

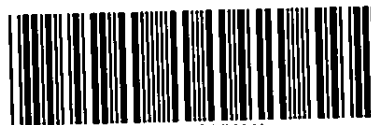
REGISTERED COMPANY NUMBER: 3896030

STAMFORD PROPERTIES THREE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS TO 20 MARCH 2010

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Stamford Properties Three Limited
Directors' report
For the 52 weeks to 20 March 2010
Registered Company Number. 3896030

The Directors present their report and the audited financial statements of Stamford Properties Three Limited ('the Company') for the 52 weeks to 20 March 2010

Principal activities and review of business

The principal activity of the Company is property investment and rental of supermarkets to Sainsbury's Supermarkets Limited

The Company's loss for the financial year was £2,239,740 (Restated 2009 loss £2,411,956)
The financial position as at 20 March 2010 is shown in the balance sheet on page 6

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of J Sainsbury plc group ('the Group') and are not managed separately. Accordingly the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 22 to 23 of the J Sainsbury plc Annual Report and Financial Statements 2010, which do not form part of this report

Future developments

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

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Dividends

The Directors do not recommend the payment of a dividend on the ordinary shares (2009 £nil)

Financial risk management

The financial risk management and policies of the Company are disclosed in note 16 of the financial statements

Directors

The Directors of Stamford Properties Three Limited who held office during the financial year and up to the date of signing are shown below

R Learmont
T Fallowfield
Sainsburys Corporate Director Limited

Directors' and Officers' insurance

The Directors are entitled to be indemnified by the parent company, J Sainsbury plc, to the extent permitted by law and the Articles of Association 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 2009/10, which was renewed for 2010/11. 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.

Stamford Properties Three Limited
Directors' report (continued)
For the 52 weeks to 20 March 2010

Disclosure of information to auditors

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By Order of the Board:



Hazel Jarvis

Company Secretary

17 September 2010

Stamford Properties Three Limited
Directors' report (continued)
For the 52 weeks to 20 March 2010

Statement of Director's responsibilities

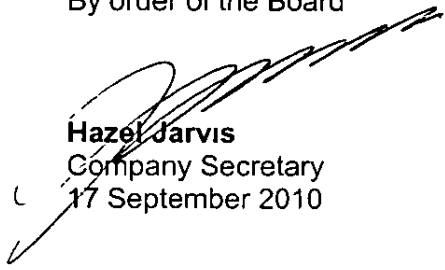
The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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.

By order of the Board



Hazel Jarvis
Company Secretary
17 September 2010

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 to 20 March 2010 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Cash flow statement, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 20 March 2010 and of its loss and cash flows for the 52 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



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

Date 17 SEPTEMBER 2010

Stamford Properties Three Limited
Income statement
For the 52 weeks to 20 March 2010

		2010	Restated ¹ 2009
	Note	£	£
Revenue		3,213,266	2,384,685
Cost of sales		(2,904,131)	(2,620,087)
Gross profit/(loss)	4	309,135	(235,402)
Finance costs	6	(293,387)	(1,518,825)
Profit/(loss) before taxation		15,748	(1,754,227)
Income tax expense	7	(2,255,488)	(657,729)
Loss for the financial year		(2,239,740)	(2,411,956)

Attributable to:

Equity holders of the Company	(2,239,740)	(2,411,956)
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¹ The restatement of certain comparative amounts is explained in note 2

Statement of comprehensive income
For the 52 weeks to 20 March 2010

		2010	Restated ¹ 2009
	Note	£	£
Loss for the financial year		(2,239,740)	(2,411,956)
Other comprehensive income/(expense):			
Available-for-sale (AFS) financial assets fair value movements	9	36,600,000	(15,500,000)
Tax on AFS financial assets fair value movements	12	(10,248,000)	4,340,000
Total other comprehensive income/(expense) for the financial year		26,352,000	(11,160,000)
Total other comprehensive income/(expense) for the financial year		24,112,260	(13,571,956)

