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# Heron International Holdings

Report and Accounts

31 December 2012

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**DIRECTORS**

G M Ronson CBE Hon DCL  
(Chairman and Chief Executive)

J S Goldstein  
Director (Non-Executive Director with effect from 1 July 2013)

P A Ferrari (resigned 15 March 2013)  
(Managing Director - Property)

**SECRETARY**

L H Zeltser

**REGISTERED OFFICE**

Heron House  
4 Bentinck Street  
London  
W1U 2EF

**AUDITOR**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**DIRECTORS' REPORT (CONTINUED)**

The directors present their annual report together with the Group accounts for the year ended 31 December 2012

**GROUP RESULTS**

The results for the year and the state of affairs of the Group and the company are set out in the attached accounts

The reported loss for the year after taxation amounted to £49.7m (2011 £24.2m loss). Total recognised losses for the year amounted to £99.0m (2011 £18.1m losses). The historical cost loss for the year after taxation, dividends and the realisation of revaluation surpluses of previous years was £43.7m (2011 £29.1m loss).

**DIVIDENDS**

A dividend of £2.2m was paid during the year (2011 £4.9m)

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

Heron International Holdings ("the Company") is a holding company with subsidiaries operating in the United Kingdom and Continental Europe. The activities of the principal subsidiary undertakings are shown in note 22. As disclosed in note 22 to these statements the Company and its subsidiary undertakings (together "the Group") form a part of Heron International Limited group (the "Heron Group") which is a leading pan-European property investment and development group.

The Group's key financial and other performance indicators during the year were as follows

	2012	2011	Change
	£'000	£'000	%
Group turnover	24,075	6,277	283.54
Total operating profit before exceptionals	18,887	9,973	89.38
Loss before tax	(54,047)	(30,032)	79.96
Equity shareholder's funds	166,090	259,321	(35.95)

2012 was another active year for Heron within a challenging environment

The value of the investment portfolio owned by the Heron Group at the year end stood at £323m following a write down of £33.6m from the prior year's values

During the latter part of the year, the Group disposed of its interest in The Peak, a fully let office building in Victoria, London, developed in equal joint venture with Cooperative Insurance Society. The gross consideration of £113m generated a profit of £2.9m for the Group.

The three Heron City properties in Spain continued a trend of income being broadly stable but capital values remained under pressure due to the wider economic climate. Further write-downs to the portfolio have been taken at the year end to reflect this.

Sales at the landmark residential tower "The Heron" situated in the heart of the City of London have continued to progress extremely well. At the year-end contracts for the sale of 244 of the 285 apartments had been exchanged. The development completed in 2013 and, currently, many of the presold apartments are in occupation.

At present, the sales of 269 units have either been completed or exchanged at values significantly above those expected at the outset of the development.

The land division continued to trade well, the highlight being the disposal of our interest in land at Emersons Green which realised a profit of £15m.

During the course of the year a further seven floors of the Heron Tower were leased or placed under offer and at the year-end over 50% of the space had been leased. The leasing of the building has been below expectations due to the global economic uncertainty that has affected business confidence in the City office letting market. Consequently, it has been decided to incorporate an impairment charge of £33.5m against the Group's investment in this year's profit and loss account. However, since the year end further progress has been made and currently 61% of the space is leased.

The Group's net worth closed at £166.1m (2011 £259.3m)

The business will continue its activities for the foreseeable future

DIRECTORS' REPORT (CONTINUED)

**CHARITABLE DONATIONS**

Charitable donations made during the year were £74,000 (2011 £104,000). The Group made no political contributions.

**FINANCIAL RISK MANAGEMENT**

Financial risk management is an integral part of the Group's management processes. Stringent policies designed to identify, manage and limit both existing and possible risks are applied at various management levels.

The Group is exposed to potential credit risk on financial instruments such as liquid assets and trade debtors. Credit risk is managed by spreading its investments in liquid assets across several high quality financial institutions. In line with normal business practice the Group operates credit management procedures.

Price risk is considered at a Group level as part of the review of management forecasts and at a project level as part of the tender process and monitored on an ongoing basis.

Liquidity risk and cash flow risk is actively managed through the preparation and monitoring of medium-term plans, budgets and forecasts.

*Foreign currency risk*

Due to its nature of business the Group has limited cross border trade transactions and therefore foreign exchange transaction exposure is negligible. However, it does have operations located mainly in Continental Europe which transact business in their domestic currencies. The Group's main currency exposure, therefore, is the translation risk associated with converting net currency assets into sterling in the Group consolidated accounts at each balance sheet date. The policy on translation exposure is that overseas assets are financed by liabilities in the same currency.

The Group has no specific policy on hedging profit translation exposure as the effects of currency movements have had minimal effect on recurring investment property income net of currency interest costs.

*Interest rate management*

Interest rate swaps are used to alter the interest rate basis of the Group's debt, allowing changes from fixed to floating rates or vice versa. Guidelines exist for the Group's ratio of fixed to floating rate debt and management regularly reviews the interest rate profile against these guidelines.

**GOING CONCERN**

The directors have considered going concern in the preparation of these accounts, details of which are in the Accounting Policies in the Notes to the Accounts on page 13.

**DIRECTORS**

The directors are as listed on page 2. All references to shares in this section headed "Directors" are, unless otherwise stated, to shares with a nominal value of 10 pence in the share capital of Heron International Limited, the Company's ultimate parent company.

On 28 April 2006, a new put option was granted to Mr G M Ronson in respect of the 6,397,522 shares held by him, exercisable during the period of his employment at a price equal to market value on the relevant valuation date. On 21 December 2012 the terms of the put option were varied so that no exercise notice can take effect prior to 31 December 2014 and the price on exercise will be equal to market value on 31 December 2014. In addition, the valuation date applicable to an exercise of the put option cannot be as at a date subsequent to 31 December 2014, except upon mutual written consent of the ultimate parent company and Mr G M Ronson.

At 31 December 2012 Mr G M Ronson held 6,397,522 shares which remained subject to this new put option (as varied).

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS (continued)**

A parent company maintains liability insurance for directors and officers of the company

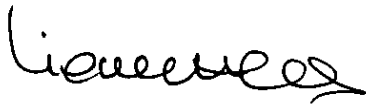
**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

The auditors are deemed to be reappointed under section 487(2) of the Companies Act 2006

For and on behalf of the Board



L H Zeltser  
Secretary

**21 NOV 2013**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 HERON INTERNATIONAL HOLDINGS**

We have audited the financial statements of Heron International Holdings for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Group and Company Balance Sheets, Consolidated Statement of Cashflows and the related notes 1 to 23. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2012 and of the Group's 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.

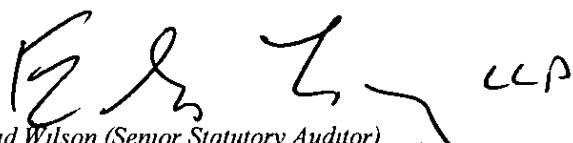
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company's 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.

  
David Wilson (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

21 NOV 2013



CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> £000	<i>2011</i> £000
<b>TURNOVER</b>			
Turnover		24,075	6,277
Cost of sales		(8,935)	(5,221)
<b>GROSS PROFIT</b>		<u>15,140</u>	<u>1,056</u>
Administrative expenses		(11,920)	(10,007)
Net rental income		15,741	17,558
Other income		–	1,228
Profit on financial instruments		–	138
Rental guarantee provision		(74)	–
<b>OPERATING PROFIT</b>	2	<u>18,887</u>	<u>9,973</u>
Group share of joint ventures' operating profit/(loss)		1,140	(567)
Loss on sale of investment properties		–	(444)
Gain on disposal of investment in a joint venture		2,898	–
Loss on sale of subsidiary undertaking		–	(1,142)
Impairment of investment in joint venture		(33,534)	–
Impairment of investment properties		(7,946)	–
Impairment of fixed asset investment		(115)	(1,594)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		<u>(18,670)</u>	<u>6,226</u>
Interest receivable and similar income	5	12,450	11,622
Interest payable and similar charges	5	(47,827)	(47,880)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(54,047)</u>	<u>(30,032)</u>
Tax credit on loss on ordinary activities	6	4,382	5,841
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(49,665)</u>	<u>(24,191)</u>
<b>LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	16	<u><u>(49,665)</u></u>	<u><u>(24,191)</u></u>

Turnover and operating profit is derived from continuing operations

The accounting policies and notes on pages 13 to 39 form part of these accounts

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**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
 for the year ended 31 December 2012

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Loss for the year after taxation		
Group	(50,805)	(15,224)
Joint ventures	1,140	(8,967)
	<hr/>	<hr/>
	(49,665)	(24,191)
Net exchange difference on translation of net assets of subsidiary undertaking	(1,667)	(2,687)
Net deficit on the revaluation of properties	(33,656)	(26,562)
Release of profit based fee	2,300	3,700
(Deficit)/surplus on revaluation of investment in joint venture	(17,619)	30,276
Actuarial gain/(loss) on pension scheme	1,330	(776)
Release of deferred income from joint ventures	–	2,168
	<hr/>	<hr/>
Total recognised losses relating to the year	(98,977)	(18,072)
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**CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
 for the year ended 31 December 2012

