Registered number: 00490726

HORTONS' ESTATE LIMITED

Annual Report and Consolidated Financial Statements

30 September 2017

Contents

Strategic report

Objectives

Hortons' Estate Limited and subsidiaries ("the Group") long term objectives are:

- to increase recurring returns in order to support a progressive dividend policy;
- to create a property development business earning trading profits; and
- to increase net asset value, in line, or better than, similar companies.

In pursuing these objectives the Group intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the Group has devised a number of key business strategies, which have been successfully implemented over recent years.

We aim to secure increased rental income and capital value from our existing portfolio by active management. This involves the refurbishment and redevelopment of properties to meet the changing needs of the market, working with our existing tenants to secure rental income in the long term and a proactive approach to the letting of vacant space.

We constantly review our portfolio and seek to dispose of properties that we feel do not have prospects for long term growth or there are no strategic reasons for their retention. At the same time we seek to acquire properties and land that offer the opportunity for long term growth or trading profits through active management, refurbishment and redevelopment.

We aim to have sufficient finance for our activities with access to additional funds to enable opportunities to be secured as they arise.

Delivery of strategic objectives are constantly reviewed by the Board in the light of the Group's performance and changing market conditions to ensure it remains appropriate to achieve the Group's objectives.

Risks and uncertainties

The key risk areas of the Group are:

Investment portfolio

- tenant default;
- change in demand for space;
- market pricing affecting value.

Financial

- reduced availability of debt finance;
- increased cost of debt finance;
- counterparty credit risk.

The Group seeks to manage as far as possible the key risks that it faces.

The Group's property portfolio is diversified by area and property type in order to spread risk. However, a significant proportion of the portfolio is located in Birmingham city centre.

A significant proportion of borrowing costs are fixed by the use of hedging instruments such as swaps and caps. The Group deals with a variety of different banks to mitigate liquidity risk and a loss of appetite for property finance. The Group operates within its available borrowing facilities and covenants and forecasts indicate it will continue to do so.

Strategic report *(continued)*

Joint ventures are undertaken with partners who have complementary skills to both add expertise and spread financial risk.

The Group's credit risk is primarily attributable to the failure of its tenants to pay their rent. The financial assessment of tenants is part of the daily routine of the Group. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

Having considered the above risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key performance indicators

The Group uses a number of financial measures to monitor progress against strategic and corporate objectives. These are summarised below:

	2017	2016
	£000	£000
Revaluation surplus	**8,991**	3,529
Recurring rental income including joint ventures	**15,688**	14,305
Interest and hedging costs payable	**2,671**	2,616
Development income including joint ventures	**3,934**	1,623
Vacancy rate	**4.3%**	5.9%

In addition to financial measures, the Board also monitors the Group's operations with the objective of ensuring that health and safety is at the core of all working practices. In measuring the success of this, the Board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, the Group has performed well and as far as the Board is aware this is likely to be the case in the forthcoming year.

Future prospects

The Board is confident that the Group's strategy will continue to deliver results that meet our shareholders' expectations in the years to come.

Approved by the Board of Directors on 5 December 2017 and signed on its behalf by:

A C Green
Director

Directors' report

The Directors present their annual report and the audited consolidated financial statements for Hortons' Estate Limited and subsidiaries for the year ended 30 September 2017.

Principal activities and business review

The Group's main activities are commercial property investment and development in the United Kingdom. The result for the year was in line with the Directors' expectations.

The value of the investment property portfolio increased by £12,958,000 *(2016: £5,378,000 increase)* during the year. The increase in value is a result of net additions, including transfers, in the year and the increase in values from the year end revaluation exercise. The increase in values from the revaluation exercise was the result of an improvement in sentiment in the investment market towards commercial property, particularly the industrial sector and city centre Birmingham, and the continued proactive management of the portfolio, including the successful renewal of a number of significant leases.

Borrowings net of cash has decreased primarily as a result of a number of disposals of investment properties during the year, leaving the Group with sufficient cash and non-utilised funds to ensure that future investment will allow borrowings to remain within the Directors' target range. Following the successful refinancing of one of the Group's facilities in April 2017, there are now no facilities that require renewal prior to November 2019 and the weighted average term remaining on total facilities is 3.8 years.

Recurring rental income has grown due to the letting of previously refurbished properties, new income from successfully completed developments and a full year of income from acquisitions made in the previous year. This was offset in part by lost income from properties that were sold in the year.

