

Heron International Holdings

Directors Report and Financial Statements

For the year ended 31 December 2015

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CONTENTS	Page
Company Information	2
Strategic Report	3-4
Directors' Report	5
Statement of Directors' Responsibilities	6
Independent Auditors' Report	7
Consolidated Income Statement	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12-13
Notes to the Financial Statements	14 - 45

DIRECTORS

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

D S Samson – (resigned 30 November 2016)

P Woolley – (appointed 25 November 2016)

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

COMPANY NUMBER

860387

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2015.

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 principal subsidiaries and their activities are shown in note 22. The Company and its subsidiary undertakings (together “the Group”) form a part of Heron International Limited group (the “Heron Group”) which is a pan-European property investment and development group.

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

	2015 £’000	2014 £’000
Group turnover	1,950	2,822
Total operating profit/(loss)	1,406	(811)
Profit/(loss) before tax	3,021	(23,523)
Equity shareholder’s funds	123,558	118,511

2015 was another year of focus on improving Heron’s existing assets and reducing the risks and liabilities within the business.

The value of the property portfolio owned by the Group at the year-end stood at £155.2m. The decrease mainly arises from the sale of a property in Continental Europe together with foreign exchanges differences of £9.1m and a deficit on revaluation of £8.1m.

The three Heron City properties in Spain continued to trade in line with budget despite the challenging economic climate in Spain. We are pleased that we are now seeing improvement in visitor numbers and occupational levels at each of the Heron City locations. Post year end both of the Spanish loans were refinanced as explained in detail on page 32.

Sales at the landmark residential tower “The Heron” situated in the heart of the City of London and adjacent to the Barbican Tower are largely completed with 283 of the 285 units sold. Sales values exceeded our original expectations. As part of the development, the Group successfully completed the handover of a world class music facility to the Guildhall School of Music. This facility, adjacent to The Heron, is for the benefit of students, residents and visitors within the heart of the City of London.

The land division continued to make progress during the past year. Most importantly, in July 2015 our largest site in Yate, South Gloucestershire achieved outline planning consent for 2,450 new homes.

The successful leasing activity at Salesforce Tower during the year resulted in full occupancy at 31 December 2015. In March 2016, a successful £400m refinancing was finalised. We continue to explore various options for the building with our joint venture partners.

The Group’s net asset value at 31 December 2015 was £123.6m (2014: £118.5m).

The business will continue its activities for the foreseeable future.

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.

STRATEGIC REPORT (continued)

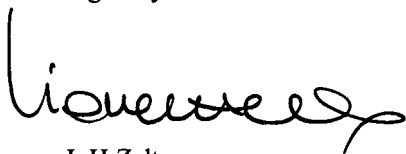
Foreign currency risk

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.



L H Zeltser
Secretary

23 DEC 2016

DIRECTORS' REPORT

The directors present their annual report together with the Group accounts for the year ended 31 December 2015.

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 profit for the year after taxation amounted to £3.5m (2014: £8.1m loss).

During the year, the group disposed of its interest in a property in Continental Europe for in excess of book value.

DIVIDENDS

The company did not pay a dividend during the year and a final dividend is not proposed (2014: £nil).

FUTURE DEVELOPMENTS

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

CHARITABLE DONATIONS

Charitable donations made during the year were £60,770 (2014: £48,000). The Group made no political contributions.

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 15.

DIRECTORS

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

All directors' interests in the share capital of Heron International Limited, the Company's ultimate parent company are disclosed in note 4.

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

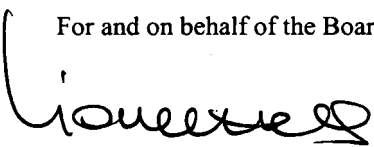
DISCLOSURE OF INFORMATION TO THE AUDITORS

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 485 of the Companies Act 2006.

For and on behalf of the Board.



L H Zeltser
Secretary

23 DEC 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic and Directors' Reports 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 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 AUDITORS' REPORT TO THE MEMBERS OF HERON INTERNATIONAL HOLDINGS

We have audited the financial statements of Heron International Holdings for the year ended 31 December 2015 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Group Statement of Financial Position, the Company Statement of Financial Position, Consolidated Statement of changes in Equity, Consolidated Statement of Cashflows and the related notes 1 to 24. 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 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 Strategic and Directors' Reports 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 Group's and parent company's affairs as at 31 December 2015 and of the Group's profit 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.

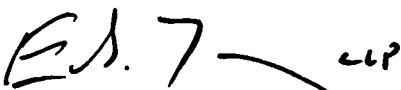
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic and Directors' Reports 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*

23 DEC 2016

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

	<i>Notes</i>	2015 £'000	2014 £'000
Turnover		1,950	2,822
Cost of sales		(1,738)	(3,148)
GROSS PROFIT/(LOSS)		212	(326)
Administrative expenses		(7,511)	(12,389)
Net rental income		8,674	11,588
Other income		31	–
Profit on sale of investments		–	316
OPERATING PROFIT/(LOSS)	2	1,406	(811)
Group share of joint ventures' operating profit		3,155	4,216
Profit on sale of investment and development properties		3,307	4,402
Profit on sale of shares in ultimate parent undertaking	9	1,940	–
Reversal of impairment of investment in joint venture	9	36,778	39,394
Revaluation of investment properties to fair value		(6,182)	1,915
Impairment of investment in fellow subsidiary undertaking		–	(12,216)
Waiver of amounts due to/(from) fellow subsidiary undertakings		1,742	(28,650)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		42,146	8,250
Interest receivable and similar income	5	15,258	20,231
Interest payable and similar charges	5	(54,383)	(52,004)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		3,021	(23,523)
Tax credit/(charge) on profit/(loss) on ordinary activities	6	453	15,446
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		3,474	(8,077)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	16	3,474	(8,077)

Operating profit/(loss) are derived from continuing operations.

The accounting policies and notes on pages 16 to 45 form part of these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the year	3,474	(8,077)
Actuarial gain/(loss) on pension scheme	315	(476)
Net exchange difference on translation of net assets of subsidiary undertaking	1,258	353
Total comprehensive income for the year	<u>5,047</u>	<u>(8,200)</u>

COMPANY STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the year	1,235	(22,170)
Unrealised gain on investments in subsidiary	29,840	36,205
Total comprehensive income for the year	<u>31,075</u>	<u>14,035</u>

The accounting policies and notes on pages 16 to 45 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