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Historical cost loss on ordinary activities before taxation	(54,047)	(30,032)
Realisation of revaluation gains of previous years	8,173	–
	<hr/>	<hr/>
	(45,874)	(30,032)
	<hr/> <hr/>	<hr/> <hr/>
Historical cost loss for the year retained after taxation and dividends	(43,692)	(29,091)
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The accounting policies and notes on pages 13 to 39 form part of these accounts

BALANCE SHEETS  
at 31 December 2012

	Notes	Group		Company	
		2012 £000	2011 £000	2012 £000	2011 £000
<b>TANGIBLE FIXED ASSETS</b>					
Investment and development properties	7	322,825	359,780	–	–
Fixtures and fittings	8	2,446	2,685	1,692	1,863
Investment in joint ventures					
Share of gross assets		65,291	269,519	–	–
Share of gross liabilities		(48,584)	(144,082)	–	–
	9 (a)	16,707	125,437	–	–
Investment in subsidiary undertakings	9 (b)	–	–	120,473	167,576
Fixed asset investment	9 (c)	6,854	2,412	223	223
Other fixed asset investments	9 (d)	–	115	–	115
		<u>348,832</u>	<u>490,429</u>	<u>122,388</u>	<u>169,777</u>
<b>CURRENT ASSETS</b>					
Stocks and work in progress	10	8,036	12,793	–	–
Debtors – amounts falling due within one year	11	17,807	14,343	165	2,520
after more than one year	11	274,719	250,368	176,623	165,789
		292,526	264,711	176,788	168,309
Short-term investments		540	4,433	540	4,433
Cash at bank and in hand		46,851	45,472	27,526	22,928
		<u>347,953</u>	<u>327,409</u>	<u>204,854</u>	<u>195,670</u>
<b>CREDITORS: amounts falling due   within one year</b>	12	(212,117)	(313,226)	(326)	(472)
<b>NET CURRENT ASSETS</b>		<u>135,836</u>	<u>14,183</u>	<u>204,528</u>	<u>195,198</u>
<b>TOTAL ASSETS</b>		<u>484,668</u>	<u>504,612</u>	<u>326,916</u>	<u>364,975</u>
<b>CREDITORS amounts falling due after   more than one year</b>	13	(316,861)	(239,512)	(43,110)	(37,858)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	(710)	(3,306)	–	–
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>167,097</u>	<u>261,794</u>	<u>283,806</u>	<u>327,117</u>
Defined benefit pension liability	19	(1,007)	(2,473)	–	–
		<u>166,090</u>	<u>259,321</u>	<u>283,806</u>	<u>327,117</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	84,001	84,001	84,001	84,001
Share premium	16	2,230	2,230	2,230	2,230
Revaluation reserve	16	(19,298)	15,304	18,972	66,075
Capital reserve	16	46,637	46,637	19,050	19,050
Profit and loss account	16	52,520	111,149	159,553	155,761
Equity shareholder's funds		<u>166,090</u>	<u>259,321</u>	<u>283,806</u>	<u>327,117</u>

Approved by the Board of Directors on

2 1 NOV 2013

and signed on its behalf by

G M Ronson – Director

  
 J S Goldstein – Director

The accounting policies and notes on pages 13 to 39 form part of these accounts

CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	(a)	2,221	(3,500)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		573	3,853
Interest paid		(12,438)	(16,012)
Costs associated with issue of loans		(1,659)	(2)
		(13,524)	(12,161)
<b>TAXATION</b>			
Tax paid		(101)	–
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire and develop land and buildings		(4,881)	(8,528)
Redemption of short term investments		3,893	11,239
		(988)	2,711
<b>ACQUISITIONS AND DISPOSALS</b>			
Investment in joint venture		(4,442)	(4,689)
Proceeds from sale of subsidiary undertakings		–	11,705
Proceeds from sale of investment in joint venture		54,300	–
<b>EQUITY DIVIDEND PAID</b>		(2,200)	(4,900)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		35,266	(10,834)
<b>FINANCING</b>			
Repayments of loans		(33,667)	(7,700)
		(33,667)	(7,700)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(b)	1,599	(18,534)
<b>Reconciliation of net cash flow to movement in net debt (b)</b>			
Increase/(decrease) in cash and cash equivalents		1,599	(18,534)
Net cash outflow from repayment of loans		33,667	7,700
Sale of subsidiaries		–	66,697
Foreign currency translation adjustments		6,431	6,102
Changes in net debt resulting from cash flows		41,697	61,965
Net debt at 1 January		(244,498)	(306,463)
Net debt at 31 December		(202,801)	(244,498)

The accounting policies and notes on pages 13 to 39 form part of these accounts

CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 31 December 2012

	2012 £000	2011 £000
<b>(a) Net cash inflow/(outflow) from operating activities</b>		
Operating profit	18,887	9,973
Depreciation	428	450
Decrease/(increase) in stocks and work in progress	4,757	(812)
Increase in debtors	(9,406)	(13,225)
(Decrease)/increase in creditors	(12,273)	552
Decrease in provisions	121	(119)
Current pension service cost	295	258
Pension contribution	588	(577)
	<u>2,221</u>	<u>(3,500)</u>

**(b) Analysis of changes in net debt**

	<i>At 1 Jan</i> 2012 £000	<i>Foreign</i> <i>exchange</i> <i>movement</i> £000	<i>Cash</i> <i>flow</i> £000	<i>At 31 Dec</i> 2012 £000
Cash at bank and in hand	45,472	(220)	1,599	46,851
Loans	(289,970)	6,651	33,667	(249,652)
	<u>(244,498)</u>	<u>6,431</u>	<u>35,266</u>	<u>(202,801)</u>

The accounting policies and notes on pages 13 to 39 form part of these accounts

NOTES TO THE ACCOUNTS

At 31 December 2012

**1. ACCOUNTING POLICIES**

*Basis of preparation*

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards. The Group results for the year presented are all derived from continuing operations.

*Basis of consolidation*

The Group accounts incorporate the assets and liabilities of the Company and its subsidiaries as at 31 December 2012 and the results of those undertakings for the year then ended together with the Group's share of the results of its joint ventures for the year, adjusted, where necessary, to conform with UK accounting standards.

*Going concern*

At 31 December 2012 the Group had £187.3m of debt which was due to be refinanced in the 12 months following the date of authorisation of these financial statements. Of this debt, £32.1m had recourse to the Company and other Group assets (see note C below).

The Group maintains a regular dialogue with its lenders and management are confident that agreement will be reached on terms which will not impact on its ability to continue operating for the foreseeable future.

The Group maintains and monitors short and long term cash flow forecasts which are reviewed by management on a weekly basis and reported to the Board on a monthly basis. Having considered the headroom in its forecasts and the current progress made on the extension of the maturing loans, the Group believes that it has sufficient resources to continue operating for the foreseeable future.

The following notes explain the current progress on the refinancings:

- A A non-recourse secured loan of €55.3m (£44.9m) which matured in September 2013 has now been extended to March 2014. One of three properties in the portfolio has been sold for €42.5m from which €32m has been used to repay part of this loan. Management are confident that a further extension will be agreed on terms that will not impact the Group's ability to continue operating for the foreseeable future since the net income from the secured assets is sufficiently high to fully cover the interest commitments and staged loan repayments.
- B Subsequent to 31 December 2012, the repayment date on a €135.9m (£110.3m) non-recourse secured loan was extended from February 2013 to July 2015 with an option to extend by an additional year to July 2016, subject to certain conditions.
- C A loan of £32.1m guaranteed by the Company was due for repayment in December 2013. This loan was repaid prior to December 2013.

*Foreign currency translation*

Assets, liabilities and profit and loss items denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. All exchange adjustments are included in determining the result before taxation for the year, except for those arising from the translation of overseas net assets, less related foreign currency borrowings, which are taken directly to reserves.

