

Registered number: 00490726

HORTONS' ESTATE LIMITED

Annual Report and Consolidated Financial Statements

30 September 2021



Contents

Strategic report	1
Directors' report	3
Statement of Directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Hortons Estate Limited	6
Consolidated profit and loss account and other comprehensive income	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated cash flow statement	14
Notes	15

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 grow the property development business earning trading profits; and
- to increase net asset value, in line, or better than, similar companies.

COVID-19 and the measures to contain the virus have continued to have a direct impact on the current and ongoing performance of the Group, however, it has not impacted our long term objectives. Despite the ongoing challenges presented by the pandemic, the Group continues to pursue these objectives, whilst maintaining sound financial management and avoiding excessive risk.

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; and
- market pricing affecting value.

Financial

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

The implications of COVID-19 and the measures the Government have used to control the spread, as well as the impact on the economy, continue to be a key component in the assessment of risk for the Group. The risks to the Group remain the same but the impact on our tenants, as well as the investment and occupier markets, are accentuated by the pandemic. The impact on some of our tenants currently presents the greatest challenge. We have been and will continue to work closely with our tenants in order to maintain occupancy and income.

Strategic report *(continued)*

However, along with the key risks identified the Group seeks to manage, as far as possible, the risks that it faces.

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

A significant element of borrowing costs are fixed by the use of hedging instruments such as interest rate swaps. 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.

Joint ventures are undertaken with partners who have complementary skills to add both expertise and spread financial risk. The Board regularly monitors the performance and strategic fit of all of its joint ventures.

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.

As environmental matters become more of a priority, the Group is keeping under review all the impacts and risks to the business. The risks to the investment portfolio remain the same, in particular the changing demands of occupiers and investors, with additional consideration required for changes to legislation and the capital investment required to meet these changes.

Key performance indicators

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

	2021 £000	2020 £000
Revaluation surplus / (deficit)	9,066	(9,585)
Recurring rental income including joint ventures	16,588	17,408
Development income including joint ventures	9,080	1,977
Vacancy rate	8%	5%

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's performance reflects the challenges presented by the COVID-19 pandemic and the measures used by the Government to reduce the spread of the virus.

Future prospects

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

Approved by the Board of Directors on 9 December 2021 and signed on its behalf by:



S R C Benson
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 2021.

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 reflects the Group's performance during the ongoing COVID-19 pandemic.

The value of the investment property portfolio increased by £9,795,000 (2020: £13,633,000 decrease) during the year. The increase in value is primarily attributable to the increase in values from the year end revaluation, with additions in the year being broadly offset by disposals. The increase in values from the revaluation exercise is mainly due to management action and the improvement in sentiment towards the industrial sector by the investment market in the period.

Borrowings net of cash has decreased primarily as result of a number of disposals of developments and 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 Director's target range. Following the successful refinancing of one of the Group's facilities in November 2021, and an extension of another, there are now no facilities that require renewal prior to May 2024.

Increased gross profit is mainly due to a reduction in property outgoings, as well as an increase in development profits. The increase in gross profit is offset, in part, by lower rental income in the year, which is predominately as a result of rental concessions provided to tenants, as we continue to support to them during this challenging period.

The decrease in property outgoings is primarily attributable to a lower net bad debt expense during the year. Following the easing of Government measures to prevent the spread of the virus during the year, trading conditions have improved for most of our tenants, in particular the retail and hospitality sector. Consequently, rent and service charge collection is much improved, and progress has been made on the settlement of arrears relating to previous periods, this has meant the level of the net bad debt expense required in the year is lower than 2020.

Development activities continue as the Group continues to promote and bring forward existing sites for development as well as identify new opportunities where appropriate. A number of developments were sold during the year, which has enhanced both development income and profits.

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

Results and dividends

The Directors report profit after tax of £18,893,000 (2020: loss after tax of £2,918,000), with profit after tax attributable to the owners of the parent Company being £18,819,000 (2020: loss after tax of £2,887,000).

The Group results for the year are set out in the consolidated profit and loss account on page 9.

A final dividend in respect of 2020, of 143p per share, was paid on 28 January 2021. An interim dividend for 2021, of 82p per share, was paid on 29 July 2021.

Market value of investment properties

In the current year valuations were performed by the Group's Directors. The Directors are of the opinion that, as at 30 September 2021, the investment properties have increased in value during the year by £9,066,000 (2020: £9,585,000 decrease).

