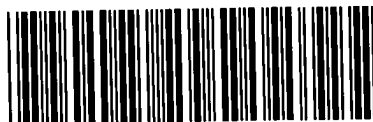

Horndrift Limited
Annual Report and Accounts
Year ended 31 March 2017

Company number: 03871243

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Horndrift Limited

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for the year ended 31 March 2017

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Horndrift Limited

**STRATEGIC REPORT
for the year ended 31 March 2017**

The directors present their Strategic Report for the year ended 31 March 2017.

Principal activities

The company is jointly with others the beneficial owner of the freeholds of a number of stores operated by a national supermarket chain in the United Kingdom. The freeholds are subject to leases which will expire in 2023. Under the arrangements entered into at the time the company acquired its interest in the stores, the supermarket chain has an option, once the head lease expires, to purchase the stores or take new leases of them at a full market rent. Should the supermarket chain not take up such options, the company would, together with the other beneficial owners, review its investment in the freeholds to determine the optimum strategy to maximise the value of its investment.

Business review

As shown in the company's Profit and Loss Account on page 6, the company's turnover is £nil compared to a turnover of £nil in the prior year and loss on ordinary activities before taxation is £7,891,300 compared to a profit on ordinary activities before taxation of £2,099,800 in the prior year. The primary driver of the significant movement in profit on ordinary activities before taxation is the £7,900,000 of revaluation loss recognised in the year compared to £2,100,000 revaluation gain in the prior year.

Dividends of £nil (2016: £nil) were paid in the year.

The Balance Sheet on page 8 shows that the company's financial position at the year end is, in net asset terms, an decrease on the prior year.

The Board uses total return to monitor the performance of the company. This is a measure of growth in total equity per share, adding back any current year dividend.

The company is a subsidiary of The British Land Company PLC. The company's strategy is the same as the group's strategy – to deliver an above average annualised total return to shareholders, which is achieved by creating attractive environments in the right places focused around the people who work, shop and live in them.

The expected future developments of the company are determined by the strategy of the group. There are no future developments outside of the company's current operations planned.

For more information also see The British Land Company PLC group annual report.

Principal risks and uncertainties

This company is part of a large property investment group. As such, the fundamental underlying risks for this company are those of the property group as discussed below.

The group generates returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- demand for space from occupiers against available supply;
- identification and execution of investment and development strategies which are value enhancing;
- availability of financing or refinancing at an acceptable cost;
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values;
- legislative changes, including planning consents and taxation;
- engagement of development contractors with strong covenants;
- key staff changes; and
- environmental and health and safety policies.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to directors and is considered and managed on a continuous basis. Directors use their knowledge and experience to knowingly accept a measured degree of market risk.

The group's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, presents lower risks than many other property portfolios.

The financial risks for the company are managed in accordance with group financial risk management policy, as disclosed in the consolidated group accounts.

This report was approved by the Board on 20/08/17 and signed by the order of the board by:



Director **J. McNuff**

Horndrift Limited

**DIRECTORS' REPORT
for the year ended 31 March 2017**

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report for the year ended 31 March 2017.

Environment

Across the group, The British Land Company PLC recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies. The group's full sustainability report is available online at www.britishland.com/sustainability/reports-and-publications/2017.

Directors

The directors who were in office during the year and up to the date of signing the financial statements were:

J McNuff
P Macey
S Barzycki
L Bell
C Middleton
C Forshaw (resigned 5 April 2017)
B Lewis
T Roberts
N Webb

Directors' responsibilities statement

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 the directors have prepared the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The company has indemnified its current directors. The indemnity arrangements are qualifying indemnity provisions under the Companies Act 2006 and are currently in force at the date of this Annual Report.

Subsequent events

Details of significant events since the Balance Sheet date, if any, are contained in note 10.

Going concern

The directors consider the company to be a going concern and the accounts are prepared on this basis. Details of this are shown in note 1 of the financial statements.

Horndrift Limited

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 March 2017

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Board meeting.

This report was approved by the Board on 10/08/17 and signed by the order of the board by:



Director J. McNUFF

Horndrift Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
Horndrift Limited
for the year ended 31 March 2017**

Report on the financial statements

Our opinion

In our opinion, Horndrift Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2017;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
Horndrift Limited (continued)
for the year ended 31 March 2017**

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

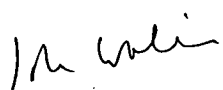
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.