NOTES TO THE ACCOUNTS

At 31 December 2012

**1. ACCOUNTING POLICIES (continued)**

*Turnover*

Turnover comprises sales, to external customers, of goods, services, land and properties held as trading stock net of Value Added Tax

Sales of commercial properties and land are recognised on exchange of contracts, provided that the contracts are unconditional at the balance sheet date and legal completion has been effected prior to the date of approval of the group accounts. Gains and losses arising on disposal are included within the operating results for the year, with the exception of those arising on the disposal of properties held as fixed assets which are classified as exceptional non-operating items in the profit and loss account

*Share of co-investment results*

This represents the Group's share of results of jointly controlled activities

*Leasing*

Rentals payable/receivable under operating leases are accounted for in the profit and loss account on a straight line basis over the term of the lease. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

*Pension costs*

The Group operates a defined benefit pension scheme, which is now closed to new entrants

The Heron Pension Scheme ("the Scheme") is operated by Heron Corporation (a subsidiary undertaking). Heron Corporation operates a defined benefit pension scheme, which is closed to new entrants and was closed to future accrual from midnight on 31 August 2013

Regular valuations are prepared by independent, professionally qualified actuaries. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged to operating profit in the year

A credit (representing the expected return on the assets of the scheme during the year, based on the market value of the assets of the scheme at the start of the financial year), and a charge (representing the expected increase in the liabilities of the scheme during the year, which arises from the liabilities of the scheme being one year closer to payment), are included as a net amount either within interest payable and similar charges or interest receivable and similar income

The difference between market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from any changes in assumptions

Details of the pension scheme are disclosed in note 19

In addition, the Group makes pre-defined contributions to certain employees' personal pension schemes. These amounts are charged to the profit and loss account as incurred

*Investment properties*

Investment properties are accounted for in accordance with SSAP 19 as follows

- Investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year, and
- No depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run

Although the Companies Act 2006 would normally require the systematic annual depreciation of these assets, the directors believe that this policy of not providing depreciation, or amortisation, is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation, or amortisation, is only one of the many factors reflected in the annual

NOTES TO THE ACCOUNTS  
At 31 December 2012

**1. ACCOUNTING POLICIES (continued)**

*Investment properties (continued)*

valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

*Tangible fixed assets*

Fixtures and fittings are stated at cost less accumulated depreciation

Depreciation is provided on other tangible fixed assets at rates calculated to write down their cost or valuation to their estimated residual value on a straight line basis over their expected useful lives, assumed to be as follows

Short Term Fixtures & Fittings – Over a period of 5 years

Long Term Fixtures & Fittings – over a period of 15 years

*Properties held as fixed assets*

Properties in the course of development are stated at cost less provisions for any foreseeable permanent diminution in value. Cost includes amounts directly attributable to the development and attributable interest up to practical completion, whereupon the property is designated as completed. Interest is calculated on the development expenditure by reference to specific borrowings. Investment properties are valued externally on a market value basis at completion and at intervals of not more than five years thereafter. In the intervening years, the properties are revalued on the same basis either externally or by the directors.

Surpluses and deficits on revaluation of investment properties are assessed on an individual basis and are taken to revaluation reserve, unless the deficits are of a permanent nature, in which case they are written off to the profit and loss account. Temporary deficits are taken to revaluation reserve even if this results in an overall deficit on that reserve in respect of a specific property.

Certain investment properties are held for their anticipated development. These properties are stated at cost or their revalued amount (which is deemed to be cost) at the date of transfer from the investment portfolio to development portfolio. Provision is made for any foreseeable permanent diminution in value.

*Fixed asset investments*

Investments are stated at cost less provision for impairment.

*Subsidiary undertakings*

Investments in subsidiary undertakings are stated at valuation, based on the underlying net asset value.

Where the Company has a direct investment in a subsidiary undertaking with unlimited liability, provision is made in the Company's balance sheet for any deficit of net assets of the subsidiary.

*Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes interest attributable to individual developments if (a) interest is a substantial element of the eventual cost of sale and (b) the period from initial acquisition of the prime interest in land to the date when it is in a condition to be actively marketed (usually defined as either the date of key planning consent being obtained or when the development is substantially completed) is in excess of one year. Purchases of land are reflected in the accounts upon unconditional exchange of contracts. Net realisable value is calculated as the net amount recoverable from the development of the site, or sale in its existing state, whichever is planned.

*Joint Ventures*

Joint ventures are accounted for using the equity method. The initial cost of an investment is stated at purchase price or carrying cost on transfer of assets from properties or development land and work in progress. Where an investment property under construction is completed and revalued, the Group's share of the revaluation adjustment is transferred to the revaluation reserve. The Group's share of operating results is included separately in the Profit and Loss Account.

*Borrowing costs*

Borrowing costs attributable to the cost of property and land developments are capitalised as part of the cost of the assets. The capitalisation rate in respect of each development is determined by the terms of the attributable borrowings.



## NOTES TO THE ACCOUNTS

At 31 December 2012

**1. ACCOUNTING POLICIES (continued)***Debt issue costs*

Costs attributable directly to the issue of new debt are carried forward and amortised over the term of the debt under the heading of "Interest payable and similar charges" within the profit and loss account

*Financial instruments*

An interest rate swap is accounted for as a hedge when it alters the risk profile of the underlying exposure on a variable rate loan

Where interest rate swaps are hedging existing interest rate exposures, the differences between the interest payable by the Group and the interest receivable by the Group from the swap counterparties are accounted for on an accruals basis. Where interest rate swaps are not deemed likely to hedge interest rate exposures for the foreseeable future, the mark to market value of the relevant swap is taken to the profit and loss account

Gains or losses arising on the cancellation of swaps are taken to the profit and loss account unless the swaps had been pre-designated as hedging specific borrowings. In the latter case, the gain or loss on cancellation of the swap will be amortised over the life of the hedged borrowing

*Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand, balances with banks and investments in money market instruments

*Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

*Rental commitments*

Provision is made in respect of future uncovered lease commitments on properties. The provision represents an estimate of the likely shortfall between the amounts payable under the existing leases and the amounts receivable from tenants over the period of the leases

**2. OPERATING PROFIT**

	2012	2011
	£000	£000
Operating profit is stated after charging		
Depreciation	428	450
Rental on operating leases – land and buildings	700	700
Pension operating charge	295	258
	<u>          </u>	<u>          </u>

NOTES TO THE ACCOUNTS  
At 31 December 2012

**3. AUDITORS' REMUNERATION**

	2012 £000	2011 £000
Auditors' remuneration - audit services	325	325
- taxation services	33	56
	358	381
	358	381

Included in audit services are fees for the audit of UK and overseas subsidiaries

**4 DIRECTORS' AND EMPLOYEES' EMOLUMENTS***DIRECTORS*

The emoluments of the directors borne by a Group company were as follows

	2012 £000	2011 £000
Emoluments (including benefits in kind)	2,669	3,104
	2,669	3,104
	2,669	3,104

The directors are not members of the Heron Group's pension scheme

The emoluments of the highest paid director borne by a Group company were £1,598,000 (2011 £1,590,322) No pension contributions were made on behalf of the director during the year (2011 £nil)

The Directors have long-term incentive arrangements with Group companies based on the net asset value increases of the ultimate parent company, Heron International Limited. A provision of £900,000 has been made in these accounts in respect of these entitlements (2011 £nil)

*Put Option Scheme and Net Asset Value Bonus Agreement*

As described in the Directors' Report, Mr G M Ronson has entered into a put option under which he was granted an option to sell certain shares in the ultimate parent undertaking to Heron Corporation

Provision is made to reflect the benefits accruing under the put option granted to Mr G M Ronson in April 2006 on the basis that the put option was exercised on the balance sheet date. No provision has been made in these accounts for the year ending 31 December 2012 (2011 £nil)

In addition, provision is made in respect of bonus rights granted to Mr G M Ronson in respect of the period commencing 1 January 2006 and ending on 31 December 2014 calculated on the basis of the excess of net asset value of Mr G M Ronson's shareholding in the ultimate parent undertaking over market value (under the terms of the Net Asset Value Bonus Agreement) at the balance sheet date. These bonus rights are payable following the exercise by Mr G M Ronson of his put option (as varied on 21 December 2012)

