

Company Registration No: 04735306

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

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COMPANIES HOUSE

ALERUN LIMITED

DIRECTORS AND OFFICERS

DIRECTOR

R Tchenguiz

REGISTERED OFFICE

5th Floor
Leconfield House
Curzon Street
London
W1J 5JA

AUDITOR

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

SOLICITOR

Osborne Clarke
One London Wall
London
EC2Y 5EB

ALERUN LIMITED

DIRECTOR'S REPORT

The director presents his report and the financial statements of Alerun Limited for the year ended 31 May 2017.

Principal activities and business review

The principal activity of the company during the year was property investment. There were no additions or disposals of investment property during the year.

In the opinion of the director the results for the year and the financial position of the company at 31 May 2017 was satisfactory.

As disclosed in note 1.2, the director has concluded that the going concern basis of preparation is appropriate.

Investment properties

The investment property has been valued by the director at £67,261,000 (2016: £67,365,000). The decrease in fair value during the year amounted to £104,000 (2016: £207,000 increase). Details of the investment property are set out in note 7.

Results and dividends

The loss for the year amounted to £182,774 (2016: £47,620 profit). The director does not recommend the payment of a dividend.

Director

The following director has held office since 1 June 2016:

R Tchenguiz

ALERUN LIMITED

DIRECTOR'S REPORT (Continued)

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 those financial statements, the director is 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 director is 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. The director is 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.

Statement as to disclosure of information to auditor

The director who was in office on the date of approval of these financial statements has confirmed that, as far as he is aware, there is no relevant audit information of which the auditor is unaware. The director has confirmed that he has taken all the steps that they ought to have taken as director in order to make himself 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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The director has also taken the available exemption from the requirement to prepare a strategic report.

By order of the Board:



R Tchenguiz
Director

19 January 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALERUN LIMITED

Opinion on financial statements

We have audited the financial statements on pages 5 to 17. 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), including 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 company's affairs as at 31 May 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Director's 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 Director's Report has 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 Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Respective responsibilities of directors and auditor

As more fully explained in the Director's Responsibilities Statement set out on page 3, the director is 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.

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.

Christopher Hurren

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

13 February 2018

ALERUN LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MAY 2017**


	Notes	2017 £	2016 £
Rent receivable	2	4,752,032	4,613,623
Administrative expenses		(78,281)	(76,692)
Operating profit		<u>4,673,751</u>	<u>4,536,931</u>
Fair value (deficit)/surplus on investment property		(104,000)	207,000
Interest payable and similar charges	3	(4,752,525)	(4,696,311)
(Loss)/Profit on ordinary activities before taxation	4	<u>(182,774)</u>	<u>47,620</u>
Taxation	6	-	-
(Loss)/Profit on ordinary activities after taxation		<u>(182,774)</u>	<u>47,620</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(182,774)</u></u>	<u><u>47,620</u></u>

ALERUN LIMITED**STATEMENT OF FINANCIAL POSITION (Company Registration Number: 04735306)****AT 31 MAY 2017**

	Notes	2017 £	2016 £
Fixed assets			
Investment properties	7	67,261,000	67,365,000
Creditors: amounts falling due within one year	8	(1,815,675)	(1,594,538)
Net current liabilities		(1,815,675)	(1,594,538)
Total assets less current liabilities		65,445,325	65,770,462
Creditors: amounts falling due after more than one year	9	(65,417,907)	(65,560,270)
Net assets		27,418	210,192
Capital and reserves			
Called up share capital	11	100	100
Fair value reserve	11	6,327,218	6,431,218
Profit and loss account	11	(6,299,900)	(6,221,126)
Total equity		27,418	210,192

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 5 to 17 were approved by the board of directors and authorised for issue on 19 January 2018 and are signed on its behalf by:



R Tchenguiz
Director

ALERUN LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MAY 2017**

	Share capital £	Fair value reserve £	Profit and loss account £	Total £
Balance at 1 June 2015	100	6,224,218	(6,061,746)	162,572
Total comprehensive income for the year	-	-	47,620	47,620
Surplus on revaluation of investment property	-	207,000	(207,000)	-
Balance at 31 May 2016	<u>100</u>	<u>6,431,218</u>	<u>(6,221,126)</u>	<u>210,192</u>
Total comprehensive income for the year	-	-	(182,774)	(182,774)
Deficit on revaluation of investment property	-	(104,000)	104,000	-
Balance at 31 May 2017	<u>100</u>	<u>6,327,218</u>	<u>(6,299,900)</u>	<u>27,418</u>

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1. Accounting policies

Company information

Alerun Limited ("the Company") is a company limited by shares and 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 company during the year was that of property investment.

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 Going concern

Following a valuation in the year, the company's balance sheet shows net assets of £27,418 (2016: £210,192). The company has net current liabilities of £1,815,675 (2016: £1,594,538). The company's property investment and funding have been set up to be principally self-funding using the loan structure detailed in note 9. The lease agreement that the company has entered into with its tenant is subject to fixed, stepped increases each month until March 2026 when rent remains constant for the remaining 6 year term. The projected cash flows from these rentals exceed the anticipated cash outflows in respect of loan capital and interest payments.