The increase in rental income was the main reason for the improvement in gross profits.

During the year development activities continued and the Group continued to promote its remaining units for sale and land for development.

Overall profits for the year have been boosted by strong performances by the Group's joint ventures.

Results and dividends

The Directors are pleased to report profits after tax of £17,847,000 *(2016: £11,670,000).*

The Group results for the year are set out in the consolidated profit and loss account on page 8.

A final dividend in respect of 2016, of 142p per share, was paid on 26 January 2017. An interim dividend for 2017, of 71p per share, was paid on 27 July 2017.

Market value of investment property

In the current year valuations were performed by the Group's Directors. The Directors are of the opinion that, as at 30 September 2017, the properties had increased in value during the year by £8,991,000 *(2016: £3,529,000).*

Directors' report *(continued)*

Directors

The Directors who served during the year were:

P M Horton	Chairman
A C Green	Chief Executive
D A Freeman	(Appointed 28 September 2017)
S J Gulliford	
H E T Horton	
P J G Lee	
R J C Norgrove	

Directors' remuneration

It is the Company's policy to provide a competitive remuneration package to executives to attract, retain and motivate them and ensure that the Company is managed successfully in the interests of the shareholders.

Executives participate in a performance linked annual bonus scheme. The level of bonuses are determined by the Remuneration Committee taking into account the level of profit, asset growth and other personal targets.

Full details of Directors' remuneration are available to shareholders on written application to the Company Secretary.

Political and charitable donations

During the year, the Company made the following donations:

	2017	2016
	£	£
For political purposes	**-**	-
For charitable purposes (UK only)	**56,000**	11,000

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

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 Group'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 Group'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 5 December 2017 and signed on its behalf by:

A C Green
Director

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual 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 Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in 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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Hortons' Estate Limited

Opinion

We have audited the financial statements of Hortons' Estate Limited ("the company") for the year ended 30 September 2017 which comprise the Consolidated profit and loss account and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company changes in equity, Consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 30 September 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

KPMG

Independent auditor's report to the members of Hortons' Estate Limited (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

M. Froom

Michael Froom *(Senior Statutory Auditor)*
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

5 December 2017

Consolidated profit and loss account and other comprehensive income

for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Turnover			
Group and share of joint ventures		**19,622**	15,928
Less share of joint ventures		**(5,234)**	(3,299)
	2	**14,388**	12,629
Cost of sales		**(2,263)**	(2,316)
Gross profit		**12,125**	10,313
Administrative expenses		**(2,366)**	(2,004)
Other operating income	3	**9,407**	7,022
Group operating profit		**19,166**	15,331
Group's share of profit in joint ventures		**2,211**	1,047
Operating profit including share of joint ventures		**21,377**	16,378
Other interest receivable and similar income	7	**230**	13
Interest payable and similar expenses	8	**(1,993)**	(3,294)
Profit before taxation		**19,614**	13,097
Tax on profit	9	**(1,767)**	(1,427)
Profit after taxation		**17,847**	11,670
Other comprehensive income			
Remeasurement of the net defined benefit liability	22	**2,254**	(1,536)
Income tax on other comprehensive income	9	**(383)**	234
Other comprehensive income for the year, net of income tax		**1,871**	(1,302)
Total comprehensive income for the year		**19,718**	10,368

Consolidated balance sheet
at 30 September 2017

	Note	**2017**		2016	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**49**		18
Investment property	*11*		**215,718**		202,760
Investments in Joint Ventures	*12*		**14,498**		8,358
			230,265		211,136
Current assets					
Stocks	*14*	**2,633**		6,299	
Debtors	*15*	**1,971**		5,858	
Cash at bank and in hand	*16*	**5,418**		396	
		10,022		12,553	
Creditors: amounts falling due within one year	*17*	**(9,325)**		(21,809)	
Net current assets/(liabilities)			**697**		(9,256)
Total assets less current liabilities			**230,962**		201,880
Creditors: amounts falling due after more than one year	*18*	**(77,035)**		(62,380)	
Provisions for liabilities					
Deferred tax liability	*21*	**(2,524)**		(1,923)	
Pensions and similar obligations	*22*	**(110)**		(2,449)	
			(79,669)		(66,752)
Net assets			**151,293**		135,128
Capital and reserves					
Called up share capital	*23*		**1,668**		1,668
Share premium account			**942**		942
Revaluation reserve			**71,300**		64,019
Joint venture reserve			**3,393**		3,165
Capital redemption reserve			**232**		232
Rebuilding reserve			**12,953**		13,360
Profit and loss account			**60,805**		51,742
Shareholders' funds			**151,293**		135,128

