

Registered Number 08403335

Blue3 (Staffs) Limited

Strategic report, Directors' report and Financial Statements
For the year ended
30 June 2015

SATURDAY



A53L2SN6

A28

26/03/2016

#249

COMPANIES HOUSE

Blue3 (Staffs) Limited

CONTENTS

Pages	Description
1	Company Information
2-3	Strategic Report
4	Directors' Report
5	Statement of Directors' Responsibilities
6 - 7	Independent Auditors' Report
8	Profit and Loss Account
9	Balance Sheet
10	Cash flow Statement
11-15	Notes to the Financial Statements

Blue3 (Staffs) Limited

COMPANY INFORMATION

Directors

Graham B Fairbank
Mark J Massey
Ewen G Miller
Phillippa J W Prongué

Secretary

Graham B Fairbank

Company Number

08403335

Registered Office

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Blue3 (Staffs) Limited

STRATEGIC REPORT

The Strategic Report of Blue3 (Staffs) Limited (the "Company") is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

1 Principal activities

Date of incorporation: 14 February 2013

The principal activities of the Company are the design, construction, financing, supply of certain services and maintenance of a set of 11 fire stations in accordance with the terms of an agreement with Stoke on Trent and Staffordshire Fire and Rescue Authority. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 10 July 2013. The concession period runs for a period of 25 years from the completion of the final station.

2 Business review and future developments

There have been no significant issues in relation to the construction of the fire stations and the facilities management subcontractor has undertaken appropriate levels of mobilisation. The Company is currently £2.3m below the expenditure programme based on the model, not reflecting the exact timing of expenditure and the builder being slightly behind the construction profile. However, these costs will be incurred in the coming year and therefore the loan should be fully drawn down by the end of construction phase. During construction FRS 5 'Reporting the Substance of Transactions' was applied through the utilisation of contractor debtor accounting and therefore the project occurs no profit or loss on ordinary activities before taxation. The loss recorded in the financial statements in the prior year is due to tax payable on disallowable expenditure for equity legal reviews and business entertaining.

3 Results

The result for the financial year dealt with in the financial statements is £Nil (2014: loss £4,531).

4 Key performance indicators

The Company's results are measured against the original financial model, agreed as part of the financial close on 10 July 2013. Variances from the model are highlighted and reported to the board on a monthly basis. Service availability performance indicators start in the operational phase and are not applicable during the year ended 30 June 2015.

5 Principal risks and uncertainties

As this project is heavily geared there is the potential financial risk that interest rate fluctuations in the market could impact the project. However, as management have put in place fixed price debt instruments for the life of the project, at financial close this risk is deemed to be mitigated.

During the year, 6 fire stations were completed and handed over to Stoke on Trent and Staffordshire Fire and Rescue Authority ("Authority") and failed to meet the contracted service availability dates. Subsequent to year end 5 remaining stations were completed and handed over to the Authority with the last 2 stations achieving the contracted service availability dates.

Construction delays means the Company does not receive the unitary charge it should do in line with expectations. The construction contract includes a compensation mechanism through liquidated damages which ensures that the Company is recompensed for losses related to these delays in practical completion. On the basis of this effective contractual step down, the directors are comfortable that the Company is effectively protected from this risk. In addition, regular monitoring of these works and those being carried out on the other five stations is being conducted, to ensure that this issue is being effectively addressed on the ground.

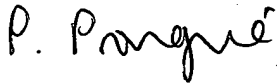
Blue3 (Staffs) Limited

**STRATEGIC REPORT
(Continued)**

6 Going concern

The directors have reviewed the Company's projected cash flows which have been prepared on the basis of a detailed analysis of the Company's finances and likely future demand trends. After consideration of these projections, the directors consider the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

On behalf of the Board



Phillippa J W Prongué
Director

Date: 23 March 2016

Registered Office:
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Blue3 (Staffs) Limited

DIRECTORS' REPORT

The directors present their Directors' Report and the audited financial statements for the year ended 30 June 2015.

1 Dividends

The directors do not recommend the payment of a dividend (2014: nil).

2 Directors

The directors of the Company who served during the year and to the date of this report were as follows:

Graham B Fairbank
Mark J Massey
Ewen G Miller
Phillippa J W Prongué

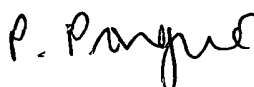
3 Disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and each of us has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

4 Auditor

PricewaterhouseCoopers LLP were appointed as auditors to the Company during 2015 and have indicated their willingness to continue in office.

On behalf of the Board



Phillippa J W Prongué
Director

Date ~~28~~ March 2016

Registered Office:
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Blue3 (Staffs) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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 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 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 AUDITOR'S REPORT TO THE MEMBERS OF BLUE3 (STAFFS) LIMITED

Report on the financial statements

Our opinion

In our opinion, Blue3 (Staffs) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of its results and cash flows 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.