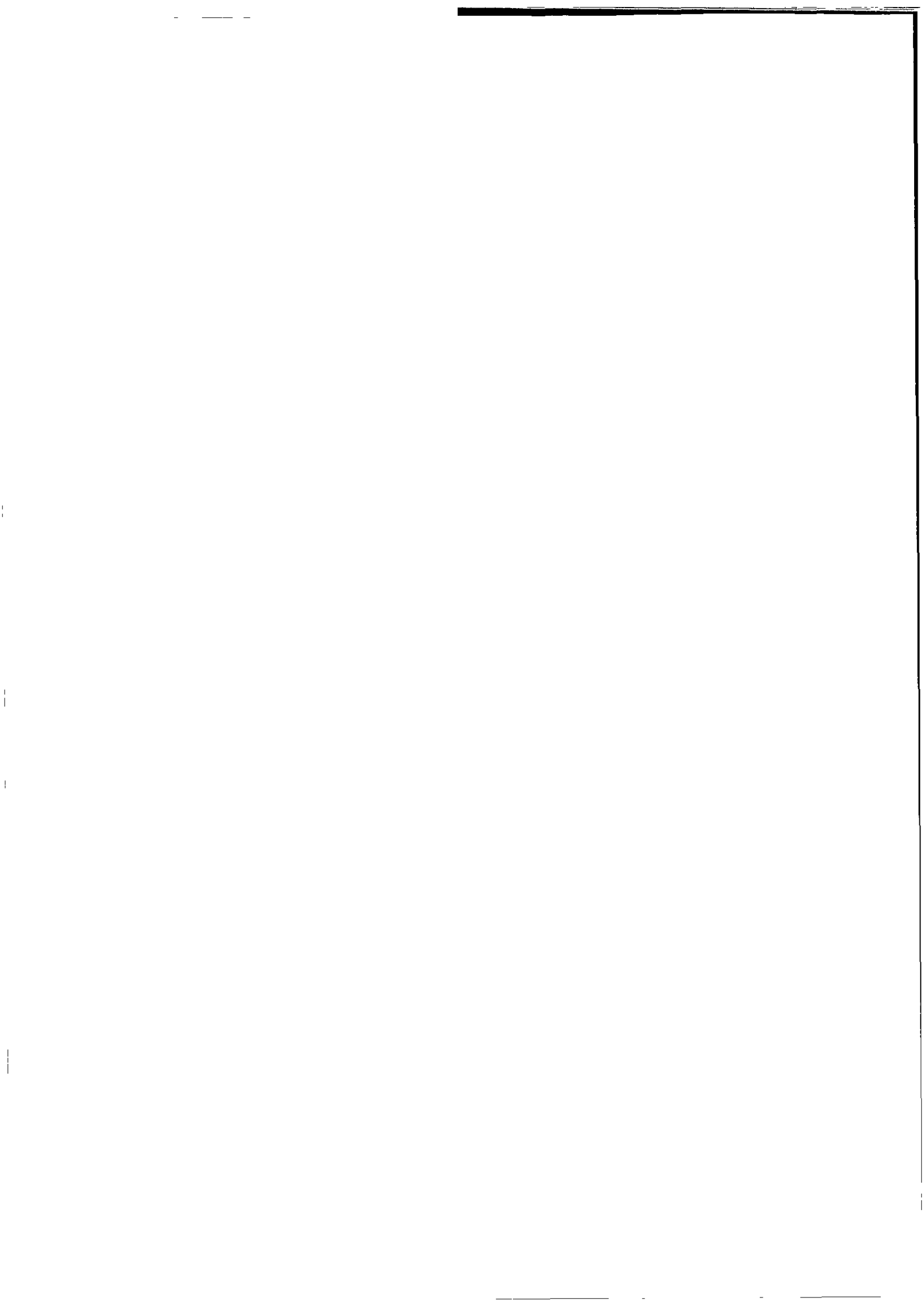
No provision has been made in these accounts for the year ended 31 December 2012 (2011 £nil)

During 2011 and 2012 Mr G M Ronson did not exercise any of his put options or bonus rights (see the Directors' report on page 4)

*EMPLOYEES*

The average number of employees of the Group was 91 (2011 92) of whom 47 (2011 48) were engaged in property management, investment and development and 44 (2011 44) were engaged in the operation of the Group's entertainment business, and their staff costs were

	2012 £000	2011 £000
Wages and salaries	7,543	8,389
Social security costs	1,104	1,236
Pension contributions	767	822
	9,414	10,447
	9,414	10,447



NOTES TO THE ACCOUNTS  
At 31 December 2012

**5 NET INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR CHARGES**

	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Bank interest receivable	779	1,274
Interest receivable from joint venture	1,912	1,216
Receivable from Heron Group undertakings	9,759	9,132
<b>Total interest receivable and similar income</b>	<b>12,450</b>	<b>11,622</b>
Payable on bank loans, overdrafts and other interest bearing liabilities	(11,831)	(15,592)
Other interest	(121)	(254)
Payable to Heron Group undertakings	(23,918)	(21,517)
Interest on pension scheme liabilities	(157)	(196)
Amortisation of deferred financing costs (note 13)	(767)	(1,921)
<b>Total interest payable and similar charges for the Group before share of joint ventures' interest</b>	<b>(36,794)</b>	<b>(39,480)</b>
Share of joint venture's interest	(10,608)	(8,067)
Share of joint venture's debt issue costs amortised	(425)	(333)
<b>Share of joint venture's interest payable and similar charges</b>	<b>(11,033)</b>	<b>(8,400)</b>
<b>Total interest payable and similar charges</b>	<b>(47,827)</b>	<b>(47,880)</b>
	<b>(35,377)</b>	<b>(36,258)</b>

**6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES****(a) Tax credit on loss on ordinary activities**

The tax credit is made up as follows

	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
<i>Current tax</i>		
UK Corporation tax	-	-
Foreign tax	120	-
Group relief - Current year	(5,642)	(5,428)
- Adjustment in respect of previous periods	1,140	(32)
<b>Total current tax</b>	<b>(4,382)</b>	<b>(5,460)</b>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(381)
<b>Tax credit on loss on ordinary activities</b>	<b>(4,382)</b>	<b>(5,841)</b>

## NOTES TO THE ACCOUNTS

At 31 December 2012

**6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)****(b) Factors affecting current tax credit**

The tax assessed on the loss on ordinary activities for the year is different from the average rate of corporation tax in the UK of 24.5% (2011 standard rate 26.5%). The difference is reconciled below

	2012 £000	2011 £000
Loss on ordinary activities before tax	(54,047)	(30,032)
Loss on ordinary activities multiplied by average rate of corporation tax in the UK of 24.5% (2011 standard rate 26.5%)	(13,241)	(7,958)
Fixed asset timing differences	14	17
Group relief surrendered for nil consideration	686	505
Net tax losses (utilised)/carried forward	(3,445)	5,550
Other timing differences	(44)	(92)
Differing tax rates on overseas earnings	33	–
Other permanent differences (including expenses on capital account)	10,475	(3,450)
Adjustments in respect of previous periods	1,140	(32)
Total current tax	(4,382)	(5,460)

**(c) Factors that may affect future tax charges**

No provision has been made for either the deferred tax comprising the overseas taxation liability of £16.8m (2011 £19.0m) or the Spanish local municipal taxes of £8.7m (2011 £5.4m) which would arise in the event of disposal of overseas investment properties held by subsidiary undertakings. These amounts have not been provided because the Group has no binding obligation to dispose of the assets concerned.

No provision has been made for deferred tax on gains recognised on revaluing the Group's UK investment properties to their market value as the Group has no binding obligation to dispose of the assets concerned.

The Group has estimated tax losses available to carry forward to future years of approximately £361m (2011 £353m), together with surplus ACT of approximately £6.5m (2011 £6.5m). No deferred tax asset has been recognised in respect of £360m (2011 £352m) of these losses as there is insufficient evidence that this amount will be recoverable against future taxable profits in the foreseeable future. In addition, there exist potential deferred tax assets in respect of other timing differences of £4.2m (2011 £4.9m) in respect of which no asset has been recognised as there is insufficient evidence that it will be recoverable against future taxable profits.

The Finance Bill 2012 included legislation to reduce the main rate of corporation tax to 23% from 1 April 2013. As this change was substantively enacted as at the balance sheet date, deferred tax is recognised (to the extent it is recognised) at 23% as at 31 December 2012.

As a result of the announcements in the Autumn Statement of 5 December 2012 and UK Budget of 20 March 2013, it is expected that the main rate of corporation tax will be reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. As the additional reductions have not been substantively enacted as at the balance sheet date, they are not reflected in these financial statements.

The effect on the company of the further proposed reductions in the UK main rate of corporation tax will be reflected in the company's financial statements in future years, as appropriate, once the changes have been substantively enacted.

The net effect of the reductions in the tax rate on the group's deferred tax asset and liability would be £nil. The rate changes will also impact the quantum of future tax payments to be made by the group.

## NOTES TO THE ACCOUNTS

At 31 December 2012

**6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)**

(d) Deferred tax

*GROUP*

The deferred tax liability included in the balance sheet is as follows

	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Included in provisions (note 14)	—	—
	—	—
	—	—
	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Represented by		
Accelerated capital allowances	(245)	(251)
Tax losses carried forward	245	251
Other timing differences	—	—
Overseas tax	—	—
Deferred tax liability	—	—
	—	—
	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Movement on Deferred Tax		
At 1 January	—	(381)
Foreign currency translation adjustment	—	—
Credited to the profit and loss account	—	381
At 31 December	—	—
	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
<i>COMPANY</i>		
Movement on Deferred Tax		
At 1 January and 31 December	—	—

NOTES TO THE ACCOUNTS  
At 31 December 2012

## 7. INVESTMENT AND DEVELOPMENT PROPERTIES

	<i>Investment properties £000</i>	<i>Properties held for future development £000</i>	<i>Total 2012 £000</i>	<i>Total 2011 £000</i>
<i>GROUP</i>				
Book value				
At 1 January	275,717	84,063	359,780	468,428
Foreign currency translation adjustments	(7,997)	–	(7,997)	(8,781)
Additions	–	4,698	4,698	7,606
Disposals	–	–	–	(80,911)
Net deficit on revaluation	(33,656)	–	(33,656)	(26,562)
At 31 December	<u>234,064</u>	<u>88,761</u>	<u>322,825</u>	<u>359,780</u>

The Group's properties at 31 December 2012 are of freehold tenure

Completed properties are carried at valuation unless they are held for their future redevelopment, in which case they are held at cost or previously revalued amount (which is deemed to be cost) at the date that they were earmarked for future development