Company Number 860387

At 31 December 2015

		<i>Group</i>		<i>Company</i>	
	<i>Notes</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
TANGIBLE FIXED ASSETS					
Investment and development properties	7	155,239	175,384	–	–
Fixtures and fittings	8	646	1,092	473	623
Investment in joint ventures					
Share of gross assets		246,940	180,457	–	–
Share of gross liabilities		(199,384)	(152,493)	–	–
	9 (a)	47,556	27,964	–	–
Investment in subsidiary undertakings	9 (b)	–	–	194,459	164,619
Fixed asset investment	9 (c)	9,758	8,110	–	–
		<u>213,199</u>	<u>212,550</u>	<u>194,932</u>	<u>165,242</u>
CURRENT ASSETS					
Stocks and work in progress	10	6,527	6,033	–	–
Debtors – amounts falling due:					
within one year	11	100,422	3,083	34,273	2,408
after more than one year	11	257,558	339,142	150,605	176,565
		<u>357,980</u>	<u>342,225</u>	<u>184,878</u>	<u>178,973</u>
Cash at bank and in hand		13,091	24,436	8,515	13,361
		<u>377,598</u>	<u>372,694</u>	<u>193,393</u>	<u>192,334</u>
CREDITORS: amounts falling due within one year	12	(82,260)	(23,688)	(28,530)	(406)
NET CURRENT ASSETS		<u>295,338</u>	<u>349,006</u>	<u>164,863</u>	<u>191,928</u>
TOTAL ASSETS		<u>508,537</u>	<u>561,556</u>	<u>359,795</u>	<u>357,170</u>
CREDITORS: amounts falling due after more than one year	13	(376,750)	(428,987)	(29,057)	(57,507)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(8,032)	(13,565)	–	–
NET ASSETS EXCLUDING PENSION LIABILITY		<u>123,755</u>	<u>119,004</u>	<u>330,738</u>	<u>299,663</u>
Defined benefit pension liability	19	(197)	(493)	–	–
		<u>123,558</u>	<u>118,511</u>	<u>330,738</u>	<u>299,663</u>
CAPITAL AND RESERVES					
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	–	–	92,958	63,118
Capital reserve	16	46,637	46,637	19,050	19,050
Profit and loss account	16	(9,280)	(14,357)	132,499	131,264
Equity shareholder's funds		<u>123,558</u>	<u>118,511</u>	<u>330,738</u>	<u>299,663</u>

Approved by the Board of Directors on

23 DEC 2016

and signed on its behalf by:

P Woolley
Director

The accounting policies and notes on pages 16 to 45 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Capital Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 31 December 2013	84,001	2,230	46,637	(6,157)	126,711
Total comprehensive income	–	–	–	(8,200)	(8,200)
At 31 December 2014 as restated	84,001	2,230	46,637	(14,357)	118,511
Total comprehensive income	–	–	–	5,047	5,047
At 31 December 2015	84,001	2,230	46,637	(9,280)	123,558

COMPANY STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Re- valuation Reserve £'000</i>	<i>Capital Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 31 December 2013	84,001	2,230	26,913	19,050	153,434	285,628
Total comprehensive income	–	–	36,205	–	(22,170)	14,035
At 31 December 2014	84,001	2,230	63,118	19,050	131,264	299,663
Total comprehensive income	–	–	29,840	–	1,235	31,075
At 31 December 2015	84,001	2,230	92,958	19,050	132,499	330,738

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014
	£'000	£'000
Cash flows from operating activities		
Profit/(loss) for the financial year	3,474	(8,077)
Adjustments for:		
Depreciation of tangible assets	471	1,132
Interest payable	54,383	52,004
Interest receivable	(15,258)	(20,231)
Increase in trade and other debtors	(657)	(60,631)
(Decrease)/increase in trade creditors and other creditors	(3,387)	(14,722)
Decrease in stock and work in progress	(494)	(149)
Taxation	(453)	(15,446)
Waiver of amounts (due from)/payable to fellow subsidiary undertakings	(1,742)	28,650
Impairment of investment in fellow subsidiary undertaking	-	12,216
Revaluation of investment properties to fair value	6,182	(1,915)
Reversal of joint venture impairment	(36,778)	(39,394)
Profit on sale of properties	(3,307)	(4,402)
Profit on sale of shares in parent undertaking	(1,940)	-
Share of profit in joint ventures	(3,155)	(4,216)
Foreign currency translation adjustments	2,414	4,125
Profit on sale of investments	-	(316)
Cash outflows from operating activities	(247)	(71,372)
Contribution to pension scheme	-	(1,800)
Distributions from joint venture	3,841	5,202
Income tax paid	(1,700)	(7,258)
Net cash flows from operating activities	1,894	(75,228)
Cash flows from investing activities		
Proceeds from sales of properties	3,315	107,324
Proceeds from sales of investments	-	316
Purchase of tangible assets	-	(1,482)
Sale of shares in parent undertaking	5,908	-
Purchase of shares in parent undertaking	(3,968)	-
Investments in joint ventures	(1,648)	(1,106)
Interest received	137	-
Net cash flows from investing activities	3,744	105,052
Cash flows from financing activities		
Repayment of bank loans	(12,597)	(21,349)
Interest paid	(4,199)	(7,675)
Debt issue costs paid	(69)	(661)
Net cash outflow from financing activities	(16,865)	(29,685)
Net (decrease)/increase in cash and cash equivalents	(11,227)	139

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Reconciliation of net cash flow to movement in net debt		2015	2014
		£'000	£'000
(Decrease)/increase in cash and cash equivalents	(a)	(11,227)	139
Changes in net debt resulting from cash flows			
Repayment of bank loan		12,597	21,349
Foreign currency translation adjustments		7,178	10,904
Movement in net debt		8,548	32,392
Net debt at 1 January		(116,019)	(148,411)
Net debt at 31 December		(107,471)	(116,019)

(a) Analysis of changes in net debt

	<i>At 1 Jan</i>	<i>Foreign</i>	<i>Cash</i>	<i>At 31 Dec</i>
	<i>2015</i>	<i>exchange</i>	<i>flow</i>	<i>2015</i>
	<i>£'000</i>	<i>movement</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	24,436	(118)	(11,227)	13,091
Loans	(140,455)	7,296	12,597	(120,562)
	(116,019)	7,178	1,370	(107,471)

1. ACCOUNTING POLICIES

Heron International Holdings (“the Company”) is a holding company with subsidiaries operating in the United Kingdom and Continental Europe. The Registered Office is disclosed on page 2. The principal subsidiaries and their activities are shown in note 22. The Company and its subsidiary undertakings (together “the Group”) form a part of Heron International Limited group (the “Heron Group”) which is a pan-European property investment and development group.

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. This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 24 for an explanation of the transition.

Basis of preparation

These consolidated and company financial statements are prepared on a going concern basis under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It requires management to exercise its judgment in the process of applying the Group and Company accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- i. Investment properties are stated at fair value, as accounted for by an appraisal. The estimated fair value may differ from the price at which the assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of factors not within management’s control, such as overall market conditions. As a result, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant.
- ii. Provision for taxation is made on reasonable estimates based on interpretation of tax regulations. Estimation of deferred tax is required to determine the amount that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.
- iii. Provision for pension obligations is made after taking independent advice from actuarial experts. Estimation of these liabilities is required to determine the amount that can be recognised, based upon likely discount rates, inflation, increases in salary, mortality and other factors. As a result, actual results could differ from the estimates set forth in these financial statements, and the difference could be significant.

The Group results for the year presented are all derived from continuing operations.

The Group’s and the Company’s financial statements are presented in pounds Sterling and rounded to thousands.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 24.

