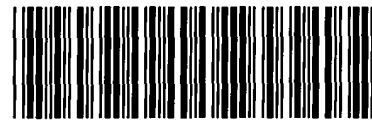


Company Registration No: 04429272

LANESPACE LIMITED
CONSOLIDATED REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017

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COMPANIES HOUSE

LANESPACE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

R Tchenguiz
M R Turner

REGISTERED OFFICE

5th Floor
Leconfield House
Curzon Street
London
W1J 5JA

AUDITOR

RSM UK Audit LLP
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

SOLICITORS

Osborne Clarke
One London Wall
London
EC2Y 5EB

LANESPACE LIMITED

STRATEGIC REPORT

The directors present their Strategic Report and the financial statements of Lanespace Limited for the year ended 31 May 2017.

Business review and future developments

The group's investment properties held at 31 May 2017 were valued as at that date at £245,820,000 (2016: £123,860,000) by the directors. The increase in value during the year amounted to £121,960,000 (2016: £7,300,000 decrease) as set out in note 9.

The current lease agreements have a tenant only option to break on or after 31 March 2018. Two of the ten lease break options have been exercised. Negotiations are at an advanced stage with the tenant to renew the leases of eight of the ten properties and this supports the significant increase in the value of the properties.

One of the remaining properties was sold in August 2018 for a consideration of £3m.

There have been no changes in tenancy during the year.

In the opinion of the directors the result for the year and the financial position of the group and of the company at 31 May 2017 were satisfactory, given the support of Altair 2 Limited.

Financial risks and key performance indicators

The Company is an intermediate holding company; accordingly it has no key performance indicators.

The directors use the following key indicators to measure the group's performance:

| | 2017 | 2016 |
|---------------------------------|------|------|
| Ratio of loan to property value | 32% | 70% |
| Interest rental cover | 250% | 234% |

It is the Group's policy that no trading in financial instruments shall be undertaken. The Group only enters into derivative contracts as part of its risk mitigation strategy.

The Group is exposed to interest rate risk, tenant credit risk, cash flow risk and market value risk.

Interest rate risk

The Group is party to fixed interest rate loans through the issue of interest rate swap arrangements and has an RPI swap arrangement whereby the Group either benefits from reduced interest rates or suffers from increased interest rates depending on whether the RPI rate is above or below 2.99%.

Tenant credit risk

The risk has been mitigated by the Group only taking on appropriate tenants with credit checks undertaken by Prime Estates Property Management Limited, a related party.

Cash flow risk

The Group minimises its cash flow risk of non-performance on its loan agreements by minimising tenant credit risk and through either arranging for its rentals to be paid by direct transfer or by employing Prime Estates Property Management Limited, a related party, as its management agents utilising their specialist skills to ensure collection of rent takes place on time.

Market value risk

The Group's investment property values are determined by market forces outside of the Group's control.

The Group is not exposed to a loan default resulting from a fall in property values as the loan agreement does not include a loan to value covenant.

By order of the Board:


R Tchenguiz
Director

30 August 2018

LANESPACE LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements of Lanespace Limited for the year ended 31 May 2017.

Principal activities

The principal activity of the Group is the letting of investment property. There were no additions or disposals of investment property during the year.

The principal activity of the Company during the year was that of acting as an intermediate holding company. The Company did not trade during the year.

Results and dividends

The group profit for the year amounted to £127,328,227 (2016: £1,497,352). The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 June 2016:

R Tchenguiz
M R Turner

Matters of strategic importance

A description of the company's risk exposure and management has not been included in the Directors' Report as it has been included in the Strategic Report on page 2 in accordance with s414C(11) of the Companies Act.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and the 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 elected to prepare 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 group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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.

LANESPACE LIMITED

DIRECTORS' REPORT (continued)

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

By order of the Board:

R Tchenguiz

Director

30 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANESPACE LIMITED

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 May 2017 and of its result 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.

