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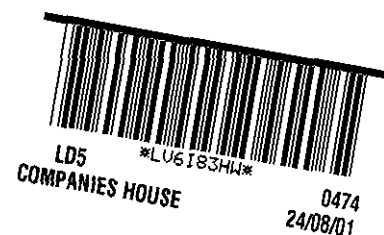
01549055

Heron Southampton Properties Limited

(Formerly The Marlands Shopping
Centre Limited)

Report and Accounts

31 December 2000



Heron Southampton Properties Limited
(formerly The Marlands Shopping Centre Limited)

Registered No. 1549055

DIRECTORS

G M Ronson
A I Goldman
A W Burnie

SECRETARY

C J Morton

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

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 2000.

RESULTS AND DIVIDEND

The profit for the year and the state of the company's affairs are as set out in the attached accounts.

The company is unable to pay a dividend for the year (1999 – £nil).

PRINCIPAL ACTIVITY

The principal activity of the Company is property investment.

CHANGE OF NAME

On 9 May 2000 the Company changed its name from The Marlands Shopping Centre Limited to Heron Southampton Properties Limited.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal investment was The Marlands Shopping Centre in Southampton which it sold during the year.

DIRECTORS AND THEIR INTERESTS

The current directors of the Company are as listed on page 1.

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

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the board

C. T. M. V. S.

22 JUN 2001

Secretary

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.

REPORT OF THE AUDITORS
to the members of Heron Southampton Properties Limited
(formerly The Marlands Shopping Centre Limited)

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of freehold and leasehold property, and on the basis of the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

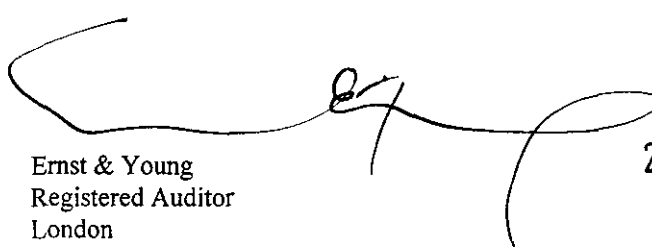
BASIS OF OPINION

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

22 JUN 2001

PROFIT AND LOSS ACCOUNT
as at 31 December 2000

	<i>Notes</i>	<i>2000</i> £	<i>1999</i> £
Net rental income		764,156	2,614,491
Administrative expenses		(54,137)	(92,536)
OPERATING PROFIT		710,019	2,521,955
Exceptional non-operating items	2	–	(115,444)
Profit on sale of property		295,564	–
		1,005,583	2,406,511
Net interest payable	3	(622,685)	(1,615,387)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	382,898	791,124
Tax on profit on ordinary activities	5	–	–
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	382,898	791,124

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the results for the years, shown above.

BALANCE SHEET
as at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	6	—	32,600,000
		—	32,600,000
CURRENT ASSETS			
Debtors	7	33,502,466	23,781,389
Cash at bank		—	969,219
		33,502,466	24,750,608
CREDITORS: amounts falling due within one year	8	(59,929)	(2,005,234)
NET CURRENT ASSETS		33,442,537	22,745,374
TOTAL ASSETS LESS CURRENT LIABILITIES		33,442,537	55,345,374
CREDITORS: amounts falling due after more than one year	9	—	(22,285,735)
		33,442,537	33,059,639
CAPITAL AND RESERVES			
Called up share capital	11	71,223,473	71,223,473
Profit and loss account	12	(37,780,936)	(38,163,834)
Equity shareholders' funds	12	33,442,537	33,059,639
Equity shareholders' funds		33,442,387	33,059,489
Non equity shareholders' funds		150	150
		33,442,537	33,059,639

Approved by the Board on

22 JUN 2001

Director

NOTES TO THE ACCOUNTS
at 31 December 2000

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 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.

Investment properties

Investment properties are valued externally on an open market basis on completion of development 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.

Depreciation

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years unexpired under the lease. Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed 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 valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Deferred taxation

Provision is made for deferred taxation under the liability method on all timing differences to the extent that it is probable that a liability will crystallise, calculated at the rates at which it is estimated that tax will become payable.

Leasing

Rentals receivable and payable under operating leases are taken to the profit and loss account on a straight line basis over the term of the lease, save that no account is taken of possible future changes in rents unless they are pre-determined in the lease.

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.