Basis of consolidation

The Group accounts incorporate the assets and liabilities of the Company and its subsidiaries as at 31 December 2015 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, including FRS 102.

1. ACCOUNTING POLICIES (continued)

Going concern

The following note explains the current progress on the refinancing:

At 31 December 2015 the Group had £75.4m of loans which were due to be repaid during 2016. These loans were secured on specific properties and the shares of the borrowing companies. During 2016 these loans were refinanced as follows:

A bank loan of £73.1m (Euro 99.3m) had a maturity date of 30 July 2016. In July 2016 this loan was refinanced with a syndicate of three banks for a new five-year term. The banks advanced €77m and a subsidiary undertaking (Heron City Limited) contributed the remaining funds to repay the existing loan.

In addition another bank loan of £47.4m (Euro 64.4m) had a maturity date of 30 June 2017. In July 2016 this loan was extended with the same bank for a new four-year term. The loan was reduced to Euro 53m with a subsidiary undertaking (Heron City Limited) contributing the funds to reduce the loan amount.

The Group maintains and monitors short and long term cash flow forecasts which are reviewed by management on a regular 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, management believes that the Group has sufficient resources to continue operating for the foreseeable future.

In respect of amounts due to parent or fellow subsidiary undertakings by the Company or subsidiary entities, when the amounts due have no fixed maturity date (as detailed in note 13), the directors have received a letter of support from these entities confirming that the amounts due will not be called upon to be paid unless the Company or its subsidiaries are in a financially viable position to make such payments. This assurance has been given for a period of twelve months from approval of the financial statements.

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 other comprehensive income.

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.

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.

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 Income Statement on a straight line basis over the term of the lease. Lease incentives entered into post 1 January 2014 are recognised in the Income Statement over the lease term on a straight line basis. Lease incentives entered into prior to 1 January 2014 are recognised in the Income Statement over the shorter of the lease term and the date of the next rent review.

Income and expenditure

Rental income, interest and expenditure are accounted for on an accruals basis and exclude Value Added Tax, where applicable.

Pension costs

The Heron Pension Scheme ("the Scheme") is operated by Heron Corporation (a subsidiary undertaking). Heron Corporation operates a defined benefit pension scheme, which is now closed to new entrants. The scheme was closed to future accrual of benefits 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 Statement of Financial Position.

Differences between actual and expected returns on assets during the year are recognised in the Statement of Comprehensive Income 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.

1. ACCOUNTING POLICIES (continued)

Investment properties

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both rather than for sale in the ordinary course of business.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Investment properties are valued externally on a market value basis 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. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements are reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

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.

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. Revaluations are recognised in the statement of other comprehensive income.

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 estimated selling price less cost to sell. 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.

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 recorded within the Income Statement. The Group's share of operating results is included separately in the Income Statement.

1. ACCOUNTING POLICIES (continued)

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.

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 Income Statement.

Financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

The Company's financial assets are all 'loans and receivables' including trade debtors and intercompany loans, and cash.

The subsequent measurement of financial assets depends on their classification as follows:

- Intercompany loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest in profit or loss. Losses arising from impairment are recognised in profit or loss in cost of sales.
- Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount.
Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.
- Cash in the balance sheet comprise cash in hand.

Financial liabilities

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

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.

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Taxation

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The group 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.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax asset and deferred tax liability relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

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/(LOSS)

	2015	2014
	£'000	£'000
Operating profit is stated after charging:		
Depreciation	471	1,132
Rental on operating leases – land and buildings	1,280	1,282
Pension operating charge	–	443
	<u> </u>	<u> </u>

3. AUDITORS' REMUNERATION

	2015	2014
	£'000	£'000
Auditors' remuneration - audit services	184	170
- taxation services	36	20
	<u>220</u>	<u>190</u>

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:

	2015	2014
	£'000	£'000
Emoluments (including benefits in kind)	1,062	1,076

The emoluments of the highest paid director borne by a Group company were £890,957 (2014: £946,801). No pension contributions were made on behalf of the director during the year (2014: £nil). The directors are not members of the Heron Group's pension scheme.

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.

Mr G M Ronson is entitled to benefits accruing under the put option (on 6,397,522 ordinary shares in Heron International Limited the ultimate parent undertaking) granted to him in April 2006 (and varied in December 2012, December 2014 and December 2015) exercisable during the period of his employment at a price equal to market value on the relevant valuation date.

Provision was 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.

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 the put option could only be exercised in respect of up to 50% of the shares 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. The valuation date applicable to an exercise of the put option cannot be at a date subsequent to 31 December 2016, except upon mutual written consent of Heron Corporation and Mr G M Ronson. On 5 January 2015, Mr G M Ronson exercised his put option in respect of 3,198,761 of the shares as at 31 December 2014 valuation date. Accordingly on 30 October 2015 Heron Corporation purchased these shares from Mr G M Ronson for £3.9m which were subsequently transferred to Heron International Limited and cancelled. At 31 December 2015 Mr G M Ronson held 3,198,761 shares which remained subject to this put option (as revised).

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 2016, 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 respective put option exercise dates. These bonus rights are payable following the exercise by Mr G M Ronson of his put option (as varied).

No provision has been made in these accounts for any benefits accruing under his put option bonus rights agreement (2014: £nil).

4. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

EMPLOYEES

The average number of employees of the Group was 20 (2014: 83) of whom 10 (2014: 33) were engaged in property management, investment and development and 10 (2014: 44) were engaged in the operation of the Group's entertainment business, and their staff costs (including directors) were as follow:

	2015	2014
	£'000	£'000
Wages and salaries	2,625	4,257
Social security costs	322	601
Pension contributions	329	587
	<u>3,276</u>	<u>5,445</u>

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

	2015	2014
	£'000	£'000
Bank interest receivable	138	202
Interest receivable from joint venture	11,341	10,252
Receivable from Heron Group undertakings	3,779	2,736
Release of interest provision from a joint venture	–	7,041
Total interest receivable and similar income	<u>15,258</u>	<u>20,231</u>
Payable on bank loans, overdrafts and other interest bearing liabilities	(4,160)	(5,408)
Payable to Heron Group undertakings	(32,801)	(29,503)
Interest on pension scheme liabilities	(19)	(14)
Amortisation of deferred financing costs (note 13)	(903)	(1,302)
Total interest payable and similar charges for the Group before share of joint ventures' interest	<u>(37,883)</u>	<u>(36,227)</u>
Share of joint venture's interest	(15,000)	(14,277)
Share of joint venture's debt issue costs amortised	(1,500)	(1,500)
Share of joint venture's interest payable and similar charges	<u>(16,500)</u>	<u>(15,777)</u>
Total interest payable and similar charges	<u>(54,383)</u>	<u>(52,004)</u>
Net interest payable	<u>(39,125)</u>	<u>(31,773)</u>

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

Tax (credit)/charge on loss on ordinary activities

The tax credit is made up as follows:

	2015 £'000	2014 £'000
<i>Current tax:</i>		
UK Corporation tax	—	—
Foreign tax	—	1,627
Group relief - Current year	—	(6,176)
- Adjustment in respect of previous periods	—	(2,897)
Total current tax	—	(7,446)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(453)	(8,000)
Tax credit on loss on ordinary activities	(453)	(15,446)

The tax on the profit/(loss) on ordinary activities for the year is lower than (2014 – lower than) the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
Profit/(loss) on ordinary activities before tax	3,021	(23,523)
Loss on ordinary activities multiplied by average rate of corporation tax in the UK of 20.25% (2014: standard rate 21.5%)	612	(5,057)
Tax increase from effect of capital allowances and depreciation	25	127
Tax (decrease) from other short-term timing differences	—	(213)
Tax (decrease) arising from group relief	5,657	(673)
Effect of tax losses	376	(5,968)
Foreign deferred tax expense relating to changes in tax rates or laws	(602)	(400)
Differing tax rates on overseas earnings	30	(1,244)
Effect of expense not deductible in determining taxable profit	296	4,117
Effect of revenues exempt from taxation	(8,330)	—
Other tax effects for reconciliation between accounting profit and tax expense (income)	1,483	(3,238)
(Decrease) in UK and foreign current tax from adjustment for prior periods	—	(2,897)
Tax charge/(credit) for period	(453)	(15,446)

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

Deferred tax

The Group has estimated tax losses available to carry forward to future years of approximately £346m (2014: £368m), together with surplus ACT of approximately £6.5m (2014: £6.5m). No deferred tax asset has been recognised in respect of £323m of these losses (2014: £320m) as there is insufficient evidence that this amount will be recoverable against future taxable profits in the foreseeable future.

	<i>GROUP</i>	
The deferred tax liability included in the balance sheet is as follows:		
	2015	2014
	£'000	£'000
Included in provisions (note 14)	7,891	8,800
	2015	2014
	£'000	£'000
Represented by:		
Overseas capital gains (net of overseas tax losses)	2,382	2,355
Spanish local municipal taxes	5,509	6,445
Deferred tax liability	<u>7,891</u>	<u>8,800</u>

7. INVESTMENT AND DEVELOPMENT PROPERTIES

	<i>Investment Properties £'000</i>	<i>Properties held for future development £'000</i>	<i>Total 2015 £'000</i>	<i>Total 2014 £'000</i>
<i>GROUP</i>				
Book value:				
At 1 January	172,280	3,104	175,384	287,263
Foreign currency translation adjustments	(8,949)	(161)	(9,110)	(13,345)
Additions	–	–	–	1,263
Disposals	–	(2,943)	(2,943)	(102,353)
Net surplus/(deficit) on revaluation	(8,092)	–	(8,092)	2,556
At 31 December	155,239	–	155,239	175,384

At 31 December 2015 independent valuers were engaged to value the property portfolio of the Group. All properties were valued in accordance with the Bases of Valuation and Valuation Assumptions and also in accordance with the current edition of the Royal Institution of Chartered Surveyors Valuation Standards or the equivalent body in each country in which the property is located.

The Group's three investment properties in Continental Europe at 31 December 2015 are of freehold tenure. They were valued for the Board by CBRE Valuations SA at £155.2m. The entry yields used in the valuations range between 5.33% and 9.07% and the exit yields used range between 6.50% and 8.00%.

Valuation methodology

The key driver of property valuations is the term of the lease in place at the date of valuation. The external valuations were performed by reviewing lease information to determine the future cash profile of the property to form the basis of the valuation. The valuation assumes adjustments from these rental streams to current market rent at the time of the next rent review, (leases generally allow for upward only rent reviews) and as leases expire and are replaced by new leases. Current market rents are based on evidence from recent, comparable leasing transactions and negotiations. This is based on evidence available at the date of the valuation and does not assume any future increases in market rent.

The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as voids and landlord costs, generates the fair value of the property. The nominal equivalent yield applied is assessed by reference to similar market transactions and takes into account any risks associated with rent uplift assumptions.

Completed properties are carried at valuation.

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).

7. INVESTMENT AND DEVELOPMENT PROPERTIES (continued)

Summary of property assets on the historical cost basis:

	<i>Investment Properties</i>	<i>Properties held for future development</i>	<i>Total 2015</i>	<i>Total 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January	232,711	10,445	243,156	357,591
Foreign currency translation adjustments	(8,949)	(161)	(9,110)	(13,345)
Additions	–	–	–	1,263
Disposals	–	(10,284)	(10,284)	(102,353)
At 31 December	223,762	–	223,762	243,156

8. FIXTURES AND FITTINGS

Cost:

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January	6,458	8,128	1,107	2,088
Foreign currency translation adjustments	(123)	(719)	–	–
Additions	35	219	–	–
Elimination of fully depreciated assets	(4,766)	(1,170)	–	(981)
At 31 December	1,604	6,458	1,107	1,107
Aggregate depreciation:				
At 1 January	5,366	6,053	484	566
Foreign currency translation adjustments	(113)	(657)	–	–
Charge for the year	471	1,132	150	899
Elimination of fully depreciated assets	(4,766)	(1,162)	–	(981)
At 31 December	958	5,366	634	484
Net book value at 31 December	646	1,092	473	623

9. FIXED ASSET INVESTMENTS

		<i>Group</i>		<i>Company</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Group share of joint ventures	(a)	47,556	27,964	–	–
Subsidiary undertakings	(b)	–	–	194,495	164,619
Other investments	(c)	9,758	8,110	–	–
		<u>57,314</u>	<u>36,074</u>	<u>194,495</u>	<u>164,619</u>

Summary of movement in joint ventures

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	27,964	9,833
Loss for the year	(13,345)	(11,259)
Distributions	(3,841)	(5,202)
Revaluation surplus	36,778	34,592
At 31 December	<u>47,556</u>	<u>27,964</u>

(a) JOINT VENTURES

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

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Properties	690,000	592,400
Stock	15,138	24,292
Debtors	29,185	30,984
Cash/Bank	7,183	9,999
Creditors	(19,318)	(19,420)
Bank loans	(278,056)	(281,632)
Debt issue costs	2,420	16,791
Other loans	(261,466)	(177,103)
Other creditors	(13,529)	(66,669)
	<u>171,557</u>	<u>129,642</u>
	<u>171,557</u>	<u>129,642</u>
	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Proportion attributable to the Group	47,556	27,964
	<u>47,556</u>	<u>27,964</u>

9. FIXED ASSET INVESTMENTS (continued)

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.

(b) SUBSIDIARY UNDERTAKINGS

	2015 Company £'000	2014 Company £'000
Book value at 1 January	164,619	128,414
Net surplus on revaluation of investments in subsidiaries	29,840	36,205
Book value at 31 December	194,459	164,619

Details of subsidiary undertakings are listed in note 22.