Going concern

When assessing going concern the Directors have considered a base case forecast and a severe, but plausible downside, scenario as part of their assessment.

They are satisfied that the Group has adequate resources to continue to be operational as a going concern for a period of at least 12 months from the date of signing the financial statements and therefore have adopted the going concern basis in preparing the annual financial statements. More details can be found in note 1.2 Going concern.

Directors' report *(continued)*

Directors

The Directors who served during the year were:

P M Horton	Chairman
S R C Benson	Chief Executive
D A Freeman	
I G Greaves	
S J Gulliford	
H E T Horton	
P J G Lee	
R J C Norgrove	(resigned 25 May 2021)

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:

	2021 £	2020 £
For political purposes	-	-
For charitable purposes (UK only)	4,000	2,000
	<u>4,000</u>	<u>2,000</u>

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 9 December 2021 and signed on its behalf by:



S R C Benson
Director

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

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company 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 the Group's 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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.



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 2021 which comprise the Consolidated profit and loss account and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, and Company statement of 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 2021 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

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

Fraud and breaches of laws and regulations – ability to detect *(continued)*

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the simple, straight line nature of the rental income recognised on the rental portfolio.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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

Matters on which we are required to report by exception

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.

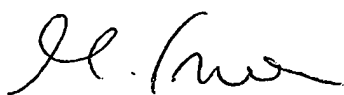
Auditor's responsibilities

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.



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

9 December 2021

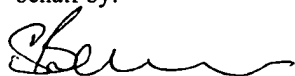
Consolidated profit and loss account and other comprehensive income
for the year ended 30 September 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover			
Group and share of joint ventures		25,668	19,385
Less share of joint ventures		(4,176)	(3,278)
	2	<u>21,492</u>	<u>16,107</u>
Cost of sales		(7,932)	(4,112)
Gross profit		<u>13,560</u>	<u>11,995</u>
Administrative expenses		(2,766)	(2,567)
Other operating income/(expense)	3	8,761	(9,108)
Group operating profit		<u>19,555</u>	<u>320</u>
Group's share of profit in joint ventures	12	5,260	1,540
Operating profit including share of joint ventures		<u>24,815</u>	<u>1,860</u>
Other interest receivable and similar income	7	4	20
Interest payable and similar expenses	8	(90)	(3,442)
Profit/(loss) before taxation		<u>24,729</u>	<u>(1,562)</u>
Tax charge for the year	9	(5,836)	(1,356)
Profit/(loss) after taxation		<u>18,893</u>	<u>(2,918)</u>
Profit/(loss) after tax attributable to:			
Non controlling interest		74	(31)
Owners of parent company		18,819	(2,887)
		<u>18,893</u>	<u>(2,918)</u>
Other comprehensive (expense)/income			
Remeasurement of the net defined benefit liability	22	(98)	235
Tax on other comprehensive (expense)/income	9	19	(44)
Other comprehensive (expense)/income for the year, net of tax		<u>(79)</u>	<u>191</u>
Total comprehensive income/(expense) for the year		<u>18,814</u>	<u>(2,727)</u>
Total comprehensive income/(expense) attributable to:			
Non controlling interest		74	(31)
Owners of parent company		18,740	(2,696)
		<u>18,814</u>	<u>(2,727)</u>

Consolidated balance sheet
at 30 September 2021.

	<i>Note</i>	2021 £000	2020 £000
Fixed assets			
Tangible assets	10	41	28
Investment properties	11	222,340	212,545
Investments in joint ventures	12	29,145	26,010
		251,526	238,583
Current assets			
Stocks	14	3,406	8,051
Debtors	15	5,045	3,502
Cash and cash equivalents	16	3,452	3,939
		11,903	15,492
Creditors: amounts falling due within one year	17	(9,833)	(9,046)
Net current assets		2,070	6,446
Total assets less current liabilities		253,596	245,029
Creditors: amounts falling due after more than one year	18	(73,807)	(84,044)
Provisions for liabilities			
Deferred tax liability	21	(6,547)	(2,752)
Pensions and similar obligations	22	-	(52)
		(80,354)	(86,848)
Net assets		173,242	158,181
Capital and reserves			
Called up share capital	23	1,668	1,668
Share premium account		942	942
Revaluation reserve		71,894	67,694
Joint venture reserve		8,400	6,677
Capital redemption reserve		232	232
Rebuilding reserve		-	12,953
Profit and loss account		90,074	68,057
Equity attributable to owners of the parent company		173,210	158,223
Non controlling interest		32	(42)
		173,242	158,181

