

REGISTERED COMPANY NUMBER: 3896030

STAMFORD PROPERTIES THREE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 MARCH 2006

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Stamford Properties Three Limited
Report of the Directors
for the 52 weeks ended 25 March 2006

The Directors present their report and the audited financial statements of the Company for the 52 weeks to 25 March 2006.

Principal activities and review of business

The principal activity of the Company is property investment. The majority of the Company's income is derived from its interest in a property trust.

The Company's profit for the financial year of £32,744 (2005: £35,096) decreased due to the Company being unable to claim group relief for tax in the period.

The financial position as at 25 March 2006 is shown in the balance sheet on page 6.

Future developments

No change is planned in the activities of the Company in the next financial year.

Dividends

The Directors do not recommend the payment of a dividend on ordinary shares (2005: £nil).

Directors and their interests

The Directors of Stamford Properties Three Limited who held office during the financial year are shown below:

R A Chadwick	
J S Lavelli	(resigned 29 July 2005)
J P Mason	(resigned 9 November 2005)
T Fallowfield	
G Willits	(appointed 9 November 2005)

The Directors do not have any interests in the share capital of the Company, or any of its subsidiaries.

The number of ordinary shares of 28 ⁴/₇ pence, B shares of 35 pence and options over ordinary shares of 28 ⁴/₇ pence of J Sainsbury plc held by Directors who were not also Directors of the ultimate parent company, and their immediate families, were:

	Ordinary shares		B shares	
	25 March 2006	26 March 2005	25 March 2006	26 March 2005
Beneficially owned:				
T Fallowfield	24,329	329	-	-
R A Chadwick	22,871	22,871	22,689	22,689
G Willits	-	-	-	-

Stamford Properties Three Limited
Report of the Directors (continued)
for the 52 weeks ended 25 March 2006

Directors and their interests (continued)

The B shares receive a preference dividend of 75 per cent of the 6 month LIBOR, until their redemption, which is fixed at 35 pence per B share. The future redemption dates are 18 January and 18 July each year until 18 July 2007. B shareholders have no voting rights except in a resolution for the winding up of J Sainsbury plc.

	Share options				25 March 2006
	27 March 2005*	Granted during year	Exercised during year	Lapsed during year	
T Fallowfield	345,607	254,635	(885)	(305,356)	294,001
R A Chadwick	432,026	136,506	(1,233)	(229,794)	337,505
G Willits	153,430	-	-	-	153,430

* Or at date of appointment.

Share options exercised during the year					
	Date of exercise	Number of shares exercised	Total exercised price (pence)	Market price on day of exercise (pence)	Gains on options exercised
R A Chadwick	1 March 2006	1,233	239.00	320.00	£998.73
T Fallowfield	1 March 2006	885	239.00	320.00	£716.85

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board



H D Jarvis
 Company Secretary
 Date: 16/1/2007

Stamford Properties Three Limited

Statement of Director's responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company at the end of the period, and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for ensuring the operation of systems of internal control and for taking responsible steps to safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Stamford Properties Three Limited

Independent auditors' report to the members of Stamford Properties Three Limited

We have audited the financial statements of Stamford Properties Three Limited for the 52 weeks ended 25 March 2006 which comprise the income statement, the balance sheet, the cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

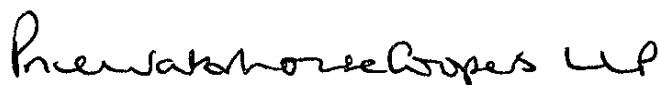
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 25 March 2006 and of its profit and cash flows for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

Date: 17 January 2007

Stamford Properties Three Limited
Income statement
for the 52 weeks ended 25 March 2006

	Note	2006 £	2005 £
Revenue		46,777	34,872
Operating profit		46,777	34,872
Finance income	4	-	3
Profit before taxation		46,777	34,875
Income tax (expense)/credit	6	(14,033)	221
Profit for the financial year		32,744	35,096
Profit attributable to equity shareholders	13	32,744	35,096

All activities of the Company are continuing.