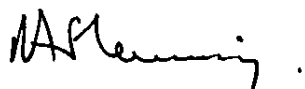
¹ The restatement of certain comparative amounts is explained in note 2

Stamford Properties Three Limited
Balance sheet
As at 20 March 2010 and 21 March 2009

		2010	Restated ¹ 2009
	Note	£	£
Non-current assets			
Property, plant and equipment	8	37,486,845	40,390,976
Available-for-sale financial assets	9	126,500,000	89,900,000
		163,986,845	130,290,976
Current assets			
Trade and other receivables	10	5,129,497	7,132,830
Cash and cash equivalents	15b	-	5,574,497
		5,129,497	12,707,327
Total assets		169,116,342	142,998,303
Current liabilities			
Trade and other payables	11	(45,179,618)	(55,677,327)
		(45,179,618)	(55,677,327)
Net current assets		(40,050,121)	(42,970,000)
Non-current liabilities			
Deferred income tax liability	12	(38,874,213)	(26,370,725)
Total liabilities		(84,053,831)	(82,048,052)
Net assets		85,062,511	60,950,251
Equity			
Called up share capital	13	1	1
Available-for-sale financial assets		91,080,000	64,728,000
Retained earnings	14	(6,017,490)	(3,777,750)
Total equity		85,062,511	60,950,251

¹ The restatement of certain comparative amounts is explained in note 2

The financial statements on pages 5 to 24 were approved by the Board of Directors on 17 September 2010 and are signed on its behalf by



On behalf of Sainsburys Corporate Director Limited
Director

Stamford Properties Three Limited
Cash flow statement
For the 52 weeks to 20 March 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Cash generated from operations	15a	(5,574,497)	2,057,268
Net cash generated from operating activities		(5,574,497)	2,057,268
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		5,574,497	3,517,227
Cash and cash equivalents at end of the period	15b	-	5,574,497

Stamford Properties Three Limited
Statement of changes in equity
For the 52 weeks to 20 March 2010

	Share capital £	Available- for-sale assets £	Retained earnings £	Total equity £
At 22 March 2009 (Restated)	1	64,728,000	(3,777,750)	60,950,251
Loss for the year	-	-	(2,239,740)	(2,239,740)
Other comprehensive income				
Available-for-sale financial assets fair value movements (net of tax)	-	26,352,000	-	26,352,000
Total comprehensive income	-	26,352,000	(2,239,740)	24,112,260
At 20 March 2010	1	91,080,000	(6,017,490)	85,062,511
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At 23 March 2008 (Restated)	1	75,888,000	(1,365,794)	74,522,206
Loss for the year	-	-	(2,411,956)	(2,411,956)
Other comprehensive expense				
Available-for-sale financial assets fair value movements (net of tax)	-	(11,160,000)	-	(11,160,000)
Total comprehensive expense	-	(11,160,000)	(2,411,956)	(13,571,956)
At 21 March 2009 (Restated)	1	64,728,000	(3,777,750)	60,950,251

Stamford Properties Three Limited
Notes to the financial statements
For the 52 weeks to 20 March 2010

1. General information

Stamford Properties Three Limited ('the Company') 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 to 20 March 2010 and the prior year represents the 52 weeks to 21 March 2009.

The principal activity of the Company is property investment and rental of supermarkets to Sainsbury's Supermarkets Limited.

2. Accounting policies

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis of preparation

The financial statements are presented in sterling, rounded to the nearest pound (£) unless otherwise stated. They have been prepared under the historical cost convention, except for investment properties and available-for-sale financial assets that have been measured at fair value.

The preparation of financial statements in conformity with IFRSs 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2c.

