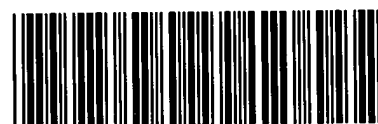


Horndrift Limited

Annual Report and Financial Statements

For the year ended 30 June 2023

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Horndrift Limited
Directors' report
for the year ended 30 June 2023

The Directors present their report and the audited financial statements of Horndrift Limited (the 'Company') for the year ended 30 June 2023. The prior year's financial statements were for the year ended 30 June 2022.

The Company was incorporated on 4 November 1999 as a private company under the Companies Act.

Principal activity and review of business

The principal activity of the Company is property investment and rental of supermarkets to Sainsbury's Supermarkets Ltd. The previous principal activity of the Company was a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores.

The Company's loss for the financial period was £29,412,323 (2022: profit of £55,655,194). The financial position as at 30 June 2023 is shown in the balance sheet on page 8.

All material operations are carried out in the United Kingdom.

A full review of the business and the market can be found in the 2023 Annual Report and Financial Statements of J Sainsbury plc, the ultimate parent undertaking, on the following website: www.about.sainsburys.co.uk.

Dividends

During the financial year, there were no dividends recommended or paid (2022: £nil).

Going concern

As at 30 June 2023, the company had retained earnings of £151,574,595 (2022: £180,986,918) and made a loss after tax in the period of £29,412,323 (2022: profit of £55,655,194). The financial statements have been prepared on the going concern basis on the grounds that the ultimate parent company, J Sainsbury plc has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due for a period of at least twelve months from the date on which these financial statements are signed. The assessment period for the purposes of considering going concern is the 12 months from the date on which these financial statements are signed.

Directors

The Directors of the Company who were in office during the financial year and up to the date of signing the financial statements are shown below:

David Pilbeam (appointed 17 March 2023)
Sainsburys Corporate Director Limited (appointed 17 March 2023)
Jonathan Austen (resigned 17 March 2023)
Peter Cameron (resigned 17 March 2023)

Company secretary

Details of the Company Secretaries who held office during the financial year and up to the date of signing the financial statements are shown below:

LHJ Secretaries Limited (resigned 17 March 2023)
Sainsbury's Corporate Secretary Limited (appointed 17 March 2023)

Directors' indemnities

The Directors are indemnified to the extent permitted by the Articles of Association of the Company in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The parent company purchased and maintained Directors' and Officers' liability insurance throughout 2021/22, which was renewed for 2022/23. The insurance covers all Directors and Officers of companies in the Group. Neither the indemnities nor insurance provide cover in the event that the Director or Officer is proved to have acted fraudulently.

Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

Post Balance Sheet Events

Events from the balance sheet date until the approval of the financial statements which are required to be disclosed, have been disclosed fully in note 15 of the financial statements.

Horndrift Limited
Directors' report (continued)
for the year ended 30 June 2023

Disclosure of information to the auditor

Each of the Directors has confirmed that, so far as they are aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditor

Ernst & Young LLP have been appointed as auditor to the Company and have confirmed their willingness to continue in office.

By order of the Board:

David Pilbeam

David Pilbeam (Mar 22, 2024 18:41 GMT)

David Pilbeam
Director
22 March 2024

Horndrift Limited
Statement of Directors' Responsibilities
for the year ended 30 June 2023

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102). The financial statements are required by law to 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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. Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, that comply with that law and those regulations.

By order of the Board:

Leon Smith

Leon Smith (Mar 22, 2024 17:09 GMT)

Leon Smith

On behalf of Sainsburys Corporate Director Limited

Director

22 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORNDRIFT LIMITED

Opinion

We have audited the financial statements of Horndrift Limited for the year ended 30 June 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2023 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORNDRIFT LIMITED (CONTINUED)

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that the General Data Protection Regulation may have an effect on the determination of the amounts and disclosures in the financial statements.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries by understanding the entity level controls implemented by those charged with governance.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORNDRIFT LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the controls the company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business.

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

Use of our report

This report is made solely to the 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.