These financial statements were approved by the Board of Directors on 5 December 2017 and were signed on its behalf by:

A C Green
Director

Company registered number: 00490726

Company balance sheet
at 30 September 2017

	Note	2017 £000	£000	2016 £000	£000
Fixed assets					
Tangible assets	*10*		49		18
Investment property	*11*		175,972		173,147
Investments	*13*		10,162		5,017
			186,183		178,182
Current assets					
Stocks	*14*	219		230	
Debtors	*15*	42,859		42,312	
Cash at bank and in hand	*16*	4,622		239	
		47,700		42,781	
Creditors: amounts falling due within one year	*17*	(13,396)		(26,609)	
Net current assets			34,304		16,172
Total assets less current liabilities			220,487		194,354
Creditors: amounts falling due after more than one year	*18*	(76,035)		(62,380)	
Provisions for liabilities					
Deferred tax liability	*21*	(724)		(252)	
Pensions and similar obligations	*22*	(110)		(2,449)	
			(76,869)		(65,081)
Net assets			143,618		129,273
Capital and reserves					
Called up share capital	*23*		1,668		1,668
Share premium account			942		942
Revaluation reserve			66,251		59,261
Capital redemption reserve			232		232
Rebuilding reserve			12,953		13,360
Profit and loss account			61,572		53,810
Shareholders' funds			143,618		129,273

These financial statements were approved by the Board of Directors on 5 December 2017 and were signed on its behalf by:

A C Green
Director

Company registered number: 00490726

Consolidated statement of changes in equity

	Called up share capital	Share premium account	Revaluation reserve	Joint venture reserve	Capital redemption reserve	Rebuilding reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 October 2015	**1,639**	**942**	**57,062**	**3,264**	**261**	**14,409**	**49,439**	**127,016**
Total comprehensive income for the period								
Profit or loss	-	-	3,529	(99)	-	-	8,240	11,670
Other comprehensive income								
Remeasurement of the net defined benefit liability	-	-	-	-	-	-	(1,536)	(1,536)
Income tax on other comprehensive income	-	-	-	-	-	-	234	234
Total comprehensive income for the period	-	-	3,529	(99)	-	-	6,938	10,368
Transactions with owner, recorded directly in equity								
Dividends	-	-	-	-	-	-	(2,256)	(2,256)
Issue of new shares for scrip dividend scheme	29	-	-	-	(29)	-	-	-
Transfers	-	-	3,428	-	-	(1,049)	(2,379)	-
Balance at 30 September 2016 and 1 October 2016	**1,668**	**942**	**64,019**	**3,165**	**232**	**13,360**	**51,742**	**135,128**
Total comprehensive income for the period								
Profit or loss	-	-	8,991	310	-	-	8,546	17,847
Other comprehensive income								
Remeasurement of the net defined benefit liability	-	-	-	-	-	-	2,254	2,254
Income tax on other comprehensive income	-	-	-	-	-	-	(383)	(383)
Total comprehensive income for the period	-	-	8,991	310	-	-	10,417	19,718
Transactions with owner, recorded directly in equity								
Dividends	-	-	-	-	-	-	(3,553)	(3,553)
Transfers	-	-	(1,710)	(82)	-	(407)	2,199	-
Balance at 30 September 2017	**1,668**	**942**	**71,300**	**3,393**	**232**	**12,953**	**60,805**	**151,293**