New standards, interpretations and amendments to published standards

Effective for the Company in these financial statements:

- IAS 1 (revised) 'Presentation of financial statements'

The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

The Company has elected to present two statements: an income statement and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

2. Accounting policies (continued)

The following new standards, interpretations and amendments to published standards are effective for the Company for the financial year beginning 22 March 2009, but are not currently relevant for the Company or do not have a significant impact on the Company's financial statements, apart from additional disclosures

- Revised IAS 1 'Presentation of financial statements', amendments to IAS 1 relating to the disclosure of puttable instruments and obligations arising on liquidation
- Revised IAS 27 'Consolidated and separate financial statements' relating to the cost of an investment on first time adoption
- Amendments to IAS 32 'Financial instruments Presentation' relating to puttable instruments and obligations arising on liquidation
- Amendment to IFRS 2 'Share-based payment'
- Amendment to IFRS 7 'Financial Instruments Disclosures'
- IFRS 8 'Operating Segments'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- Amendments to various IFRSs and IASs arising from May 2008 Annual Improvements to IFRSs
- IFRIC 18 'Transfer of Assets from Customers'
- Amendment to IAS 23 'Borrowing Costs'

Effective for the Company for the financial year beginning 21 March 2010:

- Amendments to IFRS 2 'Share-based Payment' arising from April 2009 Annual Improvements to IFRSs and Amendments relating to group cash-settled share-based payment transactions
- Revised IFRS 3 'Business Combinations', Comprehensive and consequential amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures'
- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' arising from May 2008 Annual Improvements to IFRSs
- Amendments to IAS 39 'Financial Instruments Recognition and Measurement'
- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'
- Amendments to various IFRSs and IASs arising from April 2009 Annual Improvements to IFRSs

The Company has considered the above new standards, interpretations and amendments to published standards that are not yet effective 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, apart from additional disclosures

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

2. Accounting policies (continued)

Effective for the Company for future financial years

- IFRS 9 'Financial Instruments – Classification and Measurement'
- Revised IAS 24 'Related Party Disclosures' definition of related parties
- Amendments to IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Amendments to various IFRSs and IASs arising from May 2010 Annual Improvements to IFRSs

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and have been applied consistently by the Company

Revenue

Revenue consists of the income derived from the Company's interest in a property pool and rental income

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
Rental income is recognised on an accruals basis

Cost of sales

The cost of sales is made up solely of depreciation expenses relating to the Company's land and buildings, and fixtures and equipment

Property, plant and equipment

Land and buildings

Land and buildings are stated at cost less accumulated depreciation and any impairment loss
Cost includes directly attributable costs and borrowing costs capitalised in accordance with the Company's accounting policy

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 assets to their residual values, on a straight-line method on the following bases

- Freehold buildings and leasehold properties – 50 years, or the lease term if shorter
- Fixtures and equipment – 3 to 15 years
- Freehold land is not depreciated

Land and buildings under construction and non-current assets held for sale are not depreciated

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

2. Accounting policies (continued)

Impairment of non-financial assets

At each full year balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is deemed to be each trading store.

Any impairment charge is recognised in the income statement in the year in which it occurs. Where an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, 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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Current taxation

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, in which case the current tax is also dealt with in equity.

Deferred taxation

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, in which case the deferred tax is also dealt with in equity.

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

2. Accounting policies (continued)

Financial instruments

Financial assets

The Company classifies its financial assets as available-for-sale ("AFS") Purchases and sales of AFS investments are recognised on trade date Financial assets are initially recognised at fair value plus transaction costs

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date 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 assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership

Trade receivables

Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method less provision for impairment

Financial liabilities

Interest-bearing bank loans and overdrafts 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

Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

2. Accounting policies (continued)

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. This assessment may be of individual assets ('individual impairment') or of a portfolio of assets ('collective impairment'). A financial asset or a group of financial assets is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from other comprehensive income and recognised in the income statement.

The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Interest will continue to accrue on all financial assets, based on the written down balance. Interest is calculated using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. To the extent that a provision may be increased or decreased in subsequent periods, the recognition of interest will be based on the latest balance net of provision.

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

2. Accounting policies (continued)

(c) Judgements and estimates

The Company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Fair value estimation

The methods and assumptions applied in determining the fair values of financial assets and financial liabilities are disclosed in note 16.

Impairment of assets

Financial and non-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 a calculation of expected future cash flows which includes management assumptions and estimates of future performance.