These financial statements were approved by the Board of Directors on 9 December 2021 and were signed on its behalf by:



S R C Benson
Director

Company registered number: 00490726

Company balance sheet
at 30 September 2021

	<i>Note</i>	2021 £000	2020 £000
Fixed assets			
Tangible assets	10	41	28
Investment properties	11	181,235	172,992
Investments	13	17,271	17,271
		198,547	190,291
Current assets			
Debtors	15	36,738	41,974
Cash and cash equivalents	16	2,532	3,486
		39,270	45,460
Creditors: amounts falling due within one year	17	(12,260)	(11,905)
Net current assets		27,010	33,555
Total assets less current liabilities		225,557	223,846
Creditors: amounts falling due after more than one year	18	(73,140)	(83,044)
Provisions for liabilities			
Deferred tax liability	21	(3,645)	(649)
Pensions and similar obligations	22	-	(52)
		(76,785)	(83,745)
Net assets		148,772	140,101
Capital and reserves			
Called up share capital	23	1,668	1,668
Share premium account		942	942
Revaluation reserve		64,964	61,912
Capital redemption reserve		232	232
Rebuilding reserve		-	12,953
Profit and loss account		80,966	62,394
Shareholders' equity		148,772	140,101

These financial statements were approved by the Board of Directors on 9 December 2021 and were signed on its behalf by:



S R C Benson
Director

Company registered number: 00490726

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Joint venture reserve £000	Capital redemption reserve £000	Rebuilding reserve £000	Profit and loss account £000	Owners of parent company total equity £000	Non controlling interest £000	Total equity £000
Balance at 1 October 2019	1,668	942	77,302	7,290	232	12,953	65,103	165,490	(11)	165,479
Total comprehensive income / (expense) for the period										
Profit or loss	-	-	(9,585)	(613)	-	-	7,311	(2,887)	(31)	(2,918)
Other comprehensive income/(expense)										
Remeasurement of the net defined benefit liability	-	-	-	-	-	-	235	235	-	235
Tax on other comprehensive expense	-	-	-	-	-	-	(44)	(44)	-	(44)
Total comprehensive income/(expense) for the period	-	-	(9,585)	(613)	-	-	7,502	(2,696)	(31)	(2,727)
Transactions with owners, recorded directly in equity										
Dividends	-	-	-	-	-	-	(4,571)	(4,571)	-	(4,571)
Transfers	-	-	(23)	-	-	-	23	-	-	-
Balance at 30 September 2020	<u>1,668</u>	<u>942</u>	<u>67,694</u>	<u>6,677</u>	<u>232</u>	<u>12,953</u>	<u>68,057</u>	<u>158,223</u>	<u>(42)</u>	<u>158,181</u>
Balance at 1 October 2020	1,668	942	67,694	6,677	232	12,953	68,057	158,223	(42)	158,181
Total comprehensive income / (expense) for the period										
Profit or loss	-	-	9,066	1,518	-	-	8,235	18,819	74	18,893
Other comprehensive income/(expense)										
Remeasurement of the net defined benefit liability	-	-	-	-	-	-	(98)	(98)	-	(98)
Tax on other comprehensive income	-	-	-	-	-	-	19	19	-	19
Total comprehensive income for the period	-	-	9,066	1,518	-	-	8,156	18,740	74	18,814
Transactions with owners, recorded directly in equity										
Dividends	-	-	-	-	-	-	(3,753)	(3,753)	-	(3,753)
Transfers	-	-	(4,866)	205	-	(12,953)	17,614	-	-	-
Balance at 30 September 2021	<u>1,668</u>	<u>942</u>	<u>71,894</u>	<u>8,400</u>	<u>232</u>	<u>-</u>	<u>90,074</u>	<u>173,210</u>	<u>32</u>	<u>173,242</u>