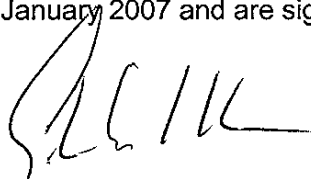
Statement of recognised income and expense
for the 52 weeks ended 25 March 2006

	Note	2006 £	2005 £
Fair value movements on available-for-sale financial assets		26,300,000	-
Tax on items recognised directly in equity		(7,890,000)	-
Net income recognised directly in equity		18,410,000	-
Profit for the financial year		32,744	35,096
Total recognised income and expense for the financial year		18,442,744	35,096
Attributable to equity shareholders		18,442,744	35,096
Effect of changes in accounting policy on adoption of IAS 39:			
Equity shareholders	16	71,780,000	-

Stamford Properties Three Limited
Balance sheet
at 25 March 2006 and 26 March 2005

	Note	2006 £	2005 £
Non-current assets			
Property, plant and equipment	7	1,200,347	-
Available-for-sale financial assets	8	111,700,000	-
		112,900,347	-
Current assets			
Trade and other receivables	9	71,598	-
Cash and cash equivalents		72,100	106,885
		143,698	106,885
Total assets		113,044,045	106,885
Current liabilities			
Trade and other payables	10	(1,200,347)	(9,964)
Taxes payable		(14,033)	-
		(1,214,380)	(9,964)
Net current liabilities		(1,070,682)	96,921
Non-current liabilities			
Deferred income tax liability	11	(21,510,000)	-
Net assets		90,319,665	96,921
Equity			
Called up share capital	12	1	1
Other reserves	13	90,190,000	-
Retained earnings	13	129,664	96,920
Equity shareholder's funds	13	90,319,665	96,921

The financial statements on pages 5 to 15 were approved by the Board of Directors on 16 January 2007 and are signed on its behalf by:



Director
G Willits

Stamford Properties Three Limited
Cash flow statement
for the 52 weeks ended 25 March 2006

	2006	2005
Note	£	£
Cash flows from operating activities		
Cash receipts from operations	46,777	34,872
Net cash from operating activities	46,777	34,872
Cash flows from investing activities		
Interest received	-	3
Net cash from investing activities	-	3
Cash flows from financing activities		
Repayment of short-term borrowings to parent	(9,964)	(10,458)
Advances to group company	(71,598)	-
Net cash from financing activities	(81,562)	(10,458)
Net (decrease)/increase in cash and cash equivalents	(34,785)	24,417
Opening cash and cash equivalents	106,885	82,468
Closing cash and cash equivalents	72,100	106,885

Stamford Properties Three Limited
Notes to the financial statements
for the 52 weeks ended 25 March 2006

1. General information

Stamford Properties Three Limited is a private limited company incorporated and domiciled in England. Its registered address is 33 Holborn, London, EC1N 2HT.

The Company's financial year represents the 52 weeks ended Saturday 25 March 2006 and the prior year represents the 52 weeks ended Saturday 26 March 2005.

2. Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

These are the Company's first financial statements under IFRS and therefore, IFRS 1 'First-time Adoption of IFRS' has been applied. An explanation of the transition to IFRS is provided in note 15.

Basis of preparation

The financial statements are presented in sterling and have been prepared on the going concern basis under the historical cost convention. The preparation of financial statements in conformity with IFRS 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. 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.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing the opening IFRS balance sheet at 28 March 2004 for the purposes of the transition to IFRS.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's future accounting periods but which the Company has not early adopted. These are set out below:

Effective for the Company for the financial year beginning 26 March 2006:

- Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions'
- Amendment to IAS 39 'The Fair Value Option'
- Amendments to IAS 39 and IFRS 4 'Financial Guarantee Contracts'
- IFRS 6 'Exploration of and Evaluation of Mineral Resources'
- IFRIC 4 'Determining whether an Arrangement contains a Lease'
- IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
- IFRIC 6 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

2. Accounting policies (continued)

Effective for the Company for the financial year beginning 25 March 2007:

- Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
- IFRS 7 'Financial Instruments: Disclosure'

The Company has considered the above standards, interpretations and amendments and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements.