Valuations undertaken by external independent firms of Chartered Surveyors are stated on the basis of 'open market value' as defined in the RICS Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors (RICS)

Valuations undertaken on behalf of the directors of the Company by senior employees of the Group, who are Chartered Surveyors, are stated on the basis of open market value based on an independent assessment of yields applied to the net property income with appropriate deductions from the gross valuation for purchaser's costs, assuming market practice in the specific geographical location

Included in the valuations are

- (i) a property in Continental Europe valued for the Board by CBRE Valuation SA at £48.3m,
- (ii) Four investment properties in Continental Europe internally valued at £177.6m
- (iii) Properties held for their anticipated redevelopment aggregating £96.9m

Summary of property assets on the historical cost basis

	<i>Investment properties £000</i>	<i>Properties held for future development £000</i>	<i>Total 2012 £000</i>	<i>Total 2011 £000</i>
At 1 January	305,651	84,063	389,714	471,800
Foreign currency translation adjustments	(7,997)		(7,997)	(8,781)
Additions		4,698	4,698	7,606
Disposals	–	–	–	(80,911)
At 31 December	<u>297,654</u>	<u>88,761</u>	<u>386,415</u>	<u>389,714</u>

NOTES TO THE ACCOUNTS  
At 31 December 2012

**8. FIXTURES AND FITTINGS**

Cost

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January	10,323	10,884	2,088	2,032
Foreign currency translation adjustments	41	(63)	–	–
Additions	183	306	–	56
Disposals	–	(757)	–	–
Elimination of fully depreciated assets	(2,446)	(47)	–	–
<b>At 31 December</b>	<b>8,101</b>	<b>10,323</b>	<b>2,088</b>	<b>2,088</b>
<b>Aggregate depreciation</b>				
At 1 January	7,638	7,860	225	53
Foreign currency translation adjustments	35	(55)	–	–
Charge for the year	428	450	171	172
Disposals	–	(570)	–	–
Elimination of fully depreciated assets	(2,446)	(47)	–	–
<b>At 31 December</b>	<b>5,655</b>	<b>7,638</b>	<b>396</b>	<b>225</b>
<b>Net book value at 31 December</b>	<b>2,446</b>	<b>2,685</b>	<b>1,692</b>	<b>1,863</b>

**9. FIXED ASSET INVESTMENTS**

		<i>Group</i>		<i>Company</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Group share of joint ventures	(a)	16,707	125,437	–	–
Subsidiary undertakings	(b)	–	–	120,473	167,576
Other investments	(c)	6,854	2,527	223	338
		23,561	127,964	120,696	167,914

Summary of movement in joint ventures

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
At 1 January	125,437	100,094
Additions	–	1,334
Loss for the year	(9,893)	(8,967)
Revaluation (deficit)/surplus	(47,769)	32,976
Disposal	(51,068)	–
<b>At 31 December</b>	<b>16,707</b>	<b>125,437</b>



NOTES TO THE ACCOUNTS  
At 31 December 2012

9. **FIXED ASSET INVESTMENTS** (continued)

(a) *JOINT VENTURES*

The summarised underlying net assets (100%) of the joint ventures are as follows

	2012 £000	2011 £000
Properties	434,000	613,600
Stock	173,930	96,629
Debtors	32,649	24,596
Cash/Bank	4,205	23,800
Creditors	(14,579)	(11,239)
Bank loans	(400,784)	(331,979)
Debt issue costs	4,472	6,194
Other loans	(62,093)	(51,895)
Sales deposits – received in advance	(36,286)	(27,408)
Other creditors	(22,771)	(17,190)
	<u>112,743</u>	<u>325,108</u>
	2012 £000	2011 £000
Proportion attributable to the Group	37,807	125,437
Less impairment	(21,100)	–
	<u>16,707</u>	<u>125,437</u>

The proportion attributable to the Group reflects a mixture of holdings in the joint ventures listed in note 22, in which the ownership is 33.4% and 33.3%, respectively. During the year the Group disposed of its 50% joint venture investment in The Abford House Unit Trust.

(b) *SUBSIDIARY UNDERTAKINGS*

	2012 Company £000	2011 Company £000
At directors' valuations		
Book value at 1 January	167,576	164,040
Net (deficit)/surplus on revaluation	(47,103)	3,536
Book value at 31 December	<u>120,473</u>	<u>167,576</u>

Details of the principal subsidiary undertakings are listed in note 22.

NOTES TO THE ACCOUNTS  
At 31 December 2012

## 9. FIXED ASSET INVESTMENTS (continued)

*(c) FIXED ASSET INVESTMENTS*

	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Book value at 1 January	2,412	57	223	–
Additions	4,442	2,355	–	223
Book value at 31 December (i)	<u>6,854</u>	<u>2,412</u>	<u>223</u>	<u>223</u>
<i>(d) OTHER INVESTMENTS</i>				
Book value at 1 January	115	1,709	115	1,710
Permanent diminution	(115)	(1,594)	(115)	(1,595)
Book value at 31 December (ii)	<u>–</u>	<u>115</u>	<u>–</u>	<u>115</u>
	<u>6,854</u>	<u>2,527</u>	<u>223</u>	<u>338</u>

(i) This investment consists of a 7.7% holding in a private property fund

(ii) This investment consists of a 5.46% interest in a fellow subsidiary undertaking

## 10. STOCKS

	<i>Group</i>	
	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Work in progress – properties and land	<u>8,036</u>	<u>12,793</u>

During a prior year a Group company terminated a joint development agreement. This resulted in the disposal of land and work in progress valued at £40.6m of which £28.1m is included in other debtors due after more than one year.

In the directors' opinion the valuation of the land held by the Group is significantly in excess of book value.

NOTES TO THE ACCOUNTS  
At 31 December 2012

**11 DEBTORS**

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due within one year				
Trade debtors	7,038	2,757	165	–
Value added tax	368	704	–	–
Prepayments	1,173	765	–	–
Other debtors	9,228	10,117	–	2,520
	<u>17,807</u>	<u>14,343</u>	<u>165</u>	<u>2,520</u>
Amounts falling due after more than one year				
Amounts due from parent undertakings	93,164	92,171	25,050	25,541
Amounts due from fellow subsidiary undertakings	112,721	102,841	5,003	5,003
Amounts due from subsidiary undertakings	–	–	146,570	135,245
Amounts due from a joint venture	20,698	22,025	–	–
Other debtors	48,136	33,331	–	–
	<u>274,719</u>	<u>250,368</u>	<u>176,623</u>	<u>165,789</u>
	<u>292,526</u>	<u>264,711</u>	<u>176,788</u>	<u>168,309</u>

The directors of the Company have agreed to waive the collection of amounts due to the Company from parent, fellow subsidiary and subsidiary undertakings for a period of at least 12 months from 31 December 2012

**12. CREDITORS: amounts falling due within one year**

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (see note)	193,284	289,970	–	–
Less debt issue costs	–	(463)	–	–
Trade creditors	2,119	1,423	–	–
Other creditors	12,949	18,001	200	197
Other taxes and social security costs	395	455	–	–
Corporation tax	15	–	–	–
Value added tax	467	523	–	–
Accrued capital expenditure	249	938	–	–
Accruals and deferred income	2,639	2,379	126	275
	<u>212,117</u>	<u>313,226</u>	<u>326</u>	<u>472</u>

## Note

Since the year end, the maturity of certain loans has been extended to in excess of one year from 31 December 2012. Details of these are in Note 1 on page 13 of these financial statements

NOTES TO THE ACCOUNTS  
At 31 December 2012

13 CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans	56,368	–	–	–
Less debt issue costs	(1,347)	–	–	–
Other creditors	4,785	5,511	315	380
Amounts due to parent undertakings	13,432	13,463	–	–
Amounts due to fellow subsidiary undertakings	243,623	220,538	31,725	31,052
Amounts due to subsidiary undertakings	–	–	11,070	6,426
	<u>316,861</u>	<u>239,512</u>	<u>43,110</u>	<u>37,858</u>

The directors have received confirmation from the directors of its parent, fellow subsidiary and subsidiary undertakings that the amounts due to these undertakings will not be called for within 12 months of 31 December 2012

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
<b>BANK LOANS:</b>		
Wholly repayable within five years	249,652	289,970
Total bank loans	249,652	289,970
Less Included in amounts falling due within one year (note 12)	(193,284)	(289,970)
Due after more than one year	<u>56,368</u>	<u>–</u>
	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
<b>Amounts repayable</b>		
In one year or less (see note 12)	193,284	289,970
Between one and two years	–	–
Between two and five years	56,368	–
	<u>249,652</u>	<u>289,970</u>

The bank loans are secured on the respective assets to which they relate

The bank loans are repayable on various dates until 31 October 2015

For the purpose of managing its interest rate risk, the Group has entered into an interest rate cap on a €76.9m (£62.4m) loan maturing in October 2015. Consequently, the interest rate on this loan is substantially fixed at 4.5% (2011: 4.5%) per annum.

