

# **Heron International Holdings**

## **Directors Report and Financial Statements**

**For the year ended 31 December 2022**



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**COMPANY INFORMATION**

**DIRECTORS**

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

J T Sutton

**SECRETARY**

J E Manning

**REGISTERED OFFICE**

2<sup>nd</sup> Floor  
24 Brook's Mews  
Mayfair  
London  
W1K 4EA

**AUDITOR**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**COMPANY NUMBER**

860387

## STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

### 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 23. 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:

	2022	2021
	£’000	£’000
Group turnover	1,211	1,163
Total operating profit	11,096	1,333
Profit/(loss) before tax	(6,973)	24,292
Equity shareholder’s funds	458,083	470,794

2022 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 £163.9m (2021: £160.1m). The increase mainly arises from exchange gains of £8.7m offset by the revaluation deficit of the properties by £4.8m.

Salesforce Tower continued to perform well during the year and is currently 77% let. We continue to explore various options for the building with our joint venture partners.

The three Heron City properties in Spain continued to trade in line with budget, with two of the Centres currently fully leased and the third 98% leased. The Spanish economy continues to improve, and our Spanish centres continue to reflect that improvement.

The Group’s net asset value at 31 December 2022 was £458.1m (2021: £470.8m).

The business will continue its activities for the foreseeable future.

### PRINCIPAL RISKS AND UNCERTAINTIES

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.

#### *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 in Spain 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. Overseas assets are mainly 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 minimal effect on recurring investment property income net of currency interest costs.

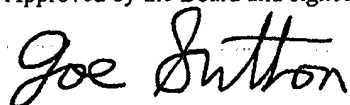
**STRATEGIC REPORT (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

*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.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink that reads "Joe Sutton". The signature is written in a cursive, flowing style.

J Sutton  
Director

Date: 28 February 2024

## **DIRECTORS' REPORT**

The directors present their annual report together with the Group accounts for the year ended 31 December 2022.

### **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 a loss of £5.1m (2021: £21.9m profit).

### **DIVIDENDS**

The Company paid a dividend during the year of £7.6m (2021: £5.1m) and a final dividend is not proposed (2021: £nil).

### **FUTURE DEVELOPMENTS**

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

### **CHARITABLE DONATIONS**

Charitable donations made during the year were £5,500 (2021: £1,000). The Group made no political contributions.

### **GOING CONCERN**

The Directors' assessment regarding going concern is given in note 1 to the financial statements.

### **DIRECTORS**

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

The directors of the Company and their affiliates hold 1% of the of the share capital of Heron International Limited, the Company's ultimate parent company.

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 BDO LLP were appointed during the year under section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



J Sutton  
Director

Date: 28 February 2024

**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.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERON INTERNATIONAL HOLDINGS**

**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Heron International Holdings ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Material uncertainty related to going concern**

We draw attention to Note 1 to the financial statements, which indicates that certain of the Group's bank loans are due to expire in June and July 2024 and that the Directors are currently in discussions with the lenders to extend the facility, however no formal agreement has been reached. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Emphasis of matter**

We draw attention to Note 24 to the financial statements, which describes the effect of events after the reporting period on the Group's investment in its joint venture. Our opinion is not modified in respect of this matter.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERON INTERNATIONAL HOLDINGS (continued)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Other Companies Act 2006 reporting**

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

**Responsibilities of directors**

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERON INTERNATIONAL HOLDINGS (continued)

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be Companies Act 2006, United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be [the health and safety legislation etc.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax specialists in the audit.

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be inappropriate journal entries, revenue recognition and valuation of investment property.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias including deferred taxation and impairment consideration of debtors;
- Performing substantive audit procedures on the revenue recognised during the year by agreeing to supporting documentation; and
- Assessing the valuation of the property and evaluating the key assumptions made.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERON INTERNATIONAL HOLDINGS (continued)**

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.


Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Richard Levy (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, United Kingdom

Date: 28 February 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2022**

	<i>Notes</i>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Turnover		1,211	1,163
Cost of sales		(102)	(377)
<b>GROSS PROFIT</b>		<b>1,109</b>	<b>786</b>
Administrative expenses		(2,943)	(2,701)
Foreign exchange gains/(losses)		2,775	(3,310)
Net rental income	3	10,155	6,558
<b>OPERATING PROFIT</b>	2	<b>11,096</b>	<b>1,333</b>
Investment income		63	—
Group share of joint venture income		(18,883)	12,380
Revaluation of investment properties to fair value		(4,821)	8,085
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		<b>(12,545)</b>	<b>21,798</b>
Interest receivable and similar income	7	7,120	4,471
Interest payable and similar charges	7	(1,548)	(1,977)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(6,973)</b>	<b>24,292</b>
Tax (charge)/credit on (loss)/profit on ordinary activities	8	1,910	(2,421)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(5,063)</b>	<b>21,871</b>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>		<b>(5,063)</b>	<b>21,871</b>

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

The accounting policies and notes on pages 17 to 41 form part of these accounts.