Company statement of changes in equity

	Called up capital	Share premium account	Revaluation reserve	Capital redemption Reserve	Rebuilding reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 October 2015	**1,639**	**942**	**56,411**	**261**	**14,409**	**51,242**	**124,904**
Total comprehensive income for the period							
Profit or loss	-	-	3,054	-	-	4,873	7,927
Other comprehensive income							
Remeasurement of the net defined benefit liability	-	-	-	-	-	(1,536)	(1,536)
Income tax on other comprehensive income	-	-	-	-	-	234	234
Total comprehensive income for the period	-	-	3,054	-	-	3,571	6,625
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	-	-	(2,256)	(2,256)
Issue of new shares for scrip dividend scheme	29	-	-	(29)	-	-	-
Transfers	-	-	(204)	-	(1,049)	1,253	-
Balance at 30 September 2016 and 1 October 2016	**1,668**	**942**	**59,261**	**232**	**13,360**	**53,810**	**129,273**
Total comprehensive income for the period							
Profit or loss	-	-	8,700	-	-	7,327	16,027
Other comprehensive income							
Remeasurement of the net defined benefit liability	-	-	-	-	-	2,254	2,254
Income tax on other comprehensive income	-	-	-	-	-	(383)	(383)
Total comprehensive income for the period	-	-	8,700	-	-	9,198	17,898
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	-	-	(3,553)	(3,553)
Transfers	-	-	(1,710)	-	(407)	2,117	-
Balance at 30 September 2017	**1,668**	**942**	**66,251**	**232**	**12,953**	**61,572**	**143,618**

Consolidated cash flow statement

for year ended 30 September 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		**17,847**	11,670
Adjustments for:			
Depreciation, amortisation and impairment		**28**	18
Change in value of investment property		**(8,991)**	(3,529)
Income from shares in Group undertakings		**(2,211)**	(1,047)
Interest receivable and similar income		**(230)**	(13)
Interest payable and similar charges		**1,993**	3,294
Gain on sale of investments and investment properties		**(416)**	(3,493)
Taxation		**1,767**	1,427
Joint venture capital conversion		**(5,145)**	-
Other non cash movements		**917**	372
Defined benefit pension contributions	*22*	**(142)**	(120)
Increase/(Decrease) in trade and other debtors		**3,887**	(2,883)
(Increase) in stocks		**(1,539)**	(2,179)
Increase/(Decrease) in trade and other creditors		**1,505**	(908)
Dividends paid		**(3,553)**	(2,256)
Interest paid		**(2,450)**	(2,774)
Tax paid		**(1,065)**	(1,333)
Net cash from operating activities		**2,202**	(3,754)
Cash flows from investing activities			
Proceeds from sale of investment properties		**9,396**	20,546
Proceeds from sales of investments		**-**	635
Interest received		**2**	3
Dividends received		**35**	110
Acquisition of tangible fixed assets		**(59)**	(6)
Acquisition of and additions to investment property		**(7,202)**	(20,422)
Receipt of repayable grant		**1,000**	-
Net cash from investing activities		**3,172**	866
Cash flows from financing activities			
Proceeds from new loan		**15,000**	700
Repayment of borrowings		**(15,062)**	-
Loan costs		**(290)**	-
Net cash from financing activities		**(352)**	700
Net increase/(decrease) in cash and cash equivalents		**5,022**	(2,188)
Cash and cash equivalents at 1 October		**396**	2,584
Cash and cash equivalents at 30 September		**5,418**	396

Notes
(forming part of the financial statements)

1 Accounting policies

Hortons' Estate Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK and the registered address is Latham House, 4th Floor, 33-34 Paradise Street, Birmingham, B1 2AJ.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included;
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

On publishing the parent company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present the individual income statement and selected notes that form part of the approved financial statements. The profit for the Company was £16,027,000 *(2016: £7,927,000)*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments and investment property are stated at their fair value.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, including the Group's financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk are set out in the Directors' report and Strategic report.

Based on the above and the Group's forecast, taking account of possible changes in trading performance and possible mitigating actions, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from date of signing. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

1.4 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Other financial instruments

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Equipment and motor vehicles	10%-50%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.8 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

(a) investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

(b) no depreciation is provided in respect of investment properties applying the fair value model.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Stocks and work in progress

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

1.10 Impairment excluding stocks and investment properties

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property and stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Employee benefits (continued)

Defined benefit plans (continued)

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/(asset) is recognised in other comprehensive income in the period in which it occurs.

1.12 Turnover

Rental income

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:

(a) for leases commencing prior to 1 October 2014, over the shorter of the lease term or the period to the next rent review

(b) for leases commencing on or after 1 October 2014, over the lease term.

Development income

This represents amounts receivable for work performed, goods sold and services rendered during the year, excluding VAT and trade discounts. In respect of contracts, an appropriate proportion of the anticipated contract profit is recognised in the profit and loss account based on the stage of completion of the work and the expected end of life outcome. Provision is made for anticipated losses.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Dividends

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for:

- differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and
- differences relating to investments in subsidiaries and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the entity's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

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

2 Turnover

	2017	2016
	£000	£000
Rental income	**13,768**	12,334
Development income	**620**	295
Total turnover	**14,388**	12,629

The Group's share of the turnover of its joint venture amounted to £5,234,000 *(2016: £3,299,000)*, which has not been included in the above analysis of Group turnover.

