

Stamford Properties Three Limited
Annual Report and Financial Statements

For the 52 weeks to 7 March 2020



Stamford Properties Three Limited
Strategic report
For the 52 weeks to 7 March 2020

Business review and principal activities

The principal activity of Stamford Properties Three Limited (the 'Company') is property investment and rental of supermarkets to Sainsbury's Supermarkets Ltd.

The Company's profit for the financial year was £505,597 (2019: profit of £423,809). The financial position as at 7 March 2020 is shown in the balance sheet on page 7.

All material operations are carried out in the United Kingdom.

A full review of the business and the market can be found in the 2020 Annual Report and Financial Statements of J Sainsbury plc, the ultimate parent undertaking, on the following website: www.about.sainsburys.co.uk.

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 and its subsidiaries (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 36 to 45 of the Group's Annual Report and Financial Statements 2020, 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)

The Directors of J Sainsbury plc manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, are discussed on pages 2 to 35 of the Group's Annual Report, which does not form part of this report.

Financial risk management

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

By order of the Board:


Katherine Kinch (Mar 12, 2021 09:07 GMT)

Katherine Kinch
On behalf of Sainsburys Corporate Director Limited
Director
11 March 2021

Stamford Properties Three Limited
Directors' report
For the 52 weeks to 7 March 2020

The Directors present their report and the audited financial statements of Stamford Properties Three Limited (the 'Company') for the 52 weeks to 7 March 2020. The prior financial year was the 52 weeks to 9 March 2019.

Dividends

During the financial year, there were no dividends recommended or paid (2019: £nil).

Directors

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

Timothy Fallowfield
Sainsburys Corporate Director Limited
David Wheeler (resigned 14 June 2019)
Bruce Richardson (appointed 14 June 2019)

Company Secretary

The Company Secretary of the Company who held office during the financial year and up to the date of signing the financial statements is shown below:

Timothy Fallowfield (resigned 14 June 2019)
Julia Foo (appointed 14 June 2019)

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The ultimate parent company, J Sainsbury plc, has confirmed its present intention to provide financial support. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 2019/20, which was renewed for 2020/21. 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.

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

Ernst & Young LLP have indicated their willingness to continue in office.

By order of the Board:

Katherine Kinch
Katherine Kinch (Mar 12, 2021 09:07 GMT)

Katherine Kinch
On behalf of Sainsburys Corporate Director Limited
Director
11 March 2021

Stamford Properties Three Limited
Statement of Directors' responsibilities
For the 52 weeks to 7 March 2020

The Directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101, 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:



Bruce Richardson
Director
11 March 2021

Opinion

We have audited the financial statements of for Stamford Properties Three Limited 52 week period ended 7 March 2020 which comprise of the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 17, 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 101 "Reduced Disclosure Framework (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 7 March 2020 and of its profit 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 below. 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.

Emphasis of matter – disclosure of effects of COVID-19

We draw attention to notes 2 and 17 of the financial statements these are the basis of preparation note and the post balance sheet events note, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 period 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 Statement of Directors' responsibilities 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.

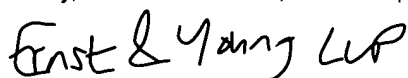
Auditor's responsibilities for the audit of the financial statements

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.

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.



Ben Marles (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 March 2021

Stamford Properties Three Limited
Statement of comprehensive income
for the 52 weeks to 7 March 2020

| | Note | 2020 £ | 2019 £ |
|--|------|-------------------|-------------------|
| Revenue | | 3,340,325 | 3,341,623 |
| Cost of sales | | (2,389,963) | (2,553,002) |
| Gross profit | | 950,362 | 788,621 |
| Operating profit | | 950,362 | 788,621 |
| Finance costs | 6 | (402,466) | (459,493) |
| Profit before tax | | 547,896 | 329,128 |
| Income tax expense/(credit) | 7 | (42,299) | 94,681 |
| Profit for the financial year | | 505,597 | 423,809 |
| Items that may be reclassified subsequently to the income statement: | | | |
| Movements on financial assets at fair value through other comprehensive income reserve | 9 | 17,933,382 | 56,395,091 |
| Deferred tax relating to items that may be reclassified | 12 | (3,048,675) | (9,807,352) |
| Total other comprehensive income for the financial year (net of tax) | | 14,884,707 | 46,587,739 |
| Total comprehensive income for the year | | 15,390,304 | 47,011,548 |

The notes on pages 9 to 21 form an integral part of these financial statements.