**Heron International Holdings****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit for the year	(5,063)	21,871
Actuarial (loss)/gain on pension scheme	(1,675)	932
Net exchange difference on translation of net assets of subsidiary undertaking	1,627	(1,439)
Total comprehensive (loss)/income for the year	<u>(5,111)</u>	<u>21,364</u>

**COMPANY STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	8,670	5,093
Unrealised (losses)/ gains on investments in subsidiary	(20,783)	17,105
Total comprehensive (loss)/profit for the year	<u>(12,113)</u>	<u>22,198</u>

The accounting policies and notes on pages 17 to 41 form part of these accounts.

STATEMENT OF FINANCIAL POSITION  
At 31 December 2022

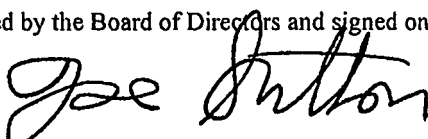
Company Number 860387

	Notes	2022 £'000	Group 2021 £'000	2022 £'000	Company 2021 £'000
<b>TANGIBLE FIXED ASSETS</b>					
Investment and development properties	9	163,969	160,075	—	—
Fixtures and fittings	10	130	169	—	—
Investment in joint ventures					
Share of gross assets		226,729	261,137	—	—
Share of gross liabilities		(191,939)	(239,398)	—	—
	11 (a)	34,790	21,739	—	—
Investment in subsidiary undertakings	11 (b)	—	—	335,596	356,379
		198,889	181,983	335,596	356,379
<b>CURRENT ASSETS</b>					
Debtors – amounts falling due:					
within one year	13	53,428	53,757	120,283	115,818
after more than one year	13	259,271	293,211	—	—
		312,699	346,968		115,818
Cash at bank and in hand		33,050	30,855	19,782	19,641
		345,749	377,823	140,065	135,459
<b>CREDITORS: amounts falling due within one year</b>	14	(9,031)	(10,142)	(37,559)	(34,023)
<b>NET CURRENT ASSETS</b>		336,718	367,681	102,506	101,436
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		535,607	549,664	438,102	457,815
<b>CREDITORS: amounts falling due after more than one year</b>	15	(66,063)	(67,804)	—	—
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(9,786)	(11,066)	—	—
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		459,758	470,794	438,102	457,815
Defined benefit pension liability	20	(1,675)	—	—	—
<b>NET ASSETS</b>		458,083	470,794	438,102	457,815
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	84,001	84,001	84,001	84,001
Share premium		2,230	2,230	2,230	2,230
Revaluation reserve		—	—	234,095	254,878
Capital reserve		46,637	46,637	19,050	19,050
Profit and loss account		325,215	337,926	98,726	97,656
Equity shareholder's funds		458,083	470,794	438,102	457,815

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The profit after tax of the Parent Company for the year was £8.7m (2021: £5.1m).

Approved by the Board of Directors and signed on its behalf by:

J Sutton  
Director



Date: 28 February 2024

The accounting policies and notes on pages 17 to 41 form part of these accounts.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2022**

	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Profit & Loss Account £'000	Total £'000
At 31 December 2020	84,001	2,230	46,637	321,662	454,530
Total comprehensive income	–	–	–	21,364	21,364
Dividend paid	–	–	–	(5,100)	(5,100)
At 31 December 2021	84,001	2,230	46,637	337,926	470,794
Total comprehensive income	–	–	–	(5,111)	(5,111)
Dividend paid	–	–	–	(7,600)	(7,600)
At 31 December 2022	84,001	2,230	46,637	325,215	458,083

**COMPANY STATEMENT OF CHANGES IN EQUITY**

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Capital Reserve £'000	Profit & Loss Account £'000	Total £'000
At 31 December 2020	84,001	2,230	237,773	19,050	97,663	440,717
Total profit for the year	–	–	–	–	5,093	5,093
Other comprehensive income	–	–	17,105	–	–	17,105
Dividend paid	–	–	–	–	(5,100)	(5,100)
Total comprehensive income	–	–	17,105	–	(7)	17,098
At 31 December 2021	84,001	2,230	254,878	19,050	97,656	457,815
Total profit for the year	–	–	–	–	8,670	8,670
Other comprehensive income	–	–	(20,783)	–	–	(20,783)
Dividend paid	–	–	–	–	(7,600)	(7,600)
Total comprehensive income	–	–	(20,783)	–	1,070	(19,713)
At 31 December 2022	84,001	2,230	234,095	19,050	98,726	438,102

The accounting policies and notes on pages 17 to 41 form part of these accounts.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	(5,063)	21,871
Adjustments for:		
Depreciation of tangible assets	26	26
Interest payable	1,548	1,977
Interest receivable	(7,120)	(4,471)
Distributions received	–	–
Decrease in trade and other debtors	3,181	4,528
Increase/(decrease) in trade creditors and other creditors	(341)	295
Decrease in stock and work in progress	–	376
Taxation	(1,910)	2,421
Revaluation of investment properties to fair value	4,821	(8,085)
Share of profit in joint ventures	18,883	(12,380)
Foreign currency translation adjustments	(2,775)	3,310
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Inflow from operating activities	11,250	9,868
Distributions from joint venture	63	–
Income tax paid	–	(80)
	<hr/>	<hr/>
Net cash inflow from operating activities	11,313	9,788
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Interest received	6,266	3,681
Purchase of assets	–	172
	<hr/>	<hr/>
Net cash inflows from investing activities	6,266	3,853
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(6,201)	(1,294)
Interest paid	(1,942)	(1,772)
Debt issue costs paid	–	(49)
Dividend paid	(7,600)	(5,100)
	<hr/>	<hr/>
Net cash outflow from financing activities	(15,743)	(8,215)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,836	5,426
	<hr/> <hr/>	<hr/> <hr/>

The accounting policies and notes on pages 17 to 41 form part of these accounts.