Tom Sanders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
25 March 2024

Horndrift Limited
Statement of comprehensive income
for the year ended 30 June 2023

	Note	2023 £	2022 £
Revenue	3	1,545,699	14,250
Total revenue		1,545,699	14,250
Administrative and other expenses		(10,092)	(14,250)
Impairment loss on financial assets		(1,944,960)	-
Operating loss	4	(409,353)	-
Revaluation of investments	6	(37,316,950)	55,655,365
Finance Income		43	-
Finance costs		(101)	(171)
(Loss)/profit before tax		(37,726,361)	55,655,194
Income tax credit	5	8,314,038	-
(Loss)/profit for the financial year		(29,412,323)	55,655,194
Total comprehensive (loss)/income for the year		(29,412,323)	55,655,194

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses in the current or prior year other than as included in the profit and loss account. Accordingly, no separate statement of comprehensive income is presented.

The notes on pages 10 to 19 are an integral part of these financial statements.

Horndrift Limited
Balance sheet
As at 30 June 2023
Registered number: 03871243

	Note	2023 £	2022 £
Non-current assets			
Financial assets held at fair value	6	147,699,304	183,780,615
		147,699,304	183,780,615
Current assets			
Cash and cash equivalents		-	58
Trade and other receivables	7	14,219,003	586,383
		14,219,003	586,441
Total assets		161,918,307	184,367,056
Current liabilities			
Trade and other payables	8	1,995,064	266,405
Provisions	9	3,289,956	-
		5,285,020	266,405
Total liabilities		5,285,020	266,405
Net assets		156,633,287	184,100,651
Equity			
Called up share capital	10	2,100	2,100
Share premium	10	5,056,592	3,111,633
Retained earnings		151,574,595	180,986,918
Total equity		156,633,287	184,100,651

The notes on pages 10 to 19 are an integral part of these financial statements.

The financial statements on pages 7 to 19 were approved by the Board of Directors on 22 March 2024, and are signed on its behalf by:

Leon Smith

Leon Smith (Mar 22, 2024 17:09 GMT)

Leon Smith

On behalf of Sainsburys Corporate Director Limited

Director

Horndrift Limited
Statement of changes in equity
for the year ended 30 June 2023

	Notes	Called up share capital £	Share premium £	Retained earnings £	Total equity £
At 1 July 2022		2,100	3,111,633	180,986,918	184,100,651
Loss for the financial year		-	-	(29,412,323)	(29,412,323)
Issue of Ordinary A shares	10	-	1,944,959	-	1,944,959
At 30 June 2023		2,100	5,056,592	151,574,595	156,633,287
At 1 July 2021		2,100	-	125,331,724	125,333,824
Profit for the financial year		-	-	55,655,194	55,655,194
Issue of Ordinary A shares	10	-	3,111,633	-	3,111,633
At 30 June 2022		2,100	3,111,633	180,986,918	184,100,651

The notes on pages 10 to 19 are an integral part of these financial statements.

Horndrift Limited
Notes to the Financial Statements
for the year ended 30 June 2023

1. General information

Horndrift Limited (the 'Company') is a private company incorporated, domiciled and registered in England and Wales. The Company's registered address is 33 Holborn, London, EC1N 2HT and is part of the J Sainsbury plc Group ("Group").

The Company's financial year represents the year ended 30 June 2023 (the prior financial year represents the year ended 30 June 2022).

2. Accounting policies

(a) Statement of compliance

The financial statements are prepared in accordance with United Kingdom Accounting standards, in particular Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

(b) Basis of preparation

The financial statements are presented in sterling unless otherwise stated. They have been prepared on a going concern basis under the historical cost convention, except for financial assets at fair value through other comprehensive income that have been measured at fair value.

In preparing these financial statements the Company has taken advantage of the disclosure exemptions conferred by FRS 102. Therefore these financial statements do not include the requirements of Section 7 Statement of Cash Flows and paragraph 3.17(d).

Going concern

As at 30 June 2023, the company had retained earnings of £151,574,595 (2022: £180,986,918) and made a loss after tax in the period of £29,412,323 (2022: profit of £55,655,194). The financial statements have been prepared on the going concern basis on the grounds that the ultimate parent company, J Sainsbury plc has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due for a period of at least twelve months from the date on which these financial statements are signed. The assessment period for the purposes of considering going concern is the 12 months from the date on which these financial statements are signed.

Revenue

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms net of any lease incentives given to the lessee and is included in revenue in the statement of profit or loss due to its operating nature.

Finance income and costs

Finance income and costs are recognised in the income statement for financial assets and liabilities measured at amortised cost using the effective interest method.

Receivables

Trade and other receivables are non-interest bearing and are on commercial terms. They are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach under IFRS 9, with adjustments for factors specific to each receivable.

