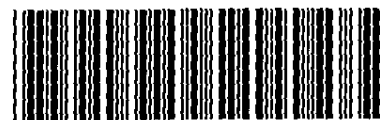


Financial Statements of

Heron International Limited

Directors' Report
for the Year Ended 31 December 2016

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Heron International Limited

Contents

Company Information	1
Accounting policies	2 to 3
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8 to 12

Heron International Limited

Company Information

Chairman

Lowell Milken

Deputy Chairman

Steven B Fink

Directors

Lowell Milken

Steven B Fink

Gerald M Ronson CBE Hon. DCL

Richard V Sandler

Stanley E Maron

Address

Heron House

4 Bentinck Street

London

England

W1U 2EF

Tel: (020) 7486 4477

Fax: (020) 7299 9740

Company Number

FC027296

Heron International Limited

Accounting policies for the Year Ended 31 December 2016

Financial statements

Heron International Limited is a company incorporated in the Cayman Islands with its principal place of business in the United Kingdom. The financial statements of the Company have been prepared in compliance with those provisions of the United Kingdom Companies Act 2006 relevant to Overseas Companies and in accordance with United Kingdom Accounting Standards.

The company was incorporated as HNV Acquisition Limited on 12 August 1994. It subsequently changed its name to Heron International Limited on 12 January 1995.

Statement of Compliance

These financial statements have been prepared in compliance 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.

Heron International Limited

Accounting policies for the Year Ended 31 December 2016 (continued)

Subsidiary undertakings

Investments in subsidiary undertakings are stated at cost, subject to periodic valuations undertaken by the directors, based on the underlying net assets of the subsidiary undertakings. Surpluses and deficits on revaluation of subsidiaries 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 the revaluation reserve even if this results in an overall deficit on that reserve.

Impairment Considerations for Debtors

The carrying values of debtor balances are reviewed regularly for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

Foreign currency transactions and balances

Assets, liabilities and profit and loss items denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Foreign currency translation adjustments are included in determining the result before taxation for the year.

Going concern

After considering the company's forecast cash flows and applying appropriate sensitivities to the cash flow projections and after receiving confirmation from subsidiary and fellow subsidiary undertakings that amounts due will not be called for at least 12 months from the date of approval of these financial statements, the directors continue to consider it appropriate that the going concern basis be adopted in preparing the company's accounts.

Approved by the Board on..... and signed on its behalf by:

.....
Gerald M Ronson CBE Hon. DCL
Director

22 Dec 2017

Heron International Limited
Income Statement for the Year Ended 31 December 2016

	Note	2016 £ m	2015 £ m
Administrative expenses	1	(0.6)	(6.3)
Operating loss		(0.6)	(6.3)
Net interest payable		(4.5)	(4.0)
Operating loss		(5.1)	(10.3)
Loss on ordinary activities before taxation		(5.1)	(10.3)
Tax on profit on ordinary activities		-	-
Loss for the financial year		(5.1)	(10.3)

The above results were derived from continuing operations.

Heron International Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £ m	2015 £ m
Loss for the year		(5.1)	(10.3)
Surplus on revaluation of investments in subsidiaries		26.3	35.5
Total comprehensive income for the year		21.2	25.2

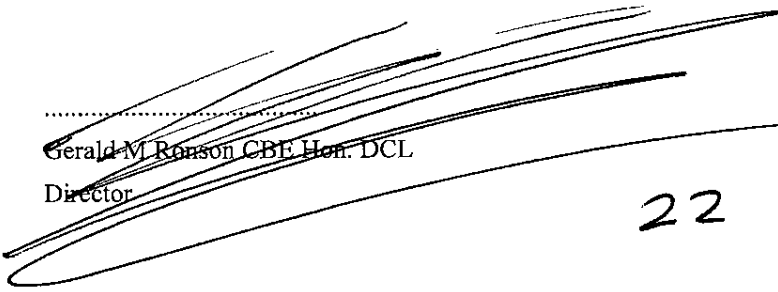
The notes on pages 8 to 12 form an integral part of these financial statements.