All of the Group's turnover is generated in the United Kingdom.

Notes *(continued)*

3 Other operating income

	2017 £000	2016 £000
Fair value adjustments for investment property	**8,991**	3,529
Profit on disposal – investment properties	**416**	3,402
Profit on disposal - investments	**-**	91
	9,407	7,022

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Impairment gain on stock and work in progress	**162**	209

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	**33**	32
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**13**	12
Taxation compliance services	**15**	15
All other services	**34**	21

5 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees 2017	2016
Property staff	**17**	18
Management and administration	**10**	9
	27	27

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**1,555**	1,171
Social security costs	**197**	156
Pension costs	**83**	118
	1,835	1,445

Notes *(continued)*

6 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration, including benefits	**795**	586
Company contributions to money purchase pension plans	**28**	65

The aggregate of remuneration of the highest paid Director was £366,000 *(2016: £245,000)* and Company pension contributions of £8,000 *(2016: £46,000)* were made to a money purchase scheme on his behalf. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £24,000 *(2016: £23,000)*.

	Number of Directors	
	2017	2016
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**2**	2

7 Other interest receivable and similar income

	2017 £000	2016 £000
Bank interest	**2**	3
Dividends receivable – listed investments	**-**	10
Movement and payments on interest rate swap	**228**	-
Total interest receivable and similar income	**230**	13

8 Interest payable and similar expenses

	2017 £000	2016 £000
Bank loans and overdrafts	**1,733**	1,805
Amortisation of capitalised loan fees	**203**	207
Net interest on net defined benefit liability	**57**	35
Movement and payments on interest rate swap	**-**	1,247
Total other interest payable and similar charges	**1,993**	3,294

Notes *(continued)*

9 Tax on profit

Total tax expense recognised in the profit and loss account and other comprehensive income

	2017 £000	£000	2016 £000	£000
Current tax				
Current tax on income for the period	1,557		903	
Adjustments in respect of prior periods	(8)		(81)	
Total current tax		1,549		822
Deferred tax (note 21)				
Origination and reversal of timing differences	213		530	
Adjustment in respect of prior periods	5		75	
Total deferred tax		218		605
Total tax		1,767		1,427

	2017 £000 Current tax	2017 £000 Deferred tax	2017 £000 Total tax	2016 £000 Current tax	2016 £000 Deferred tax	2016 £000 Total tax
Recognised in profit and loss account	1,549	218	1,767	822	605	1,427
Recognised in other comprehensive income	-	383	383	-	(234)	(234)
Total tax	1,549	601	2,150	822	371	1,193

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	17,847	11,670
Total tax expense	1,767	1,427
Profit excluding taxation	19,614	13,097
Tax using the UK corporation tax rate of 19.5% *(2016: 20%)*	3,825	2,619
Income / expenses not deductible for tax purposes (including revaluation movements)	(2,022)	(772)
Additional deduction for land remediation expenditure	-	(2)
Adjustments to tax charge in respect of previous periods	(3)	(6)
Effect of UK tax rate changes	(33)	(412)
Total tax expense included in profit or loss	1,767	1,427

Notes *(continued)*

9 Tax on profit *(continued)*

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 September 2017 has been calculated based on these rates.

10 Tangible fixed assets

Group and Company	**Equipment and motor vehicles £000**
Cost	
Balance at 1 October 2016	377
Additions	59
Disposals	(53)
Balance at 30 September 2017	383
Depreciation and impairment	
Balance at 1 October 2016	359
Depreciation charge for the year	28
Disposals	(53)
Balance at 30 September 2017	334
Net book value	
At 30 September 2017	**49**
At 30 September 2016	18

11 Investment property

Group	**£000**
Balance at 1 October 2016	202,760
Additions	7,735
Transfers in	4,976
Disposals	(9,001)
Net gain from fair value adjustments	8,991
Lease incentives	257
Balance at 30 September 2017	**215,718**
Historical cost at 30 September 2017	**144,400**

Notes *(continued)*

11 Investment property *(continued)*

Company	£000
Balance at 1 October 2016	173,147
Additions	3,224
Disposals	(9,001)
Net gain from fair value adjustments	8,700
Lease incentives	(98)
Balance at 30 September 2017	**175,972**
Historical cost at 30 September 2017	**110,917**

In the current year valuations were conducted by the Group's Directors, which include a qualified chartered surveyor.

