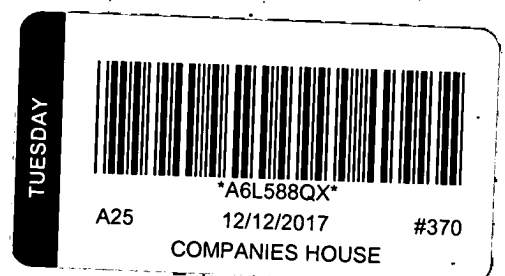

BLUECO LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017



BLUECO LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their strategic report with audited financial statements of the Company for the year ended 31 March 2017.

Results for the year

The results are set out in the Income Statement on page 5.

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.

Creditors 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. Trade creditors at 31 March 2017 were equivalent to 28 days of purchases during the year ended on that date.

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.

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 properties and profit before tax.

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 trade and other debtors, and therefore the credit risk it faces is primarily attributable to its trade debtors. Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. Impairment is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned. 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 from the tenant at inception. In general these deposits represent between three and six months' rent.

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

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
L. Miller, for and on behalf of LS Company Secretaries Limited
Company secretary
4 December 2017

Registered and domiciled in England and Wales
Registered number: 03196199

Registered Office
100 Victoria Street
London
SW1E 5JL

BLUECO LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

The directors present their report and the audited financial statements for the year ended 31 March 2017.

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.

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 March 2017 (2016: £Nil).

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Land Securities Group PLC. The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are signed.

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
D Don-Wauchope

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 management risk

The financial management risk objective 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 auditors are 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 auditors are aware of that information.



By order of the board
L Miller, for and on behalf of LS Company Secretaries Limited
Company secretary
04 December 2017

Registered Office
100 Victoria Street
London
SW1E 5JL

Registered and domiciled in England and Wales
Registered number: 03196199

BLUECO LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

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 judgments 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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLUECO LIMITED

We have audited the financial statements of Blueco Limited for the year ended 31 March 2017, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Auditors' 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 auditors

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; 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, 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In 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 and the Directors' Report.

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; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Daniel Saunders (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory auditor
London

11 December 2017

BLUECO LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £000	2016 £000
Revenue: Gross property income	3	36,299	35,961
Costs	3	(8,450)	(7,898)
Net rental income		27,849	28,063
Property management and administrative expenses	4	(1,015)	(900)
Net surplus on revaluation of investment properties	7	1,656	23,232
Operating profit		28,490	50,395
Interest income	5	8	180
Interest expense	5	(1,741)	-
Profit before tax		26,757	50,575
Income tax	6	(6)	(37)
Profit for the financial year		26,751	50,538

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 £000	2016 £000
Profit for the financial year	26,751	50,538
Other comprehensive income for the financial year	-	-
Total comprehensive income for the year	26,751	50,538


All amounts are derived from continuing activities.

BLUECO LIMITED
REGISTERED NUMBER: 03196199

BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2017 £000	2016 £000
Non-current assets			
Investment properties	7	671,379	656,279
		<u>671,379</u>	<u>656,279</u>
Current assets			
Trade and other receivables	8	6,869	4,895
Cash and cash equivalents		9,440	8,934
		<u>16,309</u>	<u>13,829</u>
Current liabilities			
Trade and other payables	9	(12,868)	(9,674)
Amounts owed to Group undertakings	10	(31,899)	(44,234)
Provisions	11	-	(30)
		<u>(44,767)</u>	<u>(53,938)</u>
Net assets		<u><u>642,921</u></u>	<u><u>616,170</u></u>
Capital and reserves			
Share capital	12	250,000	250,000
Retained earnings		392,921	366,170
Total equity		<u><u>642,921</u></u>	<u><u>616,170</u></u>

The financial statements on pages 5 to 17 were approved by the Board of Directors and were signed on its behalf by:


M R Worthington
For and on behalf of LS Director Limited

Date: 4 December 2017

BLUECO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 April 2015	60,000	315,632	375,632
Total comprehensive income for the year	-	50,538	50,538
Shares issued during the year	190,000	-	190,000
At 31 March 2016	250,000	366,170	616,170
Total comprehensive income for the year	-	26,751	26,751
At 31 March 2017	250,000	392,921	642,921

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Basis of preparation and accounting policies

1.1 Basis of preparation of financial statements

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

The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from 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 2017. The financial statements are prepared in 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 property

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 independent valuer at each reporting date. Properties are treated as acquired at the point when the Company assumes the significant risks and returns of ownership.