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Rebuilding reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2019	1,668	942	71,498	232	12,953	61,420	148,713
Total comprehensive income/(expense) for the period							
Profit or loss	-	-	(9,586)	-	-	5,354	(4,232)
Other comprehensive income/(expense)							
Remeasurement of the net defined benefit liability	-	-	-	-	-	235	235
Tax on other comprehensive expense	-	-	-	-	-	(44)	(44)
Total comprehensive income/(expense) for the period	-	-	(9,586)	-	-	5,545	(4,041)
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	-	-	(4,571)	(4,571)
Transfers	-	-	-	-	-	-	-
Balance at 30 September 2020	1,668	942	61,912	232	12,953	62,394	140,101
Balance at 1 October 2020	1,668	942	61,912	232	12,953	62,394	140,101
Total comprehensive income/(expense) for the period							
Profit or loss	-	-	7,918	-	-	4,585	12,503
Other comprehensive income/(expense)							
Remeasurement of the net defined benefit liability	-	-	-	-	-	(98)	(98)
Tax on other comprehensive income	-	-	-	-	-	19	19
Total comprehensive income for the period	-	-	7,918	-	-	4,506	12,424
Transactions with owners, recorded directly in equity							
Dividends	-	-	-	-	-	(3,753)	(3,753)
Transfers	-	-	(4,866)	-	(12,953)	17,819	-
Balance at 30 September 2021	1,668	942	64,964	232	-	80,966	148,772

Consolidated cash flow statement
for year ended 30 September 2021

	<i>Note</i>	2021 £000	2020 £000
Cash flows from operating activities			
Profit/(loss) for the year		18,893	(2,918)
Adjustments for:			
Depreciation, amortisation and impairment	10	18	19
Change in value of investment properties	11	(9,066)	9,585
Income from Group's share of profit in joint ventures	12	(5,260)	(1,540)
Interest receivable and similar income	7	(4)	(20)
Interest payable and similar charges	8	90	3,442
Loss/(gain) on sale of investments and investment properties	3	638	(477)
Taxation	9	5,836	1,356
Joint venture capital conversion		-	(6,000)
Other non cash movements including joint ventures		1,362	1,594
Defined benefit pension contributions	22	(150)	(150)
(Increase)/decrease in trade and other debtors		(1,543)	4,118
Decrease/(increase) in stocks		4,645	(1,681)
Increase/(decrease) in trade and other creditors		897	(2,002)
Dividends paid		(3,753)	(4,571)
Interest paid		(2,264)	(2,465)
Tax paid		(2,077)	(2,322)
Net cash from operating activities		8,262	(4,032)
Cash flows from investing activities			
Proceeds from sale of investment properties		5,412	5,477
Interest received		4	20
Acquisition of tangible fixed assets		(31)	(19)
Acquisition of and additions to investment properties		(6,372)	(792)
Net cash from investing activities		(987)	4,686
Cash flows from financing activities			
Repayment of borrowings		(7,750)	(250)
Loan costs		(12)	(69)
Net cash from financing activities		(7,762)	(319)
Net (decrease)/increase in cash and cash equivalents		(487)	335
Cash and cash equivalents at 1 October		3,939	3,604
Cash and cash equivalents at 30 September		3,452	3,939

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. The registered number is 0049072 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 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 £12,503,000 (2020: £4,232,000 loss).

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 1.16.

1.1 Measurement convention

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

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.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons set out below.

At year end the Group had bank facilities with a total maximum drawdown of £88,938,000. Following the successful refinancing of one of the Group's facilities in November 2021, and the extension of another, the facilities are due for renewal between May 2024 and April 2027 (see note 19).

The challenges and uncertainty linked to the COVID-19 pandemic has had an impact on the Group's financial performance. The Directors have prepared forecasts through to 31 December 2022. These forecasts included a base case forecast and a severe but plausible downside scenario, which includes a reduction in property valuations over the forecasted period. These forecasts cover a period of at least 12 months from the date of approval of these financial statements. Both scenarios demonstrate that the Group and Company are able to remain within the current banking facilities and banking covenants for the period under review.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

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 2021. 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.

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.

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 interest 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.

Notes (continued)

1 Accounting policies (continued)

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%
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Depreciation methods, useful lives and residual values are reviewed to see 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 properties

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.

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.

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 properties 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.

Notes (continued)

1 Accounting policies (continued)

1.10 Impairment excluding stocks and investment properties

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 Company'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 Company 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.

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 defined accrued benefits method. The Company 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 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 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.

