Cornex Limited

Annual report and financial statements

Registered number 100151

For the year ended 30 September 2014

Contents

Strategic report

There has been no significant change to profit before tax for the year. This is a result of the company continuing to target full occupancy and a continued emphasis on cost savings.

The directors are satisfied with the progress of the company during the year and the results are in line with the directors' expectations, bearing in mind the state of the market in general.

Approved by the board of directors on 25 February 2015 and signed on its behalf by:

AC Green
Director

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2014.

Principal activities

The company holds and develops property for investment.

Results and dividends

The results for the year are set out in the profit and loss account on page 6. No dividend is proposed *(2013: £Nil)*.

The directors acknowledge that the company is in a net liabilities position at 30 September 2014, but have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors of the company have received a letter from the directors of Hortons' Estate Limited confirming their indication and ability to provide financial support to the company in order for it to meet its obligations as they fall due and to continue trading for the foreseeable future, being at least 12 months from the date the board approved these financial statements.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who held office during the year were as follows:

AC Green
RJC Norgrove

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved by the board of directors on 25 February 2015 and signed on its behalf by:

AC Green
Director

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Cornex Limited

We have audited the financial statements of Cornex Limited for the year ended 30 September 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Cornex Limited *(continued)*

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

M Froom

Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

25 February 2015

Profit and loss account
for the year ended 30 September 2014

	Note	**2014**	2013
		£000	£000
Turnover	*1*	**814**	1,007
Cost of sales		**(171)**	(130)
Gross profit		**643**	877
Administrative expenses		**(16)**	(16)
Operating profit	*2*	**627**	861
Profit on ordinary activities before taxation		**627**	861
Tax on profit on ordinary activities	*4*	**(130)**	(127)
Profit for the financial year	*10*	**497**	734

All of the company's operations are derived from continuing operations.

Statement of total recognised gains and losses
for the year ended 30 September 2014

	2014	2013
	£000	£000
Profit for the financial year	**497**	734
Unrealised surplus/(deficit) on revaluation of property	**1,497**	(722)
Total recognised gains relating to the year	**1,994**	12

Balance sheet
at 30 September 2014

	Note	2014 £000	£000	2013 £000	£000
Fixed assets					
Tangible assets – Investment properties	5		16,174		13,890
Current assets					
Debtors	6	316		83	
Cash at bank and in hand		126		499	
		442		582	
Creditors: Amounts falling due within one year	7	(16,140)		(16,057)	
Net current liabilities			(15,698)		(15,475)
Total assets less current liabilities			476		(1,585)
Provisions for liabilities	8		(521)		(454)
Net liabilities			(45)		(2,039)
Capital and reserves					
Called up share capital	9		14		14
Share premium account	10		6		6
Investment in revaluation reserve	10		(4,200)		(5,697)
Profit and loss account	10		4,135		3,638
Shareholders' deficit	11		(45)		(2,039)

These financial statements were approved by the board of directors on 25 February 2015 and were signed on its behalf by:

AC Green
Director

Registered number: 100151

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

Due to the nature of the company's business, the directors do not believe that the company has different classes of business as defined in SSAP 25. Accordingly, the additional disclosures set out in SSAP 25 are not considered to be required.

Cash flow

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard 1 (revised) on the basis that the ultimate parent undertaking has prepared a consolidated cash flow statement.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report and directors' report on page 1 and 2 respectively.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The directors acknowledge that the company is in a net liabilities position at 30 September 2014, but have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors, having assessed the responses of the directors of the company's parent, Hortons' Estate Limited, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Hortons' Estate Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

The directors of the company have received a letter from the directors of Hortons' Estate Limited confirming their indication and ability to provide financial support to the company in order for it to meet its obligations as they fall due and to continue trading for the foreseeable future, being at least 12 months from the date the board approved these financial statements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Hortons' Estate Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets

Freehold investment properties are revalued annually by the directors or external valuers every five years in accordance with Statement of Standard Accounting Practice No. 19. Any impairment in the value of specific properties is charged to the profit and loss account in the period. The remaining aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of these properties. The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principal set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial period would have been reduced by depreciation. However, the amount of depreciation cannot reasonably by quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than note that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Rents receivable

Gross rents from investment properties are accounted for in the period in which they accrue. When tenants are offered rent free periods, the cost of this incentive is spread from the commencement of the lease over the shorter of the lease term or the period to the next rent review.

2 Notes to the profit and loss account

	2014	2013
	£000	£000
Profit before taxation is stated after charging		
Management charge from parent undertaking	**16**	16

The audit fee has been borne by another group company, Hortons' Estate Limited, in the current year and prior year.