Payables

The Company's policy on the payment of creditors is to agree the terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices.

Trade payables are initially recognised at fair value, which is typically the invoiced amount and then held at amortised cost. They are shown net of supplier arrangements due where there is a contractual right of offset.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and where the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Horn drift Limited
Notes to the Financial Statements (continued)
for the year ended 30 June 2023

2. Accounting policies (continued)

(b) Basis of preparation (continued)

Provisions have been made for onerous contracts. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events and market conditions. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. The carrying amount of provisions will be impacted by changes in the discount rate.

Current tax

Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the balance sheet date. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income, in which case the current tax is also dealt with in equity or other comprehensive income respectively.

Deferred tax

Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all temporary differences, except to the extent where it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, or other comprehensive income, in which case the deferred tax is also dealt with in equity, or other comprehensive income, respectively.

Financial instruments

Financial assets

The Company classifies all of its financial assets at amortised cost or at fair value through profit and loss in accordance with IFRS 9.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash characteristics.

In order for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For the Company, these are financial assets that are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company initially measures these financial assets at fair value plus transaction costs. Subsequently these assets are carried at amortised cost less impairment using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Impairment of financial assets held at fair value

Loan loss impairments are accounted for using a forward-looking expected credit loss (ECL) approach in line with IFRS 9. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. For trade receivables, the Company establishes provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9.

Horndrift Limited
Notes to the Financial Statements (continued)
for the year ended 30 June 2023

2. Accounting policies (continued)

(b) Basis of preparation (continued)

Financial instruments (continued)

Financial liabilities

Interest-bearing bank loans, overdrafts and other deposits are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Fair value estimation

The fair values of financial assets and liabilities are based on prices available from the market on which the instruments are traded. Where market values are not available, the fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values of short-term deposits, trade receivables, other receivables, overdrafts and payables and lease liabilities are assumed to approximate to their book values.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Those which are significant to the Company are discussed separately below:

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating leases for lessors

The Company earns rental income through commercial property leases on its portfolio of stores. At inception of each lease, the terms and conditions of the arrangements are evaluated to assess whether the lease terms constitute a major part of the economic life of the assets and whether the present value of the minimum lease payments amount to substantially all of the fair value of the commercial property. Where there is no evidence of this, management conclude that the significant risks and rewards of ownership do not transfer and these leases are accounted for as operating leases, with the underlying asset presented in the balance sheet and lease income recognised over the lease term on a straight-line basis.

Sources of estimation uncertainty

The areas where estimates and assumptions are significant to the financial statements are as listed below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Impairment of financial assets held at fair value

Financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. The recoverable amount is sensitive to the discount rate used for the value in use model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Horndrift Limited
Notes to the Financial Statements (continued)
for the year ended 30 June 2023

3. Revenue

The analysis of the Company's turnover for the period from continuing operations is as follows:

	2023 £	2022 £
Rental Income	1,535,607	-
Headlease Income	10,092	14,250
	1,545,699	14,250

4. Operating loss

The auditors' remuneration for the current financial period has been borne by the Group and has not been recharged to the Company. The auditor's remuneration in respect of the Company amounted to £20,000 (2022: £3,500).

The Company has no employees and the Directors received no remuneration during the current or prior period.

5. Income tax expense

	2023 £	2022 £
Current tax expense:		
UK current tax expense	783,139	10,574,487
Total current tax expense	783,139	10,574,487
Deferred tax credit:		
Origination and reversal of temporary differences	(9,097,177)	-
Unutilised tax losses	-	(10,574,487)
Total deferred tax credit	(9,097,177)	(10,574,487)
Total income tax credit in income statement	(8,314,038)	-

The effective tax rate of 22 per cent (2022: 0 per cent) is lower than (2022: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £	2022 £
(Loss)/profit before tax	(37,726,361)	55,655,194
Income tax at UK corporation tax rate of 25% (2022: 19%)	(9,431,590)	10,574,487
Effects of:		
Write off of intercompany loan not taxable	1,117,552	-
Increase in fair value of property related investments not subject to tax	-	(10,574,487)
Total income tax credit in income statement	(8,314,038)	-

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was enacted during the previous accounting period, and deferred tax balances were revalued accordingly.