**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

		<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash and cash equivalents	(a)	1,836	5,426
Changes in net debt resulting from cash flows			
Repayment of bank loan		6,201	1,294
Foreign currency translation adjustments		(3,581)	4,695
Movement in net debt		4,456	11,415
Net debt at 1 January		(41,509)	(52,924)
Net debt at 31 December	(a)	(37,053)	(41,509)

**(a) Analysis of changes in net debt**

	<b>At 1 Jan</b> <b>2022</b> <b>£'000</b>	<b>Foreign</b> <b>exchange</b> <b>movement</b> <b>£'000</b>	<b>Cash</b> <b>flow</b> <b>£'000</b>	<b>At 31 Dec</b> <b>2022</b> <b>£'000</b>
Cash at bank and in hand	30,855	359	1,836	33,050
Loans	(72,364)	(3,940)	6,201	(70,103)
	(41,509)	(3,581)	8,037	(37,053)

The accounting policies and notes on pages 17 to 41 form part of these accounts.

## Notes to the Financial Statements

### 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 23. 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.

#### *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 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. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements.

#### *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. See tax accounting policy note for more information.
- 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.
- 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.
- Joint Ventures - the Group has valued its investment in the joint venture at fair value. Certain judgments are made by management in arriving at the estimated fair valuation of these investments. The estimated fair value may differ from the price at which the joint venture 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 valuation and realisation could differ from the estimates set forth in these financial statements, and the difference could be significant.

#### *Estimates and assumptions*

Management consider that there are no other 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.

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES (continued)

#### *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.

#### *Basis of consolidation*

The Group accounts incorporate the assets and liabilities of the Company and its subsidiaries as at 31 December 2022 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.

#### *Going Concern*

The Group maintains and monitors short- and long-term cash flow forecasts which are frequently reviewed by management and even in an adverse downside scenario, management believes the Group will continue to generate positive cash flow from its ongoing operational activities throughout the going concern assessment period.

The Group has prepared cash flow forecasts for the going concern period to 31 March 2025. These forecasts reflect the current macro economic conditions in the territories in which the Group operates and in particular the current relatively high levels of inflation and historically high levels of interest rates. Management have also modelled a downside scenario during the going concern period.

- The Group has bank loans totalling Euro 79.2million which mature in June and July 2024. The Group is in discussions with the lenders to renew the loans for a further five years for an amount of Euro 92.5million. The directors are confident that the refinancings will be concluded in quarter two of 2024. However as at the date of these financial statements, the refinancings have been formally agreed. In the event that the refinancings are not agreed, then the Group would not have sufficient cash reserves to repay the borrowings which will be maturing. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.
- The Group has an interest in a joint venture (JV). The JV owns an investment property which is partially financed with a bank loan. The JV is currently in compliance with the loan's financial covenants and forecasts for the JV for the going concern period indicate that it will continue to be in compliance with its covenants, although there is very little headroom over that period. A fall in property values or interest cover may result in a breach of covenant. Although there are covenant breach cure remedies under the loan agreement, this may require the JV's investors to inject further funds into the JV; such cash injections have not been factored into the Group's cash flow forecast and the Group may not be in a position to provide such funding. This matter is not considered to indicate that any material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

Management has considered the above in reaching its conclusion that the going concern basis is appropriate in the preparation of the Group's and Company's financial statements, but that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### *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 affected 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.

#### *Management fee income*

Management fee income is recognised on an accruals basis, net of Value Added Tax.

All management fees receivable are derived from United Kingdom activities.

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES (continued)

#### *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.

#### *Impairment consideration for debtors*

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

#### *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.

#### *Foreign currency translation*

Assets, liabilities and income and expense items are translated into sterling at closing rates of exchange. Exchange differences resulting from the re-translation at closing rates of the opening net assets of non-UK subsidiaries are accounted for through reserves.

Translation rates used for the conversion of major non-sterling based currencies were:

	2022	2021
Euro	1.1295	1.191

#### *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 20.

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.

## Notes to the Financial Statements

### 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 accounted for using the equity method. Investments are stated at cost plus share of profit, less distributions received less provision for impairment. The Group's share of results are included separately in the Income Statement.

#### *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. In determining the group share of the revaluation certain adjustments are made to more accurately reflect the fair value of the Groups interest in the investment. These adjustments include eliminating the value of unamortised debt issue costs included in the underlying net assets of the investment, tax mitigation, minority holding discount and providing for selling costs of the underlying property.

The Group's share of operating results is included separately in the Income Statement. The Group's share of the joint venture's profit is included separately in the Income Statement.

#### *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.

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES (continued)

#### *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 the Income Statement. Losses arising from impairment are recognised in the Income Statement.
- 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.