Heron International Limited
(Registration number: FC027296)
Statement of Financial Position as at 31 December 2016

	Note	2017 £ m	2016 £ m
Fixed assets			
Investments		385.5	385.5
Current assets			
Debtors: amounts falling due within one year	4	-	-
Cash at bank and in hand		-	-
Creditors: amounts falling due within one year	5	(0.2)	(0.2)
Net current (liabilities)/assets		(0.2)	(0.2)
Total assets		385.3	385.3
Creditors: amounts falling due after more than one year	5	(134.6)	(134.6)
Net assets		250.7	250.7
Capital and reserves			
Called up share capital	6	11.1	11.1
Capital redemption reserve		0.9	0.9
Revaluation reserve		323.2	323.2
Retained Deficit		(84.5)	(84.5)
Total equity		250.7	250.7

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

Approved and authorised by the Board on and signed on its behalf by:


 Gerald M. Ronson CBE Hon. DCL
 Director

22 Dec 2017

Heron International Limited**Statement of Changes in Equity for the Year Ended 31 December 2016**

	Share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total
	£m	£m	£m	£m	£m
At 1 January 2015	11.4	0.6	261.4	(2.4)	271.0
Total comprehensive income	-	-	35.5	(10.3)	25.2
Transfer	(0.3)	0.3	-	-	-
Dividend Paid	-	-	-	(66.7)	(66.7)
At 31 December 2015	11.1	0.9	296.9	(79.4)	229.5
Total comprehensive income	-	-	26.3	(5.1)	21.2
At 31 December 2016	11.1	0.9	323.2	(84.5)	250.7

The notes on pages 8 to 12 form an integral part of these financial statements.

Heron International Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 Administrative expenses

The company paid directors' fees for the year of £0.2m (2015: £0.2m).

2 Net Interest payable

	2016	2015
	£ m	£ m
Payable to subsidiary undertakings	<u>5.6</u>	<u>4.0</u>

3 Fixed asset investment

Subsidiary undertaking

	2016	2015
	£ m	£ m
At 1 January	359.2	323.7
Revaluation	<u>26.3</u>	<u>35.5</u>
At 31 December	<u>385.5</u>	<u>359.2</u>

Details of principal subsidiary undertakings are shown in note 7.

4 Debtors

	2016	2015
	£ m	£ m
Debtors: Amounts falling due after more than one year		
Amounts receivable from subsidiary undertakings	-	-

5 Creditors

	2016	2015
	£ m	£ m
Creditors: Amounts falling due within one year		
Accruals	<u>0.2</u>	<u>0.2</u>
Creditors: Amounts falling due after more than one year		
Amounts due to subsidiary undertakings	<u>134.6</u>	<u>129.6</u>

Heron International Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

The above £135.7m is made up from the following loans.

A £36m unsecured loan (from the immediate subsidiary undertaking - Heron International NV) with a maturity date of 11 December 2020. Interest is charged at twelve month Libor plus 2.5%. In the opinion of the directors this is an open market rate of interest.

A £79.1m unsecured loan (from an indirect subsidiary undertaking - Heron (Staple Hall No.2) Limited) with a maturity date of 30 December 2020. Interest is charged at twelve month Libor plus 2.5%. In the opinion of the directors this is an open market rate of interest.

A £19.1m unsecured loan (from an indirect subsidiary undertaking - Arrona Limited) repayable on 17 November 2021. Interest is charged at twelve month Libor plus 2%. In the opinion of the directors this is an open market rate of interest.

A Euro 568k unsecured loan (from an indirect subsidiary undertaking - Ronex Properties Limited) with no fixed maturity date. Interest is charged at three month Euribor plus 1.5%. In the opinion of the directors this is an open market rate of interest.

Heron International Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

6 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No. m	£ m	No. m	£ m
Common share of £0.10 each	114.0	11.4	114.0	11.4

On 28 April 2006, a new put option was granted to Mr GM Ronson in respect of 6,397,522 ordinary 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. On 11 December 2014, the terms of the put option were further varied so that up to 50% could be exercised as at 31 December 2014 and the remaining balance between 1 January 2015 and 31 December 2015. On 21 December 2015, these terms were further extended to 31 December 2016.