The Spring Budget on 21 March 2023 confirmed the introduction of Pillar 2 reporting requirements for the UK. This has not been enacted to date, but the rules are expected to apply to the Company. Pillar 2 reporting will see the introduction of a global minimum 15 per cent tax rate by the end of 2023, and the Company will be required to file certain returns evidencing the payment of tax at this rate. The potential impact of this is currently being assessed, but the Company does not consider there to be a material exposure at this stage.

Horndrift Limited
Notes to the Financial Statements (continued)
for the year ended 30 June 2023

5. Income tax expense (continued)

The movements in deferred income tax assets and liabilities during the financial year are shown below.

	Fair value movements £
Deferred tax asset:	
At 1 July 2021 and 1 July 2022	-
Credit to income statement for temporary differences	9,097,177
At 30 June 2023	9,097,177

6. Financial assets fair value through profit and loss

	2023 £	2022 £
Non-current		
Financial assets held at fair value through profit and loss	147,699,304	183,780,615
	147,699,304	183,780,615

The financial asset represents the Company's beneficial interest in a commercial property investment pool. The trust assets comprise ownership of freehold commercial properties within the Property Pool. The Company, through its interest as beneficiary to the trust, owns a share of this pool.

Two stores held within the Property Pool were sold to a third party during the period, resulting in a disposal of asset value of £5,010,528.

The movements in the financial asset during the financial period are shown below.

	Fair value through profit and loss £
At 1 July 2022	183,780,615
Fair value movement	(37,316,950)
Onerous contract provision	6,246,167
Disposal of part of the pool	(5,010,528)
At the end of period	147,699,304
At 30 June 2021	125,600,000
Additional investment	2,525,250
Fair value movement	55,655,365
At 30 June 2022	183,780,615

Onerous contract provision represents contingent consideration payable to the previous other partner in the commercial property investment pool upon the sale of three of the properties within the pool.

Horndrift Limited
Notes to the Financial Statements (continued)
for the year ended 30 June 2023

7. Trade and other receivables

	2023	2022
	£	£
Amounts due from group companies	7,066,786	586,383
Allowance for expected credit losses	(1,944,960)	-
Deferred tax asset	9,097,177	-
	14,219,003	586,383

Current amounts owed by the Group entities in the current period of £7,066,786 (2022: £586,383) are denominated in sterling and are non-interest bearing. All amounts are repayable on demand. Receivables balances with other Group entities are reviewed for potential impairment based on the ability of the counterparty to meet its obligations. This is assessed by considering the net asset position and whether the amounts owed to the Company are covered.

The allowance for expected credit losses represents the uncertainty around the recoverability of the outstanding balance due from Hobart Property Limited.

8. Trade and other payables

	2023	2022
	£	£
Amounts due to group companies	-	266,205
Preference shares	-	200
Accruals and deferred income	1,211,925	-
Current tax payable	783,139	-
	1,995,064	266,405

Amounts owed to other group companies are denominated in sterling, and repayable on demand. The prior year balance was non-interest bearing.

9. Provisions

	Onerous contract provisions
	£
1 July 2021 and 1 July 2022	-
Additional provisions	6,246,167
Utilised provision	(2,956,211)
At 30 June 2023	3,289,956

Onerous contract provisions are recognised for amounts owed to the previous owners of the property pool over five of the properties within, should these be sold out of the structure. The amounts provided are based on the Company's most recent valuations of the sites involved.

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for the year ended 30 June 2023

10. Called up share capital and preference shares

	2023	2022	2023	2022
	Number	Number	£	£
Called up share capital and preference shares				
Ordinary A shares of £0.001 each	2,001,004	2,001,001	2001	2,001
Ordinary B shares of £1 each	99	99	99	99
1% cumulative preference shares of £1 each	200	200	200	200

On 13 July 2022 the Company issued 1 additional Ordinary A share of £0.001 for total consideration of £965,198.
On 7 September 2022 the Company issued 1 additional Ordinary A share of £0.001 for total consideration of £497,203.
On 13 December 2022 the Company issued 1 additional Ordinary A share of £0.001 for total consideration of £482,558.

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

The Ordinary B shares carry no voting rights. No dividend can be declared on the Ordinary B shares unless a dividend is also declared on the Ordinary A shares. On a winding up of the Company Ordinary B shareholders have a right to receive the nominal amount paid on each of their shares in preference to any payments to the Ordinary A shareholders. The Ordinary B 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 FRS 102.