Income taxes

The Company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made. Detail of the tax charge and deferred tax are set out in notes 7 and 12 respectively.

Restatement of comparative financial statements

During the year, it was identified that various properties were being depreciated over the incorrect useful life in previous periods.

This has now been corrected in the financial statements with the following impacts:

- The net book value of land and buildings at 22 March 2008 was overstated by £268,296,
- Retained earnings as at 22 March 2008 was overstated by £268,296, and
- The depreciation charge included in profit for the 52 weeks to 21 March 2009 was understated by £360,727.

As required by IAS 8 'Accounting Policies, changes in accounting estimates and errors', the relevant financial statements and the related notes for the year to 21 March 2009 have been restated.

3. Administrative expenses

Administrative charges, including the auditors' remuneration for the current and prior financial year have been borne by Sainsbury's Supermarkets Ltd or other Group companies and have not been recharged to the Company.

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

4 Gross profit/(loss)

	2010	Restated ¹ 2009
	£	£
<hr/>		
Gross profit/(loss) is stated after charging the following items		
Depreciation expense	2,904,131	2,620,087

¹ The restatement of certain comparative amounts is explained in note 2

5. Employee Costs

The average monthly number of persons (including Directors) employed by the Company during the financial year was nil (2009 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.

6 Finance costs

	2010	2009
	£	£
<hr/>		
Finance costs		
Interest on amounts due to Group companies	(293,387)	(1,518,825)

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

7. Income tax expense

	2010	2009
	£	£
Current tax expense		
Current period	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(176,641)	(106,592)
Under provision in prior periods	2,432,129	764,131
Change in tax rate	-	190
	2,255,488	657,729
Total income tax expense in income statement	2,255,488	657,729

The effective tax rate of 14,322.4% (2009 (37.5)%) differs from the standard rate of corporation tax in the UK. The differences are explained below.

	2010	Restated²
	£	£
Profit/(loss) before taxation	15,748	(1,754,227)
Income tax at corporation rate of 28% (2009 28.05% ¹)	4,409	(492,061)
Non-qualifying depreciation	144,303	215,469
Underprovision in prior years – deferred tax	2,432,129	764,131
Group relief (claimed)/surrendered for nil consideration	(325,353)	170,000
Deferred tax rate change	-	190
Income tax expense per income statement	2,255,488	657,729

¹ The income tax rate of 28.05 per cent is slightly higher than the 28 per cent statutory tax rate due to the historic rate of 30 per cent applying between 23 March 2008 and 31 March 2008 inclusive.

² The restatement of certain comparative amounts is explained in note 2.

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

8. Property, plant and equipment

	Land and Buildings £	Fixtures and Equipment £	Total £
Cost			
At 22 March 2009	34,562,867	10,499,630	45,062,497
Additions	-	-	-
At 20 March 2010	34,562,867	10,499,630	45,062,497
Accumulated depreciation and impairment			
At 22 March 2009 (Restated) ¹	(3,356,533)	(1,314,988)	(4,671,521)
Depreciation expense	(2,096,086)	(808,045)	(2,904,131)
At 20 March 2010	(5,452,619)	(2,123,033)	(7,575,652)
Net book value at 20 March 2010	29,110,248	8,376,597	37,486,845

	Land and Buildings £	Fixtures and Equipment £	Total £
Cost			
At 23 March 2008	25,619,465	6,818,479	32,437,944
Additions	8,943,402	3,681,151	12,624,553
At 21 March 2009	34,562,867	10,499,630	45,062,497
Accumulated depreciation and impairment			
At 23 March 2008 (Restated) ¹	(1,478,881)	(572,553)	(2,051,434)
Depreciation expense	(1,877,652)	(742,435)	(2,620,087)
At 21 March 2009 (Restated) ¹	(3,356,533)	(1,314,988)	(4,671,521)
Net book value at 21 March 2009	31,206,334	9,184,642	40,390,976

¹ The restatement of certain comparative amounts is explained in note 2

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9. Available-for-sale financial assets

	2010	2009
	£	£
Non-current		
Other financial asset	126,500,000	89,900,000

The other financial asset represents the Group's beneficial interest in a commercial property investment pool. The fair value of other financial asset is based on discounted cash flows assuming a property rental growth rate of 3.1 per cent (2009 2.8 per cent) and a weighted average cost of capital of ten per cent (2009 ten per cent). All available-for-sale financial assets are denominated in sterling. There were no disposals or impairment provisions on available-for-sale financial assets in either the current or the previous year. Refer to note 16 for sensitivity analysis.

