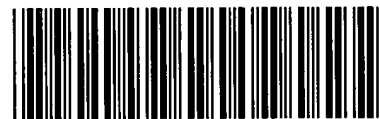


Heron Yate Limited

Directors' Report and Financial Statements

For the period from 26 November 2015 to 31 December 2016

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Heron Yate Limited

Contents

Company Information	2
Directors' Report	3 - 4
Statement of Directors' Responsibilities	5
Independent Auditors' Report	6
Income Statement	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	12 - 16

Heron Yate Limited

Company Information

Directors

Gerald M. Ronson CBE Hon. DCL - (appointed 26 November 2015)

Peter T Woolley - (appointed 25 November 2016)

Daniel S. Samson - (appointed 26 November 2015 - resigned 30 November 2016)

Stephen P Bailey - (appointed 26 November 2015)

Paul H Chester - (appointed 26 November 2015 – resigned 6 December 2016)

Company secretary

Lionel H. Zeltser

Registered office

Heron House

4 Bentinck Street

London

W1U 2EF

Auditors

Ernst & Young

1 More London Place

London

SE1 2AF

Company Number

09889649

Heron Yate Limited

Directors' Report for the period from 26 November 2015 to 31 December 2016

The directors present their report together with the financial statements for the period from 26 November 2015 to 31 December 2016. This directors' report has been prepared in accordance with the special provisions relating to the small companies regime.

Principal activity

The company was incorporated on 26 November 2015.

The company undertakes land development activities and it has a site in Yate, South Gloucestershire with outline planning consent for 2,450 new homes.

Review of the business

The results for the period and the state of affairs of the company are set out in the attached accounts.

The reported loss for the period after taxation amounted to £1,442,844.

During the period the company acquired the Yate site and land options from a fellow subsidiary undertaking and subsequently exercised these options.

Dividends

The company is unable to pay a dividend.

Future developments

The Directors anticipate that the activity of the company will continue for the foreseeable future.

Charitable donations

There were no charitable or political donations made during the period.

Principal risks and uncertainties

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

The company is exposed to potential credit risk on financial instruments such as liquid assets and debtors. Credit risk is managed, at group level, 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 at group level through the preparation and monitoring of medium term plans, budgets and quarterly forecasts.

No significant uncovered risks were identified up to the date of these accounts.

Directors and their interests

The current directors of the company, and those who served throughout the period are as listed on page 2.

There are no directors' interests which require to be disclosed under the Companies Act 2006.

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

Heron Yate Limited

Directors' Report for the period from 26 November 2015 to 31 December 2016

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.

Going concern

After considering the company's forecast cash flows and applying appropriate sensitivities to the cash flow projections, the directors continue to consider it appropriate that the going concern basis be adopted in preparing the company's accounts. A parent company, Heron International Holdings, has given an assurance that it will provide financial support to the company, for a period of not less than 12 months from the date of authorisation of these financial statements.

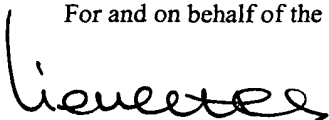
Exemption from preparing strategic report

This report has been prepared in accordance with the small companies regime under the Companies Act 2006. In accordance with section 414B, the Company is exempt from preparing a strategic report.

Auditors

Ernst & Young LLP were appointed auditors during the period and have expressed a willingness to continue in office.

For and on behalf of the Board.



Lionel H Zeltser
Company secretary

26 JUL 2017

Heron Yate Limited

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 applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Heron Yate Limited

Independent Auditor's Report to the members of Heron Yate Limited

We have audited the financial statements of Heron Yate Limited for the period ended 31 December 2016 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 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 Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 31 December 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Heron Yate Limited

Independent Auditor's Report to the members of Heron Yate Limited (continued)

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

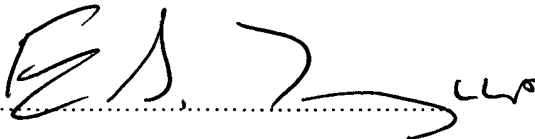
- ▶ the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the Directors' Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.