#### *Cash and cash equivalents*

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

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES (continued)

#### *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

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Depreciation	62	62
Rental on operating leases – land and buildings	50	50

### 3. NET RENTAL INCOME

	2022 £'000	2021 £'000
Gross rental income	11,560	8,191
Service charge income	4,279	3,938
Service charge expense	(5,684)	(5,571)
Net rental income	10,155	6,558

## Notes to the Financial Statements

## 4. GROUP SHARE OF JOINT VENTURE INCOME

	2022	2021
	£'000	£'000
Interest income on loans to joint venture	-	12,839
Group share of joint venture interest	-	(12,839)
Group share of joint venture bank interest	(3,900)	(3,657)
Group share of gains on interest rate swap	9,000	3,459
Group share of joint venture debt issue costs	(300)	(333)
Group share of joint venture operation profit	5,900	6,746
Group share of revaluation of joint venture	(29,583)	6,165
	<u>(18,883)</u>	<u>12,380</u>

## 5. AUDITORS' REMUNERATION

	2022	2021
	£'000	£'000
Auditors' remuneration - audit services	130	130
- taxation services	-	-
	<u>130</u>	<u>130</u>

Included in audit services are fees for the audit of UK and overseas subsidiaries.

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

*DIRECTORS*

The emoluments of the directors borne by a Group company were as follows:

	2022	2021
	£'000	£'000
Emoluments (including benefits in kind)	<u>1,211</u>	<u>1,235</u>

The emoluments of the highest paid director borne by a Group company were £1,061,712 (2021: £1,039,369). No pension contributions were made on behalf of this director during the year (2021: £nil). The directors are not members of the Heron Group's pension scheme.

The average number of employees of the Group was 28 (of whom 22 were employed in Spain) (2021: 28). All were engaged in property management, investment and development. The staff costs (including directors) were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	2,638	2,552
Social security costs	423	422
Pension contributions	84	83
	<u>3,145</u>	<u>3,057</u>



Notes to the Financial Statements

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

	2022 £'000	2021 £'000
Bank interest receivable	154	6
Receivable from Heron Group undertakings	6,966	4,465
Total interest receivable and similar income	7,120	4,471
Payable on bank loans, overdrafts and other interest bearing liabilities	(1,086)	(1,546)
Payable to Heron Group undertakings	(6)	(6)
Amortisation of deferred financing costs (note 15)	(456)	(425)
Total interest payable and similar charges for the Group before share of joint ventures' interest	(1,548)	(1,977)
Net interest receivable	5,572	2,494

## Notes to the Financial Statements

## 8. TAX CHARGED ON PROFIT ON ORDINARY ACTIVITIES

*Tax charge on profit on ordinary activities*

The tax charge is made up as follows:

	2022 £'000	2021 £'000
<i>Current tax:</i>		
UK Corporation tax	–	–
Foreign tax	(31)	80
Total current tax		80
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(1,879)	2,341
Tax (credit)/charge on profit on ordinary activities	(1,910)	2,421

The tax on the profit on ordinary activities for the year is lower than (2021 – lower than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022 £'000	2021 £'000
(Loss)/profit on ordinary activities before tax	(6,973)	24,292
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: standard rate 19%)	(1,325)	4,615
Tax increase from effect of capital allowances and depreciation	(2)	(7)
Tax increase from other short-term timing differences	42	44
Tax (decrease)/increase arising from group relief	(1,468)	(892)
Effect of tax losses	(2,867)	(118)
Prior period adjustments	(31)	–
Differing tax rates/laws on overseas earnings		19
Effect of expense not deductible in determining taxable profit	(2)	4
Other tax effects for reconciliation between accounting profit and tax expense / (income)	3,743	(1,244)
Tax charge for the year	(1,910)	2,421

## Notes to the Financial Statements

## 8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES (continued)

*Deferred tax*

The Group has estimated tax losses available to carry forward to future years of approximately £303m (2021: £307m losses), together with surplus ACT of approximately £6.5m (2021: £6.5m). No deferred tax asset has been recognised in respect of £283m of these losses (2021: £289m losses) as there is insufficient evidence that this amount will be recoverable against future taxable profits in the foreseeable future.

The deferred tax liability included in the balance sheet is as follows:

	2022	GROUP 2021
	£'000	£'000
Included in provisions (note 16)	9,762	11,040
Represented by:		
Overseas capital gains (net of overseas tax losses)	4,000	4,004
Spanish local municipal taxes	5,762	7,036
Deferred tax liability	9,762	11,040

*Factors affecting future tax charges*

The Finance Act 2022 included legislation to increase the main rate of corporation tax to 25% from 1 April 2023. As this change was not substantively enacted before the reporting date, deferred tax is recognised at 19% in the current period.

This rate change will affect the amount of tax paid by the group.

## 9. INVESTMENT AND DEVELOPMENT PROPERTIES

	2022	2021
	£'000	£'000
GROUP		
Book value:		
At 1 January	160,075	162,316
Foreign currency translation adjustments	8,714	(10,058)
Additions	–	(271)
Net (deficit)/surplus on revaluation	(4,820)	8,088
At 31 December	163,969	160,075

At 31 December 2022 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 Spain at 31 December 2022 are of freehold tenure. They were valued for the Board by CBRE Valuations SA at £163.9m (2021: £160.1m). The entry yields used in the valuations range between 4.68% and 6.16% and the exit yields used range between 6.75% and 7.95%.