The Director has assessed the company's loan and rental structure and has concluded that the company has sufficient working capital to enable it to meet its liabilities as they fall due for the foreseeable future. The Director therefore considers it appropriate to prepare the financial statements on the going concern basis.

The Director is aware that the Trustees of the company's ultimate controlling party, the Tchenguiz Discretionary Trust ("TDT") are in litigation concerning the extent to which the TDT is liable in respect of loans due to certain overseas companies, now in liquidation, which were previously controlled by the TDT. In December 2013, the Lieutenant Bailiff of the Royal Court of Guernsey gave judgement that TDT was liable for the loans. Part of this judgement was affirmed by the Guernsey Court of Appeal in 2016. In the view of the Director, the assets of the TDT may not be sufficient to enable the TDT to meet its obligations under these loans.

An application was made for the Court of Appeal judgement to be reviewed by the Privy Council. The hearing concluded in November 2017, but as at the date of approval of these financial statements no decision has been determined. In the interim period a Receiver has been appointed, in the jurisdiction where the TDT is situated, to stand in place of the Trustees of the TDT to maintain and, where appropriate, realise the assets of the TDT, including the TDT's shares in the company. No distribution can be made from these assets or the proceeds, however, until after the Privy Council determination.

Although the Receiver could take control of certain TDT companies, those companies that are not already in the control of the Receivers can only be transferred with the consent of the Court or the TDT trustee. The Director considers that any sale of the group's property assets would require the approval of the creditor secured thereon. The Director is of the opinion that such approval would not be forthcoming at the current valuations in view of the company's loan and rental structure. The Director concludes that the result of the litigation will not impact the ability of the company to continue in operational existence for the foreseeable future, and consequently does not alter the Director's conclusion that the going concern basis of preparation of the financial statements is appropriate.

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MAY 2017

1.3 Reduced disclosures

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

- Section 7 'Statement of Cash flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each 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.

1.4 Functional and presentational currencies

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

1.5 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.

1.6 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.

1.7 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.

1.8 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.

1.9 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.

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MAY 2017

1.9 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.

1.10 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 Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company 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 Company after deducting all of its liabilities.

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MAY 2017

1.10 Financial instruments (continued)

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.

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.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

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.

1.11 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 company 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 below.

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. The company uses reports provided by Chartered Surveyors employed by the group's in house management company as a basis for determining the director's estimation of the fair value of the investment properties. However, the valuation of the company's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate.

ALERUN LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 MAY 2017****1.11 Critical accounting estimates and areas of judgement (continued)*****Critical accounting estimates and assumptions (continued)******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.

Going concern

As noted in accounting policy 1.2 on Going Concern, the cash flows of the company for the period up to 2032 are not judgmental or estimated. Therefore, on a purely cash basis there are no going concern issues. However, because of the other factors noted in policy 1.2, the directors have to consider the likely consequences of the situation described. The key judgement is summarised in policy 1.2 and the conclusion drawn is that the going concern basis of preparation of the financial statements is appropriate.

2. Rent receivable

The company's turnover for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Interest payable and similar charges

	2017	2016
	£	£
Loan interest payable to Laudico Limited	4,716,105	4,659,891
Amortisation of finance costs	36,420	36,420
	<u>4,752,525</u>	<u>4,696,311</u>

4. (Loss)/Profit on ordinary activities before taxation

	2017	2016
	£	£
The (loss)/profit on ordinary activities before taxation is stated after charging:		
- Auditor's remuneration	2,500	3,500
	<u>2,500</u>	<u>3,500</u>

5. Employees and directors

There were no employees during the year apart from the director who received no emoluments (2016: £nil).

No separate disclosure of key management remuneration included as no other staff members are considered to be key management.

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MAY 2017

6. Taxation	2017	2016
	£	£
Current tax		
UK corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Total deferred tax	-	-
Total tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year.

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

	2017	2016
	£	£
(Loss)/Profit on ordinary activities before tax	(182,774)	47,620
(Loss)/Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2016: 20%).	<u>(36,555)</u>	<u>9,524</u>
Effects of:		
Disallowable expenditure	13,422	13,128
Tax losses carried forward	2,342	18,759
UK transfer pricing	(9)	(11)
Fair value adjustment on investment property	20,800	(41,400)
Tax expense	<u>-</u>	<u>-</u>

The company has losses of approximately £4.9 million (2016: £4.9 million) available for carry forward against future trading profits.

The deferred tax asset arising on the losses carried forward 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 2018 had already been substantively enacted on 26 October 2015. As a result of the change in the UK main rates of corporation tax, the relevant unrecognised deferred tax balances have been remeasured.

Deferred tax

Finance Act 2016 was enacted during the period. Finance Act 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. Deferred tax is measured at 17% (2016: 18%) as this is the materially correct rate at which deferred tax assets and liabilities are expected to unwind.