Emphasis of matter – Investment property valuation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies in note 1.13 and in note 9 to the financial statements concerning the fair values of the Group's investment properties which are held at Directors' valuation of £245.8m (2016 £123.9m). As indicated on page 16, considerable potential volatility exists in these valuations subject to the number of leases that are renewed at the end of the current lease terms, which expire in June 2019. Changes in the number of leases renewing, annual rental charge, lease term and local market conditions could all have a significant impact on the fair value of these properties with a potential range from £31.7m – £245.8m. Two of the properties have been valued on a vacant possession basis and the directors anticipate that the remaining eight tenants will extend their leases, but the terms of these lease extensions are currently under negotiation. The ultimate outcome of this matter cannot presently be determined and no adjustment to the financial statements has been made to reflect the negative impact on the investment property valuation if the leases on the remaining properties were not extended.

Scope of the audit of the financial statements

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

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 and, based on the work undertaken in the course of our audit, 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 the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or 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.

Respective responsibilities of directors and auditor

As more fully explained 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 (APB's) Ethical Standards for Auditors.

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

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.

RSM UK Audit LLP

Christopher Hurren BA FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor, One London Square, Cross Lanes
Guildford, Surrey, GU1 1UN

31 August 2018

LANESPACE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|---------------------------|-------------------------|
| Rent receivable | | 14,692,787 | 14,692,790 |
| Other operating expenses | 2 | (74,970) | (116,647) |
| Operating profit | | <u>14,617,817</u> | <u>14,576,143</u> |
| Fair value gain/(loss) on investment property | | 121,960,000 | (7,300,000) |
| Interest receivable and similar income | 3 | 2,588,303 | 2,670,480 |
| Interest payable and similar charges | 4 | (5,858,288) | (6,449,652) |
| Profit on ordinary activities before taxation | 5 | <u>133,307,832</u> | <u>3,496,971</u> |
| Taxation | 7 | (5,979,605) | (1,999,619) |
| Profit on ordinary activities after taxation | | <u>127,328,227</u> | <u>1,497,352</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | <u><u>127,328,227</u></u> | <u><u>1,497,352</u></u> |

LANESPACE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Company Registration Number: 04429272)

AT 31 MAY 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|---------------|---------------|
| Fixed assets | | | |
| Investment properties | 9 | 245,820,000 | 123,860,000 |
| Current assets | | | |
| Debtors | 11 | 20,584 | 1,623,857 |
| Creditors: amounts falling due within one year | 12 | (133,607,612) | (33,837,132) |
| Net current liabilities | | (133,587,028) | (33,213,275) |
| Total assets less current liabilities | | 112,232,972 | 91,646,725 |
| Creditors: amounts falling due after more than one year | 13 | - | (109,672,790) |
| Provision for liabilities and charges | 15 | (2,930,810) | - |
| Net assets/(liabilities) | | 109,302,162 | (18,026,065) |
| Capital and reserves | | | |
| Called up share capital | 17 | 100 | 100 |
| Fair value reserve | | 105,193,211 | - |
| Profit and loss account | | 4,108,851 | (18,026,165) |
| Total equity | | 109,302,162 | (18,026,065) |

The financial statements on pages 7 to 25 were approved by the board of directors and authorised for issue on 30 August 2018 and are signed on its behalf by:



R Tchenguiz
Director

LANESPACE LIMITED

STATEMENT OF FINANCIAL POSITION (Company Registration Number: 04429272)

AT 31 MAY 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 10 | 16,399,762 | 16,399,762 |
| Creditors: amounts falling due within one year | 12 | (16,399,662) | (16,399,662) |
| Net current liabilities | | (16,399,662) | (16,399,662) |
| Total assets less current liabilities | | 100 | 100 |
| Capital and reserves | | | |
| Called up share capital | 17 | 100 | 100 |
| Total equity | | 100 | 100 |

The financial statements on pages 7 to 25 were approved by the board of directors and authorised for issue on 30 August 2018 and are signed on its behalf by:



R Tchenguiz
Director

LANESPACE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2017

| Group | Share Capital £ | Fair value reserve £ | Profit and loss account £ | Total £ |
|---|--------------------------------|-------------------------------------|--|---------------------|
| Balance at 1 June 2015 | 100 | - | (19,523,517) | (19,523,417) |
| Total comprehensive income for the year | - | - | 1,497,352 | 1,497,352 |
| Transfer to fair value reserve of investment property revaluation deficit in year | - | - | - | - |
| Balance at 31 May 2016 | <u>100</u> | <u>-</u> | <u>(18,026,165)</u> | <u>(18,026,065)</u> |
| Total comprehensive income for the year | - | - | 127,328,227 | 127,328,227 |
| Transfer to fair value reserve of investment property revaluation surplus in year | - | 105,193,211 | (105,193,211) | - |
| Balance at 31 May 2017 | <u>100</u> | <u>105,193,211</u> | <u>4,108,851</u> | <u>109,302,162</u> |

Company

| | Share capital £ |
|---|--------------------------------|
| Balance at 1 June 2015 | 100 |
| Total comprehensive income for the year | - |
| Balance at 31 May 2016 | <u>100</u> |
| Total comprehensive income for the year | - |
| Balance at 31 May 2017 | <u>100</u> |

LANESPACE LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2017

| | Notes | £ | 2017 £ | £ | 2016 £ |
|---|-------|--------------|--------------|--------------|--------------|
| Operating activities | | | | | |
| Cash generated from operations | 18 | 16,055,953 | | 15,800,250 | |
| Interest paid | | (3,813,632) | | (4,612,384) | |
| Income taxes paid | | (1,303,024) | | (1,047,986) | |
| Net cash used in operating activities | | | 10,939,297 | | 10,139,880 |
| Financing activities | | | | | |
| Repayments of borrowings | | (10,939,297) | | (10,139,880) | |
| Net cash used in financing activities | | | (10,939,297) | | (10,139,880) |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | | - | | - |
| Cash and cash equivalents at beginning of the year | | | | | |
| | | | - | | - |
| Cash and cash equivalents at the end of the year | | | | | |
| | | | - | | - |

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1. Accounting policies

Company information

Lanespace Limited ("the Company") is a limited company domiciled and incorporated in England. The address of the Company's registered office and principal place of business is 5th Floor, Leconfield House, Curzon Street, W1J 5JA. The principal activity of the Group is the letting of investment property. The principal activity of the Company is that of acting as an intermediate holding company.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, and under the historical cost convention modified to include investment properties at fair value.

1.2 Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 11 'Basic Financial Instruments & Section 12 'Other Financial Instrument Issues' – Carrying amounts interest income/expense and net gains/losses for cash category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value charges recognised in profit or loss and in other comprehensive income.

1.3 Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries. Subsidiaries acquired are consolidated using the acquisition method. Their results are incorporated from the date the control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment. All financial statements are made up to 31 May annually.

1.4 Going concern

As shown in note 13 the outstanding bank loan as at 31 May 2017 was £78,186,333 (2016: £87,025,828) and was due for repayment in April 2018. Upon redemption this loan was replaced by a two-year interest-only facility of £74,653,806 with interest charged at 7% per annum. Following this refinancing the directors have assessed the operation of the structure and the continuation and availability of support being provided by Altair 2 Limited (see note 20), a related company, and have determined that the Group and company have, or can expect to have, sufficient working capital for its needs for at least the next 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis.

1.5 Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1.6 Rent receivable

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on an accruals basis over the term of the lease. The effect of rent reviews is only recognised when such reviews have been agreed with tenants. Where rents are subject to fixed indexation in lieu of rent reviews, the rents are recognised on a systematic basis as income in the periods in which they are earned.

1.7 Loan finance charges

Loan finance costs are amortised over the term of the related borrowings and the loans to which they relate are stated after deducting the amount of the unamortised finance costs.

1.8 Investment properties

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

1.9 Operating Leases

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

1.10 Fixed asset investments

Fixed asset investments, other than associated companies and joint ventures, are stated at cost.