Consolidation

The Company is a wholly owned subsidiary of the ultimate holding company J Sainsbury plc and is included in the consolidated financial statements of J Sainsbury plc, which are publicly available. Consequently, the Company has taken the relief available in IAS 27 'Consolidated and Separate Financial Statements' not to prepare consolidated financial statements of the Company and its subsidiary.

Revenue

Revenue consists of the income derived from the company's interest in a property trust.

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. 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.

Property, plant and equipment

Land and buildings

Land and buildings are stated at cost less accumulated depreciation and any recognised impairment loss. Properties in the course of construction are held at cost less any recognised impairment loss.

Fixtures and equipment

Fixtures and equipment are held at cost less accumulated depreciation and any recognised impairment loss.

Depreciation

Depreciation is calculated to write down the cost of the asset to their residual values, on a straight-line method on the following bases:

- Freehold buildings and leasehold properties – 50 years
- Fixtures, equipment and vehicles – 3 to 15 years

Land, buildings and fixtures under construction are not depreciated.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

2. Accounting policies (continued)

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Any impairment charge is recognised in the income statement in the year it occurs.

Financial instruments

Financial assets

Loans and receivables are non-derivative financial assets, initially recognised at fair value, then subsequently carried at amortised cost.

Available-for-sale ("AFS") investments are those financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices. Subsequent to initial recognition, these assets are recorded at fair value with the movements in fair value taken directly to equity until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Dividends on AFS equity instruments are recognised in the income statement when the entity's right to receive payment is established. Interest on AFS debt instruments is recognised using the effective interest method.

Financial liabilities

Bank loans and payables are initially recorded at fair value, which are generally the proceeds received. They are then subsequently carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. Administrative expenses

Administrative charges, including the auditors' remuneration, have been borne by the ultimate parent company, J Sainsbury plc or other Group companies.

4. Finance Income

	2006	2005
	£	£
Interest on bank deposits	-	3

5. Employees and Directors' remuneration

The average monthly number of persons (including executive Directors) employed by the Company during the financial year was nil (2005: £nil).

All of the Directors are also employees of the ultimate parent company J Sainsbury plc or other group companies. The Directors emoluments are borne by Sainsbury's Supermarkets Ltd a group company that makes no recharge to the Company. It is not possible to make an accurate apportionment of the Directors emoluments as they serve as Directors to a number of group companies. Accordingly, the income statement does not include emoluments in respect of the Directors.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

6. Income tax expense

	2006 £	2005 £
Current tax expense	14,033	-
Over provision in prior years	-	(221)
Total income tax expense/(credit) in income statement	14,033	(221)

The reconciliation between the profit before tax multiplied by the standard rate of tax and the income tax expense as per the income statement is explained as follows:

	2006 £	2005 £
Profit before taxation	46,777	34,875
Income tax at corporation rate of 30% (2005: 30%)	14,033	10,463
Group relief received for nil consideration	-	(10,463)
Over provision in prior years	-	(221)
Income tax expense/(credit) per income statement	14,033	(221)

7. Property, plant and equipment

	Land and Buildings £	Fixtures and Equipment £	Total £
Cost and net book value			
At 27 March 2005	-	-	-
Additions	720,208	480,139	1,200,347
At 25 March 2006	720,208	480,139	1,200,347

No depreciation is charged on work in progress assets.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

8. Available-for-sale financial assets

	2006	2005
	£	£
Non-current		
Other financial asset	111,700,000	-

The other financial asset represents the Company's beneficial interest in a property investment pool. This asset has been recognised on adoption of IAS 39 Financial Instruments: Recognition and measurement (note 16) in the current financial year.

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

	£
Other financial asset	
At 27 March 2005	-
IAS 39 Adjustment	85,400,000
Restated at 27 March 2005	85,400,000
Fair value movement	26,300,000
At 25 March 2006	111,700,000

9. Receivables

	2006	2005
	£	£
Current		
Amounts due from Group entities	71,598	-

Amounts due from Group entities are non-interest bearing and are repayable on demand.