Stamford Properties Three Limited
Balance sheet
as at 7 March 2020

| | Note | 2020 £ | 2019 £ |
|---|------|---------------------|---------------------|
| Fixed assets | | | |
| Investment property | 8 | 7,284,674 | 9,674,637 |
| Financial assets at fair value through other comprehensive income | 9 | 237,853,649 | 219,920,267 |
| | | 245,138,323 | 229,594,904 |
| Current assets | | | |
| Trade and other receivables | 10 | 2,983,235 | 2,993,862 |
| Cash and cash equivalents | | - | 885,000 |
| | | 2,983,235 | 3,878,862 |
| Total assets | | 248,121,558 | 233,473,766 |
| Current liabilities | | | |
| Trade and other payables | 11 | (16,543,808) | (20,377,294) |
| | | (16,543,808) | (20,377,294) |
| Net current liabilities | | (13,560,573) | (16,498,432) |
| Non-current liabilities | | | |
| Deferred income tax liability | 12 | (31,800,901) | (28,709,927) |
| | | (31,800,901) | (28,709,927) |
| Net assets | | 199,776,849 | 184,386,545 |
| Equity | | | |
| Called up share capital | 13 | 1 | 1 |
| Financial assets at fair value through other comprehensive income reserve | | 203,893,787 | 189,009,080 |
| Accumulated losses | 14 | (4,116,939) | (4,622,536) |
| Total equity | | 199,776,849 | 184,386,545 |

The notes on pages 9 to 21 form an integral part of these financial statements.

The financial statements on pages 6 to 21 were approved by the Board of Directors and were signed on its behalf by:



Bruce Richardson
Director
11 March 2021

Stamford Properties Three Limited
Statement of changes in equity
for the 52 weeks to 7 March 2020

| | | Called up share capital | Financial assets at fair value through other comprehensive income reserve | Accumulated losses | Total equity |
|--|-----------|-------------------------------|--|-----------------------|--------------------|
| | Note | £ | £ | £ | £ |
| At 10 March 2019 | | 1 | 189,009,080 | (4,622,536) | 184,386,545 |
| Profit for the year | 14 | - | | 505,597 | 505,597 |
| Other comprehensive income: | | | | | |
| Fair value movements on financial assets at fair value through other comprehensive income | | - | 17,933,382 | - | 17,933,382 |
| Tax relating to other comprehensive income | | - | (3,048,675) | - | (3,048,675) |
| Total comprehensive income for the year | | - | 14,884,707 | 505,597 | 15,390,304 |
| At 7 March 2020 | | 1 | 203,893,787 | (4,116,939) | 199,776,849 |
| <hr/> | | | | | |
| At 11 March 2018 | | 1 | 142,421,341 | (5,046,345) | 137,374,997 |
| Profit for the year | 14 | - | - | 423,809 | 423,809 |
| Other comprehensive income: | | | | | |
| Fair value movements on financial assets at fair value through other comprehensive income | | - | 56,395,091 | - | 56,395,091 |
| Tax relating to other comprehensive income | | | (9,807,352) | - | (9,807,352) |
| Total comprehensive income for the year | | - | 46,587,739 | 423,809 | 47,011,548 |
| At 9 March 2019 | | 1 | 189,009,080 | (4,622,536) | 184,386,545 |

The financial assets at fair value through other comprehensive income reserve represent the fair value movements to the Company's beneficial interest in a commercial property investment pool.

The notes on pages 9 to 21 form an integral part of these financial statements.

Stamford Properties Three Limited
Notes to the financial statements
for the 52 weeks to 7 March 2020

1. General information

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

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 www.about.sainsburys.co.uk.

The Company's financial year represents the 52 weeks to 7 March 2020 (prior financial year: 52 weeks to 9 March 2019).

2. Accounting policies

(a) Statement of compliance

The financial statements are prepared in accordance with United Kingdom Accounting standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company is a qualifying entity for the purposes of FRS 101. The Company's transition date to FRS 101 was 16 March 2013. The results of the Company are consolidated into the Annual Report and Financial Statements 2020 of J Sainsbury plc, available on the Group's website.