Notes (continued)

1 Accounting policies (continued)

1.13 Expenses

Operating leases

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

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Government grants

Government grants are included within creditors in the balance sheet. Where there are specified future performance conditions on a grant, it is recognised in income only when the performance conditions are met. The grants are credited to profit and loss account over the expected useful lives of the assets to which they relate.

1.16 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 properties. The valuation is prepared by the Director's and is based upon assumptions, including future

Notes (continued)

1 Accounting policies (continued)

1.16 Accounting estimates and judgements (continued)

income and an appropriate yield, 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).

2 Turnover

	2021 £000	2020 £000
Rental income	13,674	14,605
Development income	7,818	1,502
	<hr/>	<hr/>
Total turnover	21,492	16,107
	<hr/>	<hr/>

The Group's share of the turnover of its joint ventures amounted to £4,176,000 (2020: £3,278,000), which has not been included in the above analysis of Group turnover. The Group's share of its joint ventures' rental income is £2,914,000 (2020: £2,803,000) and its share of joint ventures' development income is £1,262,000 (2020: £475,000).

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

3 Other operating expense

	2021 £000	2020 £000
Fair value adjustments for investment properties	9,066	(9,585)
(Loss)/profit on disposal of investment properties	(638)	477
Other income	333	-
	<hr/>	<hr/>
	8,761	(9,108)
	<hr/>	<hr/>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Release of provision on stock and work in progress	138	274
	<hr/>	<hr/>

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	75	59
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	25	20
Taxation compliance services	20	19
All other services	18	22
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2021	2020
Property staff	17	19
Management and administration	11	12
	<u>28</u>	<u>31</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	1,898	1,891
Social security costs	252	241
Pension costs	163	166
	<u>2,313</u>	<u>2,298</u>

6 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration, including benefits	972	1,069
Company contributions to money purchase pension plans	66	72
	<u>1,038</u>	<u>1,141</u>

The aggregate remuneration of the highest paid Director was £437,000 (2020: £427,000) and Company pension contributions of £31,000 (2020: £31,000) were made to a money purchase scheme on his behalf.

	Number of Directors	
	2021	2020
Retirement benefits accrued to the following number of Directors during the year under:		
Money purchase schemes	3	3

7 Other interest receivable and similar income

	2021 £000	2020 £000
Bank interest	-	1
Other interest	4	19
	<u>4</u>	<u>20</u>
Total interest receivable and similar income		

Notes (continued)

8 Interest payable and similar expenses

	2021 £000	2020 £000
Bank loans and overdrafts	1,516	1,970
Other interest	-	7
Amortisation of capitalised loan fees	216	209
Net interest on net defined benefit liability	-	7
Movements and payments on interest rate swaps	(1,642)	1,249
	<u>90</u>	<u>3,442</u>
Total interest payable and similar expenses	<u>90</u>	<u>3,442</u>

9 Tax on profit/(loss)

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

	2021 £000	£000	2020 £000	£000
<i>Current tax</i>				
Current tax on income for the period	2,016		1,560	
Adjustments in respect of prior periods	6		10	
	<u>2,022</u>		<u>1,570</u>	
Total current tax		2,022		1,570
<i>Deferred tax (note 21)</i>				
Origination and reversal of timing differences	3,870		(228)	
Adjustment in respect of prior periods	(56)		14	
	<u>3,814</u>		<u>(214)</u>	
Total deferred tax		3,814		(214)
Total tax		<u>5,836</u>		<u>1,356</u>

	£000	2021 £000	£000	£000	2020 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	2,022	3,814	5,836	1,570	(214)	1,356
Recognised in other comprehensive income	-	(19)	(19)	-	44	44
	<u>2,022</u>	<u>3,795</u>	<u>5,817</u>	<u>1,570</u>	<u>(170)</u>	<u>1,400</u>
Total tax	<u>2,022</u>	<u>3,795</u>	<u>5,817</u>	<u>1,570</u>	<u>(170)</u>	<u>1,400</u>

Notes (continued)

9 Tax on profit/(loss) (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(loss) for the year	18,893	(2,918)
Total tax expense	5,836	1,356
	<hr/>	<hr/>
Profit/(loss) excluding taxation	24,729	(1,562)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2020: 19%)	4,699	(297)
Net expense not deductible for tax purposes (including revaluation movements)	49	1,485
Adjustments to tax charge in respect of previous periods	(50)	24
Effect of UK tax rate changes	1,570	340
Other movements	(432)	(196)
	<hr/>	<hr/>
Total tax expense included in profit or loss	5,836	1,356
	<hr/>	<hr/>

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. As a consequence, the deferred tax liability at 30 September 2021 has been calculated at 25% (2020: 19%).