## Notes to the Financial Statements

## 9. INVESTMENT AND DEVELOPMENT PROPERTIES (continued)

## 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).

Summary of property assets on the historical cost basis:

	2022 £'000	2021 £'000
At 1 January	228,193	238,251
Foreign currency translation adjustments	8,714	(10,058)
At 31 December	236,907	228,193

## 10. FIXTURES AND FITTINGS AND MOTOR VEHICLES

Cost:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 January	406	406	—	—
Disposals	—	—	—	—
Additions	11	—	—	—
At 31 December	417	406	—	—
Aggregate depreciation:				
At 1 January	237	175	—	—
Charge for the year	50	62	—	—
Disposals	—	—	—	—
At 31 December	287	237	—	—
Net book value at 31 December	130	169	—	—

## Notes to the Financial Statements

## 11. FIXED ASSET INVESTMENTS

		2022 £'000	Group 2021 £'000	2022 £'000	Company 2021 £'000
Group share of joint ventures	(a)	34,790	21,739	–	–
Subsidiary undertakings	(b)	–	–	335,596	356,379
		<u>34,790</u>	<u>21,739</u>	<u>335,596</u>	<u>356,379</u>

Summary of movement in joint ventures:

	2022 £'000	2021 £'000
At 1 January	21,739	22,198
Profit/(loss) for the year	10,700	(6,624)
Revaluation surplus	2,351	6,165
At 31 December	<u>34,790</u>	<u>21,739</u>

*(a) JOINT VENTURES*

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

	2022 £'000	2021 £'000
Properties	602,100	691,900
Stock	1,500	1,500
Debtors	53,522	34,647
Cash/Bank	22,567	20,443
Creditors	(18,897)	(18,094)
Bank loans – short term	(383,500)	(389,500)
Bank loans – long term	(6,000)	(6,000)
Debt issue costs	3,083	4,062
Other loans	(192,325)	(294,568)
Other creditors	(13,281)	(12,872)
	<u>68,769</u>	<u>31,518</u>
	<u>2022 £'000</u>	<u>2021 £'000</u>
Proportion attributable to the Group	34,790	21,739
	<u>34,790</u>	<u>21,739</u>

Post year end the Group advanced £13.5m to this joint venture to repay its share of £36.0m of a partial bank loan within the joint venture. The remaining investors in the joint venture advanced their share to repay this loan.

## Notes to the Financial Statements

## 11. FIXED ASSET INVESTMENTS (continued)

The proportion attributable to the Group reflects a mixture of holdings in the joint ventures listed in note 23, in which the ownership is 33.4% and 33.3%, respectively.

*(b) SUBSIDIARY UNDERTAKINGS*

	2022 <i>Company</i> £'000	2021 <i>Company</i> £'000
Book value at 1 January	356,379	339,274
Net (deficit)/surplus on revaluation of investments in subsidiaries	(20,783)	17,105
Book value at 31 December	<u>335,596</u>	<u>356,379</u>

Details of subsidiary undertakings are listed in note 23.

## 12. STOCKS

	2022 £'000	Group 2021 £'000
Work in progress – properties and land	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

## 13. DEBTORS

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Accrued income	–	–	29	–
Trade debtors	1,013	865	–	–
Value added tax	108	87	–	–
Prepayments	26	118	–	–
Amounts due from parent undertakings	52,201	52,595	16,466	17,953
Amounts due from subsidiary undertaking	–	–	376,089	339,258
Less provision on amount receivable from subsidiary undertaking	–	–	(272,301)	(241,393)
Other debtors	80	92	–	–
	<u>53,428</u>	<u>53,757</u>	<u>120,283</u>	<u>115,818</u>
Amounts falling due after more than one year:				
Amounts due from ultimate undertakings (1)	193,269	193,269	–	–
Amounts due from a joint venture (2)	64,104	98,183	–	–
Other debtors	1,898	1,759	–	–
	<u>259,271</u>	<u>293,211</u>	<u>–</u>	<u>–</u>
	<u><u>312,699</u></u>	<u><u>346,968</u></u>	<u><u>120,283</u></u>	<u><u>115,818</u></u>

1) The £193.3m above due from parent undertakings at 31 December 2022 consists of two loans as follows:

A £114.2m unsecured loan with a maturity date of 17 November 2026. Interest is charged at 12 month LIBOR plus 2%. In the opinion of the directors this is an open market rate of interest.

A £79.1m unsecured loan with a maturity date of 30 December 2022. Interest is charged at 12 month LIBOR plus 2.5%. In the opinion of the directors this is an open market rate of interest.

2) The amount of £64.1m (2021: £98.2m) due from the joint venture has a maturity date of January 2026. This amount is due from Heron Tower Property Unit Trust. The amount is unsecured and is subordinated to the bank loan in the Trust. Interest was charged at 14% per annum to 31 December 2021. During the year an amendment was made to the loan arrangements between the Group and the borrower such that interest on this loan would cease accruing interest on this amount from 1 January 2022. Accordingly under FRS 102 interest free loans greater than one year must be discounted at fair value and then subsequently at amortised cost with an effective rate applied giving rise to an interest recognised within the Income Statement. The interest charged increases the loan over the loan period back to the cash value repayable on the due date.