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the profit or loss.

Associated undertakings

Undertakings in which the group has an investment comprising a participating interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings. The group financial statements include the appropriate share of these undertakings' results and other comprehensive income based on the latest audited financial statements.

1.11 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1.11 Taxation (continued)

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.12 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity Instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1.12 Financial instruments (continued)

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair values of swaps are determined by the company's bankers based on their assessment of the market and economic outlook. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Hedging financial instruments

Receipts and payments from financial instruments entered into in order to fix the interest payable on loans are treated as additions to or reductions from interest payable. The fair value of the swaps are determined by the company's bankers based on their assessment of the market and economic outlook and movements are recognised through the profit and loss account.

1.13 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed overleaf.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1.13 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value. There are ten properties in the group's portfolio. The tenancy agreements for all ten properties expire in June 2019, but all had break clauses in March 2018. The tenants at two properties gave notice that they would be exercising the break clause and have now vacated. One of these properties was sold in August 2018 for £3m and the other has been valued at £0.6m on a vacant possession basis.

The directors anticipate that the remaining eight tenants will extend their leases, but the terms of these lease extensions are currently under negotiation. Based on ongoing negotiations the directors have assessed the value of the property portfolio to be £245.8m but this value could increase or decrease subject to the terms of the renewal agreement. If the properties were sold on a vacant possession basis it has been estimated, by a third-party chartered surveyor, that the portfolio could be sold for £31.7m. However, the Directors are confident lease extensions will occur for eight of the ten properties.

This is highly judgemental and changes in the number of leases renewing, annual rental charge, lease term and local market conditions could all have a significant impact on the fair value of these properties.

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised, and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

| | | |
|--|-------------------|-------------------|
| 2. Other operating expenses | 2017 | 2016 |
| | £ | £ |
| Administrative expenses | 74,970 | 116,647 |
| | <u> </u> | <u> </u> |
| 3. Interest receivable and similar income | 2017 | 2016 |
| | £ | £ |
| Fair value gains on interest rate swaps | 2,588,303 | 2,670,480 |
| | <u> </u> | <u> </u> |
| 4. Interest payable and similar charges | 2017 | 2016 |
| | £ | £ |
| On bank loans | 5,693,602 | 6,282,449 |
| Amortisation of finance charges | 136,918 | 140,891 |
| Fair value loss on RPI swaps | 26,660 | 26,312 |
| Interest on overdue corporation tax | 1,108 | - |
| | <u>5,858,288</u> | <u>6,449,652</u> |

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

| | | |
|--|-------------------|-------------------|
| 5. Profit on ordinary activities before taxation | 2017 | 2016 |
| | £ | £ |
| The profit on ordinary activities before taxation is stated after charging: | | |
| Auditor's remuneration: | | |
| audit of parent company and consolidation | 1,800 | 1,800 |
| audit of the company's subsidiaries | 8,200 | 10,200 |
| | <u> </u> | <u> </u> |
| 6. Employees and directors | | |
| There were no employees during the year apart from the directors who received no emoluments. | | |
| 7. Taxation | 2017 | 2016 |
| | £ | £ |
| Current tax | | |
| UK corporation tax | 1,472,182 | 1,303,024 |
| Adjustments in respect of prior periods | - | (208) |
| Total current tax | <u>1,472,182</u> | <u>1,302,816</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 4,419,833 | 469,462 |
| Effect of decreased tax rate on opening liability | 87,590 | 227,341 |
| Total deferred tax | <u>4,507,423</u> | <u>696,803</u> |
| Total tax on profit on ordinary activities | <u>5,979,605</u> | <u>1,999,619</u> |