FRS 101 sets out amendments to IFRS as adopted by the European Union that are necessary to achieve compliance with the Companies Act and related regulations. These amendments had no impact on the Statement of comprehensive income, Balance sheet or Statement of changes in equity for the Company for the year ended 7 March 2020.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present a cash flow statement.
- The requirements of paragraph 17 of IAS 24, Related Party Transactions, to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries.
- The requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective.
- The requirements of IFRS 7 and IFRS 13 for disclosure of financial instruments and fair values.
- The requirement of IAS 1, Presentation of financial statements' comparative information requirements in respect of Property, plant and equipment and Intangible assets.
- The requirements of IFRS 15 to disclose the disaggregation of revenue

(b) Basis of preparation

The financial statements are presented in sterling, rounded to the nearest pound (£) 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.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

2. Accounting policies (continued)
(b) Basis of preparation (continued)

The preparation of financial statements in conformity with FRS 101 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 2(c).

The Company is a wholly-owned subsidiary of J Sainsbury plc and is included in the consolidated financial statements of J Sainsbury plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. J Sainsbury plc address is 33 Holborn, London, EC1N 2HT.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The ultimate parent company, J Sainsbury plc, has confirmed its present intention to provide financial support. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Amendments to published standards

Effective for the Company in these financial statements:

The Company considered the following amendments to published standards that are effective for the Company for the financial year beginning 10 March 2019 and concluded that they are either not relevant to the Company or they do not have a significant impact on the Company's financial statements other than disclosures. These standards and interpretations have been endorsed by the European Union.

- IFRS 16 'Leases'
- IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Amendments to IFRS 9 'Financial Instruments' on prepayment features with negative compensation
- Amendments to IAS 19 'Employee Benefits' on plan amendments, curtailments or settlements
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' on long term interests in associates and joint ventures
- Annual Improvements Cycle 2015-2017 (issued in December 2017)

Standards and revisions effective for future periods:

The following standards and revisions will be effective for future periods:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 'Business Combinations' on the definition of a business
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of material
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures' on interest rate benchmark reform
- IFRS 17 'Insurance Contracts'

The Company has considered the impact of the above standards and revisions and has concluded that they will not have a significant impact on the Company's financial statements.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company, except where noted above.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

2. Accounting policies (continued)
(b) Basis of preparation (continued)

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.

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.

Finance costs

Finance costs comprises of interest on a loan from the parent company recognised in the income statement as it accrues.

Investment property

Investment properties are those properties held for capital appreciation and/or to earn rental income. They are initially measured at cost, which includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use, including related transaction costs. After initial recognition at cost, they are measured using the "cost method" which is cost less accumulated depreciation and any recognised impairment loss. Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit.

Depreciation

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

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

Financial assets are fair value through other comprehensive income 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.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its investment property 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 dispose 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 investment property, 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, or its original carrying value less accumulated depreciation if lower.

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.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

2. Accounting policies (continued)
(b) Basis of preparation (continued)

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.

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.

Financial instruments

Financial assets

The Company classifies all of its financial assets at amortised cost or at fair value through other comprehensive income 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 flow 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

Loan loss impairments are accounted for using a 3 stage forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts.

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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

2. Accounting policies (continued)
(b) Basis of preparation (continued)

For trade receivables and contract assets, the Company establishes provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9.

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 in 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 year in which they arise.

Fair value estimation

The methods and assumptions applied in determining the fair values of the financial assets and financial liabilities are disclosed in note 15.

(c) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 101 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 judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed 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 consolidated 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.

Impact of COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections across many countries. Management has exercised significant judgement when determining whether any adjustments are required to the financial statements as at 7 March 2020.

The conditions that existed at the balance sheet date were that a disease, present in a number of countries globally, was in existence. It had stabilised in China, however had caused a level of uncertainty in the market. The UK response to the outbreak was still minor and day-to-day life in the UK where the Company operates was unchanged. Despite the lockdown in China, a UK lockdown and subsequent economic impact was not readily apparent at this stage. As a result none of the conditions at the balance sheet date indicated that any adjustments would be required to the Company's financial statements.

The subsequent rise in infections in the UK, significant market movements and global lockdowns occurred after the year-end date, but do not provide additional information about conditions that existed at the balance sheet date. In particular, it was on 11 March that the World Health Organisation declared the virus a pandemic, and from 16 March that the UK Government announced major government-backed loans. It is also

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

2. Accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

this date that day-to-day life in the UK began to be impacted through announced social distancing measures, with additional, stay at home measures being enforced even later. The scale of these Government interventions and impact on daily life in the UK were not apparent at the balance sheet date and therefore represent non-adjusting events to the Company.

Estimates and assumptions

The areas where assumptions and estimates are significant to the financial statements are as described 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 assets other than goodwill

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 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.

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. Details of the tax charge and deferred tax are set out in note 7 and note 12 respectively.