What we have audited

Blue3 (Staffs) Limited's financial statements comprise:

- the Balance sheet as at 30 June 2015;
- the Profit and loss account for the year then ended;
- the Cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BLUE3 (STAFFS) LIMITED (CONTINUED)**

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Rachel Savage (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

23 March 2016

Blue3 (Staffs) Limited
PROFIT AND LOSS ACCOUNT
Year ended 30 June 2015

	Note	2015 £000	2014 £000
Turnover		12,634	14,001
Operating charges		<u>(11,185)</u>	<u>(12,964)</u>
Operating profit	2	<u>1,449</u>	<u>1,037</u>
Interest receivable and similar income		5	-
Interest payable and similar charges	4	<u>(1,454)</u>	<u>(1,037)</u>
Loss on ordinary activities before taxation		<u>-</u>	<u>-</u>
Tax (charge)/credit on loss on ordinary activities	6	<u>-</u>	<u>(5)</u>
Loss for the financial year		<u>-</u>	<u>(5)</u>

A statement of movement in equity shareholders' deficit is shown in Note 11 in the financial statements.

There is no difference between the historical cost result and the result/loss stated above. The result/loss reported above relates to continuing activities.

There are no recognised gains or losses other than the result for the year/period.

The notes on pages 11 to 15 form part of these financial statements.

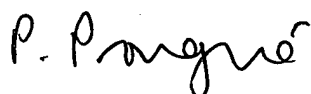
Blue3 (Staffs) Limited

**BALANCE SHEET
As at 30 June 2015**

	Note	2014 £000	2013 £000
Current assets			
Debtors: amounts falling due within one year	6	261	259
Debtors: amounts falling due after more than one year	7	26,635	14,001
Cash at bank and in hand		2,484	2,083
		29,380	16,343
Current liabilities			
Creditors: amounts falling due within one year	8	(3,843)	(1,258)
Total assets less current liabilities		25,537	15,085
Creditors: amounts falling due after more than one year	9	(25,532)	(15,080)
Net Liabilities		5	5
Capital and reserves			
Called up share capital	10	10	10
Profit and loss account	12	(5)	(5)
Total shareholders' deficit	11	5	5

The notes on pages 11 to 15 form part of these financial statements.

The financial statements were approved by the board on 23 March 2016 and were signed on its behalf by:



Phillippa J W Prongué
Director

Registered Number: 08403335

Blue3 (Staffs) Limited

CASH FLOW STATEMENT
Year ended 30 June 2015

	Note	2015 £000	2014 £000
Net cash outflow from operating activities	15	(11,207)	(11,957)
Returns on investments and servicing of finance			
Interest received		5	-
Interest paid and bank charges		<u>(1,454)</u>	<u>(1,037)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(1,449)</u>	<u>(1,037)</u>
Financing			
Increase in equity bridge loan		-	2,310
Increase in term loan		12,977	12,520
Increase in subordinated debt		80	577
Arrangement fees paid		-	(340)
Issue of ordinary share capital		<u>-</u>	<u>10</u>
Net cash inflow from financing		<u>13,057</u>	<u>15,077</u>
Increase in net cash		401	2,083
Cash at 1 July		<u>2,083</u>	<u>-</u>
Cash at 30 June		2,484	2,083
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		401	2,083
Cash outflow from changes in debt financing		<u>(13,057)</u>	<u>(15,408)</u>
Changes in net debt	16	(12,656)	(13,323)
Net debt at the start of the period	16	<u>(13,324)</u>	<u>-</u>
Net debt at the end of the period	16	(25,980)	(13,323)

The notes on pages 11 to 15 form part of these financial statements.

Blue3 (Staffs) Limited

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006.

Contract receivable

Costs incurred in construction have been accounted for under FRS 5 'Reporting the Substance of Transactions'. Costs comprise direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

The contract receivable is repaid over the life of the concession, and revenue is apportioned between a deemed interest charge and turnover. This deemed interest charge is based upon the value of the financial debt outstanding and is included within interest receivable.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future or a right to pay less tax in the future have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Turnover

The Company's sole business activity is that described in the Directors' Report, and accordingly all turnover is derived in the UK.

2. Operating profit

	2015 £000	2014 £000
Operating profit is arrived at after charging		
Auditor's remuneration:		
Audit of the financial statements	<u>12</u> 12	<u>10</u> 10

Blue3 (Staffs) Limited also pay the audit fee for its parent company Blue3 (Staffs) (Holdings) Limited. The fee is deemed to be £2,000 and is included within the £12,000 shown above.

Blue3 (Staffs) Limited

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3 Interest receivable and similar income

	2015	2014
	£000	£000
Interest received on bank deposits	<u>(5)</u>	<u>-</u>
	(5)	-

4 Interest payable and similar charges

	2015	2014
	£000	£000
Interest payable on term loans	1,099	427
Interest payable on subordinated loans	40	39
Commitment fees	246	521
Letter of credit	35	35
Agency fee	21	-
Bank charges	1	2
Amortisation of issue costs	12	12
	<u>1,454</u>	<u>1,037</u>

5 Directors and employees

The directors were not directly remunerated for their services during 2015 (2014: nil).

The Company has no employees (2014: nil).