10. Payables

	2006	2005
	£	£
Current		
Amounts due to Group entities	1,200,347	9,964

Amounts due to Group companies are non-interest bearing and are repayable on demand.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

11. Deferred taxation

The movements in deferred income tax liability during the financial year are shown below.

	Fair value gains £
Deferred income tax liabilities	
At 27 March 2005	-
IAS 39 Adjustment	(13,620,000)
Restated at 27 March 2005	(13,620,000)
Charged to equity	(7,890,000)
At 25 March 2006	(21,510,000)

12. Called up share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1

13. Reconciliation of movements in equity

	Called up share capital £	Available- for-sale assets £	Retained earnings £	Equity shareholders' funds £
At 27 March 2005	1	-	96,920	96,921
IAS 39 adjustment	-	71,780,000	-	71,780,000
Restated at 27 March 2005	1	71,780,000	96,920	71,876,921
Profit for the year	-	-	32,744	32,744
Available-for-sale financial assets fair value movements	-	18,410,000	-	18,410,000
At 25 March 2006	1	90,190,000	129,664	90,319,665
At 28 March 2004	1	-	61,824	61,825
Profit for the year	-	-	35,096	35,096
At 26 March 2005	1	-	96,920	96,921

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

14. Related party transactions

The immediate and ultimate parent company and controlling party of the Company is J Sainsbury plc, which is registered in England and Wales, and forms the only group into which the financial statements of the Company are consolidated. Copies of the parent company's financial statements may be obtained from the Secretary, J Sainsbury plc, 33 Holborn, London EC1N 2HT.

(a) Key management personnel

The key management personnel of the Company comprise members of the Board of Directors. The Directors do not receive any remuneration from the Company (2005: £nil) as their emoluments are borne by group companies. The Company did not have any transactions with the Directors during the financial period (2005: £nil).

(b) Transactions with parent company

There have been no transactions with the parent company in the financial period. The Company has no amounts due to and from the parent company.

(c) Transactions with group companies

The Company was lent monies from Sainsbury's Supermarkets Ltd for leasehold improvements to stores. Details of the outstanding balance are shown in note 9 and note 10.

15. Explanation of transition to IFRS

This is the first year that the Company has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the 52 weeks ended 26 March 2005 and the Company's date of transition to IFRS was 28 March 2004.

First-time adoption

IFRS 1 'First-time Adoption of IFRS' allows companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the year of transition (i.e. financial year ending 26 March 2005). The Company has elected to take the exemption relating to financial instruments and has deferred the implementation of IAS 32: Financial instruments: Disclosure and presentation and IAS 39: Financial instruments: Recognition and measurement to the financial year ending 25 March 2006. Therefore, financial instruments continue to be accounted for and presented in accordance with UK GAAP for the year ended 26 March 2005.

Reconciliations between UK GAAP and IFRS

There are no adjustments to reported profit or equity in the financial statements at 28 March 2004 (transition date) and for the year ended 26 March 2005 (last financial year) upon transition to IFRS. Consequently, no reconciliations have been presented.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks ended 25 March 2006

16. First time adoption of IAS 32 and IAS 39

The Company has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' with effect from 27 March 2005. The adjustments to the opening balance sheet at 27 March 2005 are as follows:

	IFRS 27 March 2005 £	IAS 39 adjustment £	Restated IFRS 27 March 2005 £
Non-current assets			
Available-for-sale financial assets	-	85,400,000	85,400,000
Current assets			
Cash and cash equivalent	106,885	-	106,885
Current liabilities			
Trade and other payables	(9,964)	-	(9,964)
Non-current liabilities			
Deferred income tax liability	-	(13,620,000)	(13,620,000)
Net assets	96,921	71,780,000	71,876,921
Equity			
Called up share capital	1	-	1
Other reserves	-	71,780,000	71,780,000
Retained earnings	96,920	-	96,920
Equity shareholders' funds	96,921	71,780,000	71,876,921

On adoption of IAS 39, an available-for-sale financial asset of £85 million relating to the Company's beneficial interest in a property investment pool has been recognised, with the corresponding credit made to reserves. This asset will be held at fair value with any fair value movements taken to reserves.