Fair value of investment property

The Company carries its investment properties using the "cost method" which is cost less accumulated depreciation and any recognised impairment loss. This investment property relates to extensions or refurbishments on properties in the investment pool. For disclosure purposes, the fair value as at 7 March 2020 was estimated to be the net book value.

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.

4. Operating profit

| | 2020 | 2019 |
|---|-----------|-----------|
| | £ | £ |
| Operating profit is stated after charging the following item: | | |
| Property operating expenses | 2,389,963 | 2,553,002 |

There were £nil (2019: £nil) direct operating expenses arising from investment property that did not generate rental income during the year.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

5. Employee costs

The average monthly number of persons (including Directors) employed by the Company during the financial year was nil (2019: 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

| | 2020 | 2019 |
|---|-----------|-----------|
| | £ | £ |
| Interest on amounts due to parent company | (402,466) | (459,493) |

7. Income tax credit

| | 2020 | 2019 |
|--|---------------|-----------------|
| | £ | £ |
| Current tax expense: | | |
| UK current tax expense | - | - |
| Deferred tax credit: | | |
| Origination and reversal of temporary differences | 47,275 | (152,897) |
| Change in tax rate | (4,976) | 16,094 |
| Under provision in prior years | - | 42,122 |
| Total income tax expense/(credit) in income statement | 42,299 | (94,681) |

The effective tax rate of 7.72 per cent (2019: (28.77) per cent) is lower than (2019: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

| | 2020 | 2019 |
|---|---------------|-----------------|
| | £ | £ |
| Profit before tax | 547,896 | 329,128 |
| Income tax at corporation rate of 19.00% (2019: 19.00%) | 104,100 | 62,534 |
| Effects of: | | |
| Non-qualifying depreciation | 454,093 | 271,106 |
| One offs | - | 42,122 |
| Group relief claimed for £nil consideration | (510,919) | (486,537) |
| Deferred tax rate change | (4,975) | 16,094 |
| Income tax credit per income statement | 42,299 | (94,681) |

The main rate of UK corporation tax reduced from 20 per cent to 19 per cent from 1 April 2017. A further reduction in the corporation tax rate to 17 per cent, effective from 1 April 2020, was substantively enacted in a prior period, so its effect is reflected in these financial statements. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences and tax losses are expected to reverse.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

7. Income tax credit (continued)

A change to the corporation tax rate, so that it remains at 19% rather than reducing to 17% from 1 April 2020, was announced in the 2020 Budget. However, this rate change was not substantively enacted at the balance sheet date, so its effect is not reflected in these financial statements.

The effect of a two per cent increase in the corporation tax rate on the deferred tax balances at the balance sheet date would increase the deferred tax liability by £3,741,282, which is primarily recognised in equity.

8. Investment property

| | Land and buildings £ | Fixtures and equipment £ | Total £ |
|--|----------------------------|--------------------------------|-------------------|
| Cost | | | |
| At 10 March 2019 and 7 March 2020 | 32,079,848 | 10,499,630 | 42,579,478 |
| Accumulated depreciation and impairment | | | |
| At 10 March 2019 | 23,569,676 | 9,335,165 | 32,904,841 |
| Depreciation expense for the year | 2,057,214 | 332,749 | 2,389,963 |
| At 7 March 2020 | 25,626,890 | 9,667,914 | 35,294,804 |
| Net book value at 7 March 2020 | 6,452,958 | 831,716 | 7,284,674 |
| Cost | | | |
| At 11 March 2018 | 34,562,865 | 10,499,630 | 45,062,495 |
| Disposals | (2,483,017) | - | (2,483,017) |
| At 9 March 2019 | 32,079,848 | 10,499,630 | 42,579,478 |
| Accumulated depreciation and impairment | | | |
| At 11 March 2018 | 23,995,479 | 8,839,377 | 32,834,856 |
| Depreciation expense for the year | 2,057,214 | 495,788 | 2,553,002 |
| Disposals | (2,483,017) | - | (2,483,017) |
| At 9 March 2019 | 23,569,676 | 9,335,165 | 32,904,841 |
| Net book value at 9 March 2019 | 8,510,172 | 1,164,465 | 9,674,637 |

There are no restrictions on the realisability of the investment property or the remittance of income or the remittance of income or proceeds on disposals. There are no contractual obligations to purchase, construct or develop the investment property for repairs, maintenance or enhancements.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

9. Financial assets at fair value through other comprehensive income

| | 2020 £ | 2019 £ |
|-----------------------|-------------|-------------|
| Non-current | | |
| Other financial asset | 237,853,649 | 219,920,267 |

The other financial asset represents the Company's beneficial interest in a commercial property investment pool. The fair value of the other financial asset is based on discounted cash flows assuming a property rental growth rate of 0.6 per cent (2019: 0.6 per cent) and a weighted average cost of capital of 9.0 per cent (2019: 9.0 per cent). The financial asset at fair value through other comprehensive income is denominated in sterling. There were no disposals or impairment provisions on the financial asset at fair value through other comprehensive income in either the current or the previous financial year. See note 15 for sensitivity analysis.