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

7. Taxation (continued)

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

| | 2017 £ | 2016 £ |
|--|-------------------|------------------|
| Profit on ordinary activities before tax | 133,307,832 | 3,496,971 |
| Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2016: 20%). | <u>26,661,566</u> | <u>699,394</u> |
| Effects of: | | |
| Capital allowances | (231,074) | (281,797) |
| Fair value adjustment on investment property | (24,392,000) | 1,460,000 |
| Fair value adjustment on RPI swaps | 5,332 | 5,262 |
| Fair value adjustment on interest swaps | (517,661) | (534,096) |
| Group relief | (18,297) | - |
| UK transfer pricing | (23,280) | (45,739) |
| Amounts relating to change in corporation tax rates | (12,404) | - |
| Adjustments in respect of prior periods | - | (208) |
| Deferred tax impact of changes to capital allowances | 653,016 | (6,488) |
| Deferred tax impact of fair value adjustment on RPI swaps | (4,532) | (4,736) |
| Deferred tax impact of fair value adjustment on interest rate swaps | 440,012 | 480,686 |
| Change in substantively enacted tax rate | 87,590 | 227,341 |
| Deferred tax impact of revaluation of investment property | 3,331,337 | - |
| Tax expense | <u>5,979,605</u> | <u>1,999,619</u> |

At the balance sheet date the group had estimated non-trading losses of £2,831,761 (2016: £2,831,761) available for offset against future taxable profits. The deferred tax arising on these losses has not been recognised as their utilisation in the foreseeable future is considered remote.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 18 November 2015. As a result of the change in the UK main rates of corporation tax, the relevant deferred tax balances have been remeasured.

8. Company statement of comprehensive income

As permitted by section 408 Companies Act 2006, no separate statement of comprehensive income of the company is presented. The company's total comprehensive income for the year amounted to £Nil (2016: £Nil).

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

9. Investment properties

| Group | 2017 £ | 2016 £ |
|------------------------------|--------------------|--------------------|
| Fair value | | |
| As at 1 June | 123,860,000 | 131,160,000 |
| Fair value surplus/(deficit) | 121,960,000 | (7,300,000) |
| As at 31 May | 245,820,000 | 123,860,000 |

The properties were valued at 31 May 2017 at £245,820,000 (2016: £123,860,000) by the directors (2016: on reports provided to them by Chartered Surveyors employed by the group's in house management company).

Valuations take in account estimates for tenure, lease terms, market conditions, inflation assumptions and sales prices based on known market transactions for similar properties.

If investment properties were stated on an historical basis rather than a fair value basis, the amounts would have been included as follows:

| | 2017 £ | Freehold interests 2016 £ |
|------|-------------------|--|
| Cost | 138,574,411 | 138,574,411 |

The group's investment properties are subject to a charge in connection with cross-guarantees and cross collateralisations of other group companies' investment properties as security for group loans (see note 13).

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

10. Fixed asset investments

| Company | Shares in subsidiary undertakings £ |
|--------------------------------|--|
| Cost or valuation: | |
| At 1 June 2016 and 31 May 2017 | 16,399,762 |

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Principal activity | Shares held Class | % |
|--------------------------------|---|---------------------------|------------------------------|----------|
| Subsidiary undertakings | | | | |
| Holaw (582) Limited | England | Holding company | Ordinary | 100.00 |
| Holaw (581) Limited* | England | Holding company | Ordinary | 100.00 |
| Holaw (580) Limited* | England | Property investment | Ordinary | 100.00 |
| Pipesafe Limited* | England | Property investment | Ordinary | 100.00 |

*Held via the subsidiary Holaw (582) Limited

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | Principal activity | Capital and reserves 2017 £ | Profit for the year 2017 £ |
|---------------------|---------------------------|--|---|
| Holaw (582) Limited | Holding company | 2 | - |
| Holaw (581) Limited | Holding company | 100 | - |
| Holaw (580) Limited | Property investment | 6,013,681 | 210,658 |
| Pipesafe Limited | Property investment | 119,688,340 | 127,117,569 |

The registered office for all subsidiary undertakings is 5th Floor, Leconfield House, Curzon Street, London, W1J 5JA.