(c) FIXED ASSET INVESTMENTS

	2015 Group £'000	2014 Group £'000	2015 Company £'000	2014 Company £'000
Book value at 1 January	8,110	7,004	–	–
Additions	1,648	1,106	–	–
Book value at 31 December (i)	9,758	8,110	–	–

(d) OTHER INVESTMENTS

Book value at 1 January	–	–	–	–
Additions (ii)	3,968	12,216	–	12,216
Disposal (ii)	(3,968)	–	–	–
Deficit on revaluation	–	(12,216)	–	(12,216)
Book value at 31 December	–	–	–	–
	9,758	8,110	–	–

(i) This investment consists of an 8.6% holding in a private property fund.

(ii) During the year a subsidiary undertaking acquired shares and then sold these shares in the ultimate parent undertaking – see note 4.

10. STOCKS

	<i>Group</i>	
	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Work in progress – properties and land	6,527	6,033

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.

11. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts falling due within one year:				
Accrued income	–	–	9	–
Trade debtors	776	913	621	2,280
Value added tax	283	721	–	–
Prepayments	408	531	176	128
Group relief due from a subsidiary undertaking (7)	–	–	4,789	–
Amounts due from fellow subsidiary undertaking (1)	49,379	–	–	–
Amounts due from parent undertakings (3) (6)	49,192	–	28,678	–
Other debtors	384	918	–	–
	<u>100,422</u>	<u>3,083</u>	<u>34,273</u>	<u>2,408</u>
Amounts falling due after more than one year:				
Amounts due from parent undertakings (3) (4) (6)	110,974	152,184	–	28,992
Amounts due from fellow subsidiary undertakings (1) (2)	21,833	72,924	–	–
Amounts due from subsidiary undertakings (8)	–	–	150,605	142,784
Amounts due from a joint venture (5)	93,134	81,793	–	–
Group relief due from a subsidiary undertaking (7)	–	–	–	4,789
Other debtors (9)	31,617	32,241	–	–
	<u>257,558</u>	<u>339,142</u>	<u>150,605</u>	<u>176,565</u>
	<u>357,980</u>	<u>342,225</u>	<u>184,878</u>	<u>178,973</u>

11. DEBTORS (continued)

- 1) Of the £72.9m above due from fellow subsidiary undertakings at 31 December 2014, £49.4m was previously subject to a letter to these fellow subsidiary undertakings stating that these amounts would unconditionally not be called upon for twelve months from 31 December 2014. The assurances granted within this letter were not extended beyond 31 December 2015.

- 2) The £21.8m above due from fellow subsidiary undertakings at 31 December 2015 consists of two loans as follows:

A Euro 15.7m (£11.5m) unsecured loan with no fixed maturity date. Interest is charged at 12 month EURIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. The directors of the Company have advised the fellow subsidiary undertaking that payment will unconditionally not be demanded for a period of twelve months from 31 December 2015.

A Euro 14.0m (£10.3m) unsecured loan with a maturity date of 31 May 2017. Interest is charged at 12 month EURIBOR plus 2%. In the opinion of the directors this is an open market rate of interest.

- 3) Of the £152.2m above due from parent undertakings at 31 December 2014, £49.2m was previously subject to a letter to these parent undertakings stating that these amounts would not be called upon for twelve months from 31 December 2014. The assurances granted within this letter were not extended beyond 31 December 2015.

- 4) The £111.0m above due from parent undertakings at 31 December 2015 consists of three loans as follows:

A £24.1m unsecured loan with a maturity date of 17 November 2021. Interest is charged at 12 month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest.

A £74.1m unsecured loan with a maturity date of 30 December 2020. Interest is charged at 12 month LIBOR plus 2.5%. In the opinion of the directors this is an open market rate of interest.

A £12.4m unsecured loan with no fixed repayment date. Interest is charged at 3 month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. The directors of the Company have unconditionally agreed not to demand repayment of this amount for a period of 12 months from 31 December 2015.

A Euro 558k (£411k) unsecured loan with no fixed repayment date. Interest is charged at 3 month EURIBOR plus 1.5%. In the opinion of the directors this is an open market rate of interest. The directors of the Company have agreed unconditionally not to demand repayment of this amount for a period of 12 months from 31 December 2015.

- (5) The £93.1m above due from a joint venture (Heron Tower Property Unit Trust) consists of two amounts as follows:

£86.9m which has a maturity date of 24 April 2021. This amount is unsecured and is subordinate to the bank loan in the Trust. Interest is charged at 14% per annum. In the opinion of the directors this is a market rate of interest.

The remaining amount of £6.2m is unsecured and is repayable on the sale of the property in the unit trust. Interest is charged at 5.75%. In the opinion of the directors this is an open market rate of interest.

THE COMPANY

- (6) A £28.7m unsecured loan with no fixed repayment date. In the prior year the directors of the Company agreed unconditionally not to demand repayment of this amount for a period of 12 months from 31 December 2014. These assurances granted were not extended beyond 31 December 2015.

- (7) A £4.8m group relief amount receivable with no fixed repayment date. In the prior year the directors of the Company unconditionally agreed not to demand repayment of this amount for a period of 12 months from 31 December 2014. These assurances granted were not extended beyond 31 December 2015.

11. DEBTORS (continued)

- (8) The £150.6m receivable from subsidiary undertakings consists of two amounts as follows:

A £84m unsecured loan with no fixed repayment date. Interest is charged at 3 month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. The directors of the Company have unconditionally agreed not to demand repayment of this amount for a period of 12 months from 31 December 2015.

A £135.3m (less a provision of £68.7m) unsecured loan with no fixed repayment date. Interest is charged at 12% per annum. In the opinion of the directors this is an open market rate of interest. The directors of the Company have unconditionally agreed not to demand repayment of this amount for a period of 12 months from 31 December 2015.

- (9) Other debtors of £31.6m refer to amounts due from third parties after more than one year. The carrying value of these balances is presented after discounting considerations. £28.1m of this amount is receivable after various sales hurdles have been reached. In the opinion of the directors this amount will not be received prior to 31 December 2016.

12. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans – see below	75,400	13,373	–	–
Trade creditors	1,264	1,968	–	–
Other creditors	4,243	4,406	91	106
Other taxes and social security costs	179	200	–	–
Corporation tax	–	1,782	–	–
Value added tax	447	788	–	–
Group relief due to a subsidiary undertaking (3)	–	–	2,470	–
Amounts due to subsidiary undertakings (4)	–	–	25,669	–
Accruals and deferred income	727	1,171	300	300
	<u>82,260</u>	<u>23,688</u>	<u>28,530</u>	<u>406</u>

13. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans - see below	45,162	127,082	–	–
Less: debt issue costs	(447)	(1,351)	–	–
Other creditors	2,409	2,606	195	194
Amounts due to parent undertakings (2)	11,303	13,459	–	–
Amounts due to fellow subsidiary undertakings (1) (5)	318,323	287,191	28,862	28,316
Amounts due to subsidiary undertakings	–	–	–	26,527
Group relief due to a subsidiary undertaking (3)	–	–	–	2,470
	<u>376,750</u>	<u>428,987</u>	<u>29,057</u>	<u>57,507</u>

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

- 1) The £318.3m above due to fellow subsidiary undertakings at 31 December 2015 consists of five loans as follows:

A £285.2m unsecured loan with a maturity date of 30 June 2017. Interest is charged at 12%. In the opinion of the directors this is an open market rate of interest.