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 income statement as a valuation surplus or deficit. Investment properties are presented on the balance sheet within non-current assets.

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 income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Properties are treated as disposed when the significant risks and rewards of ownership are 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 risks and rewards 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 income statement. Proceeds received on the sale of trading properties are recognised within Revenue, and the carrying value at the date of disposal is recognised within Costs.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. Basis of preparation and accounting policies (continued)

1.4 Other property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Company offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

1.5 Investment in a joint venture

Investments in a joint venture / associate undertaking are carried at cost, less any repayment of joint venture capital and provision for impairment in value.

1.6 Investment in subsidiary undertaking(s)

Investments in subsidiary undertaking(s) are stated at cost in the Company's balance sheet, less any provision for impairment in value.

1.7 Other investments

Other investments are available-for-sale financial assets and are held at fair value. Changes to fair value are recorded within other comprehensive income.

1.8 Trading properties and long-term development contracts

Trading properties are those properties held for sale, or those being developed with a view to sell. Trading properties are recorded at the lower of cost and net realisable value. The net realisable value of a trading property is determined by a professional independent valuer at each reporting date. If the net realisable value of a trading property is lower than its carrying value, an impairment loss is recorded in the income statement. If, in subsequent periods, the net realisable value of a trading property that was previously impaired increases above its carrying value, the impairment is reversed. Trading properties are presented on the balance sheet within current assets.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

1.9 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. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned. If collection is expected in more than one year, they are classified as non-current assets.

1.10 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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

1.11 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.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Basis of preparation and accounting policies (continued)

1.12 Revenue

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Service charges and other recoveries are recorded as income in the periods in which they are earned.

When property is let under a finance lease, the Company recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

1.13 Expenses

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see 1.8 above).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in 1.12 above) are charged as an expense in the periods in which they are incurred.

1.14 Impairment

The carrying amounts of the Company's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

1.15 Interest

Interest is accounted for on an accruals basis.

1.16 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.

1.17 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.

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Basis of preparation and accounting policies (continued)

Company is the lessee

i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease – leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised within investment properties at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

Company is the lessor

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

1.18 Dividend distribution

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.

1.19 Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

1.20 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available.

1.21 Intercompany loans

Intercompany loans are recognised initially at fair value less attributable transaction costs. Subsequently to initial recognition, intercompany loans are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the loan, using the effective interest method.

1.22 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 amortised cost method using the effective interest rate.

BLUECO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. Critical accounting judgements and key estimation uncertainty

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 judgements involve assumptions or estimates in respect of future events. Actual results may differ from these 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 the Company's property portfolio 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 investment property valuation contains a number of assumptions upon which CBRE Limited has based its valuation of the Company's properties as at 31 March 2017. The assumptions on which the valuations have been based 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 RICS Valuation Standards. 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.

(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 on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

3. Revenue

	2017 £000	2016 £000
Rental income (excluding adjustment for lease incentives)	29,376	29,431
Adjustment for lease incentives	951	723
Rental income	30,327	30,154
Service charge income	5,630	5,519
Other property related income	342	288
Gross property income	36,299	35,961
Other direct property or contract expenditure	(8,450)	(7,898)
Net rental income	27,849	28,063

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 are not proceeded with, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

BLUECO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

4. 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 (2016: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a Group undertaking, and amount to **£996,581** (2016: £962,500).

(b) Directors' remuneration

The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company. The amounts allocated to services for this Company were **£Nil** (2016: £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 **£17,700** (2016: £17,000). The auditor received no remuneration for non-audit services provided to the Company during the year (2016: £Nil).