On 5 January 2015, Mr GM Ronson exercised his put option in respect of 3,198,761 shares which the Group acquired from him during the year based on a 31 December 2014 valuation date. On 30 October 2015, Heron Corporation purchased these shares from Mr GM Ronson for £4.0 million which were subsequently transferred to the Company and cancelled. At 31 December 2016 Mr GM Ronson held 3,198,761 shares which remained subject to this new put option (as varied). On 10 February 2017 Mr GM Ronson exercised his put option in respect of 3,198,761 shares which the group will acquire from him during 2017 based on a 31 December 2016 valuation date.

No provision is made in these accounts for any benefits accruing under his put option or bonus rights agreement.

7 Registered Office and Principal Subsidiaries

Principal subsidiaries of Heron International Limited at 31 December 2016:

<i>Name of Undertaking</i>	<i>Nature of Business</i>	<i>Percentage of Ordinary Share Capital/Units Held</i>
Arrona Limited *^^	Holding company	100%
Embride Investments BV (Incorporated in The Netherlands) *^^	Holding company	80%

Heron International Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

Heron (Devonshire House No.2) Limited *^^^	Investment company	100%
Heron (Devonshire Row No.2) Limited *^^^	Investment company	100%
Heron City Plaza SL (Incorporated in Spain) *^	Property investment	100%
Heron (Staple Hall No.2) Limited *^^^	Investment company	100%
Heron City Mediterraneo SL (Incorporated in Spain) *^	Property investment	100%
Heron (Stone House No.2) Limited *^^^	Investment company	100%
Heron City Diversia SL (Incorporated in Spain) *^	Property investment	80%
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 Paterna SL (Incorporated in Spain) *^	Property investment	80%
Heron Corporation *^^^	Management and finance	100%
Heron Finance UK Limited *^^^	Financing company	100%
Heron International Holdings*^^^	Holding company	100%
Heron International N.V. (Incorporated in Curacao)^^^	Holding company	100%
Heron Inversiones SL (Incorporated in Spain) *^	Property investment	100%
Heron Land Developments Limited *^^^	Land development	100%
Heron Yate Limited *^^^	Land development	100%
Heron Leisure Limited *^^^	Holding company	80%
Heron London Properties Limited *^^^	Investment company	100%
Heron Property Corporation Limited *^^^	Holding company	100%
Heron Treasury Services Limited *^^^	Investment company	100%
Heron London Investments Limited *^^^	Investment company	100%
Utelle Investments BV (Incorporated in The Netherlands) *^^	Holding company	80%
Ronson Services Limited *^^^	Management Services	100%
Bonivir Investments Limited *^^^	Investment Company	100%
Ronex Properties Limited *^^^	Investment Company	100%
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%
Adrenaline Entertainment Espana SL (Incorporated in Spain) *^	Entertainment Operator	80%

Heron International Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

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

* Ordinary share capital held by a subsidiary undertaking.

^ Registered office at Calle Camilo José Cela, 2, 28232 Las Rozas (Madrid), España.

^^ Registered office at Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands.

^^^ Registered office at Heron House, 4 Bentinck Street, London, W1U 2EF.

^^^^ Registered office at Johan Van Walbeeckplein 11, Curaçao.

Joint Ventures and Associates

<i>Name of undertaking</i>	<i>Nature of business</i>	<i>Percentage of units held by the Group</i>
Heron Tower Property Unit Trust *	Property investment	33.3%
The Heron Residences LLP **	Property development and trading	50.1%

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

** The above is registered in England and Wales and held by subsidiary undertaking.

Registered Office

Heron International Limited is a company incorporated in the Cayman Islands, with its registered office at:

PO Box 309
Ugland House
George Town
Cayman Islands
British West Indies

The principal place of business of the company is:

Heron House
4 Bentinck Street
London
W1U 2EF
United Kingdom

8 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.