A £25.7m unsecured loan with a no fixed maturity date. Interest is charged at three month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. *

A Euro 4.3m unsecured loan with a no fixed maturity date. Interest is charged at three month EURIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. *

A Euro 4.3m unsecured loan with no fixed maturity date. Interest is charged at three month EURIBOR plus 3%. In the opinion of the directors this is an open market rate of interest. *

A Euro 1.4m unsecured loan with a no fixed maturity date. Interest is charged at three month EURIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. *

- (2) The amount owed to a parent undertaking of £11.3m consists of a Euro 15.4m unsecured loan with a no fixed maturity date. Interest is charged at three month EURIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. *

*The directors of these fellow subsidiary undertakings have unconditionally agreed not to demand repayment of these amount for a period of 12 months from 31 December 2015.

THE COMPANY

- (3) A £2.5m group relief amount payable with no fixed repayment date. In the prior year the directors of the subsidiary undertaking agreed unconditionally not to demand repayment of this amount for a period of at least 12 months from 31 December 2014. These assurances granted were not extended beyond 31 December 2015.

- (4) The £25.7m due to subsidiary undertakings consists of two loans as follows:

A £19.7m unsecured loan with no fixed repayment date. Interest is charged at 3 month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest. In the prior year the directors of the subsidiary undertaking had agreed not to demand repayment of this amount for a period of 12 months from 31 December 2014. These assurances granted were not extended beyond 31 December 2015.

A £6m unsecured loan with no fixed repayment date. In the prior year the directors of the subsidiary undertaking had agreed not to demand repayment of this amount for a period of 12 months from 31 December 2014. These assurances granted were not extended beyond 31 December 2015.

- (5) The £28.9m due to fellow subsidiary undertakings consists of two loans as follows:

A £25.7m unsecured loan with no fixed maturity date. Interest is charges at 3 month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest.

A Euro 4.3m unsecured loan with no fixed maturity date. Interest is charges at 3 month EURIBOR plus 2%. In the opinion of the directors this is an open market rate of interest.

The directors of the Company have received unconditional assurances from the fellow subsidiary undertaking that these amounts will not be called upon for a period of 12 months from 31 December 2015.

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

	2015 £'000	2014 £'000
BANK LOANS:		
Wholly repayable within five years	120,562	140,455
Total bank loans	120,562	140,455
Less: Included in amounts falling due within one year (note 12)	(75,400)	(13,373)
Due after more than one year	45,162	127,082
	2015 £'000	2014 £'000
Amounts repayable		
In one year or less (see note 12)	75,400	13,373
Between one and two years	45,162	80,184
Between two and five years	–	46,898
	120,562	140,455

A summary of the bank loans is as follows:

At 31 December 2015 the Group had £75.4m of loans which were due to be repaid during 2016. These loans were secured on specific properties and the shares of the borrowing companies. During 2016 these loans were refinanced as follows:

A bank loan of £73.1m (Euro 99.3m) had a maturity date of 30 July 2016. In July 2016 this loan was refinanced with a syndicate of three banks for a new five-year term (July 2021). The banks advanced Euro 77m and a parent company contributed the remaining funds to repay the existing loan. The loan is 75% hedged via an Interest Rate Swap giving an all in rate of 2.25% on the hedged amount. The remaining 25% is at floating rates plus a margin of 2.25%.

In addition the other bank loan of £47.4m (Euro 64.4m) had a maturity date of 30 June 2017. In July 2016 this loan was extended with the same bank for a new four-year term (July 2020). The loan was reduced to Euro 53m with a parent company contributing the funds to reduce the loan amount. The loan is un-hedged. Interest is charged at floating rates plus a margin of 2%.

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

	2015 £'000	2014 £'000
At 1 January	1,351	2,139
Foreign currency translation adjustment	(70)	(147)
New issues	69	661
Amortised to the profit and loss account	(903)	(1,302)
At 31 December	447	1,351

14. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Deferred tax</i>	<i>Rental</i>	<i>Other</i>	<i>Total</i>
	<i>£'000</i>	<i>Commitments</i>	<i>£'000</i>	<i>£'000</i>
		<i>£'000</i>		
<i>GROUP</i>				
At 31 December 2013	18,000	227	4,243	22,470
Foreign currency translation adjustment	(1,200)	–	(285)	(1,485)
(Released)/charged to the Income Statement	(8,000)	–	642	(7,358)
Utilised during the year	–	(62)	–	(62)
At 31 December 2014	8,800	165	4,600	13,565
Foreign currency translation adjustment	(456)	–	(280)	(736)
Released to the Income Statement	(453)	–	(1,910)	(2,363)
Utilised during the year	–	(24)	(2,410)	(2,434)
At 31 December 2015	7,891	141	–	8,032

Other provisions related to amounts payable to third parties depending on the eventual sales proceeds/market value of various assets. These were settled during the year.

15. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Issued, Allotted and Fully Paid</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Ordinary shares of 10p each	100,000	100,000	84,001	84,001

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

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Capital Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 31 December 2013	84,001	2,230	46,637	(6,157)	126,711
Loss for the year	–	–	–	(8,077)	(8,077)
Actuarial loss net of related current and deferred tax	–	–	–	(476)	(476)
Net exchange difference on retranslation of net assets of subsidiary undertakings	–	–	–	353	353
At 31 December 2014	84,001	2,230	46,637	(14,357)	118,511
Profit for the year	–	–	–	3,474	3,474
Actuarial loss net of related current and deferred tax	–	–	–	315	315
Net exchange difference on retranslation of net assets of subsidiary undertakings	–	–	–	1,258	1,258
At 31 December 2015	84,001	2,230	46,637	(9,280)	123,558

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

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Re- valuation Reserve £'000</i>	<i>Capital Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 31 December 2013	84,001	2,230	26,913	19,050	153,434	285,628
Loss for the year	–	–	–	–	(22,170)	(22,170)
Revaluation surplus	–	–	36,205	–	–	36,205
At 31 December 2014	84,001	2,230	63,118	19,050	131,264	299,663
Profit for the year	–	–	–	–	1,235	1,235
Revaluation surplus	–	–	29,840	–	–	29,840
At 31 December 2015	84,001	2,230	92,958	19,050	132,499	330,738

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 £1.2m (2014: £22.2m loss).

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

	2015	2014
	£'000	£'000
Contracted with third parties	100	1,747
Authorised but not contracted	–	–

Non-cancellable operating leases

	Land and Buildings	
	2015	2014
	£'000	£'000
Commitments for the year following		
31 December 2015 on leases which expire:		
Within one year	–	–
Between two and five years	–	–
After 5 years	735	735

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 3.33% 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 33.33% 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:

	Heron Tower Property Unit Trust 2015 £'000	Heron Tower Property Unit Trust 2014 £'000
At 1 January	81,793	60,000
Advances	–	–
Interest	11,341	10,252
Reversal of write down	–	11,541
At 31 December	93,134	81,793

During a previous year, the Group advanced £41.5m to Heron Tower Property Unit Trust ("the Trust"). At 31 December 2015 the amount due from the Trust in respect of these loans was £86.9m (2014: £75.9m). Post year end £33.6m of these amounts were repaid.