11. Capital commitments

The Company was required to contribute funds towards the administrative expenses of the trust on an annual basis in order to meet the expenses of the trust, under the previous structure. In the prior year an amount of £29,879 was contributed to the Company's previous parent undertaking. This commitment is no longer in place and there was no amount contributed in 2023.

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12. Financial instruments

Fair value

The financial assets at fair value through other comprehensive income represent the Company's beneficial interest in a commercial property investment pool. The asset is recognised at fair based on the valuation of the properties within it. Fair value movements on financial assets at fair value through profit and loss are disclosed in note 6.

The fair values of receivables and payables with a maturity of less than one year are assumed to approximate their book values.

Financial assets and liabilities by category

Set out below is the accounting classification of each class of financial assets and liabilities as at 30 June 2023 and 30 June 2022.

	Amortised Cost	Financial assets at fair value through profit and loss	Other financial liabilities	Total
	£	£	£	£
At 30 June 2023				
Trade and other receivables	14,219,003	-	-	14,219,003
Financial assets at fair value through profit and loss	-	147,699,304	-	147,699,304
Trade and other payables	-	-	(1,995,064)	(1,995,064)
	14,219,003	147,699,304	(1,995,064)	159,923,243
At 30 June 2022				
Trade and other receivables	586,383	-	-	586,383
Financial assets at fair value through profit and loss	-	183,780,615	-	183,780,615
Trade and other payables	-	-	(266,205)	(266,205)
	586,383	183,780,615	(266,205)	184,100,793

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are recognised subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	£	£	£	£
At 30 June 2023				
Financial assets at fair value through profit and loss	-	-	147,699,304	147,699,304
At 30 June 2022				
Financial assets at fair value through profit and loss	-	-	183,780,615	183,780,615

The financial assets at fair value through profit and loss relate to the Company's beneficial interest in a property investment pool.

13. Financial risk management

Treasury management

Treasury policies are reviewed and approved by the ultimate parent company's board. The J Sainsbury plc Chief Executive and Chief Financial Officer have joint delegated authority from the ultimate parent company's board to approve finance transactions.

The Group operates a central treasury function which is responsible for managing the Company's liquid resources, funding requirements and interest rate and currency exposures. The risk management policies are designed to minimise potential adverse effects on the Group's financial performance by identifying financial exposures and setting appropriate risk limits and controls.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk

The Company's exposure to liquidity risk is managed by funding cash flow requirements from the parent company.

Credit risk

The Company's exposure to credit risk is limited to accrued income arising from its beneficial interest in a commercial property investment pool. None of the amounts are past due or impaired.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide services to the Group and to maintain an optimal capital structure.

14. Related party transactions

a. Key management

The key management personnel of the Company comprise the Board of Directors. The Directors do not receive any remuneration from the Company as detailed in note 4 (2022: £nil). The Company did not have any transactions with the Directors during the financial period (2022: £nil).

b. Related Party: Stamford Properties Three Limited, immediate parent company

At the end of the financial year the amount due from Stamford Properties Three Limited is £2,374,294 (2022: £nil).

c. Transactions with other related parties

At the end of the financial year the amount due from Sainsbury's Supermarkets Ltd is £2,747,532 (2022: £nil). The Company received £1,535,607 rental income from Sainsbury's Supermarkets Ltd during the financial year (2022: £nil).

At the end of the financial year the amount due from Hobart Property Limited is £1,944,960 (2022: £nil).

15. Post balance sheet events

Subsequent to the Company's balance sheet date, on 10 July 2023 the loan from the Company to Hobart Property Limited was waived. This was fully provided for at the balance sheet date. As this transaction took place subsequent to the Company's balance sheet date, no adjustments are required to be made to the financial statements.

On 25 July 2023, two of the properties were sold out of the property pool and subsequently leased back by another group company.

On 19 March 2024, one additional property was sold from the pool. This property was not occupied by the Group at the time so has not been leased back. The sale of it led to the completion of the settlement of the onerous contract provision in note 10.

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16. Ultimate parent company and controlling party

The Company's immediate parent company is Stamford Properties Three Limited, a company registered in England and Wales, by its 100% shareholding in the Company.

The Company's ultimate parent and controlling party is J Sainsbury plc, a company registered in England and Wales. The largest and smallest group of undertakings for which group financial statements have been prepared was that of J Sainsbury plc. Copies of these financial statements are available from its registered office at 33 Holborn, London, EC1N 2HT.