10 Tangible fixed assets

<i>Group and Company</i>	Equipment and motor vehicles £000
Cost	
At beginning of year	408
Additions	31
Disposals	(31)
	<hr/>
At end of year	408
	<hr/>
Depreciation and impairment	
At beginning of year	380
Depreciation charge for the year	18
Disposals	(31)
	<hr/>
At end of year	367
	<hr/>
Net book value	
At 30 September 2021	41
	<hr/>
At 30 September 2020	28
	<hr/>

Notes (continued)

11 Investment properties

Group	£000
At beginning of year	212,545
Additions	6,385
Disposals	(6,050)
Transfers	(37)
Net movement from fair value measurement	9,066
Lease incentives	431
	<hr/>
At end of year	222,340
	<hr/>
Historical cost at 30 September 2021	148,149
	<hr/>
	<hr/>
Company	£000
At beginning of year	172,992
Additions	6,123
Disposals	(6,050)
Net movement from fair value measurement	7,917
Lease incentives	253
	<hr/>
At end of year	181,235
	<hr/>
Historical cost at 30 September 2021	114,993
	<hr/>
	<hr/>

In the current year valuations were conducted by the Group's Directors.

12 Joint ventures

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

Company / Partnership	Business	Holding %
Ashchurch 9 Limited	Not trading	50
Trebor Developments LLP	Property development and consultancy	33
New Street LLP	Property investment and development	50
Nuthall Nottingham LLP	Property development	50
Deeside Regeneration Limited	Property development	17

With the exception of Deeside Regeneration Limited, these investments are held by the Company at cost. Deeside Regeneration Limited is an investment held by Trebor Developments LLP at cost in which it has a 50% holding. No special rights are attached to these investments.

The statutory financial statements of New Street LLP and Deeside Regeneration Limited 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 2021 is shown below:

	2021 £000	2020 £000
Turnover	11,837	7,869
Profit before tax	13,343	4,036
Taxation	-	-
Profit after tax	13,343	4,036
Group share of profit	5,260	1,540
Total assets	86,507	79,678
Liabilities due:		
Within one year	(8,877)	(4,622)
Within two to five years	(15,734)	(21,434)
Net assets	61,896	53,622
Group share of net assets	29,145	26,010

The Group's share of profit after tax of its joint ventures for the year ended 30 September 2021 was £5,260,000 (2020: £1,540,000).

13 Investments

Company	Shares in Group undertakings £000	JV interests £000	Total £000
Cost or valuation			
At beginning of year	20	17,251	17,271
At end of year	20	17,251	17,271
Net book value			
At 30 September 2021	20	17,251	17,271
At 30 September 2020	20	17,251	17,271

Notes (continued)

13 Investments (continued)

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%
Kings Court Kettering Management Company Limited	Property management	100%
Lieuin Limited *	Property development	75%
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. All entities are registered in England & Wales.

14 Stocks

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Property development and work in progress	3,406	8,051	-	-
	<u>3,406</u>	<u>8,051</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Debtors: amounts falling due within one year				
Trade debtors	1,422	2,055	1,260	1,724
Amounts due from joint ventures	2,924	1,093	2,924	1,093
Amounts due from subsidiary undertakings	-	-	32,131	38,877
Prepayments and accrued income	699	354	423	280
	<u>5,045</u>	<u>3,502</u>	<u>36,738</u>	<u>41,974</u>

Notes (continued)

16 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Cash at bank and in hand	3,452	3,939	2,532	3,486
Cash and cash equivalents per cash flow statement	3,452	3,939	2,532	3,486

There were no restrictions on cash and cash equivalents.