John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

10 August 2017

Horndrift Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2017

	Note	2017 £	2016 £
Administrative expenses.		8,700	(200)
Operating profit/(loss)		8,700	(200)
Revaluation of investments	5	(7,900,000)	2,100,000
(Loss)/profit on ordinary activities before taxation	2	(7,891,300)	2,099,800
Taxation on (loss)/profit on ordinary activities	4	-	-
(Loss)/profit for the financial year		(7,891,300)	2,099,800

Turnover and results are derived from continuing operations within United Kingdom.

Horndrift Limited

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2017**


	2017 £	2016 £
(Loss)/profit for the financial year	(7,891,300)	2,099,800
Total comprehensive (expense)/income for the year	<u>(7,891,300)</u>	<u>2,099,800</u>

Horndrift Limited

BALANCE SHEET
as at 31 March 2017

	Note	2017 £	2016 £
Non-current assets			
Investments held for trading	5	93,400,000	101,300,000
		<u>93,400,000</u>	<u>101,300,000</u>
Current assets			
Debtors	6	-	300
		<u>-</u>	<u>300</u>
Creditors due within one year	7	(268,405)	(277,405)
Net current liabilities		<u>(268,405)</u>	<u>(277,105)</u>
Net assets		<u>93,131,595</u>	<u>101,022,895</u>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account		<u>93,131,495</u>	<u>101,022,795</u>
Total equity		<u>93,131,595</u>	<u>101,022,895</u>

The financial statements of Horndrift Limited, company number 03871243 on pages 6 to 14, were approved by the Board of Directors and authorised for issue on 20/08/17 and signed on its behalf by:


Director **J. McNUFF**

Horndrift Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2015	100	98,922,995	98,923,095
Profit for the period	-	2,099,800	2,099,800
Total comprehensive income for the period	-	2,099,800	2,099,800
Balance at 31 March 2016	100	101,022,795	101,022,895
Loss for the financial year	-	(7,891,300)	(7,891,300)
Total comprehensive expense for the year	-	(7,891,300)	(7,891,300)
Balance at 31 March 2017	100	93,131,495	93,131,595

**NOTES TO THE ACCOUNTS
for the year ended 31 March 2017**

1. Accounting policies

Basis of preparation

The company is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is York House, 45 Seymour Street, London, W1H 7LX.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of The British Land Company PLC.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;
- (b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;
- (c) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- (d) The requirements of IAS 1 to disclose information on the management of capital;
- (e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective;
- (f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments; and
- (i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the group accounts of The British Land Company PLC. The group accounts of The British Land Company PLC are available to the public and can be obtained as set out in note 9.

Significant judgements and sources of estimation uncertainty

The key source of estimation uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. In accounting for net rental income, the group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts. The potential for management to make judgements or estimates relating to those items which would have a significant impact on the financial statements is considered, by the nature of the group's business, to be limited.

NOTES TO THE ACCOUNTS (CONTINUED)
for the year ended 31 March 2017

1. Accounting policies (continued)

Going concern

The balance sheet shows that the company has net current liabilities. However, the principal creditor is the ultimate parent company and the terms of the borrowing include the right of the subsidiary to request that the amount of the loan equal to any deficit be eliminated by converting the loan into share capital.

As a consequence of this the directors feel that the company can continue to trade for the foreseeable future and is well placed to manage its business risks successfully in the current economic climate. Accordingly, they believe the going concern basis is an appropriate one.

Investments held for trading

Investments held for trading are classified as fair value through profit or loss. Investments held for trading are initially recorded at fair value and are subsequently externally valued at the same basis at the balance sheet date. Any surplus or deficit arising on revaluing investments held for trading is recognised in the profit and loss account.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the Balance Sheet value and tax base value, on an undiscounted basis.

2. (Loss)/profit on ordinary activities before taxation

A notional charge of £1,030 (2016: £1,000) is deemed payable to PricewaterhouseCoopers LLP in respect of the audit of the financial statements. Actual amounts payable to PricewaterhouseCoopers LLP are paid at group level by The British Land Company PLC.

No non-audit fees (2016: £nil) were paid to PricewaterhouseCoopers LLP.