At 31 December 2012 the Group's interest rate cap had a positive mark to market value of £129k (2011: negative £1.4m) on a pre-tax basis. This has not been reflected in the financial statements as it is management's intention to hold these instruments to maturity.

Loans aggregating £187.3m (2011: £79.8m) are at floating rates.

NOTES TO THE ACCOUNTS  
At 31 December 2012

**13 CREDITORS: amounts falling due after more than one year (continued)**

Analysis of changes in debt issue costs during the year are as follows

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
At 1 January	463	2,257
Foreign currency translation adjustment	(8)	(49)
New issues	1,659	176
Amortised to the profit and loss account	(767)	(1,921)
At 31 December	<u>1,347</u>	<u>463</u>

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	<i>Rental</i>	<i>Other</i>	<i>Deferred</i>	<i>Total</i>
	<i>commitments</i>	<i>£000</i>	<i>Tax</i>	<i>£000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>GROUP</i>				
At 1 January 2011	503	7,300	381	8,184
Charged/(released) to profit and loss account	322	–	(381)	(59)
Profit based fee	–	(3,700)	–	(3,700)
Utilised during the year	(119)	(1,000)	–	(1,119)
At 31 December 2011	<u>706</u>	<u>2,600</u>	<u>–</u>	<u>3,306</u>
Charged to profit and loss account	74	–	–	74
Profit based fee	–	(2,300)	–	(2,300)
Utilised during the year	(370)	–	–	(370)
At 31 December 2012	<u>410</u>	<u>300</u>	<u>–</u>	<u>710</u>

## Other provisions

This comprises fees payable on a profit-sharing arrangement based on the net income from, and capital movements on, certain investment properties

**15. CALLED UP SHARE CAPITAL**

	<i>Authorised</i>		<i>Issued, allotted and fully paid</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of 10p each	<u>100,000</u>	<u>100,000</u>	<u>84,001</u>	<u>84,001</u>

NOTES TO THE ACCOUNTS  
At 31 December 2012

**16. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES***GROUP*

	<i>Share Capital £000</i>	<i>Share Premium £000</i>	<i>Reval- uation Reserve £000</i>	<i>Capital Reserve £000</i>	<i>Profit &amp; loss Account £000</i>	<i>Total £000</i>
At 1 January 2011	84,001	2,230	5,722	46,637	143,703	282,293
Loss for the year	–	–	–	–	(24,191)	(24,191)
Dividend paid	–	–	–	–	(4,900)	(4,900)
Net deficit on revaluation of investment properties	–	–	(26,562)	–	–	(26,562)
Actuarial loss net of related current and deferred tax	–	–	–	–	(776)	(776)
Profit based fee	–	–	3,700	–	–	3,700
Investment in joint ventures surplus on revaluation	–	–	34,056	–	–	34,056
Shortfall guarantees by GM Ronson and PA Ferrari	–	–	(1,080)	–	–	(1,080)
Provision for amounts due from joint venture	–	–	(2,700)	–	–	(2,700)
Release of deferred income from joint ventures	–	–	2,168	–	–	2,168
Net exchange difference on retranslation of net assets of subsidiary undertakings	–	–	–	–	(2,687)	(2,687)
At 31 December 2011	84,001	2,230	15,304	46,637	111,149	259,321
Loss for the year	–	–	–	–	(49,665)	(49,665)
Dividend paid	–	–	–	–	(2,200)	(2,200)
Investment properties						
Net deficit on revaluation	–	–	(33,656)	–	–	(33,656)
Transfer of prior years' revaluation deficit	–	–	14,600	–	(14,600)	–
Impairment transferred to profit and loss account	–	–	7,946	–	–	7,946
Investment in joint ventures						
Deficit on revaluation	–	–	(28,553)	–	–	(28,553)
Impairment transferred to profit and loss account	–	–	10,934	–	–	10,934
Actuarial gain net of related current and deferred tax	–	–	–	–	1,330	1,330
Profit based fee	–	–	2,300	–	–	2,300
Release on sale	–	–	(8,173)	–	8,173	–
Net exchange difference on retranslation of net assets of subsidiary undertakings	–	–	–	–	(1,667)	(1,667)
At 31 December 2012	84,001	2,230	(19,298)	46,637	52,520	166,090

## NOTES TO THE ACCOUNTS

At 31 December 2012

**16 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES**  
(continued)*COMPANY*

	<i>Share Capital £000</i>	<i>Share Premium £000</i>	<i>Reval- uation reserve £000</i>	<i>Capital reserve £000</i>	<i>Profit &amp; loss account £000</i>	<i>Total £000</i>
At 1 January 2011	84,001	2,230	62,539	19,050	156,609	324,429
Profit for the year	–	–	–	–	4,052	4,052
Dividend paid	–	–	–	–	(4,900)	(4,900)
Revaluation surplus	–	–	3,536	–	–	3,536
At 31 December 2011	84,001	2,230	66,075	19,050	155,761	327,117
Profit for the year	–	–	–	–	5,992	5,992
Dividend paid	–	–	–	–	(2,200)	(2,200)
Revaluation deficit	–	–	(47,103)	–	–	(47,103)
At 31 December 2012	84,001	2,230	18,972	19,050	159,553	283,806

Heron International Holdings (“the Company”) has not presented its own profit and loss account, as permitted by Section 408(3) and (4) of the Companies Act 2006. The profit of the Company for the year was £5 992m (2011 £4 1m)

**17. CAPITAL AND OTHER COMMITMENTS***CAPITAL EXPENDITURE**GROUP*

	<i>2012 £000</i>	<i>2011 £000</i>
Contracted with third parties	2,500	2,000
Authorised but not contracted	500	1,000

## Non-cancellable operating leases

	<i>Land and buildings</i>	
	<i>2012 £000</i>	<i>2011 £000</i>
Commitments for the year following		
31 December 2012 on leases which expire		
Within one year	–	–
Between two and five years	918	918
After 5 years	550	550

The Company has capital commitments of £550k

## NOTES TO THE ACCOUNTS

At 31 December 2012

**18. RELATED PARTY TRANSACTIONS**

During 2007, the Group disposed of 66.6% of the units in the Heron Tower Property Unit Trust to external investors including Mr G M Ronson, a director of the company. Mr G M Ronson acquired 33.3% of these units on the same terms as the other investors.

The Heron Tower Property Unit Trust is a Jersey registered unit trust of which 33.3% is held by a subsidiary undertaking.

During the year the Group entered into transactions in the ordinary course of business with this trust. Transactions entered into and balances outstanding are as follows:

	<i>Heron Tower Property Unit Trust</i>	<i>Heron Tower Property Unit Trust</i>
	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
At 1 January	22,025	4,546
Advances	1,487	4,416
Acquisition of a bank loan commitment	–	10,500
Gain on acquisition of bank debt commitment	–	1,167
Interest	1,912	1,396
	<hr/>	<hr/>
At 31 December	25,424	22,025
	<hr/> <hr/>	<hr/> <hr/>

During the previous year the Group purchased a bank loan commitment of £11.7m. This amount is receivable from Heron Tower Property Unit Trust ("the Trust"). Interest accrued during the year was £1.9m (2011: £1.4m). In addition the Group advanced a further £1.5m (2011: £4.4m) to the Trust. At 31 December 2012 the amount due from the Trust in respect of these loans were £20.7m (2011: £17.3m).

In addition the Group holds a 33.4% interest in The Heron Residences LLP (the "LLP") and the immediate parent undertaking holds a 16.7% interest in this LLP. The LLP is accounted for as a joint venture in these accounts.

Mr G M Ronson and entities associated with him have invested an aggregate of 14.4% in the LLP on the same terms as the non-Heron Group companies.

Transactions entered into and balances outstanding are as follows:

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
<i>Investment in the LLP</i>		
At 1 January/31 December	16,707	16,707
	<hr/> <hr/>	<hr/> <hr/>

The Group also holds a 7.7% interest in The Ronson Capital Partners I (Real Estate) Partnership LP (the "Fund"). Mr G M Ronson (a director of the Company) holds, either directly or indirectly, a 15.3% interest in this Fund.