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 14.9% in the LLP on the same terms as the non-Heron Group companies.

18. RELATED PARTY TRANSACTIONS (continued)

Transactions entered into and balances outstanding are as follows:

	2015 £'000	2014 £'000
<i>Investment in the LLP</i>		
At 1 January	–	–
Repayment	–	–
	<hr/>	<hr/>
At 31 December	–	–
	<hr/>	<hr/>

The Group also holds an 8.6% interest in The Ronson Capital Partners I (Real Estate) Partnership L.P. (the “Fund”). Mr G M Ronson (a director of the Company) holds, either directly or indirectly, a 17.12% interest in this Fund.

The movement on this investment was as follows:

	2015 £'000	2014 £'000
At 1 January	8,110	7,004
Additional funds advanced	1,648	1,106
	<hr/>	<hr/>
At 31 December	9,758	8,110
	<hr/>	<hr/>

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:

	At 1 Jan 2015 £'000	Foreign Exchange £'000	Interest £'000	Advances/ (Repayments) £'000	At 31 Dec 2015 £'000
Heron International NV	46,079	703	(17)	3,518	50,283
Heron International Limited	92,646	(22)	3,094	2,862	98,580
Heron Finance UK	(281,684)	168	(32,514)	(1)	(314,031)
Heron Inversiones SL	26,026	(867)	415	(45)	25,529
Heron International Finance BV	32	–	–	–	32
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(116,901)	(18)	(29,022)	6,334	(139,607)
Group Relief					
Heron Finance UK Limited	41,359	–	–	–	41,359
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(75,542)	(18)	(29,022)	6,334	(98,248)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

18. RELATED PARTY TRANSACTIONS (continued)

	<i>At 1 Jan 2014</i>	<i>Foreign Exchange</i>	<i>Interest</i>	<i>Advances/ (Repayments)</i>	<i>At 31 Dec 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Heron International NV	30,705	946	(204)	14,632	46,079
Heron International Limited	24,560	(29)	710	67,405	92,646
Heron Finance UK	(252,961)	228	(28,951)	–	(281,684)
Heron Inversiones SL	69,510	(4,098)	1,678	(41,064)	26,026
HDP Management	(4,638)	–	–	4,638	–
Orchidum	5,003	–	–	(5,003)	–
Heron International Finance BV	30	(2)	–	4	32
	<u>(127,791)</u>	<u>(2,955)</u>	<u>(26,767)</u>	<u>40,612</u>	<u>(116,901)</u>
Group Relief					
Heron Finance UK Limited	32,285	–	–	9,074	41,359
	<u>(95,506)</u>	<u>(2,955)</u>	<u>(26,767)</u>	<u>49,686</u>	<u>(75,542)</u>

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 2015</i>	<i>Foreign Exchange</i>	<i>Interest</i>	<i>Other</i>	<i>Advances/ (Repayments)</i>	<i>At 31 Dec 2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Heron International NV	28,992	–	–	–	(314)	28,678
Heron Finance UK Limited	(28,316)	168	(714)	–	–	(28,862)
Heron Leisure Limited	115,167	–	14,446	–	5,699	135,312
Heron Corporation	(20,527)	–	(472)	–	1,330	(19,669)
Heron Holdings Europe BV	(6,000)	–	–	–	–	(6,000)
Heron Treasury Services Limited	81,917	–	2,122	–	–	84,039
	<u>171,233</u>	<u>168</u>	<u>15,382</u>	<u>–</u>	<u>6,715</u>	<u>193,498</u>

In addition to the above the Company charged its immediate subsidiary undertaking (Heron Corporation) a management fee of £536k (2014: £2.2m).

18. RELATED PARTY TRANSACTIONS (continued)

	<i>At 1 Jan</i>	<i>Foreign</i>			<i>Advances/</i>	<i>At 31 Dec</i>
	<i>2014</i>	<i>Exchange</i>	<i>Interest</i>	<i>Other</i>	<i>(Repayments)</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Heron International NV	14,643	–	–	–	14,349	28,992
Heron Finance UK Limited	(27,847)	228	(697)	–	–	(28,316)
Heron Leisure Limited	84,687	–	12,662	–	17,818	115,167
Heron Corporation	(6,450)	–	(745)	–	(13,332)	(20,527)
Heron Inversiones SL	7,251	(610)	–	(12,216)	5,575	–
Orchidum	5,003	–	–	(141)	(4,862)	–
HDP Management	(4,638)	–	–	–	4,638	–
Heron Holdings Europe BV	(6,000)	–	–	–	–	(6,000)
Heron Group International	(426)	–	–	–	426	–
Heron Treasury Services Limited	79,972	–	2,045	–	(100)	81,917
	<u>146,195</u>	<u>(382)</u>	<u>13,265</u>	<u>(12,357)</u>	<u>24,512</u>	<u>171,233</u>

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.

Heron International Finance BV (liquidated post year end) was 100% directly held by Heron International NV.

Heron Leisure Limited is 80% indirectly held by the Company.

Heron Corporation is 100% 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.

19. PENSION SCHEMES

Heron Corporation, a subsidiary undertaking, operates a funded defined benefit pension scheme ("the Scheme") for certain of the Group's current and former employees. The assets and liabilities of the Scheme are controlled by trustees and held separately from those of Heron Corporation. The scheme was closed to new entrants in January 2003 and was 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 employees. As such the disclosures below are from the financial statements of Heron Corporation for the year ended 31 December 2015 and comply with the accounting standard FRS 102 as required under UK GAAP.

The most recent independent actuarial valuation of the Scheme, at 1 April 2014, was undertaken by Broadstone Corporate Benefits Limited. At the date of the valuation, the market value of the Scheme's assets was £23.3m and this was sufficient to cover 94% of the benefits that had accrued to members at that date.

The pension cost figures in these accounts comply with the accounting standard FRS 102 as required under UK GAAP for the year ended 31 December 2015 and subsequent years.

An actuarial valuation was carried out by Broadstone Corporate Benefits Limited as at 31 December 2015 solely for the purposes of preparing these disclosures.

The valuation used for FRS 102 disclosures has been based upon the most recent actuarial valuations and updated to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2015. Assets are stated at their market value at 31 December 2015.

There were no contributions to the Scheme during the year (2014: £1.8m). The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £Nil (2014: £133k).