# Notes to the Financial Statements

## 14. CREDITORS: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans – (note 15)	5,900	5,900	–	–
Trade creditors	1,255	1,029	–	–
Other creditors	–	147	–	–
Other taxes and social security costs	73	98	–	–
Value added tax	748	683	–	–
Amounts due to subsidiary undertakings	–	–	37,559	33,428
Amounts due to parent undertaking	745	701	–	–
Accruals and deferred income	310	1,584	–	595
	<u>9,031</u>	<u>10,142</u>	<u>37,559</u>	<u>34,023</u>

## 15. CREDITORS: amounts falling due after more than one year

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans - see below	64,203	66,464	–	–
Less: debt issue costs	(685)	(1,082)	–	–
Other creditors	2,545	2,422	–	–
	<u>66,063</u>	<u>67,804</u>	<u>–</u>	<u>–</u>



## Notes to the Financial Statements

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

	Group 2022 £'000	Group 2021 £'000
<b>BANK LOANS:</b>		
Wholly repayable within five years	70,103	72,364
Total bank loans	70,103	72,364
Less: Included in amounts falling due within one year (note 14)	(5,900)	(5,900)
Due after more than one year	64,203	66,464
	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Amounts repayable</b>		
In one year or less (note 14)	5,900	5,900
Between one and two years	64,203	5,900
Between two and five years	–	60,564
	70,103	72,364

A summary of the bank loans is as follows:

Bank loans are secured on properties with a book value at 31 December 2022 of £163.9m (2021: £160.1m). All loans are secured on the respective assets and/or shares of the companies owning the assets to which they relate.

Included in bank loans is a loan of £39.0m (Euro 44.1m) that has a maturity date of July 2024. This loan is amortising as follows: Euro 5m in 2022, Euro 4m in 2023 and is 75% hedged giving an all-in rate of 2.25% on 80% of the loan. The remaining 20% of the loan is at floating rates plus a margin of 2.25%.

The remaining bank loan of £31.0m (Euro 35.1m) had a maturity date of June 2024. This loan is amortising at Euro 2m in 2022, Euro 4m in 2023 and is at a floating rate plus a margin of 2%.

The Group is in discussions with the lenders to renew this loan for a further five years. The directors feel confident that this deal will close in quarter two of 2024 – further details are provided in Note 1.

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

	2022 £'000	2021 £'000
At 1 January	1,082	1,554
Foreign currency translation adjustment	59	(97)
New issues	–	49
Amortised to the profit and loss account	(456)	(424)
At 31 December	685	1,082

## Notes to the Financial Statements

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £'000	Rental Commitments £'000	Total £'000
<i>GROUP</i>			
At 31 December 2020	9,274	146	9,420
Foreign currency translation adjustment	(574)	(8)	(582)
Charged to the Income Statement	2,340	(112)	2,228
At 31 December 2021	11,040	26	11,066
Foreign currency translation adjustment	601	1	602
Released to the Income Statement	(1,879)	(3)	(1,882)
At 31 December 2022	9,762	24	9,786

## 17. CALLED UP SHARE CAPITAL

	Authorised		Issued, Allotted and Fully Paid	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Ordinary shares of 10p each	100,000	100,000	84,001	84,001

## 18. CAPITAL AND OTHER COMMITMENTS

CAPITAL EXPENDITURE  
GROUP

	2022 £'000	2021 £'000
Contracted with third parties	—	—

*Non-cancellable operating leases*

	Land and Buildings	
	2022 £'000	2021 £'000
Commitments for the year following 31 December 2022 on leases which expire:		
Within one year	50	50
Between two and five years	—	—

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2022 £'000	2021 £'000
In one year or less	11,557	10,605
Between one and five years	46,695	41,596
More than five years	81,739	72,685
	139,991	124,886

## Notes to the Financial Statements

## 19. RELATED PARTY TRANSACTIONS

During 2007, the Group disposed of 66.7% 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 2022 £'000	Heron Tower Property Unit Trust 2021 £'000
At 1 January	98,183	89,027
Interest	–	12,839
Repayments	(2,167)	(3,683)
Less discount on non-interest bearing loans – (note 13)	(40,051)	–
Notional interest receivable (FRS 102) – (note 13)	8,139	–
At 31 December	64,104	98,183

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.

The group received a £2m distribution from the LLP during the prior year. There were no significant transactions with this LLP during the year.

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 group received £314k in this fund during the year.

*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 2022 £'000	Foreign Exchange £'000	Interest £'000	Advances/ (Repayments) £'000	At 31 Dec 2022 £'000
Heron International NV	51,894	(38)	847	(1,247)	51,456
Heron International Limited	193,269	–	6,113	(6,113)	193,269
	245,163	(38)	6,960	(7,360)	244,725

## Notes to the Financial Statements

## 19. RELATED PARTY TRANSACTIONS (continued)

*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:

	At 1 Jan 2022 £'000	Interest £'000	Advances/ (Repayments) £'000	At 31 Dec 2022 £'000
Heron International NV	17,953	–	(1,487)	16,466
Heron Finance UK Limited	(33,428)	(1,123)	–	(34,551)
Heron Leisure Limited	317,144	39,804	–	356,948
Heron Corporation	1,451	28	(4,487)	(3,008)
Heron Treasury Services Limited	20,663	709	(2,231)	19,141
	<u>323,783</u>	<u>39,418</u>	<u>(8,205)</u>	<u>354,996</u>

In addition to the above the Company charged its immediate subsidiary undertaking (Heron Corporation) a management fee of £nil (2021: £897k).