The movement on this investment was as follows:

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
At 1 January	2,412	57
Additional capital invested	4,442	2,355
	<hr/>	<hr/>
At 31 December	6,854	2,412



NOTES TO THE ACCOUNTS  
At 31 December 2012

18. RELATED PARTY TRANSACTIONS (continued)

*GROUP*

During the year the Group entered into transactions in the ordinary course of business with other related parties. Transactions entered into and balances outstanding are as follows

	<i>At 1 Jan 2011 £'000</i>	<i>Foreign Exchange £'000</i>	<i>Interest £'000</i>	<i>Advances/ (Repayments) £'000</i>	<i>At 31 Dec 2011 £'000</i>
Heron International NV	50,740	340	(234)	(399)	50,447
Heron International Limited	31,256	2	1,081	(4,078)	28,261
Heron Finance UK	(183,583)	82	(20,567)	–	(204,068)
Heron Inversiones SL	57,515	(1,293)	7,335	(2,241)	61,316
HDP Management	(4,638)	–	–	–	(4,638)
Orchidum	5,003	–	–	–	5,003
Heron International Finance BV	18	1	–	–	19
	<u>(43,689)</u>	<u>(868)</u>	<u>(12,385)</u>	<u>(6,718)</u>	<u>(63,660)</u>
<b>Group Relief</b>					
Heron Finance UK Limited	19,243	–	–	5,428	24,671
	<u>(24,446)</u>	<u>(868)</u>	<u>(12,385)</u>	<u>(1,290)</u>	<u>(38,989)</u>
	<i>At 1 Jan 2012 £'000</i>	<i>Foreign Exchange £'000</i>	<i>Interest £'000</i>	<i>Advances/ (Repayments) £'000</i>	<i>At 31 Dec 2012 £'000</i>
Heron International NV	50,447	390	(124)	769	51,482
Heron International Limited	28,261	(12)	1,070	(1,069)	28,250
Heron Finance UK	(204,068)	94	(23,123)	–	(227,097)
Heron Inversiones SL	61,316	(1,849)	8,018	(843)	66,642
HDP Management	(4,638)	–	–	–	(4,638)
Orchidum	5,003	–	–	–	5,003
Heron International Finance BV	19	–	–	–	19
	<u>(63,660)</u>	<u>(1,377)</u>	<u>(14,159)</u>	<u>(1,143)</u>	<u>(80,339)</u>
<b>Group Relief</b>					
Heron Finance UK Limited	24,671	–	–	4,498	29,169
	<u>(38,989)</u>	<u>(1,377)</u>	<u>(14,159)</u>	<u>3,355</u>	<u>(51,170)</u>

NOTES TO THE ACCOUNTS  
At 31 December 2012

**18 RELATED PARTY TRANSACTIONS (continued)***COMPANY*

During the year the Company entered into transactions in the ordinary course of business with other related parties. Transactions entered into and balances outstanding are as follows:

	<i>At 1 Jan 2011 £'000</i>	<i>Foreign Exchange £'000</i>	<i>Interest £'000</i>	<i>Advances/ (Repayments) £'000</i>	<i>At 31 Dec 2011 £'000</i>
Heron International NV	25,541	–	–	–	25,541
Heron Finance UK Limited	(25,740)	81	(755)	–	(26,414)
Heron Leisure Limited	75,769	–	8,488	(10,696)	73,561
Heron Corporation	(2,287)	–	(263)	8,628	6,078
Heron Inversiones SL	1,870	53	18	(1,941)	–
Orchidum	5,003	–	–	–	5,003
HDP Management	(4,638)	–	–	–	(4,638)
Heron Holdings Europe BV	(6,000)	–	–	–	(6,000)
Heron Group International	(426)	–	–	–	(426)
Regent Two Limited	7,623	–	1,225	–	8,848
Heron Treasury Services Limited	17,130	–	1,377	28,251	46,758
	<u>93,845</u>	<u>134</u>	<u>10,090</u>	<u>24,242</u>	<u>128,311</u>

	<i>At 1 Jan 2012 £'000</i>	<i>Foreign Exchange £'000</i>	<i>Interest £'000</i>	<i>Provisions £'000</i>	<i>Advances/ (Repayments) £'000</i>	<i>At 31 Dec 2012 £'000</i>
Heron International NV	25,541	–	–	–	(491)	25,050
Heron Finance UK Limited	(26,414)	93	(766)	–	–	(27,087)
Heron Leisure Limited	73,561	–	9,259	–	2,179	84,999
Heron Corporation	6,078	–	352	–	(11,074)	(4,644)
Heron Inversiones SL	–	–	–	–	–	–
Orchidum	5,003	–	–	–	–	5,003
HDP Management	(4,638)	–	–	–	–	(4,638)
Heron Holdings Europe BV	(6,000)	–	–	–	–	(6,000)
Heron Group International	(426)	–	–	–	–	(426)
Regent Two Limited	8,848	–	1,422	(1,973)	–	8,297
Heron Treasury Services Limited	46,758	–	1,874	–	4,642	53,274
	<u>128,311</u>	<u>93</u>	<u>12,141</u>	<u>(1,937)</u>	<u>(4,744)</u>	<u>133,828</u>

NOTES TO THE ACCOUNTS

At 31 December 2012

**18. RELATED PARTY TRANSACTIONS (continued)**

Heron International NV is the Company's immediate parent undertaking and directly holds 100% of the issued share capital in the Company

Heron International Limited is the Company's ultimate parent undertaking, directly holding 100% of Heron International NV

Heron Finance UK Limited is 100% owned by Heron Inversiones SL

Heron Inversiones SL is a Spanish registered company 100% owned (indirectly) by the ultimate parent undertaking, Heron International Limited

HDP Management is 100% directly held by Heron International NV

Orchidum is 100% indirectly held by Heron International NV

Heron International Finance BV is 100% directly held by Heron International NV

Heron Leisure Limited is 80% indirectly held by the Company

Heron Corporation is 100% indirectly held by the Company

Heron Treasury Services Limited is 100% indirectly held by the Company

Heron Holdings Europe BV is 100% directly held by the Company

Heron Group International is the holder of 100% of the issued share capital in Heron Corporation

Regent Two Limited (in Members voluntary liquidation) is 100% indirectly held by the Company

At 31 December 2009, the Company was a 75% member of The Heron Residences LLP. Subsequent to 31 December 2009, the Company retired as a member of The Heron Residences LLP and a subsidiary undertaking, the immediate parent undertaking and other parties (including Mr G M Ronson and Mr P A Ferrari held on trust by Mr G M Ronson) were admitted as new members

**19 PENSION SCHEMES**

Heron Corporation, a subsidiary undertaking, operates a funded defined benefit pension scheme ("the Scheme"). The assets and liabilities of the Scheme are controlled by trustees and held separately from those of Heron Corporation. In January 2003 the scheme was closed to new entrants and was subsequently closed to future accrual of benefits from midnight on 31 August 2013.

The assets and liabilities of the Scheme are not separately identifiable for the group's employee. As such the disclosures below are from the financial statements of Heron Corporation for the year ended 31 December 2012 and comply with the accounting standard FRS 17 as required under UK GAAP.

The most recent independent actuarial valuation of the Scheme, at 1 April 2012, was undertaken by Broadstone Corporate Benefits Ltd (formerly called Broadstone Pensions & Investments Limited) using the attained age method. At the date of the valuation, the market value of the Scheme's assets was £23.5m and this was sufficient to cover 93% of the benefits that had accrued to members at that date, after allowing for assumed future increases in earnings.

The next full valuation of the Scheme is expected to be undertaken at 1 April 2014.

The pension cost figures in these accounts comply with the accounting standard FRS 17 as required under UK GAAP for the year ended 31 December 2012 and subsequent years.

An actuarial valuation was carried out by Broadstone Corporate Benefits Ltd as at 31 December 2012 solely for the purposes of preparing these disclosures.

The valuation used for FRS 17 disclosures has been based upon the most recent actuarial valuations and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2012. Assets are stated at their market value at 31 December 2012.

Contributions payable to the pension scheme for the year were £588,000 (2011 £577,000).

Following the finalisation of the actuarial valuation as at 1 April 2012, the total contributions in the next year are expected to be £752,000.

NOTES TO THE ACCOUNTS  
At 31 December 2012

19 PENSION SCHEMES (continued)

*Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the balance sheet are as follows

	2012 £'000	2011 £'000
Fair value of scheme assets	24,945	23,517
Present value of scheme liabilities	(25,952)	(25,990)
Net liability in the balance sheet	<u>(1,007)</u>	<u>(2,473)</u>

	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	21,853	20,785	22,169
Present value of scheme liabilities	(23,673)	(22,211)	(19,111)
(Deficit)/surplus in scheme	<u>(1,820)</u>	<u>(1,426)</u>	3,058
Related deferred taxation	-	-	(856)
Net pension (liability)/asset	<u>(1,820)</u>	<u>(1,426)</u>	<u>2,202</u>

*Scheme assets*

Changes in the fair value of scheme assets are as follows

	2012 £'000	2011 £'000
Fair value at start of year	23,517	21,853
Expected return on assets	1,041	1,055
Actuarial gains and losses	1,109	1,255
Employer's contributions	588	577
Contributions by scheme participants	47	45
Benefits paid	(1,357)	(1,268)
Fair value at end of year	<u>24,945</u>	<u>23,517</u>

*Analysis of assets*

The major categories of scheme assets are as follows

	2012 £'000	2011 £'000
Equity instruments	4,790	4,013
Debt instruments	19,546	18,955
Cash	307	261
Other assets	302	288
	<u>24,945</u>	<u>23,517</u>