11. Debtors

| Group | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Amounts falling due within one year: | | |
| RPI swaps | 20,584 | 47,244 |
| Amounts falling due after more than one year: | | |
| Deferred tax (note 15) | - | 1,576,613 |
| | <u>20,584</u> | <u>1,623,857</u> |

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

12. Creditors: amounts falling due within one year

| Group | 2017 | 2016 |
|---------------------------------------|--------------------|-------------------|
| | £ | £ |
| Bank loan (note 13) | 78,186,333 | 10,801,339 |
| Corporation tax | 1,472,182 | 1,303,024 |
| Other taxes and social security costs | 481,479 | 528,169 |
| Other creditors | 27,272,465 | 19,221,330 |
| Interest rate swaps | 24,293,690 | - |
| Accruals and deferred income | 1,901,463 | 1,983,270 |
| | <u>133,607,612</u> | <u>33,837,132</u> |
| Company | | |
| Other creditors | <u>16,399,662</u> | <u>16,399,662</u> |

13. Creditors: amounts falling due after more than one year

| Group | 2017 | 2016 |
|---|-------------------|--------------------|
| | £ | £ |
| Bank loan | - | 76,224,489 |
| Other creditors | - | 6,566,308 |
| Interest rate swaps | - | 26,881,993 |
| | <u>-</u> | <u>109,672,790</u> |
| Loan maturity analysis | | |
| In less than one year | 78,317,724 | 10,939,297 |
| In more than one year but not more than two years | - | 76,354,840 |
| | <u>78,317,724</u> | <u>87,294,137</u> |
| Less: finance charges allocated to future periods | (131,391) | (268,309) |
| | <u>78,186,333</u> | <u>87,025,828</u> |
| Less: included in amounts due within one year | (78,186,333) | (10,801,339) |
| | <u>-</u> | <u>76,224,489</u> |

The bank loan comprises of three loan tranches, the interest rate on which has been fixed by way of separate swap agreements:

Tranche A of £7,030,795 (2016: £15,678,563) is repayable by instalments by April 2018 and bears interest at 6.85% per annum.

Tranche B of £41,889,077 (2016: £44,180,606) is repayable by April 2018 and bears interest at 6.93% per annum. Part of the interest was repaid and part is rolled up and capitalised until October 2014. The loan is then repaid by instalments. On maturity in April 2018 the balance of the loan is then repaid by a one off £40,000,000 payment.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

13. Creditors: amounts falling due after more than one year (continued)

Tranche C of £29,397,852 (2016: £27,434,968) bears interest at 7.06% per annum. The interest is accrued until maturity in April 2018 when the loan and interest are repaid by a payment of £31,500,000.

The entire loan is secured by a fixed and floating charge over the group's investment properties.

The group has also entered into an RPI swap agreement. Under the terms of the swap the group either benefits from reduced interest rates or suffers from increased interest rates depending on whether the RPI rate is above or below 2.99%.

The other creditor, which represents an amount due to a related party for which there are no set repayment terms, is unsecured, interest free and is subject to a deed of priority and subordination whereby it can only be settled after repayment of the bank loan.

14. Financial instruments

The carrying amount of the group's financial instruments at 31 May were:

| Group | 2017 £ | 2016 £ |
|--|--------------------|--------------------|
| Financial assets: | | |
| Debt instruments measured at amortised cost | - | - |
| Measured at fair value through profit and loss | 20,584 | 47,244 |
| Total | 20,584 | 47,244 |
| Financial liabilities: | | |
| Measured at amortised cost | 106,543,928 | 114,117,321 |
| Measured at fair value through profit and loss | 24,293,690 | 26,881,993 |
| Total | 130,837,618 | 140,999,314 |

15. Provision for liabilities and charges

Deferred taxation

| Group | Deferred tax asset / (liability) £ |
|-------------------------|---|
| 1 June 2016 | 1,576,613 |
| Profit and loss account | (4,507,423) |
| 31 May 2017 | (2,930,810) |

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

15. Provision for liabilities and charges (continued)

Deferred taxation (continued)