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

Other financial asset	£
At 22 March 2009	89,900,000
Fair value movement	36,600,000
At 20 March 2010	126,500,000
At 23 March 2008	105,400,000
Fair value movement	(15,500,000)
At 21 March 2009	89,900,000

10. Trade and other receivables

	2010	2009
	£	£
Current		
Value added tax	4,744,120	5,064,316
Accrued income	385,377	2,068,514
Total Trade and other receivables	5,129,497	7,132,830

All amounts due are not considered overdue or impaired

11. Trade and other payables

	2010	2009
	£	£
Current		
Amounts due to Group companies	45,179,618	55,677,327

£30,313,601 of the amount due to Group companies carries a floating rate of interest (2009 £40,811,311). Details of interest charged on the amounts outstanding are disclosed in note 6. All amounts are payable on demand.

Stamford Properties Three Limited
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12. Deferred income tax liability

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

	Accelerated capital allowances	Fair value movements	Other	Total
	£	£	£	£
Deferred income tax liabilities				
At 22 March 2009	(1,109,721)	(25,172,000)	(89,004)	(26,370,725)
Underprovision in prior period	(2,432,129)	-	-	(2,432,129)
Charge to income statement	176,641	-	-	176,641
Charge to other comprehensive income	-	(10,248,000)	-	(10,248,000)
At 20 March 2010	(3,365,209)	(35,420,000)	(89,004)	(38,874,213)
At 23 March 2008	(540,996)	(29,512,000)	-	(30,052,996)
Underprovision in prior period	(691,023)	-	(73,108)	(764,131)
Charge to income statement	122,298	-	(15,896)	106,402
Charge to other comprehensive income	-	4,340,000	-	4,340,000
At 21 March 2009	(1,109,721)	(25,172,000)	(89,004)	(26,370,725)

On 22 June 2010 the Chancellor announced that with effect from 1 April 2011 the main rate of UK corporation tax will reduce from 28% to 27%. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014.

A 1% reduction in the corporation tax rate would reduce the deferred tax liability by approximately £1.4m.

Stamford Properties Three Limited
Notes to the financial statements (continued)
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13. Called up share capital

	2010	2009
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Issued and fully paid		
1 ordinary share of £1 each	1	1

14. Retained Earnings

	£
At 22 March 2009 (Restated) ¹	(3,777,750)
Loss for the year	(2,239,740)
At 20 March 2010	(6,017,490)
At 23 March 2008 (Restated) ¹	(1,365,794)
Loss for the year	(2,411,956)
At 21 March 2009 (Restated) ¹	(3,777,750)

¹ The restatement of certain comparative amounts is explained in note 2

15. Notes to the cash flow statements

a) Reconciliation of operating profit/(loss) to cash generated from operations

	2010	Restated ¹ 2009
	£	£
Gross profit/(loss)	309,135	(235,402)
Adjustments for		
Depreciation expense	2,904,131	2,620,087
Operating cash flows before changes in working capital	3,213,266	2,384,685
Changes in working capital		
(Decrease)/increase in trade and other payables	(10,791,096)	5,363,270
Decrease/(increase) in trade and other receivables	2,003,333	(5,690,687)
Cash generated from operations	(5,574,497)	2,057,268

¹ The restatement of certain comparative amounts is explained in note 2

Cash and cash equivalents

b) For the purposes of the cash flow statements, cash and cash equivalents comprise the following

	2010	2009
	£	£
Cash and cash equivalents	-	5,574,497

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16. 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.