12 Joint ventures

The Company has participating interests in the following company and partnerships:

Company / Partnerships	Business	Holding %
Ashchurch 9 Limited	Property development	50
Trebor Developments LLP	Property development and consultancy	33
New Street LLP	Property investment and development	50
Nuthall Nottingham LLP	Property development	50

These investments are held by the company at cost. No special rights are attached to these investments.

The statutory financial statements of New Street LLP are prepared to 31 March each period.

The statutory financial statements of Trebor Developments LLP are prepared to 30 June each period.

The statutory financial statements of Ashchurch 9 Limited and Nuthall Nottingham LLP are prepared to 30 September each period.

Notes *(continued)*

12 Joint ventures *(continued)*

A summary of the Group's share of its joint ventures for the period to and as at 30 September 2017 is shown below:

	2017	2016
	£000	£000
Turnover	**13,783**	7,928
Profit before tax	**5,602**	2,560
Taxation	**(20)**	(22)
Profit after tax	**5,582**	2,538
Group share of profit	**2,211**	1,047
Total assets	**47,751**	47,023
Liabilities due:		
Within one year	**(4,585)**	(10,815)
Within two to five years	**(15,359)**	(19,008)
Net assets	**27,807**	17,200
Group share of net assets	**14,498**	8,358

The Group's share of operating profit of its joint ventures for the year ended 30 September 2017 was £2,211,000 *(2016: £1,047,000)*.

Notes *(continued)*

13 Investments

Company	**Shares in Group undertakings £000**	**JV interests £000**	**Total £000**
Cost or valuation			
At beginning of year	162	4,855	5,017
Additions	-	5,145	5,145
Net book value			
At 30 September 2017	**162**	**10,000**	**10,162**
At 30 September 2016	162	4,855	5,017

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Principal activity	**Percentage of shares held by Group**
Subsidiary undertakings		
Hortellux Limited	Not trading	**100%**
Cornex Limited *	Not trading	**100%**
Hortons' Estate Developments Limited *	Property development and investment	**100%**
Hortons' Estate (Grand Hotel) Limited *	Property investment	**100%**
Business Homes Midlands Limited *	Not trading	**100%**
Kings Court Kettering Management Company Limited	Property management	**100%**
Joint ventures		
Ashchurch 9 Limited*	Property development	**50%**
Trebor Developments LLP*	Property development and consultancy	**33%**
New Street LLP*	Property investment and development	**50%**
Nuthall Nottingham LLP*	Property development	**50%**

* held directly by Hortons' Estate Limited

All entities with the exception of Nuthall Nottingham LLP are registered at Latham House, 4th Floor, 33-34 Paradise Street, Birmingham, B1 2AJ. Nuthall Nottingham LLP is registered at Mill House Mill Court, Great Shelford, Cambridge, Cambridgeshire, CB22 5LD.

Notes *(continued)*

14 Stocks

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Property development and work in progress	**2,633**	6,299	**219**	230
	2,633	6,299	**219**	230

15 Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade debtors	**997**	629	**900**	528
Amounts owed by joint ventures	**325**	4,670	**325**	4,670
Amounts due from subsidiary undertakings	**-**	-	**40,985**	36,565
Prepayments and accrued income	**649**	559	**649**	549
	1,971	5,858	**42,859**	42,312

16 Cash and cash equivalents / bank overdrafts

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash at bank and in hand	**5,418**	396	**4,622**	239
Cash and cash equivalents per cash flow statement	**5,418**	396	**4,622**	239

There were no restrictions on cash and cash equivalents.

17 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Bank loans and overdrafts (note 19)	**-**	14,970	**-**	14,970
Trade creditors	**1,055**	1,254	**667**	705
Amounts due to subsidiary undertakings	**-**	-	**5,442**	5,487
Corporation tax payable	**918**	444	**772**	384
Other taxation and social security	**1,029**	256	**1,030**	1,044
Other creditors	**581**	255	**240**	217
Accruals and deferred income	**5,742**	4,630	**5,245**	3,802
	9,325	21,809	**13,396**	26,609

Notes *(continued)*

18 Creditors: amounts falling after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Bank loans and overdrafts (note 19)	**74,337**	59,517	**74,337**	59,517
Interest rate swap (note 20)	**1,698**	2,863	**1,698**	2,863
Government grants	**1,000**	-	-	-
	77,035	62,380	**76,035**	62,380

Government grants represent funds received against expenditure incurred on an individual property. The grant is only repayable if certain performance criteria attached to the agreement are triggered. The grant recognised is the amount received.