17 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Unsecured loan notes	200	200	-	-
Bank loans and overdrafts (note 19)	250	250	250	250
Trade creditors	1,290	1,176	893	709
Amounts due to subsidiary undertakings	-	-	5,064	5,064
Amounts due to joint ventures	688	32	688	32
Corporation tax payable	387	442	95	420
Other taxation and social security	501	656	395	581
Other creditors	874	784	201	199
Accruals and deferred income	5,643	5,506	4,674	4,650
	9,833	9,046	12,260	11,905

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans and overdrafts (note 19)	72,059	79,605	72,059	79,605
Interest rate swap (note 20)	1,081	3,439	1,081	3,439
Government grants	-	1,000	-	-
Other creditors	667	-	-	-
	73,807	84,044	73,140	83,044

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

Notes (continued)

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	
	2021	2020	2021	2020
	£000	£000	£000	£000
Creditors falling due within less than one year				
Secured bank loans	250	250	250	250
Creditors falling due after more than one year				
Secured bank loans	72,059	79,605	72,059	79,605

All bank borrowings are secured by fixed charges over certain Group properties. During the year interest on the loans was borne between 1.80% and 2.15% over LIBOR. All loan facilities have entered into agreements to transition from LIBOR to SONIA, prior to cessation of LIBOR on 31 December 2021.

Prior to 30 September 2021 the Group agreed new loan facilities and an extension to an existing loan facility, with the transactions completing on 29 November 2021 and 7 December 2021, respectively. The Group facilities are now due for renewal between May 2024 and April 2027.

20 Other financial liabilities

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Financial liability from interest rate swaps	1,081	3,439	1,081	3,439

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Fixed assets	-	-	7,848	4,247	7,848	4,247
Employee benefits	-	(10)	-	-	-	(10)
Unused tax losses	(906)	(701)	-	-	(906)	(701)
Other	(395)	(784)	-	-	(395)	(784)
Tax (assets)/liabilities	(1,301)	(1,495)	7,848	4,247	6,547	2,752
Net of tax liabilities/(assets)	1,301	1,495	(1,301)	(1,495)	-	-
Net tax (assets)/liabilities	-	-	6,547	2,752	6,547	2,752

Notes (continued)

21 Deferred tax assets and liabilities (continued)

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

Company	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Fixed assets	-	-	4,927	2,105	4,927	2,105
Employee benefits	-	(10)	-	-	-	(10)
Unused tax losses	(906)	(701)	-	-	(906)	(701)
Other	(376)	(745)	-	-	(376)	(745)
	<u>-</u>	<u>-</u>	<u>4,927</u>	<u>2,105</u>	<u>4,927</u>	<u>2,105</u>
Tax (assets)/liabilities	(1,282)	(1,456)	4,927	2,105	3,645	649
Net of tax liabilities/(assets)	1,282	1,456	(1,282)	(1,456)	-	-
	<u>1,282</u>	<u>1,456</u>	<u>(1,282)</u>	<u>(1,456)</u>	<u>-</u>	<u>-</u>
Net tax (assets)/liabilities	-	-	3,645	649	3,645	649
	<u>-</u>	<u>-</u>	<u>3,645</u>	<u>649</u>	<u>3,645</u>	<u>649</u>

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 scheme's valuation has been updated by the actuary as at 30 September 2021.

On 12 October 2021, the Trustees of the plan entered into a Bulk Purchase Annuity Agreement for the plan's liabilities in order to reduce the risk to the plan's members and the Group.

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

Net pension liability

	2021 £000	2020 £000
Present value of scheme liabilities	(7,709)	(8,762)
Fair value of plan assets	8,958	8,710
	<u>1,249</u>	<u>(52)</u>
Net pension surplus/(liability)	1,249	(52)
Unrecognised surplus	(1,249)	-
	<u>-</u>	<u>(52)</u>
Net pension surplus/(liability) recognised	-	(52)

Notes (continued)

22 Employee benefits (continued)

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 October	8,762	9,499
Interest expense	143	169
Remeasurement: actuarial gains	(435)	(672)
Benefits paid and expenses	(761)	(234)
	<hr/>	<hr/>
At 30 September	7,709	8,762
	<hr/>	<hr/>

Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 October	8,710	9,069
Interest income	143	162
Remeasurement: return on plan assets less interest income	716	(437)
Contributions by employer	150	150
Benefits paid and expenses	(761)	(234)
	<hr/>	<hr/>
At 30 September	8,958	8,710
	<hr/>	<hr/>

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Net interest on net defined benefit liability	-	(7)
	<hr/>	<hr/>
Total expense recognised in profit or loss	-	(7)
	<hr/>	<hr/>