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £67,261,000 (2016: £67,365,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £nil (2016: £nil).

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MAY 2017

7. Investment properties

	Freehold investment property	
	2017 £	2016 £
Fair Value		
As at 1 June 2016	67,365,000	67,158,000
Fair value (loss)/gain	(104,000)	207,000
As at 31 May 2017	67,261,000	67,365,000

The property was valued as of the 31 May 2017 at £67,261,000 (2016: £67,365,000) by the director based on reports provided to him by Chartered Surveyors employed by the group's in house management company.

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

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

	Freehold investment property	
	2017 £	2016 £
Cost	60,933,782	60,933,782

The company's investment property is 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 9).

8. Creditors: amounts falling due within one year

	2017 £	2016 £
Loan from group undertakings (note 9)	1,503,264	1,278,671
Other taxation and social security	79,978	77,640
Other creditors	4,350	4,350
Accruals and deferred income	228,083	233,877
	1,815,675	1,594,538

ALERUN LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 MAY 2017****9. Creditors: amounts falling after more than one year**

	2017 £	2016 £
Loans from group undertakings	65,417,907	65,560,270
Loan maturity analysis		
In less than one year	1,539,685	1,315,091
In more than one year but not more than two years	1,782,861	1,539,685
In more than two years but not more than five years	7,006,165	6,156,162
In more than five years	57,138,764	58,410,726
	<u>67,467,475</u>	<u>67,421,664</u>
Less: finance charges allocated to future periods	(546,304)	(582,723)
	<u>66,921,171</u>	<u>66,838,941</u>
Less: included in amounts due within one year	(1,503,264)	(1,278,671)
	<u>65,417,907</u>	<u>65,560,270</u>

The loans due to group undertakings consist of three loans of £14,015,800, £41,057,840 and £12,393,835 (2016: £14,549,173, £41,753,462 and £11,119,029).

Loans 1 and 2 are repayable by instalments by 2029 and 2032 respectively. They are financed by loans from a third party to the lending group undertaking, which are secured on the company's investment property, and bear interest at 5.703% and 6.195% respectively. The loans are subject to cross guarantees and cross-collateralisation of the underlying properties used as security for loans to other group undertakings. The total value of the group loans subject to this cross-collateralisation, including the company's loan, is £261,434,467 (2016: £267,268,512).

Loan 3 is unsecured, and also financed by a loan from a third party to the lending group undertaking. Interest is rolled up into the loan quarterly at 11.01% per annum. This loan, including the rolled up interest, is repayable by lump sum in 2032.

10. Financial instruments

The carrying amount of the company's financial instruments at 31 May was:

	2017 £	2016 £
Financial liabilities:		
Measured at amortised cost	67,153,604	67,077,168
	<u>67,153,604</u>	<u>67,077,168</u>

ALERUN LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 MAY 2017****11. Share capital and reserves****Share capital**

	2017 £	2016 £
Allotted, issued and fully paid: 100 ordinary shares of £1 each	100	100

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.

Reserves

Reserves of the Company represent the following:

Retained earnings

Cumulative profit and loss net of distributions to owners.

Fair value reserve

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

12. Operating lease commitments**Lessor**

The company's operating leases represent property leases. The rentals on the property are fixed and the lease expires in March 2032.

At the reporting end date, the company had outstanding commitments for future minimum lease receipts under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	4,894,593	4,752,032
Between one and five years	21,557,934	20,930,033
In over five years	59,748,708	65,271,202
	<u>86,201,235</u>	<u>90,953,267</u>

13. Ultimate parent company and ultimate controlling party

The company's immediate and ultimate UK parent company is Laudico Limited, which is the smallest and largest group for which group accounts containing this company are prepared. Laudico Limited is domiciled and incorporated in the UK. Copies of the financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The director regards the ultimate parent undertaking to be Oak Haven Properties Limited, a company incorporated in the British Virgin Islands.

The director considers the ultimate controlling party to be the Tchenguiz Discretionary Trust.

ALERUN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MAY 2017

14. Related party transactions

The company is related to Rotch Property Group Limited, by virtue of a common director. During the year, and included within administrative expenses, £2,670 (2016: £2,000) was charged as a management fee by Rotch Property Group Limited and £6,000 (2016: £6,000) was charged as a management fee by Prime Estates Property Management Limited, a subsidiary of Rotch Property Group Limited. Included within accruals and deferred income is a balance of £2,400 (2016: £2,000) due to Rotch Property Group Limited.

At the balance sheet date £850 (2016: £850) was due to the Tchenguiz Discretionary Trust, the company's ultimate controlling party. The company is also related to other companies controlled by the Tchenguiz Discretionary Trust. At the balance sheet date £849,969 (2016: £782,859) was due from one such company, R20 Limited. Full provision has been made for this balance. The company is also related to other companies controlled by the Tchenguiz Discretionary A Trust. A balance of £3,500 (2016: £3,500) was due to one such company, Dellweald Limited. This balance is included within other creditors. No interest accrues on either balance.

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.