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

26 JUL 2017

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Date

Heron Yate Limited

Income statement for the period from 26 November 2015 to 31 December 2016

	Note	Period from 26 Nov 2015 to 31 Dec 2016 £
Management fee payable to a fellow subsidiary undertaking		(838,000)
Interest payable and similar charges	3	<u>(604,844)</u>
Loss before taxation		<u>(1,442,844)</u>
Tax on loss on ordinary activities	4	–
Loss on ordinary activities after taxation		<u>(1,442,844)</u>
Loss for the period		<u><u>(1,442,844)</u></u>

The above loss was derived from continuing operations.

Heron Yate Limited

Statement of Comprehensive Income for the period from 26 November 2015 to 31 December 2016

	Period from 26 Nov 2015 to 31 Dec 2016 £
Loss for the period	<u>(1,442,844)</u>
Total comprehensive loss for the period	<u><u>(1,442,844)</u></u>

The notes on pages 12 to 16 form an integral part of these financial statements.

Heron Yate Limited
(Registration Number 09889649)
Statement of Financial Position as at 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>£</i>
Current assets		
Stocks and work in progress	5	<u>39,042,588</u>
Creditors: amounts falling due within one year	6	<u>(838,000)</u>
Net current assets		<u>38,204,588</u>
Total assets		38,204,588
Creditors: amounts falling due after more than one year	6	(39,647,431)
Net deficit		<u>(1,442,843)</u>
Capital and reserves		
Called up share capital	7	1
Profit and loss account deficit		<u>(1,442,844)</u>
Equity shareholder's deficit		<u>(1,442,843)</u>

The financial statements have been prepared in accordance with the special provisions relating to the small companies regime.

Approved by the Board of Directors on **26 JUL 2017** and signed on its behalf by:



 Peter T Woolley
 Director

The notes on pages 12 to 16 form an integral part of these financial statements.

Heron Yate Limited

Statement of Changes in Equity for the period from 26 November 2015 to 31 December 2016

	<i>Share Capital</i> £	<i>Retained Earnings</i> £	<i>Total</i> £
On incorporation at 26 Nov 2016	1	–	1
Total comprehensive loss	–	(1,442,844)	(1,442,844)
At 31 December 2016	<u>1</u>	<u>(1,442,844)</u>	<u>(1,442,843)</u>

The notes on pages 12 to 16 form an integral part of these financial statements.

Heron Yate Limited

Notes to Financial Statements for the period from 26 November 2015 to 31 December 2016

1. ACCOUNTING POLICIES

Corporate information

Heron Yate Limited is a private limited liability company incorporated in England. The Registered Office is disclosed on page 2.

Statement of compliance

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (‘FRS 102’), and with the Companies Act 2006

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Under the provisions of FRS 102, the Company is defined as a qualifying entity and has consequently taken advantage of the disclosure exemptions set out in FRS 102 section 1.12 not to:

- provide a reconciliation of the number of shares outstanding at the beginning and end of the year;
- prepare a statement of cash flows as it is a wholly owned subsidiary undertaking of Heron International Holdings, the consolidated financial statements of which will include a consolidated statement of cash flows, including those of the company and
- disclose key management personnel compensation.

Significant judgement and estimates

The preparation of the financial statements requires management to make significant judgements and estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- Tax - the Company establishes provisions based on reasonable estimates for likely tax liabilities. The amount of such provisions is based on various factors, such as management experience and interpretation of tax regulations. Management estimation is required to determine the quantum of deferred tax asset that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax attributes. Refer to tax accounting policy note for more information.

