directors who held office during the year and up to the date of this report were:

Land Securities Management Services Limited
LS Director Limited
R C Futter

Indemnity

The Company has made qualifying third-party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report.

Financial risk management

The financial risk management objectives and policies are disclosed in the Strategic Report.

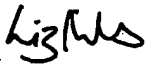
Statement of disclosure of information to auditor

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.

Registered Office
100 Victoria Street
London
SW1E 5JL

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



E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 18 December 2020

Registered and domiciled in England and Wales
Registered number: 03196199

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUECO LIMITED

Opinion

We have audited the financial statements of Blueco Limited (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, 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 FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Emphasis of matter - Disclosures in relation to the impact of Covid-19

We draw attention to note 3 of the financial statements which describes the uncertainties over the economic environment as a result of Covid-19 as highlighted by the material uncertainty paragraph included by CBRE Limited in their investment property valuation report. Our opinion is not modified in respect of this matter.

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUECO LIMITED (CONTINUED)

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 strategic report or 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
- 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 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, 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 on the Financial Reporting Council'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.

Ernst & Young LLP

Claire Johnson (Senior statutory auditor)

For and on behalf of
Ernst & Young LLP, Statutory Auditor

London

Date: 18 December 2020

BLUECO LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Revenue	4	35,432	36,922
Costs	4	(12,217)	(9,153)
Gross profit		23,215	27,769
Property management and administrative expenses	5	(862)	(952)
Net deficit on revaluation of investment properties	8	(154,603)	(55,016)
Operating loss		(132,250)	(28,199)
Interest income	6	898	13
Interest expense	6	-	(48)
Loss before tax		(131,352)	(28,234)
Taxation	7	(173)	(5)
Loss and total comprehensive loss for the financial year		(131,525)	(28,239)

There were no recognised gains and losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

BLUECO LIMITED
REGISTERED NUMBER: 03196199

BALANCE SHEET
AS AT 31 MARCH 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Investment properties	8	398,764	552,576
		<u>398,764</u>	<u>552,576</u>
Current assets			
Trade and other receivables	9	8,855	8,109
Amounts due from Group undertakings	10	32,423	6,203
Cash and cash equivalents	12	3,554	8,955
		<u>44,832</u>	<u>23,267</u>
Current liabilities			
Trade and other payables	11	(7,938)	(8,660)
		<u>(7,938)</u>	<u>(8,660)</u>
Net assets		<u>435,658</u>	<u>567,183</u>
Capital and reserves			
Share capital	13	250,000	250,000
Retained earnings		185,658	317,183
Total equity		<u>435,658</u>	<u>567,183</u>

The financial statements on pages 7 to 18 were approved by the Board of Directors and were signed on its behalf by:



M R Wood, for and on behalf of LS Director Limited

Date: 18 December 2020

BLUECO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £000	Retained earnings £000	Total equity £000
At 1 April 2018	250,000	345,422	595,422
Total comprehensive loss for the financial year	-	(28,239)	(28,239)
At 31 March 2019	250,000	317,183	567,183
Total comprehensive loss for the financial year	-	(131,525)	(131,525)
At 31 March 2020	250,000	185,658	435,658

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

Blueco Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 03196199). The nature of the Company's operations is set out in the Strategic Report on page 1. The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from the Company's registered office at 100 Victoria Street, London, SW1E 5JL.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020. The financial statements are prepared in Pounds Sterling (£) and are rounded to the nearest thousand pounds (£000).

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The equivalent disclosures relating to IFRS 7, IFRS 13 & IAS 36 are included in the consolidated financial statements of Land Securities Group PLC, in which the entity is consolidated.

1.3 Investment properties

Investment properties are properties, either owned or leased by the Company, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by a professional external valuer at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the Statement of Comprehensive Income as a valuation surplus or deficit. Investment properties are presented on the Balance Sheet within non-current assets.

Properties are treated as acquired when the Company assumes control of the property. Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment, interest costs associated with direct expenditure on the property are capitalised. The interest capitalised is calculated using the Company's weighted average cost of borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Certain internal staff and associated costs directly attributable to the management of major schemes are also capitalised.

When the Company begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Company begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the Statement of Comprehensive Income. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Company continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit on disposal of investment properties is presented separately on the face of the Statement of Comprehensive Income.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)

1.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. The Company assesses on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

In determining the expected credit losses, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate.

Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended. Receivables written off are no longer subject to any enforcement activity.

1.5 Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer.

1.6 Provisions

A provision is recognised in the Balance Sheet when the Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where relevant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.7 Going concern

Given the significant impact of Covid-19 on the macro-economic conditions in which the Company is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2020. The directors are closely monitoring the impact of Covid-19 on the Company and, given the Company's operating model, believe that the Company has sufficient resources to meet its obligations as they fall due for 12 months after the date of approval of the financial statements. Based on this, together with available market information and the Directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2020.

1.8 Revenue

Rental income, including fixed rental uplifts, is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

The Company's revenue from contracts with customers, as defined in IFRS 15, includes service charge income and other property related income.

Service charge income and management fees are recorded as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Company. The actual service provided during each reporting period is determined using cost incurred as the input method.

Other property related income includes development and asset management fees. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the development or asset management services are provided.

1.9 Expenses

Property and contract expenditure is expensed as incurred.

1.10 Income taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the Balance Sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)

1.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company is lessor

Operating lease – properties leased out to tenants under operating leases are included in investment properties in the Balance Sheet.

1.12 Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

1.13 Intercompany loans

Amounts due from Group undertakings

Amounts due from Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, amounts due from Group undertakings are stated at amortised cost and, where relevant, adjusted for the time value of money. The Company assesses on a forward-looking basis, the expected credit losses associated with its amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. If collection is expected in more than one year, the balance is presented within non-current assets.

In determining the expected credit losses, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

1.14 Trade and other payables

Trade and other payables with no stated interest rate and payable within one year are recorded at transaction price. Trade and other payables after one year are discounted based on the amortised cost method using the effective interest rate.

2. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, the impact of which is outlined below.

Changes in accounting policy

The Company adopted IFRS 16 Leases on 1 April 2019. There has been no net impact on Total Comprehensive Income or on the Company's balance sheet. Refer to note 1 for details on the accounting policies applied under IFRS 16.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Company none of which are expected to have a material impact on the financial statements of the Company.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Significant accounting judgements and estimates

The Company's significant accounting policies are stated in note 1 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These estimates involve assumptions or judgements in respect of future events. Actual results may differ from these estimates.

Estimates

(a) Investment property valuation

The Company uses the valuation performed by its external valuer, CBRE Limited, as the fair value of its investment properties.

The valuation of investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The assumptions upon which CBRE Limited has based its valuation of the Company's properties as at 31 March 2020 include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015). However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Company's properties differs from their valuation, which could have a material effect on the Company's financial condition.

The Valuer's report for the year ended 31 March 2020 contained a 'material uncertainty' clause due to the disruption to the market at that date caused by Covid-19. The inclusion of this clause indicates that there is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer has based its valuations prove to be inaccurate. Refer to note 8 for further details on the valuation as at year end.

(b) Trade and other receivables

The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this by assessing on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

(c) Amounts due from Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of amounts due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. In determining the expected credit losses, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

4. Revenue and costs

	2020 £000	2019 £000
Rental income (excluding lease incentives)	28,703	29,960
Adjustment for lease incentives	197	559
Rental income	28,900	30,519
Service charge income	6,224	6,086
Other property related income	308	317
	35,432	36,922
Costs		
Other direct property or contract expenditure	(12,217)	(9,153)
Gross profit	23,215	27,769

Other direct property or contract expenditure are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include costs relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which do not proceed, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

5. Property management and administrative expenses

Property management and administrative expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in note (a) below. No staff costs or overheads are capitalised.

(a) Management services

The Company had no employees during the year (2019: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, a fellow group undertaking, charges for which amount to **£823,000** (2019: £909,000).

(b) Directors' remuneration

The Group's directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (2019: £Nil).

(c) Auditor remuneration

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to **£24,000** (2019: £22,000). No non-audit services were provided to the Company during the year (2019: None).