6 Tax on result on ordinary activities

	2015	2014
	£000	£000
a) Analysis of tax charge in the year/period		
Current tax charge on result for the year/period	<u>-</u>	<u>5</u>
	-	5

	2015	2014
	£000	£000
b) Reconciliation of current tax charge		
Result on ordinary activities before taxation	-	-
Tax on result on ordinary activities at standard corporation tax rate	-	-
Disallowed expenses	<u>-</u>	<u>5</u>
Current tax charge for the year/period	-	5

c) Factors that may affect the future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

There is no deferred tax balance at the year-end (2014: nil).

Blue3 (Staffs) Limited
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6 Debtors: amounts falling due within one year

	2015	2014
	£000	£000
Prepayments and accrued income	54	121
VAT receivable	207	138
	261	259

7 Debtors: amounts falling due after more than one year

	2015	2014
	£000	£000
Contract receivable	26,635	14,001

8 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	11	4
Term loan	306	-
Equity bridge loan	2,310	-
Corporation tax	-	5
Accruals and deferred income	1,216	1,249
	3,843	1,258

9 Creditors: amounts falling due after more than one year

	2015	2014
	£000	£000
Borrowings: term loan	24,875	12,192
Equity bridge loan	-	2,310
Subordinated debt	657	578
	25,532	15,080

Borrowing consists of:

The term loan facility and equity bridge facility were granted by Aviva Public Private Finance Limited on 10 July 2013 and are secured on the assets of the Company. The loan is secured on the assets of the Company. The loan is shown net of issue costs of £315k (2014: £328k). The loan facility is for a total value of £33,314k of which £27,806k of term loan was drawn at 30 June 2015.

The equity bridge loan facility of £2,310k is repayable in full on 29 February 2016 and deemed to be short term and reflected in note 8 above. Subsequent to the year end, equity bridge loan was paid in full on 29 February 2016.

The term loan facility of £31,005k is repayable from 29 February 2016 to 31 January 2040.

Amounts repayable are due as follows:

Within one year	306
In more than one year but not more than two years	1,016
In more than two years but not more than five years	3,323
In more than 5 years	26,360
	31,005

Term loan balance of £25,181k is adjusted by the amount repayable within one year which is deemed as a short term liability and reported in note 8 above.

Blue3 (Staffs) Limited
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10 Called up share capital

	2015 £000	2014 £000
Authorised; allotted, called up and fully paid 10,000 (2014: 10,000) Ordinary shares of £1 each	10	10

11 Reconciliation of movements in shareholders' deficit

	£000
At 01 July 2014	5
Result for the year	-
	<hr/>
At 30 June 2015	5
	<hr/>

12 Profit and loss account

	£000
At 01 July 2014	(5)
Result for the year	-
	<hr/>
At 30 June 2015	(5)
	<hr/>

13 Related party disclosures

During the year the Company entered into transactions, in the ordinary course of business, with Kier Project Investment Limited and Kier Construction Limited (whose ultimate holding company is Kier Group plc). There were also transactions with Calder Peel limited. The relationship with these companies is described in Note 14. Transactions entered into during the year are as follows:

	Purchases		Amount outstanding at 30 June 2015	
	2015 £000	2014 £000	2015 £000	2014 £000
Kier Construction Limited	11,909	10,667	1,146	1,162
Kier Project Investment Limited	114	1,013	-	-
Kier Facilities Services Limited	283	238	-	-
Calder Peel Limited	10	33	-	-
	<hr/> 12,316	<hr/> 11,951	<hr/> 1,146	<hr/> 1,162

14 Parent Undertakings

As at 30 June 2015 the Company was a wholly owned subsidiary of Blue3 (Staffs) (Holdings) Limited, a company incorporated in the United Kingdom and registered in England and Wales. The share capital of Blue3 (Staffs) (Holdings) Limited is held 80% by Kier Project Investment Limited (the ultimate holding company being Kier Group Plc) and 20% by CP Bluethree (Staffs) Limited (the ultimate holding company being Calder Peel Investments (Holdings) Limited).

Blue3 (Staffs) (Holdings) Limited, Kier Project Investment Limited and CP Bluethree (Staffs) Limited are all incorporated in the United Kingdom and registered in England and Wales.

Blue3 (Staffs) Limited
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

15 Reconciliation of operating profit to net cash outflow from operating activities

	2015	2014
	£000	£000
Operating profit	1,449	1,037
Changes in debtors	(2)	(259)
Movement in contract receivable	(12,622)	(13,989)
Changes in creditors	(32)	1,254
Net cash outflow from operating activities	(11,207)	(11,957)

16 Analysis of changes in net debt

	2014	Movements in the year	2015
	£000	£000	£000
Cash at bank and in hand	2,083	401	2,484
Term Loan	(12,520)	(12,977)	(25,497)
Sub-ordinated loan	(577)	(80)	(657)
Equity bridge loan	(2,310)	-	(2,310)
Net debt	<u>(13,324)</u>	<u>(12,656)</u>	<u>(25,980)</u>