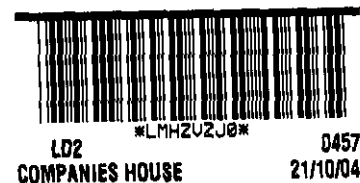


Heron London Developments Limited

Report and Accounts

31 December 2003



No. 1009681

Heron London Developments Limited

Registered No. 1009681

DIRECTORS

G M Ronson

D J Kitchen (appointed 1 October 2003)

A I Goldman (resigned 1 October 2003)

P A Ferrari

SECRETARY

L H Zeltser

AUDITORS

Ernst & Young LLP

1 More London Place

London SE1 2AF

REGISTERED OFFICE

Heron House

19 Marylebone Road

London NW1 5JL

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The loss for the year and the state of the affairs of the Company are as set out in the attached accounts.

The directors do not recommend payment of a dividend for the year (2002 - £nil).

PRINCIPAL ACTIVITY

The principal activity of the Company is property investment.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company sold its investment property at 11/13 Holborn Viaduct, London during a prior period.

DIRECTORS AND THEIR INTERESTS

The current directors of the Company are listed on page 1. On 1 October 2003 A I Goldman retired from the board and D J Kitchen was appointed.

There are no directors' interests which require to be disclosed under the Companies Act 1985.

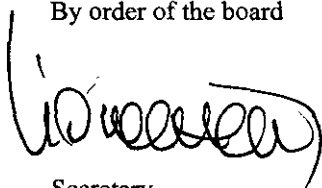
FIXED ASSETS

Changes in fixed assets during the year are shown in the notes to the accounts.

AUDITORS

The company has passed a resolution under Section 386 of the Companies Act 1985 not to re-appoint auditors annually. Ernst & Young LLP have expressed their willingness to continue in office for this coming year.

By order of the board



Secretary

31 MAR 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and*
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HERON LONDON DEVELOPMENTS LIMITED**

We have audited the company's financial statements for the year ended 31 December 2003, which comprise the Profit and Loss Account, Company Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 9. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

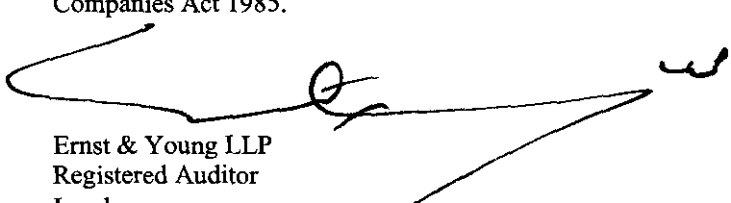
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

Date **31 MAR 2004**

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> £	<i>2002</i> £
Administrative expenses		(3,146)	(9,372)
OPERATING PROFIT		<u>(3,146)</u>	<u>(9,372)</u>
Loss on sale of investment property		–	(154,646)
		<u>(3,146)</u>	<u>(164,018)</u>
Net interest receivable	3	35	607
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(3,111)</u>	<u>(163,411)</u>
Tax on loss on ordinary activities	4	–	–
LOSS FOR THE YEAR	8	<u><u>(3,111)</u></u>	<u><u>(163,411)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There have been no recognised gains or losses other than the loss for the years, shown above.

BALANCE SHEET
at 31 December 2003

	Notes	2003 £	2002 £
CURRENT ASSETS			
Debtors: amounts falling due within one year	5	372,142	429,965
after more than one year	5	11,735,312	11,680,599
		<u>12,107,454</u>	<u>12,110,564</u>
CREDITORS: amounts falling due within one year	6	<u>(356,079)</u>	<u>(356,078)</u>
NET CURRENT ASSETS		<u>11,751,375</u>	<u>11,754,486</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,751,375</u>	<u>11,754,486</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	8	11,751,373	11,754,484
Equity shareholder's funds		<u>11,751,375</u>	<u>11,754,486</u>

Approved by the Board on

Director

31 MAR 2004

NOTES TO THE ACCOUNTS
at 31 December 2003

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The Company is exempt, according to FRS 1 (Revised 1996) from the requirement to prepare a statement of cash flows as it is a wholly owned subsidiary undertaking of Heron Corporation, the consolidated financial statements of which will incorporate a consolidated statement of cash flows, including those of the Company.

Related party transactions

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Heron International Limited group.

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;
- 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.

Turnover

Turnover, net of Value Added Tax comprises of rental income received from investment properties.

All turnover arises from continuing activities.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fees for the year have been borne by another Group undertaking.

No director received any remuneration in respect of services rendered to the Company during the year (2002 – £nil).

3. NET INTEREST RECEIVABLE AND SIMILAR CHARGES

	2003	2002
	£	£
External interest receivable	35	607

4. TAX ON LOSS ON ORDINARY ACTIVITIES

No provision has been made for any current taxation liability arising during the year as it is anticipated that sufficient losses will be available by other Group companies for no consideration to cover any such liability. In the event that sufficient losses are not available a parent undertaking of the company has undertaken to indemnify the company for any tax liability which might arise. Conversely, that parent undertaking will not pay the company for any tax losses which may be surrendered by the company during the year.

A similar arrangement was entered into in respect of the year ended 31 December 2002.

NOTES TO THE ACCOUNTS
at 31 December 2003

4. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2003 £	2002 £
<i>Current tax:</i>		
UK Corporation tax	—	—
Total current tax	—	—
<i>Deferred tax:</i>		
Origination and reversal of timing differences	—	—
Tax on loss on ordinary activities	—	—

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2003 £	2002 £
Loss on ordinary activities before tax	(3,111)	(163,411)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(933)	(49,023)
Expenses not deductible for tax purposes (primarily on capital account)	944	49,205
Tax losses utilised	(11)	(182)
Total current tax	—	—

(c) Factors which may affect future tax charges

No deferred tax asset has been recognised in respect of tax losses carried forward at the year end, on the grounds that there is insufficient evidence that such an asset will be recoverable in the following year. It is estimated that the company has tax losses available for carry forward against future taxable profits of approximately £5.2m (2002 - £5.2m) as at 31 December 2003.

5. DEBTORS

	2003 £	2002 £
Amounts falling due within one year:		
Other debtors	372,142	429,965
	372,142	429,965
Amounts falling due after more than one year:		
Amounts due from parent undertaking	11,735,312	11,680,599
	12,107,454	12,110,564

NOTES TO THE ACCOUNTS
at 31 December 2003

6. CREDITORS: amounts falling due within one year

	2003 £	2002 £
Other creditors	356,079	356,078
	<u>356,079</u>	<u>356,078</u>

7. SHARE CAPITAL

	2003 £	Authorised 2002 £	Issued, allotted and fully paid 2003 £	2002 £
Ordinary shares of £1 each	100	100	2	2

8. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £	Profit and loss account £	Total £
At 1 January 2002	2	11,917,895	11,917,897
Loss for the year	-	(163,411)	(163,411)
At 31 December 2002	2	11,754,484	11,754,486
Loss for the year	-	(3,111)	(3,111)
At 31 December 2003	2	11,751,373	11,751,375

9. PARENT UNDERTAKINGS

The Company's immediate parent undertaking was Heron Property Corporation Limited.

The Company's ultimate parent undertaking at 31 December 2003 was Heron International Limited. The parent undertakings of the smallest and largest groups 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 Corporation, registered in England and Wales

Copies of the group accounts of Heron International Limited are filed with The Registrar of Companies, Tower Building, Grand Cayman, Cayman Islands, British West Indies.

Copies of the group accounts of Heron Corporation will be available from Companies House, Cardiff CF4 3UZ once they have been filed.