	At 1 Jan 2021 £'000	Interest £'000	Advances/ (Repayments) £'000	At 31 Dec 2021 £'000
Heron International NV	19,086	–	(1,133)	17,953
Heron Finance UK Limited	(32,745)	(683)	–	(33,428)
Heron Leisure Limited	281,778	35,366	–	317,144
Heron Corporation	1,704	34	(287)	1,451
Heron Treasury Services Limited	23,847	497	(3,681)	20,663
	<u>293,670</u>	<u>35,214</u>	<u>(5,101)</u>	<u>323,783</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 Inversiones SL is a Spanish registered company 100% indirectly held by the Company.

Heron Finance UK Limited is 100% directly held by Heron Inversiones SL.

Heron Leisure Limited is 100% indirectly held by the Company.

Heron Corporation is 100% held by the Company.

Heron Treasury Services Limited is 100% indirectly held by the Company.

## Notes to the Financial Statements

## 20. 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 UK employees, some of whom are employed by the company. The assets and liabilities of the Scheme are controlled by trustees and held separately from those of Heron Corporation. As the assets and liabilities of the Scheme are not separately identifiable for the company's employees, full details of the scheme are presented. The number of active members of the Scheme at 31 December 2022 was nil (2021: nil) as the Scheme was closed to future accrual of benefits on 31 August 2013. In January 2003 the Scheme was closed to new entrants.

The most recent independent actuarial valuation of the Scheme, at 1 April 2017, was undertaken by Cartwright Group Ltd.

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 2022 and subsequent years.

An actuarial valuation was carried out by Broadstone Corporate Benefits Limited as at 31 December 2022 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 2022. Assets are stated at their market value at 31 December 2022.

In 2019 the Group contributed a £1.2m and in 2018 it made a £2m contribution to the scheme. No subsequent contributions have been made.

***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

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

	2022	2021	2020
	£'000	£'000	£'000
Fair value of scheme assets	15,345	25,057	25,726
Present value of scheme liabilities	(17,020)	(24,492)	(26,646)
Defined benefit pension scheme deficit	(1,675)	565	(920)
Surplus not recognised	—	(565)	—
	<u>          </u>	<u>          </u>	<u>          </u>
		2019	2018
		£'000	£'000
Fair value of scheme assets		26,491	24,272
Present value of defined benefit obligations		(26,321)	(24,720)
Scheme deficit		170	(448)
Related deferred taxation		—	—
Net pension liability		<u>170</u>	<u>448</u>

## Notes to the Financial Statements

## 20. PENSION SCHEMES (continued)

*Fair value of scheme assets*

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

	2022 £'000	2021 £'000
Fair value at start of year	25,057	25,726
Interest income	454	326
Expected return on assets	(8,934)	261
Employer's contributions	—	—
Benefits paid	(1,232)	(1,256)
Fair value at end of year	15,345	25,057

*Analysis of assets*

The major categories of scheme assets are as follows:

	2022 £'000	2021 £'000	2020 £'000
Equity instruments	—	—	—
Debt instruments	8,928	13,338	13,634
Cash	181	217	129
Equities and other growth assets	3,660	7,563	7,619
Liability hedging investments	2,301	3,610	3,990
Other assets	275	329	354
	15,345	25,057	25,726

	2019 £'000	2018 £'000
Equity instruments	—	—
Debt instruments	24,393	22,219
Cash	1,739	1,691
Other assets	359	362
	26,491	24,272

*Actual return on scheme's assets*

	2022 £'000	2021 £'000
Actual return on scheme assets	(8,480)	587

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.

## Notes to the Financial Statements

## 20. PENSION SCHEMES (continued)

*Scheme liabilities*

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

	2022	2021
	£'000	£'000
Present value at start of year	24,492	26,646
Service cost	—	—
Actuarial losses and gains	(6,694)	(1,236)
Interest cost	454	338
Benefits paid	(1,232)	(1,256)
Present value at end of year	17,020	24,492

*Principal actuarial assumptions*

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

	2022	2021	2020
	%	%	%
Discount rate	4.6	1.9	1.3
Future salary increases	—	—	—
Future pension increases	2.7	3.2	2.5
Retail price inflation	3.3	3.7	3.2
Consumer price inflation	4.6	3.2	2.5

**Financial assumptions**

	2019	2018
	%	%
Discount rate	2.0	2.8
Consumer price inflation	2.5	2.7
Future pension increases	2.5	2.7
Retail price inflation	3.2	—

*Amounts recognised in the Income Statement*

	2022	2021
	£'000	£'000
<b>Amounts recognised in operating profit</b>		
Current service cost	—	—
Recognised in arriving at operating profit	—	—
<b>Amounts recognised in Interest payable and similar charges</b>		
Interest cost	454	338
Interest income	(454)	(338)
Recognised in interest payable and similar charges (see note 7)	—	—
Total recognised in the profit and loss account	—	—