3. Staff numbers and costs

No director received any remuneration for services to the company in either year. The remuneration of the directors was borne by another company within the group, for which no apportionment or recharges were made.

Average number of employees, excluding directors, of the company during the year was nil (2016: nil).

Horndrift Limited

NOTES TO THE ACCOUNTS (CONTINUED)
for the year ended 31 March 2017

4. Taxation on profit on ordinary activities

	2017	2016
	£	£
Current tax		
UK corporation tax	-	-
Total current taxation charge	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax charge	-	-
Total taxation charge	-	-
Tax reconciliation		
(Loss)/profit on ordinary activities before taxation	(7,891,300)	2,099,800
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 20.0% (2016: 20.0%)	(1,578,260)	419,960
Effects of:		
REIT exempt income and gains	(1,740)	-
Decrease/(increase) in fair value of investments held for trading	1,580,000	(420,000)
Group relief surrendered for nil consideration	-	40
Total taxation expense	-	-

Reductions to the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the Balance Sheet date, where relevant.

Horndrift Limited

NOTES TO THE ACCOUNTS (CONTINUED)
for the year ended 31 March 2017

5. Investments held for trading

	Other investments £	Total £
At cost or underlying net asset value of investment		
1 April 2016	101,300,000	101,300,000
Revaluation	(7,900,000)	(7,900,000)
31 March 2017	93,400,000	93,400,000
Provisions for underlying net asset change		
1 April 2016	-	-
31 March 2017	-	-
At cost or underlying net asset value of investment		
1 April 2015	99,200,000	99,200,000
Revaluation	2,100,000	2,100,000
31 March 2016	101,300,000	101,300,000
Provisions for underlying net asset change		
1 April 2015	-	-
31 March 2016	-	-

The investments held for trading comprise interests as a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores. The interest was categorised as Level 3 in the fair value hierarchy and its fair value has been determined by the Directors, supported by an external valuation from CBRE.

6. Debtors

	2017 £	2016 £
Current debtors (receivable within one year)		
Other debtors	-	300
	-	300

Horndrift Limited

NOTES TO THE ACCOUNTS (CONTINUED)
for the year ended 31 March 2017

7. Creditors due within one year

	2017 £	2016 £
Amounts owed to group companies - current accounts	268,205	268,205
Other creditors	-	9,000
Preference shares (note 8)	200	200
	<u>268,405</u>	<u>277,405</u>

Amounts owed to group companies are repayable on demand. Interest is charged on these balances in accordance with the group policy on intercompany loan accounts.

8. Called up share capital and preference shares

	No	2017 £	No	2016 £
'A' ordinary shares of £0.001 each	1,000	1	1,000	1
'B' ordinary shares of £1 each	99	99	99	99
		<u>100</u>		<u>100</u>

Shares classed as financial liabilities:

	No	2017 £	No	2016 £
1% cumulative preference shares of £1 each	200	200	200	200
		<u>200</u>		<u>200</u>

The 'A' ordinary shares carry full voting rights. No dividend can be declared on the 'A' ordinary shares unless a dividend of up to 1% of the aggregate amount to be declared is, at the same time, declared on the 'B' ordinary shares.

The 'B' ordinary shares carry no voting rights. No dividend can be declared on the 'B' ordinary shares unless a dividend is also declared on the 'A' ordinary shares. On a winding up of the company 'B' ordinary shareholders have a right to receive the nominal amount paid on each of their shares in preference to any payments to the 'A' ordinary shareholders. The 'B' ordinary shareholders have no further right to participate in the assets of the company available for distribution.

The preference shares are redeemable at par at any time after the provision of not less than 14 days written notice to the holders of such shares. Where the company distributes profit in respect of a financial year they carry a cumulative dividend of nil% per annum in priority to other shareholders. The preference shares carry no voting rights. On a winding up of the company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share plus any accrued dividend. These shares meet the definition of a financial liability under IAS 39.

9. Immediate parent and ultimate holding company

The immediate parent company is British Land Department Stores Limited.

The British Land Company PLC is the smallest and largest group for which group accounts are available and which include the company. The ultimate holding company and controlling party is The British Land Company PLC. Group accounts for this company are available on request from The British Land Company PLC, York House, 45 Seymour Street, London, W1H 7LX.

10. Subsequent events

There are no significant events since the year end.