The deferred tax (liability)/asset is made up as follows:

| | 2017 £ | 2016 £ |
|--|--------------------|------------------|
| Interest rate swaps measured at fair value | 4,129,927 | 4,838,759 |
| RPI swaps measured at fair value | (3,499) | (8,504) |
| Excess of capital allowances over depreciation | (3,725,901) | (3,253,642) |
| Revaluation of investment property | (3,331,337) | - |
| | <u>(2,930,810)</u> | <u>1,576,613</u> |

16. Commitments under operating leases

Group

At the year end, the Group had contracted with tenants, under non-cancellable operating leases, for the following future minimum lease payments:

| | 2017 £ | 2016 £ |
|----------------------------|-------------------|-------------------|
| Amounts receivable: | | |
| Less than one year | 12,197,028 | 14,692,790 |
| Between one and five years | - | 12,197,028 |
| | <u>12,197,028</u> | <u>26,889,818</u> |

The operating lease represents amounts due from tenants in respect of the investment properties. The properties have current annual rental income of £14,692,790 and a lease expiry date of March 2018.

17. Share capital and reserves

Share capital

| | 2017 £ | 2016 £ |
|----------------------------------|------------|------------|
| Allotted, issued and fully paid: | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | <u>100</u> | <u>100</u> |

Ordinary share rights

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Group

Reserves

Reserves of the Group represent the following:

Retained earnings

Cumulative profit and loss net of distributions to owners.

Fair value reserve

Cumulative gross revaluation gains on the company's investment property.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

18. Reconciliation of consolidated profit after tax to net cash generated from operations

| | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Profit after tax | 127,328,227 | 1,497,352 |
| Adjustments for: | | |
| Fair value (gain)/loss on investment properties | (121,960,000) | 7,300,000 |
| Interest receivable | (2,588,303) | (2,670,480) |
| Interest payable | 5,858,288 | 6,449,652 |
| Taxation | 5,979,605 | 1,999,619 |
| Operating cash flow before movements in working capital | 14,617,817 | 14,576,143 |
| Increase in trade and other creditors | 1,438,136 | 1,224,107 |
| Cash generated from operations | 16,055,953 | 15,800,250 |

The company held no cash or bank account during the period.

19. Ultimate parent company and ultimate controlling party

The Group's immediate parent company is Highgreen Limited a company incorporated in the British Virgin Islands.

At the year end there was no single ultimate holding company.

20. Related party transactions

The Group is related to other companies with whom it has directors in common.

At the balance sheet date, and included within other creditors, £16,396,487 (2016: £15,586,041) was due to one such company, Rotch Property Group Limited by the Group, of which £7,037,364 (2016: £7,037,364) was due by the Company. No interest accrues on these balances. Management fees payable to Rotch Property Group Limited for the year amounted to £65,000 (2016: £65,000).

Also included within other creditors is a balance of £10,875,978 (2016: £10,201,597) due by the group to Aldersgate Investments Limited, which owns a 50% share in the group. Of this £9,362,298 (2016: £9,362,298) was due by the company.

Post year end the balance owed to Rotch Property Group Limited has been repaid and replaced with a loan from Altair 2 Limited, a related entity. Altair 2 Limited has agreed not to demand repayment of the amount due to it should that result in the Group not being able to meet its obligations in the normal course of business. Altair 2 Limited has also agreed to provide limited support to assist the Group in meeting its operational costs as they arise should this be necessary.

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

LANESPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

21. Events after the reporting period

In April 2018 the bank loan was repaid in full and replaced by a two-year interest-only facility of £74,653,806 at 7% per annum. The new facility is secured by way of charges over the properties of the subsidiary companies Pipesafe Limited and Holaw (580) Limited.

In addition, the balance owed to Rotch Property Group Limited has been repaid in full post year end and replaced with a loan of £17,098,382 from Altair 2 Limited, as explained in note 20.

In August 2018 one property was sold for consideration of £3m. The carrying value of the property in these financial statements was £3m.