## Notes to the Financial Statements

## 20. PENSION SCHEMES (continued)

*Amounts recognised in the Statement of Comprehensive Income*

	2022	2021
	£'000	£'000
Actual return less expected return on scheme assets	(8,596)	140
Non recognition of surplus	565	(565)
Changes in assumptions	6,356	1,357
	<u>          </u>	<u>          </u>
Actuarial gains and losses recognised in the Statement of Comprehensive Income	(1,675)	932
	<u>          </u>	<u>          </u>

*History of experience adjustments on scheme assets and liabilities*

Amounts for the current and previous period are as follows:

	2022	2021
	£'000	£'000
Fair value of scheme assets	—	—
Present value of scheme liabilities	—	—
	<u>          </u>	<u>          </u>
Deficit in scheme	—	—
	<u>          </u>	<u>          </u>

## 21. 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.

## 22. 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.



## Notes to the Financial Statements

## 23. SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2022

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	100%
Arrona Limited *^	Investment Company	100%
Heron (Devonshire House 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	100%
Heron City Limited *^	Holding Company	100%
Heron City Madrid SL (Incorporated in Spain) *^^	Holding Company	100%
Heron City Paterna SL (Incorporated in Spain) *^^	Holding Company	100%
Heron City Plaza SL (Incorporated in Spain) *^^	Property Investment	100%
Heron City Mediterraneo SL (Incorporated in Spain) *^^	Property Investment	100%
Heron Land Developments Limited *^	Land Development	100%
Heron Leisure Limited *^	Holding Company	100%
Heron Property Corporation Limited *^	Holding Company	100%
Utelte Investments BV (Incorporated in The Netherlands) **^	Holding Company	100%
Heron Hoteles Espana SL (Incorporated in Spain) *^^	Property Investment	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%
Warford Investments BV (Incorporated in The Netherlands) **^	Holding Company	100%
Calshot Investments BV (Incorporated in The Netherlands) **^	Holding Company	100%
Heron Espana Property Holdings SL (Incorporated in Spain) *^^	Holding Company	100%
Heron City Diversia SL (Incorporated in Spain) *^^	Property Investment	100%
Areca BV (Incorporated in The Netherlands) ^^	Holding Company	100%
Heron Inversiones SL (Incorporated in Spain) *^^	Holding Company	100%
Heron Finance UK Limited *^	Holding Company	100%

\* Ordinary share capital/economic control is held by a subsidiary undertaking.

\*\* Ordinary share capital is held by a subsidiary undertaking and the immediate parent undertaking.

^ Registered office at 24 Brook's Mews, Mayfair, London, W1K 4EA.

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

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

## Notes to the Financial Statements

## 23. SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2022 (continued)

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 <sup>x</sup>	Property investment	33.3%
The Heron Residences LLP <sup>xx</sup>	Property development	33.4%

<sup>x</sup> The above is registered in Jersey and is held by a subsidiary undertaking.

<sup>xx</sup> The above is registered in England and Wales and held by a subsidiary and the immediate parent undertaking.

## 24. EVENTS AFTER THE REPORTING PERIOD

In the opinion of the directors other than the items below there has been no other significant events since the balance sheet date.

- 1) The Group has bank loans totalling Euro 79.2million which mature in June and July 2024. Post year end, management has been in discussions with the lenders to renew the loans for a further five years for an amount of Euro 92.5million. The directors are confident that the refinancings will be concluded in quarter two of 2024.
- 2) Post year end, macro-economic events have resulted in an increase in both the interest rates as well as investment property yields. This has resulted in a decline in the fair value of the Group's investment in its Joint Venture (note 11). As at 31 December 2022 the total investment in and balance receivable from the Joint Venture amounted to £98.9million (see notes 11 and 13). As at 31 December 2023, the fair value of the Group's investment in the Joint Venture is estimated to have declined by approximately £26.4 million.

Additionally, in December 2023 the Group advanced £13.5million to the Joint Venture, which is the Group's share of a £36.0million partial repayment of a bank loan within the Joint Venture. This repayment was made as part of an amendment to the Joint Venture's bank loan facility. The balance of the £36.0million was advanced by the remaining investors in the Joint Venture.

The bank loan has loan to value (LTV) and rolling projected interest cover ratio (PICR) covenants. The JV is currently in compliance with the financial covenants. Management has prepared forecasts for the JV covering the going concern period which indicate that the JV will continue to be in compliance with the financial covenants over the going concern period to 31 March 2025, although there is very little headroom on the covenants over that period. The JV has performed reverse stress tests on its forecasts which indicate that a fall of 5% in property value may lead to an LTV covenant breach and a 2% shortfall in projected income towards the end of the going concern forecast period may lead to a PICR covenant breach. Although there are cure remedies under the bank loan agreement, this may require the JV's investors to inject further funds into the JV; such cash injections have not been factored into the Group's cash flow forecast and the Group may not be in a position to provide such funding. These factors may further impact the carrying value of the Group's investment in its JV.

These subsequent changes in the fair value of the Group's investment in Joint Ventures are not reflected in the financial statements as of 31 December 2022. Further information regarding the impact of the Group's interest in the JV on going concern is provided in Note 1 of the financial statements.