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6. Net interest expense

	2020 £000	2019 £000
Interest expense		
Interest capitalised in relation to properties under development	-	72
Interest on amounts owed to Group undertakings	-	(120)
	-	(48)
Interest income		
Other interest receivable	16	13
Interest on amounts due from Group undertakings	882	-
	898	13
Net interest income/(expense)	898	(35)

7. Income tax

	2020 £000	2019 £000
Corporation tax		
Income tax on loss for the year	173	5
Total income tax charge in the Statement of Comprehensive Income	173	5

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19 %) as set out below:

	2020 £000	2019 £000
Loss before tax	(131,352)	(28,234)
Loss before tax multiplied by UK corporation tax rate	(24,957)	(5,365)
Effects of:		
Exempt property rental profits in the year	(4,245)	(5,083)
Exempt property revaluation deficit in the year	29,375	10,453
Total tax charge for the year	173	5

Land Securities Group PLC is a Real Estate Investment Trust (REIT). As a result, the Company does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8. Investment properties

	2020 £000	2019 £000
Net book value at the beginning of the year	552,576	604,183
Capital expenditure	791	3,409
Deficit on revaluation of investment properties	(154,603)	(55,016)
Net book value at 31 March	398,764	552,576

The historical cost of the investment properties is **£658,253,000** (2019: £657,462,000). The difference between the carrying amount and historical cost is a deficit of **£259,489,000** (2019: £104,886,000). The market value has been adjusted for properties by deducting tenant lease incentives amounting to **£4,680,000** (2019: £4,674,000). The valuations are prepared by CBRE Limited, external valuers, in accordance with RICS valuation standards.

At 31 March 2020 the cumulative interest capitalised in relation to investment properties under development amounts to **£85,000** (2019: £85,000).

The above investment properties act as security against listed debt recognised within a fellow Land Securities Group PLC subsidiary.

Contractual commitments of **£1,300,000** (2019: £Nil) were entered into at the Balance Sheet date relating to investment properties under development.

9. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	6,032	2,824
Less: allowance for doubtful accounts	(2,996)	(491)
Total current trade receivables	3,036	2,333
Other receivables	(138)	5
Accrued income	4,593	4,797
Prepayments	1,364	974
Total trade and other receivables	8,855	8,109

10. Amounts due from Group undertakings

	2020 £000	2019 £000
Amounts due from Group undertakings - fellow subsidiary	32,423	6,203
Total amounts due from Group undertakings	32,423	6,203

The unsecured amounts due from Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at **4.1%** per annum (2019: 4.1%).

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. Trade and other payables

	2020 £000	2019 £000
Trade and other payables	258	174
Capital payables	527	796
Other payables	-	130
Accruals	412	375
Deferred income	5,701	6,102
Current tax liabilities	173	5
Social security and other taxes	867	1,078
Total trade and other payables	7,938	8,660

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end or for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

12. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	3,554	8,955
Total cash and cash equivalents	3,554	8,955

13. Share capital

	Authorised and issued		Allotted and fully paid	
	2020 Number	2019 Number	2020 £000	2019 £000
Ordinary "A" shares of £1.00 each	10	10	-	-
Ordinary "B" shares of £1.00 each	249,999,990	249,999,990	250,000	250,000
	250,000,000	250,000,000	250,000	250,000

There is no difference in voting rights, rights to dividends and rights on the winding up of the Company for each share class.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. Operating lease arrangements

The Company earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

At 31 March, the Company had contracted with tenants to receive the following future minimum lease payments:

	2020 £000	2019 £000
Not later than one year	7,655	8,048
Later than one year but not later than two years	7,061	7,464
Later than two years but not more than three years	6,443	6,907
Later than three years but not more than four years	5,375	6,244
Later than four years but not more than five years	4,375	5,105
More than five years	28,296	28,908
	<u>59,205</u>	<u>62,676</u>

The total of contingent rents recognised as income during the year was **£376,000** (2019: £398,000).

15. Parent company

The immediate parent company is Greenhithe Holdings Limited.

The ultimate parent company and controlling party at 31 March 2020 was Land Securities Group PLC, which is registered in England and Wales. This is the largest parent company of the Group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2020 for Land Securities Group PLC can be obtained from the Company Secretary at the registered office of the ultimate parent company, 100 Victoria Street, London, SW1E 5JL and from the Group website at www.landsec.com. This is the largest and smallest Group to include these accounts in its consolidated financial statements.

16. Events after the end of the reporting period

In early 2020 the existence of Covid-19 was confirmed in China and has since spread across a number of countries, resulting in governments taking measures to limit the spread of the disease. Such measures include restrictions on the movement of people and social distancing and resulted in the temporary closure of the shopping centre owned by the Company.

In the six months since year end to September 2020, yields on shopping centres in the UK expanded from 6.00% to 6.50%, per CBRE investment yields respectively at March 2020 and September 2020.

The impact of Covid-19 on investment property values continues to be actively monitored.