Expense recognised in other comprehensive income

	2021 £000	2020 £000
Return on plan assets – gain/(loss)	716	(437)
Experience gains	95	152
Effects of changes in demographic and financial assumptions	340	520
Effects of changes in non recoverable surplus	(1,249)	-
	<hr/>	<hr/>
Total amount recognised in other comprehensive income	(98)	235
	<hr/>	<hr/>

Notes (continued)

22 Employee benefits (continued)

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

	2021 Fair value £000	2020 Fair value £000
Equities	-	4,750
Bonds (Government and Corporate)	7,537	3,260
Property	722	642
Other	699	58
	<u>8,958</u>	<u>8,710</u>
Actual return on plan assets	<u>859</u>	<u>(275)</u>

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

	2021 %	2020 %
Discount rate	2.00	1.70
Allowance for revaluation of deferred pensions	3.30	2.80
Allowance for pension in payment increases	3.10	2.70
Inflation	<u>3.30</u>	<u>2.80</u>

The last full actuarial valuation was performed on 2 January 2019.

In valuing the liabilities of the pension fund at 30 September 2021, 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: 21.7 years (male), 23.5 years (female).
- Future retiree upon reaching 65: 23.0 years (male), 25.0 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 £163,000 (2020: £166,000).

Notes (continued)

23 Capital and reserves

Share capital

	Ordinary shares	
	2021	2020
	£000	£000
<i>Allotted, called up and fully paid</i>		
1,668,076 ordinary shares of £1 each	1,668	1,668
	<u>1,668</u>	<u>1,668</u>
Shares classified in shareholders' equity	1,668	1,668
	<u>1,668</u>	<u>1,668</u>

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 unrealised 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. Following the completion of a recent project the balance of £12,953,000 (2020: £Nil) has been transferred from the rebuilding reserve to the profit and loss account.

24 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2021	2020
	£000	£000
Liabilities measured at fair value through profit or loss	1,081	3,439
Bank loan commitments measured at cost less impairment	72,309	79,855
Unsecured loan notes measured at cost less impairment	200	200
	<u>73,590</u>	<u>83,494</u>

(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	
	2021	2020	2021	2020
	£000	£000	£000	£000
Less than one year	32	75	32	75
Between one and five years	25	14	25	14
	<u>57</u>	<u>89</u>	<u>57</u>	<u>89</u>

During the year £90,000 (2020: £90,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

26 Capital commitments and guarantees

The Group's contractual commitments to purchase fixed assets at the year end were £1,513,000 (2020: £215,000).

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.

During the year, Hortons' Estate Limited provided Lieuin Limited with a guarantee. The guarantee covers the cost of construction in respect of one of its developments.

27 Related parties

Group

During the year, net loans of £4,301,000 were repaid (2020: £2,840,000 were advanced) by Lieuin Limited, a subsidiary of Hortons' Estate Limited. During the year £151,000 (2020: £151,000) of interest was charged on a loan from Hortons' Estate Limited to Lieuin Limited. Hortons' Estate Limited provided services to Lieuin Limited for a charge of £21,000 during the year (2020: £Nil). The balance owing from Lieuin Limited as at 30 September 2021 was £1,151,000 (2020: £5,275,000).

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 2021, was £465,000 (2020: £388,000).

Hortons' Estate Limited provided management and other services to Trebor Developments LLP for a charge of £28,000 during the year (2020: £24,000). Trebor Developments LLP provided property services to the Group of £Nil during the year (2020: £3,000).

The balance owing, including undrawn profit, from New Street LLP, as at 30 September 2021 was £6,212,000 (2020: £3,705,000). During the year, £Nil (2020: £6,000,000) of loans and undrawn profits owed by New Street LLP to Hortons' Estate Limited were converted to members' capital.

Hortons' Estate Limited provided management and property services to New Street LLP for a charge of £341,000 during the year (2020: £335,000).

The balance owing from Nuthall Nottingham LLP, as at 30 September 2021 was £240,000 (2020: £240,000).

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 Post balance sheet events

On 12 October 2021, the Trustees of the Group's defined benefit pension plan entered into a Bulk Purchase Annuity Agreement for the plan's liabilities in order to reduce the risk to the plan's members and the Group.

Prior to 30 September 2021 the Group agreed new loan facilities and an extension to an existing loan facility, with the transactions completing on 29 November 2021 and 7 December 2021, respectively. The Group facilities are now due for renewal between May 2024 and April 2027.