Estimates and assumptions

Management consider that there are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern

After considering the company’s forecast cash flows and applying appropriate sensitivities to the cash flow projections, the directors continue to consider it appropriate that the going concern basis be adopted in preparing the company’s accounts. A parent company, Heron International Holdings, has given an assurance that it will provide financial support to the company, for a period of not less than 12 months from the date of authorisation of these financial statements.

Heron Yate Limited

Notes to the Financial Statements for the period of 26 November 2015 to 31 December 2016 (continued)

The principal accounting policies are as follows:

Turnover

Sales of land are recognised on unconditional exchange of contracts, provided that legal completion has been affected prior to the date of approval of the financial statements.

Turnover represents sales within the United Kingdom and is stated exclusive of VAT.

Tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised except as noted otherwise in respect of all timing differences at the reporting date between taxable profits and total comprehensive income.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

No deferred tax is recognized on the unremitted earnings of subsidiaries as the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Stocks, work in progress and long-term contracts

Stocks and work in progress are stated at the lower of cost and net realisable value. Purchases of land are recorded in the accounts upon unconditional exchange of contracts. Net realisable value is calculated as the amount recoverable from the development of the site, or a sale in its existing state, whichever is planned less selling costs.

Interest income

Interest income is recognised on the basis of the effective interest method and is included in interest receivable and similar income.

Interest expense

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Management fees

Management fees are recognised in the Income Statement as they are earned/incurred.

Heron Yate Limited

Notes to the Financial Statements for the period of 26 November 2015 to 31 December 2016 (continued)

2. OPERATING LOSS

The audit fees for the period have been borne by another group undertaking.

No directors received any remuneration during the period.

The company did not employ any persons during the period.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £
Interest payable to a fellow subsidiary undertaking	604,844
	<u>604,844</u>

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

The tax on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2016 £
Current taxation	
Group relief	-
Deferred taxation	
Total deferred taxation	-
Tax expense in the income statement	-
	<u>2016</u>
	£
Profit/(loss) on ordinary activities before tax	(1,442,844)
Loss on ordinary activities multiplied by average rate of corporation tax in the UK of 20%	(288,569)
Increase (decrease) from tax losses for which no deferred tax asset was recognised	288,569
Tax charge/(credit) for period	<u>-</u>

Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. As this change was substantively enacted before the reporting date, deferred tax is recognised at 17% in the current period.

The rate changes will impact the amount of future tax payments to be made by the company.

Heron Yate Limited

Notes to the Financial Statements for the period 26 November 2015 to 31 December 2016 (continued)

Deferred tax

There are £1,442,844 of unused tax losses in respect of which no deferred tax asset is recognised in the Statement of Financial Position as the directors have not identified suitable profits going forward in order to utilize these tax losses.

5. STOCKS

	2016
	£
Work in progress – properties and land	<u>39,042,588</u>

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

6. CREDITORS

	2016
	£
Creditors: amounts falling due within one year	
Management fee payable to a fellow subsidiary undertaking	<u>838,000</u>
Creditors: amounts falling due after more than one year	
Amounts due to a fellow subsidiary undertaking	<u>39,647,431</u>
	<u>40,485,431</u>

The £39.6m (unsecured loan due to a fellow subsidiary undertaking) has a maturity date of 23 December 2020. Interest is charged at three month Libor plus a margin of 2.5%. In the opinion of the directors this is an open market rate of interest.

7. CALLED UP SHARE CAPITAL

	No	2016
		£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

9. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 102, section 33.1A Related Party Disclosures not to disclose transactions with group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

10. CONTINGENT LIABILITIES

The directors are not aware of any significant contingencies at the balance sheet date.

Heron Yate Limited

Notes to the Financial Statements for the period 26 November 2015 to 31 December 2016 (continued)

11. PARENT UNDERTAKINGS

The company's immediate parent undertaking is Heron Corporation.

The Company's ultimate parent and controlling undertaking at 31 December 2016 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.

Copies of the group accounts of Heron International Holdings will be available from Companies House at Cardiff, CF14 3UZ once they have been filed.

12. POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date.