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings.

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Creditors falling due within less than one year				
Secured bank loans	**-**	14,970	**-**	14,970
Creditors falling due after more than one year				
Secured bank loans	74,337	59,517	74,337	59,517

All bank borrowings are secured by fixed charges over certain Group properties. All loans bear interest between 1.95% and 2.15% over LIBOR.

Included within loans repayable in less than one year are costs capitalised of £Nil *(2016: £30,000)* and after more than one year £601,000 *(2016: £483,000).*

20 Other financial liabilities

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Financial liability from interest rate swap	**1,698**	2,863	**1,698**	2,863

Notes *(continued)*

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Fixed assets	**-**	-	**3,004**	3,127	**3,004**	3,127
Employee benefits	**(19)**	(417)	**-**	-	**(19)**	(417)
Unused tax losses	**(62)**	(209)	**-**	-	**(62)**	(209)
Other	**(399)**	(578)	**-**	-	**(399)**	(578)
Tax (assets) / liabilities	**(480)**	(1,204)	**3,004**	3,127	**2,524**	1,923
Net of tax liabilities/(assets)	**480**	1,204	**(480)**	(1,204)	**-**	-
Net tax (assets) / liabilities	**-**	-	**2,524**	1,923	**2,524**	1,923

The net reversal of deferred tax assets and liabilities expected to occur in the next reporting period are not material.

Company	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Fixed assets	**-**	-	**1,195**	1,384	**1,195**	1,384
Employee benefits	**(19)**	(417)	**-**	-	**(19)**	(417)
Unused tax losses	**(62)**	(209)	**-**	-	**(62)**	(209)
Other	**(390)**	(506)	**-**	-	**(390)**	(506)
Tax (assets) / liabilities	**(471)**	(1,132)	**1,195**	1,384	**724**	252
Net of tax liabilities/(assets)	**471**	1,132	**(471)**	(1,132)	**-**	-
Net tax (assets) / liabilities	**-**	-	**724**	252	**724**	252

The net reversal of deferred tax assets and liabilities expected to occur in the next reporting period are not material.

22 Employee benefits

The Group operates a defined benefit pension plan for the benefit of employees. The plan was funded in advance by contributions from members at the rate set in the plan rules and from the employing companies to meet the balance of the costs at rates assessed by the actuary of the plan in regular funding reviews. The plan's assets are held in funds separated from the Company.

The Company has made contributions to the pension scheme in line with the funding rate recommended by the actuary.

The Board took the decision to close the Final Salary Pension Scheme to future accrual from 31 December 2010.

The schemes valuation has been updated by the actuary as at 30 September 2017.

The information disclosed below is in respect of the whole of the plan of the Group, for which the parent Company is legally responsible.

Notes *(continued)*

22 Employee benefits *(continued)*

Net pension liability

	2017	2016
	£000	£000
Present value of scheme liabilities	**(8,078)**	(9,965)
Fair value of plan assets	**7,968**	7,516
Net pension liability	**(110)**	(2,449)

Movements in present value of defined benefit obligation

	2017	2016
	£000	£000
At 1 October	**9,965**	7,538
Interest expense	**236**	277
Remeasurement: actuarial losses	**(1,868)**	2,265
Contributions by members	**-**	-
Benefits paid and expenses	**(255)**	(115)
At 30 September	**8,078**	9,965

Movements in fair value of plan assets

	2017	2016
	£000	£000
At 1 October	**7,516**	6,540
Interest income	**180**	242
Remeasurement: return on plan assets less interest income	**385**	729
Contributions by employer	**142**	120
Benefits paid and expenses	**(255)**	(115)
At 30 September	**7,968**	7,516

Expense recognised in the profit and loss account

	2017	2016
	£000	£000
Net interest on net defined benefit liability	**(57)**	(35)
Total expense recognised in profit or loss	**(57)**	(35)

Notes *(continued)*

22 Employee benefits *(continued)*

Expense recognised in other comprehensive income

	2017 £000	2016 £000
Return on plan assets	**385**	729
Experience gains	**735**	99
Effects of changes in demographic and financial assumptions	**1,134**	(2,364)
Total amount recognised in OCI gain/(loss)	**2,254**	(1,536)

The fair value of the plan assets and the return on those assets were as follows:

	2017 Fair value £000	2016 Fair value £000
Equities	**4,772**	4,216
Bonds (Government and Corporate)	**2,647**	2,793
Property	**530**	472
Other	**19**	35
	7,968	7,516
Actual return on plan assets	**564**	971

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2017 %	2016 %
Discount rate	**2.70**	2.40
Future salary increases	**3.20**	3.20
Inflation	**3.20**	3.20

The last full actuarial valuation was performed on 2 January 2016.