5. Net interest expense/(income)

	2017 £000	2016 £000
Interest expense		
Interest payable on amounts owed to Group undertakings	1,741	-
Total interest expense	<u>1,741</u>	<u>-</u>
Interest income		
Other interest receivable	(8)	(180)
Total interest income	<u>(8)</u>	<u>(180)</u>
Net interest expense/(income)	<u><u>1,733</u></u>	<u><u>(180)</u></u>

6. Income tax

	2017 £000	2016 £000
Current tax		
Income tax on profits for the year	(3)	(36)
Adjustments in respect of previous periods	(3)	(1)
Total income tax charge in the income statement	<u><u>(6)</u></u>	<u><u>(37)</u></u>

BLUECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

6. Income tax (continued)

Factors affecting the tax charge for the year

The tax for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before tax	26,757	50,575
Profit before tax multiplied by the rate of corporation tax in the UK of 20% (2016 - 20%)	(5,351)	(10,115)
Effects of:		
Exempt property rental profits in the year	5,017	5,432
Exempt property revaluations in the year	331	4,647
Adjustments in respect of prior years	(3)	(1)
Total tax charge in the income statement (as above)	(6)	(37)

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.

7. Investment properties

	2017 £000	2016 £000
Net book value at 1 April	656,279	632,357
Additions	13,444	690
Surplus on revaluation of investment properties	1,656	23,232
Net book value at 31 March	671,379	656,279

The historical cost of the investment properties is £648,415,134 (2016: £634,972,353). The difference between the carrying amount and historical cost is £22,963,387 (2016: £21,307,111). The market value has been adjusted for tenant lease incentives for an amount of £3,471,479 (2016: £2,520,535). The valuations are prepared by CBRE Limited, independent valuers, in accordance with RICS valuation standards.

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

Contractual commitments of £2,354,130 (2016: £59,870) were entered into at the balance sheet date relating to investment properties under development.

BLUECO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. Trade and other receivables

	2017 £000	2016 £000
Trade receivables	3,191	2,402
Less: allowance for doubtful accounts	(512)	(522)
Net trade receivables	2,679	1,880
Other receivables	27	76
Prepayments and accrued income	4,163	2,939
Total trade and other receivables	6,869	4,895

9. Trade and other payables

	2017 £000	2016 £000
Trade payables	768	191
Capital payables	82	94
Other payables	2,173	183
Accruals and deferred income	8,585	7,353
Current tax liabilities	3	705
Social security and other taxes	1,257	1,148
Total trade and other payables	12,868	9,674

Capital payables represent work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

10. Amounts owed to Group undertakings

	2017 £000	2016 £000
Amounts owed to Group undertakings	31,899	44,234
Total amounts owed to Group undertakings	31,899	44,234

The unsecured amounts owed to Group undertaking is repayable on demand with no fixed repayment date. Interest is charged at 4.5% per annum (2016: £Nil).

BLUECO LIMITED

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11. Provisions

	2017 £000
At 1 April	30
Charge to income statement for the year	(30)
At 31 March	-

12. Ordinary share capital

	Issued		Allotted and fully paid	
	2017	2016	2017	2016
	Number	Number	£	£
Ordinary "A" shares of £1.00 each	10	10	10	10
Ordinary "B" shares of £1.00 each	249,999,990	249,999,990	249,999,990	249,999,990

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

13. Cash flow statement exemption

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption provided in FRS 101 not to produce its own cash flow statement.

14. Related party transactions

The Company is a wholly owned subsidiary of Land Securities Group PLC and has taken advantage of the exemption provided in FRS 101 not to make disclosure of transactions with other entities that are part of the Group.

15. Operating leases arrangements

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

At the balance sheet date, the Company had contracted with tenants to receive the following future minimum lease payments:

	2017 £000	2016 £000
Not later than one year	8,247	8,173
Later than one year and not later than five years	28,317	28,061
Later than five years	28,301	30,393
	64,865	66,627

The total of contingent rents recognised as income during the year was **£8,945,346** (2016: £9,255,449).

16. Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Land Securities Group PLC. The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are signed.

BLUECO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

17. Parent company

The immediate parent company is Greenhithe Holdings Limited, which is registered in Jersey.

The ultimate parent company and controlling party at 31 March 2017 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 2017 for Land Securities Group PLC can be obtained from the Company Secretary, 100 Victoria Street, London, SW1E 5JL. This is the largest and smallest group to include these accounts in its consolidated financial statements.