The total contributions in the next year are expected to be £Nil.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of Financial Position are as follows:

	2015	2014
	£'000	£'000
Fair value of scheme assets	23,252	26,433
Present value of defined benefit obligations	(23,449)	(26,926)
Defined benefit scheme deficit	(197)	(493)

	2013	2012	2011
	£'000	£'000	£'000
Fair value of scheme assets	22,975	24,945	23,517
Present value of scheme liabilities	(24,335)	(25,952)	(25,990)
Deficit in scheme	(1,360)	(1,007)	(2,473)
Related deferred taxation	—	—	—
Net pension liability	(1,360)	(1,007)	(2,473)

19. PENSION SCHEMES (continued)***Fair value of scheme assets***

Changes in the fair value of scheme assets are as follows:

	2015	2014
	£'000	£'000
Fair value at start of year	26,433	22,975
Expected return on assets	847	1,088
Actuarial gains and losses	(1,095)	2,005
Employer's contributions	-	1,800
Benefits paid	(2,933)	(1,435)
Fair value at end of year	<u>23,252</u>	<u>26,433</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2015	2014	2013
	£'000	£'000	£'000
Equity instruments	-	3,794	4,321
Debt instruments	22,786	21,836	18,135
Cash	127	475	205
Other assets	339	328	314
	<u>23,252</u>	<u>26,433</u>	<u>22,975</u>

	2012	2011
	£'000	£'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>

Actual return on scheme's assets

	2015	2014
	£'000	£'000
Actual return on scheme assets	<u>(248)</u>	<u>3,093</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.

19. PENSION SCHEMES (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2015	2014
	£'000	£'000
Present value at start of year	26,926	24,335
Current service cost	-	443
Actuarial gains and losses	(1,410)	2,481
Interest cost	866	1,102
Benefits paid	(2,933)	(1,435)
Contributions by scheme participants	-	-
Present value at end of year	23,449	26,926

Principal actuarial assumptions

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

	2015	2014
	%	%
Discount rate	3.7	3.4
Future salary increases	5.0	5.1
Future pension increases	2.5	2.5
Retail price inflation	3.0	3.1
Consumer price inflation	2.1	2.2

	2013	2012	2011
	%	%	%
Financial assumptions			
Discount rate	4.4	4.1	4.7
Future salary increases	5.5	4.8	4.9
Future pension increases	2.5	2.1	2.9
Inflation	3.5	2.8	2.9

Amounts recognised in the Income Statement

	2015	2014
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	-	443
Recognised in arriving at operating profit	-	443
Amounts recognised in Interest payable and similar charges		
Interest cost	866	1,102
Expected return on scheme assets	(847)	(1,088)
Recognised in interest payable and similar charges (see note 5)	19	14
Total recognised in the profit and loss account	19	457

19. PENSION SCHEMES (continued)

Amounts recognised in the Statement of Comprehensive Income

	2015	2014
	£'000	£'000
Actual return less expected return on scheme assets	(897)	2,005
Effect of FRS 17 paragraph 41		(2)
Changes in assumptions	1,212	(2,479)
Other actuarial losses		—
	<u>315</u>	<u>(476)</u>
Actuarial gains and losses recognised in the Statement of Comprehensive Income		

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since 1 January 2002 is £5,116,000 (2014: £5,431,000).

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous period are as follows:

	2015	2014
	£'000	£'000
Fair value of scheme assets	23,252	26,433
Present value of scheme liabilities	(23,449)	(26,926)
Deficit in scheme	<u>(197)</u>	<u>(493)</u>

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.

Following the exercise of 50% of the put option by Mr G M Ronson on 5 January 2015, together with his entitlement to the Net Asset Value Bonus, and in the event of an exercise of the balance taking effect on 31 December 2016 (see note 4), it is estimated that he would be entitled to no less than £2.6m in aggregate. This is on the assumption that no further distributions are made by Heron International Limited (excluding the January 2015 dividend) between the balance sheet date and 31 December 2016, in which case the £2.6m 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.

22. SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2015

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%
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) *	Holding Company	80%
Heron City Meridiana SL (Incorporated in Spain) * #	Holding Company	80%
Heron City Paterna SL (Incorporated in Spain) *	Holding Company	80%
Heron City Plaza SL (Incorporated in Spain) *	Property Investment	80%
Heron City Mediterraneo SL (Incorporated in Spain) *	Property Investment	80%
Heron Land Developments Limited *	Land Development	100%
Heron Yate Limited *	Land Development	100%
Heron Leisure Limited *	Holding Company	80%
Heron Property Corporation Limited *	Holding Company	100%
Utelte Investments BV (Incorporated in The Netherlands)*	Holding Company	80%
Spinners AB (Incorporated in Sweden and in liquidation post year end) *	Entertainment Operator	80%
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%
Baldaco Investments BV (Incorporated in The Netherlands) *	Holding Company	80%
Castelsardo BV (Incorporated in The Netherlands) *	Holding Company	80%

22. SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2015 (continued)

<i>Name of subsidiary undertaking</i>	<i>Nature of business</i>	<i>Percentage of Ordinary Share Capital Held</i>
Bollington Investments BV (Incorporated in The Netherlands) *	Holding Company	80%
Heron Investments BV (Incorporated in The Netherlands) *	Holding Company	80%
Heron Holdings Avenue George V BV (Incorporated in the Netherlands) *	Holding 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%
Heron City Diversia SL (Incorporated in Spain) *	Property Investment	80%
Adrenaline Entertainment SL (Incorporated in Spain) *	Entertainment Operator	80%

* 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.

Liquidated post year end.

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 2015 as noted on page 32 to these financial statements, there have been no significant events since the balance sheet date.

24. TRANSITION TO FRS 102

The Company and Group have adopted FRS 102 for the year ended 31 December 2015. The date of transition to FRS 102 was 1 January 2014. The re-statements at 31 December 2013 and 31 December 2014 are set out below.

Corrections of prior period errors

(a) There were no corrections of prior period errors.

Changes for FRS 102 adoption

(b) Deferred tax is now recognised on investment properties in the Income Statement. Previously the deferred tax was not recognised.

24. TRANSITION TO FRS 102 (continued)

Transition to FRS 102 – reconciliations

Restated consolidated statement of financial position

	Notes	31 December 2014 £'000	1 January 2014 £'000
Net assets as previously reported		127,311	144,711
Deferred tax now recognised (i)	(b)	(8,800)	(18,000)
Net assets attributable		<u>118,511</u>	<u>126,711</u>
			£'000

Restated consolidated profit or loss for the year ended 31 December 2014

Loss as previously reported		(17,553)
Release deferred tax	(i)	8,000
Revaluation of investment properties	(ii)	1,476
Loss for the financial year		<u>(8,077)</u>

- (i) Unlike FRS 19, there is no exception in FRS 102 to the recognition of deferred tax liabilities in relation to the revaluation of investment property. This adjustment, therefore, represents the recognition of a deferred tax liability in respect of the difference between the fair value and tax basis of the Group's investment properties. FRS 102 requires timing differences in the recognition of deferred tax liabilities.
- (ii) FRS 102 requires that changes in the fair value of investment properties are to be recognised in the statement of comprehensive income for the period. Under previous UK GAAP changes were simply recognised in the revaluation reserve on the balance sheet with any permanent diminution taken directly to the profit and loss. Accordingly, on transition an unrealised revaluation gain of £1.5m in respect of directly held investment property has been recognised in the income statement. In addition, for the year ended 31 December 2014, £4.5m (2013: £3m) was removed from the revaluation reserve and recognised within the profit and loss account.