In valuing the liabilities of the pension fund at 30 September 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.1 years (male), 25.0 years (female).
- Future retiree upon reaching 65: 24.2 years (male), 26.2 years (female).

Defined contribution plans

Group

The Group also makes contributions for qualifying individuals into independent pension arrangements. Contributions paid are charged to the profit and loss account in the period to which they relate. The amount recognised as an expense was £83,000 *(2016: £118,000)*.

Notes *(continued)*

23 Capital and reserves

Share capital

	Ordinary shares	
	2017	2016
	£000	£000
Allotted, called up and fully paid		
1,668,076 ordinary shares of £1 each	**1,668**	1,668
Shares classified in shareholders' funds	**1,668**	1,668

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Joint venture reserve – Joint venture reserve represents non distributable gains and losses from joint ventures

Rebuilding reserve – The rebuilding reserve represents profits of the business set aside for major rebuilding projects and forms part of retained earnings. In the year £407,000 (2016: £1,049,000) has been transferred from the rebuilding reserve to the profit and loss reserve.

24 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017	2016
	£000	£000
Liabilities measured at fair value through profit or loss	**1,698**	2,863
Loan commitments measured at cost less impairment	**74,337**	74,487

(b) Financial instruments measured at fair value

Investments in debt and equity securities

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**46**	13	**46**	13
Between one and five years	**191**	37	**191**	37
	237	50	**237**	50

Notes *(continued)*

25 Operating leases *(continued)*

During the year £89,000 *(2016: £90,000)* was recognised as an expense in the profit and loss account in respect of operating leases.

26 Commitments

Capital commitments

The Group's contractual commitments to purchase fixed assets at the year-end were £247,000 *(2016 : £1,544,000)*.

During the year, Hortons' Estate Developments Limited provided its parent company, Hortons' Estate Limited, with a guarantee. The guarantee is for up to the value of the bank secured property provided by Hortons' Estate Developments Limited.

27 Related parties

Group

During the year the Group had transactions and balances with joint ventures as follows:

The balance owing, including undrawn profit, from Trebor Developments LLP, as at 30 September 2017, was £358,000 *(2016: £138,000)*. The balance owing to Trebor Developments LLP as at 30 September 2017 was £10,000 *(2016: £15,000)*.

Hortons' Estate Limited provided management services to Trebor Developments LLP for a charge of £12,000 during the year *(2016: £12,000)*. Trebor Developments LLP provided property services to the Group of £168,000 during the year *(2016: £735,000)*.

The balance owing, including undrawn profit, from New Street LLP, as at 30 September 2017 was £1,980,000 *(2016: £5,840,000)*. During the year £5,145,000 of loans and undrawn profits owed by New Street LLP to Hortons' Estate Limited was converted to members' capital.

Hortons' Estate Limited provided management and property services to New Street LLP for a charge of £251,000 during the year *(2016: £146,000)*.

The balance owing from Nuthall Nottingham LLP, as at 30 September 2017 was £240,000 *(2016: £240,000)*.

During the year, Ashchurch 9 Limited paid a dividend to Hortons' Estate Limited of £35,000 *(2016: £100,000)*.

28 Ultimate parent company and parent company of larger group

There is no ultimate controlling party due to the constitution of the shareholdings.

The registered address of the Group is Latham House, 4th Floor, 33-34 Paradise Street, Birmingham, B1 2AJ.

29 Accounting estimates and judgements

Key sources of estimation uncertainty

The Directors consider the only areas of estimation uncertainty in the financial statements is the valuation of investment property and stock. These are calculated using a Director's valuation with reference to the latest market information and having consulted suitably qualified professionals.

Critical accounting judgements in applying the Company's accounting policies.

The Directors consider that there are no critical accounting judgements (except for those involving estimates included above).