Remuneration of the auditor for non-audit fees in relation to taxation services have been borne by Hortons' Estate Limited in the current and prior year. Auditor's remuneration is payable to KPMG LLP.

3 Staff numbers and costs

No persons were employed directly by the company during the current or prior year. The directors are remunerated by another group company and it is considered that an insignificant proportion of their time is spent in dealing with the affairs of the company and therefore they receive no remuneration for their service to this company.

Notes *(continued)*

4 Tax on profit on ordinary activities

Analysis of charge for the year

	2014 £000	£000	2013 £000	£000
Current tax				
UK corporation tax	63		133	
Adjustments in respect of prior years	-		(4)	
Total current tax		63		129
Deferred tax (see note 9)				
Origination and reversal of timing differences	67		58	
Effect of decreased tax rate	-		(60)	
		67		(2)
Tax charge on profit on ordinary activities		130		127

Factors affecting the tax charge for the year

The current tax charge for the year is lower (*2013: lower)* than the standard rate of corporation tax in the UK of 22% (*2013: 23.5%)*. The differences are explained below:

	2014 £000	2013 £000
Current tax reconciliation		
Profit on ordinary activities before tax	627	861
Current tax at 22% (*2013: 23.5%)*	138	202
Effects of:		
Tax credits	(1)	(2)
Capital allowances in excess of depreciation	(74)	(67)
Prior period adjustment	-	(4)
Total current tax credit (see above)	63	129

Factors that may affect future charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 September 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

5 Tangible fixed assets – Investment property

	Freehold properties £000
Cost or valuation	
At beginning of year	13,890
Additions	787
Revaluation	1,497
At end of year	16,174
Net book value	
At 30 September 2014	**16,174**
At 30 September 2013	13,890
Investment properties stated at historical cost	
At 30 September 2014	**20,374**
At 30 September 2013	19,587

The company's investment properties were last externally valued at their market value on 30 September 2012 by Jones Lang Lasalle, professionally qualified external valuers, in accordance with the RICS Valuation – Professional Standards March 2012 published by the Royal Institution of Chartered Surveyors. Jones Lang Lasalle have recent experience in the relevant location and category of the properties being valued. External valuations are normally conducted every five years.

In the current year valuations were performed by the company's directors. The directors are of the opinion the open market value of the company's property has increased by £1,497,000 *(2013: £722,000 decrease)* which has been transferred to the investment revaluation reserve.

6 Debtors

	2014 £000	2013 £000
Trade debtors	**100**	34
Prepayments and accrued income	**216**	5
Other taxes and social security	-	1
Corporation tax recoverable	-	43
	316	83

Notes *(continued)*

7 Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**135**	375
Amounts owed to group undertakings	**438**	385
Amounts owed to parent company	**15,234**	14,994
Other taxes and social security	**34**	-
Corporation tax	**10**	-
Other creditors	**64**	54
Accruals and deferred income	**225**	249
	16,140	16,057

8 Provisions for liabilities

Deferred taxation

The movement on the deferred tax balance during the year was as follows:

	£000
At the beginning of the year	454
Origination and reversal of timing differences	67
At the end of the year	**521**

The amount provided for in the financial statements is analysed as follows:

	Provided	
	2014 £000	2013 £000
Capital allowances in advance of depreciation	**521**	454
Deferred tax liability	**521**	454

9 Called up share capital

	2014 £000	2013 £000
Authorised, allotted, called up and fully paid:		
560 ordinary shares of £25 each	**14**	14

Notes *(continued)*

10 Movement on reserves

	Share premium £000	Investment revaluation reserve £000	Profit and loss account £000
At beginning of year	6	(5,697)	3,638
Revaluation for the year	-	1,497	-
Profit for the year	-	-	497
At end of year	**6**	**(4,200)**	**4,135**

11 Reconciliation of movements in shareholders' deficit

	2014 £000	2013 £000
Retained profit for the year	**497**	734
Other recognised gains and losses relating to the year	**1,497**	(722)
Net increase in shareholders' deficit	**1,994**	12
Opening shareholders' deficit	**(2,039)**	(2,051)
Closing shareholders' deficit	**(45)**	(2,039)

12 Contingent liabilities and commitments

At 30 September 2014, the company had capital commitments of £Nil *(2013: £676,000)*. During the year, the company guaranteed a loan of the parent company which as at 30 September 2014 amounted to £4,000,000 (*2013: £13,900,000*).

13 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with other wholly owned companies in the group.

14 Ultimate parent company

The immediate and ultimate parent undertaking and ultimate controlling party is Hortons' Estate Limited, registered in England and Wales and is the smallest and largest group in which the results of this company are consolidated. A copy of their financial statements can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The registered office is Latham House, 4th Floor, 33-34 Paradise Street, Birmingham, B1 2AJ.