2. EXCEPTIONAL ITEMS

	2000	1999
	£	£
Permanent diminution in property value	—	(115,444)
	—	(115,444)

NOTES TO THE ACCOUNTS
at 31 December 2000

3. NET INTEREST PAYABLE

	2000	1999
	£	£
Interest payable:		
External interest receivable	1,746	7,273
Loan interest	(503,973)	(1,516,201)
	(502,227)	(1,508,928)
Amortisation of deferred financing costs (see note 9)	(120,458)	(106,459)
	(622,685)	(1,615,387)

4. PROFIT 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 (1999 – £nil).

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

No provision has been made for any 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 financial year ended 31 December 1999.

6. TANGIBLE FIXED ASSETS

Freehold investment property:	2000	1999
	£	£
Net book value of property asset:		
Net book value at 1 January	32,600,000	32,664,420
Additions	–	51,024
Disposal	(32,600,000)	–
Revaluation – transferred to Profit and Loss account (see note 2)	–	(115,444)
Net book value at 31 December	–	32,600,000

NOTES TO THE ACCOUNTS
at 31 December 2000

	2000	1999
	£	£
Net historical cost of property asset:		
At 1 January	56,539,574	56,488,550
Disposal	(56,539,574)	—
Additions	—	51,024
At 31 December	—	56,539,574

7. DEBTORS

	2000	1999
	£	£
Trade debtors	5,422	452,815
Amounts due from parent undertaking	33,497,044	23,327,585
Other debtors	—	989
	33,502,466	23,781,389

8. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Bank loan (see note 9)	—	455,006
Trade creditors	—	278,588
Other creditors	—	190,168
Accruals and deferred income	59,929	1,081,472
	59,929	2,005,234

NOTES TO THE ACCOUNTS
at 31 December 2000

9. CREDITORS: Amounts falling due after more than one year

	2000 £	1999 £
Bank loan		
Wholly repayable within five years:	–	3,685,658
Not wholly repayable within five years	–	19,462,541
	–	23,148,199
LESS: Debt issue costs	–	(407,458)
Less included in creditors: amount falling due within one year	–	(455,006)
	–	22,285,735
Amounts repayable:		
	£	£
In one year or less	–	455,006
Between one and two years	–	785,620
Between two and five years	–	2,445,032
	–	3,685,658
In five years or more	–	19,462,541
	–	23,148,199

	2000 £	1999 £
Analysis of changes in debt issues costs during year:		
At 1 January	407,458	505,758
New issues	–	8,159
Amortisation	(120,458)	(106,459)
Transfer to fellow subsidiary undertaking	(287,000)	–
At 31 December	–	407,458

10. DEFERRED TAXATION

	Provided 2000 £	Not Provided 2000 £	Provided 1999 £	Not Provided 1999 £
Capital allowances	–	–	–	2,784,129
Tax losses	–	–	–	(551,252)
	–	–	–	2,232,877

NOTES TO THE ACCOUNTS
at 31 December 2000

11. SHARE CAPITAL

	<i>Authorised</i>		<i>Issued, allotted and fully paid</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	£	£	£	£
Ordinary shares of £1 each	71,499,850	71,499,850	71,223,323	71,223,323
15% Non-cumulative preference shares of £1 each	150	150	150	150
	<u>71,500,000</u>	<u>71,500,000</u>	<u>71,223,473</u>	<u>71,223,473</u>

Preference Shares

The preference shares were issued at par and carry a dividend of 15% per annum payable in arrears. The dividend rights are non-cumulative.

Preference shares carry no votes at meetings unless a special resolution would adversely affect their class of rights.

On a winding up of the company, preference shareholders have a right to receive, in preference to other shareholders, amounts paid up on their shares and dividend arrears.

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share Capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 1 January 1999	71,223,473	—	(38,954,958)	32,268,515
Profit for the year	—	—	791,124	791,124
At 31 December 1999	<u>71,223,473</u>	<u>—</u>	<u>(38,163,834)</u>	<u>33,059,639</u>
Profit for the year	—	—	382,898	382,898
At 31 December 2000	<u>71,223,473</u>	<u>—</u>	<u>(37,780,936)</u>	<u>33,442,537</u>

13. PARENT UNDERTAKINGS

The company's immediate parent undertaking is Heron Property Corporation Limited.

The company's ultimate parent undertaking is 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 consolidated accounts of Heron Corporation will be available from Companies House at Cardiff CF4 3UZ once they have been filed.