NOTES TO THE ACCOUNTS  
At 31 December 2012

19 PENSION SCHEMES (continued)

	2010 £'000	2009 £'000	2008 £'000
Equity instruments	260	2,941	2,252
Debt instruments	21,033	16,318	18,352
Cash	290	1,265	1,285
Other assets	270	261	280
	<u>21,853</u>	<u>20,785</u>	<u>22,169</u>

*Actual return on scheme's assets*

	2012 £'000	2011 £'000
Actual return on scheme assets	<u>2,150</u>	<u>2,310</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes

*Scheme liabilities*

Changes in the present value of scheme liabilities are as follows

	2012 £'000	2011 £'000
Present value at start of year	25,990	23,673
Current service cost	342	304
Actuarial gains and losses	(221)	2,030
Interest cost	1,198	1,251
Benefits paid	(1,357)	(1,268)
Present value at end of year	<u>25,952</u>	<u>25,990</u>

*Principal actuarial assumptions*

The principal actuarial assumptions at the balance sheet date are as follows

	2012 %	2011 %
Discount rate	4.1	4.7
Future salary increases	4.8	4.9
Future pension increases	2.8	2.9
Inflation	2.8	2.9
Expected return on scheme assets - equity	5.9	5.9
Expected return on scheme assets - cash	0.5	0.5
Expected return on scheme assets - gilts and corporate bonds	3.4	3.9
Expected return on scheme assets - insurance policies	<u>4.1</u>	<u>1.9</u>

## NOTES TO THE ACCOUNTS

At 31 December 2012

## 19 PENSION SCHEMES (continued)

	2010	2009	2008
	%	%	%
<b>Financial assumptions</b>			
Discount rate	5.4	5.7	6.4
Future salary increases	2.9	3.5	4.8
Future pension increases	3.3	2.9	2.7
Inflation	3.4	3.5	2.8
Expected return on scheme assets - equity	7.4	7.7	7.0
Expected return on scheme assets - cash	0.5	0.5	2.0
Expected return on scheme assets - gilts and corporate bonds	4.9	4.5	3.8
Expected return on scheme assets - insurance policies	3.5	3.7	3.0

*Amounts recognised in the profit and loss account*

	2012	2011
	£'000	£'000
<b>Amounts recognised in operating profit</b>		
Current service cost	295	258
Recognised in arriving at operating profit	295	258
<b>Amounts recognised in Interest payable and similar charges</b>		
Interest cost	1,198	1,251
Expected return on scheme assets	(1,041)	(1,055)
Recognised in Interest payable and similar charges (see note 5)	157	196
Total recognised in the profit and loss account	452	454

*Amounts recognised in the statement of total recognised gains and losses*

	2012	2011
	£'000	£'000
Actual return less expected return on scheme assets	1,109	1,255
Effect of FRS 17 paragraph 41	2,253	(363)
Changes in assumptions	(1,658)	(1,667)
Other actuarial losses	(374)	-
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	1,330	(776)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since 1 January 2002 is £4,013,000 (2011 £5,343,000)

*History of experience adjustments on scheme assets and liabilities*

Amounts for the current and previous period are as follows

	2012	2011
	£'000	£'000
Fair value of scheme assets	24,945	23,517
Present value of scheme liabilities	(25,952)	(25,990)
Deficit in scheme	(1,007)	(2,473)

NOTES TO THE ACCOUNTS

At 31 December 2012

**20 CONTINGENT LIABILITIES**

In the ordinary course of business, the Company has entered into indemnities and guarantees in connection with the operations of certain subsidiary and associated undertakings

The Company had agreed to provide financial support to ensure the continuing operation of certain subsidiaries, which is not expected to give rise to any material loss that has not already been provided for in the accounts

In the event of an exercise of the put option by Mr G M Ronson together with his entitlement to the Net Asset Value Bonus taking effect on 31 December 2014 (see page 4), it is estimated that he would be entitled to no less than £7.1 million on the assumption that no distributions have been made between the balance sheet date and 31 December 2014, in which case the £7.1 million will be reduced in accordance with the terms of the Net Asset Value Bonus Agreement

**21 PARENT UNDERTAKINGS**

The Company's immediate parent undertaking is Heron International NV

The Company's ultimate parent and controlling undertaking is Heron International Limited

The parent undertaking of the smallest and largest group of which the Company is a member and for which group accounts are prepared are as follows

Largest group – Heron International Limited, registered in the Cayman Islands

Smallest group – Heron International Holdings, registered in England and Wales

Copies of the group accounts of Heron International Limited are available from the registered office at PO Box 309, Ugland House, George Town, Grand Cayman, Cayman Islands, British West Indies

NOTES TO THE ACCOUNTS  
At 31 December 2012

**22. PRINCIPAL SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2012**

The principal subsidiary undertakings of the Company are as follows

<i>Name of subsidiary undertaking</i>	<i>Nature of business</i>	<i>Percentage of Ordinary Share Capital Held</i>
Heron Corporation *	Management & Finance	100%
Heron Group International	Property Trading & Investment	100%
Embride Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Arrona Limited *	Investment company	100%
Heron (Devonshire House No 2) Limited *	Investment company	100%
Heron (Devonshire Row No 2) Limited *	Investment company	100%
Heron (Staple Hall No 2) Limited *	Investment company	100%
Heron (Stone House No 2) Limited *	Investment company	100%
Heron City Espana SL (Incorporated in Spain) *	Holding company	80%
Heron City Limited *	Holding company	80%
Heron City Madrid SL (Incorporated in Spain) *	Property investment	80%
Heron City Meridiana SL (Incorporated in Spain) *	Property investment	80%
Heron City Paterna SL (Incorporated in Spain) *	Property investment	80%
Heron Land Developments Limited *	Land development	100%
Heron Leisure Limited *	Holding company	80%
Heron Property Corporation Limited *	Holding company	100%
HLD Property Holdings Limited ***	Holding company	100%
HPC Property Holdings Limited ***	Holding company	100%
Utelle Investments BV (Incorporated in The Netherlands)*	Holding company	80%
Heron Quay Investments (No 1) Limited *	Property investment & development	80%
Spinners AB (Incorporated in Sweden) *	Entertainment operator	80%
Puerto Maria SL (Incorporated in Spain) *	Property investment	80%
Heron Plaza Property Unit Trust (Registered in Jersey) *	Property investment	100%
Heron Hoteles Espana SL (Incorporated in Spain) **	Property investment	50%
Heron Petroleum Co Limited **	Oil and gas	50%
Heron Productions Limited *	Film production and distribution	100%
Brycrust Limited *	Finance company	100%
Ronson Services Limited *	Management services	100%
Heron London Investments Limited *	Investment company	100%
Heron London Properties Limited *	Investment company	100%
Heron Treasury Services Limited *	Investment company	100%
Bonivir Investments Limited *	Investment company	100%
Ronex Properties Limited *	Investment company	100%
Heron Land Holdings Limited *	Investment company	80%
Baldaco Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Castelsardo BV (Incorporated in The Netherlands) *	Holding company	80%
Heron Lille Holdings SARL (Incorporated in France) *	Holding company	80%
SCI Heron Leisure Lille (Incorporated in France) *	Property development	80%
Heron Estate Holdings Limited *	Holding company	80%



NOTES TO THE ACCOUNTS  
At 31 December 2012**22. PRINCIPAL SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2012 (continued)**

Bollington Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Heron Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Heron Alpine Holdings SARL (Incorporated in France) *	Holding company	80%
Mermont France SNC (Incorporated in France) *	Property investment	80%
Val Thorens SNC (Incorporated in France) *	Property investment	80%
Heron Holdings Avenue George V BV (Incorporated in the Netherlands) *	Holding company	100%
Daloman Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Shrigley Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Warford Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Calshot Investments BV (Incorporated in The Netherlands) *	Holding company	80%
Heron Espana Property Holdings SL (Incorporated in Spain) *	Holding company	80%
Heron City Diversia SL (Incorporated in Spain) *	Property investment	80%
Adrenaline Entertainment SL (Incorporated in Spain) *	Entertainment operator	80%
Heron Property Investments Limited *	Holding company	80%
Regent One Limited ***	Investment company	100%
Regent Two Limited ***	Property investment	100%

\* Ordinary share capital/unit/economic control is held by a subsidiary undertaking

\*\* Ordinary share capital is held by a subsidiary undertaking and the immediate parent undertaking

\*\*\* In members' voluntary liquidation

Except where otherwise stated, the above undertakings are incorporated, or registered in, and operate in England and Wales

**Joint Ventures**

<i>Name</i>	<i>Nature of Business</i>	<i>% of units held</i>
Heron Tower Property Unit Trust *	Property investment	33.3%
The Heron Residences LLP **	Property development	33.4%

\* The above is registered in Jersey and is held by a subsidiary undertaking

\*\* The above is registered in England and Wales and held by a subsidiary and the immediate parent undertaking

**23. POST BALANCE SHEET EVENTS**

Other than the extension of the maturity dates on the loans outstanding at 31 December 2012 as noted on page 13 to these financial statements, there have been no significant events since the balance sheet date