Interest rate risk

The Company's exposure to interest rate fluctuations are limited to amounts payable to Group companies. The Company is exposed to interest rate fluctuations as interest payable is calculated on the Bank of England base rate plus 0.25%.

Sensitivity analysis for variable rate instruments

The Company had a carrying amount of £45,179,618 (2009 £55,677,327) payable to Group companies as at the balance sheet date. A change of 100 basis points in interest rates at the balance sheet date would have increased or decreased post-tax profit or loss by £391,183 (2009 £277,802).

Fair value sensitivity for available-for-sale financial assets

Included within available-for-sale financial assets is £126,500,000 (2009 £89,900,000) relating to the beneficial interest in a property investment pool. The net present value of the interest in the various freehold reversions owned by the property investment pool has been derived by assuming a property growth rate of 3.1 per cent per annum (2009 2.8 per cent) and a discount rate of 10 per cent (2009 10 per cent).

A change of 0.5 per cent in the assumed rate of property rental growth to 2.6 per cent and 3.6 per cent, holding other assumptions constant, would result in values for this asset of £116 million (2009 £81 million) and £136 million (2009 £98 million) respectively. A change of 1 per cent in the discount rate to 9 per cent and 11 per cent, holding other assumptions constant, would result in values of £143 million (2009 £103 million) and £112 million (2009 £79 million) respectively.

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, VAT receivable and amounts payable to Group companies.

Fair value estimation

The fair values of receivables, overdrafts, payables and loans of a maturity of less than one year are approximate their book values.

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.

Stamford Properties Three Limited
Notes to the financial statements (continued)
For the 52 weeks to 20 March 2010

17. Financial instruments

Fair value

Available for sale financial assets represents the Group's beneficial interest in a commercial property investment pool. The asset is initially recognised at cost and then recorded at fair value. The fair value is based on discounted cash flows. Gains and losses on available for sale financial assets are disclosed in note 9.

The fair values of receivables and payables with a maturity of less than one year are assumed to be approximately 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 20 March 2010 and 21 March 2009.

	Loans and receivables	Available- for-sale	Other financial liabilities	Total
At 20 March 2010	£	£	£	£
Trade and other receivables	5,129,497	-	-	5,129,497
Available-for-sale financial assets	-	126,500,000	-	126,500,000
Trade and other payables	-	-	(45,179,618)	(45,179,618)
	5,129,497	126,500,000	(45,179,618)	86,449,879
At 21 March 2009				
Trade and other receivables	7,132,830	-	-	7,132,830
Available-for-sale financial assets	-	89,900,000	-	89,900,000
Trade and other payables	-	-	(55,677,327)	(55,677,327)
	7,132,830	89,900,000	(55,677,327)	41,355,503

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 20 March 2010				
Available-for-sale financial assets				
Other financial assets	-	-	126,500,000	126,500,000

Stamford Properties Three Limited
Notes to the financial statements (continued)
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17. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	2010 £
Opening balance	89,900,000
Total gains or losses	
In profit or loss	-
In other comprehensive income	36,600,000
Closing balance	126,500,000

18. Related party transactions

The 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 www.j-sainsbury.co.uk

(a) Key management personnel

The key management personnel of the Company comprise the Board of Directors. The Directors do not receive any remuneration from the Company (2009 £nil) as their emoluments are borne by Group companies. The Company did not have any transactions with the Directors during the financial period (2009 £nil).

(b) Transactions with Group companies

During the year, property plant and equipment of £nil (2009 £12,624,553) was transferred to the Company from Sainsbury's Supermarkets Ltd. During the year interest expense of £293,387 (2009 £1,518,825) was charged on amounts due to Group companies. Furthermore rental income from Sainsbury's Supermarkets Ltd of £3,213,266 (2009 £2,384,685) was earned during the period. Details of the outstanding balances are shown in note 11.

(c) Transactions with other related parties

There have been no transactions with other related parties in the financial year (2009 £nil).