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

| | |
|------------------------------|--------------------|
| Other financial asset | £ |
| At 10 March 2019 | 219,920,267 |
| Fair value movement | 17,933,382 |
| At 7 March 2020 | 237,853,649 |
| At 10 March 2018 | 163,525,176 |
| Fair value movement | 56,395,091 |
| At 9 March 2019 | 219,920,267 |

10. Trade and other debtors

| | 2020 £ | 2019 £ |
|----------------|-----------|-----------|
| Current | | |
| Accrued income | 2,983,235 | 2,993,862 |

The carrying amounts of trade and other debtors are denominated in sterling and are non-interest bearing. All amounts due are not considered overdue or impaired.

11. Trade and other creditors

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| Current | | |
| Amounts due to parent company | 16,543,806 | 20,377,292 |
| Amounts owed to other Group entities | 2 | 2 |
| Total amounts owed to Group entities | 16,543,808 | 20,377,294 |

The amounts due to the parent company are denominated in sterling, carry a floating rate of interest of base rate plus 1.50 per cent (2019: base rate plus 1.50 per cent) and all amounts are payable on demand. Details of interest charged on the amounts outstanding are disclosed in note 6.

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

12. Deferred income tax liability

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

| | Accelerated capital allowances £ | Fair value movements £ | Total £ |
|--------------------------------------|--|------------------------------|---------------------|
| At 10 March 2019 | 401,262 | (29,111,189) | (28,709,927) |
| Credit to income statement | (42,299) | - | (42,299) |
| Charge to other comprehensive income | - | (3,048,675) | (3,048,675) |
| At 7 March 2020 | 358,963 | (32,159,864) | (31,800,901) |
| <hr/> | | | |
| At 11 March 2018 | 306,581 | (19,303,837) | (18,997,256) |
| Credit to income statement | 94,681 | - | 94,681 |
| Charge to other comprehensive income | - | (9,807,352) | (9,807,352) |
| At 9 March 2019 | 401,262 | (29,111,189) | (28,709,927) |

13. Called up share capital

| | 2020 Number | 2019 Number | 2020 £ | 2019 £ |
|--|----------------|----------------|-----------|-----------|
| Called up share capital | | | | |
| Allotted and fully paid ordinary shares of £1 each | 1 | 1 | 1 | 1 |

14. Accumulated losses

| | £ |
|-------------------------|--------------------|
| At 10 March 2019 | (4,622,536) |
| Profit for the year | 505,597 |
| At 7 March 2020 | (4,116,939) |
| <hr/> | |
| At 11 March 2018 | (5,046,345) |
| Profit for the year | 423,809 |
| At 9 March 2019 | (4,622,536) |

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

15. 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 value plus transaction costs. The fair value is based on discounted cash flows. Fair value movements on financial assets at fair value through other comprehensive income are disclosed in note 9.

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 7 March 2020 and 9 March 2019.

| | Amortised Cost £ | Financial assets at fair value through other comprehensive income £ | Other financial liabilities £ | Total £ |
|---|------------------------|--|--|--------------------|
| At 7 March 2020 | | | | |
| Trade and other receivables | 2,983,235 | - | - | 2,983,235 |
| Financial assets at fair value through other comprehensive income | - | 237,853,649 | - | 237,853,649 |
| Trade and other creditors | - | - | (16,543,808) | (16,543,808) |
| | 2,983,235 | 237,853,649 | (16,543,808) | 224,293,076 |
| At 9 March 2019 | | | | |
| Trade and other receivables | 2,993,862 | - | - | 2,993,862 |
| Financial assets at fair value through other comprehensive income | - | 219,920,267 | - | 219,920,267 |
| Trade and other creditors | - | - | (20,377,294) | (20,377,294) |
| | 2,993,862 | 219,920,267 | (20,377,294) | 202,536,835 |

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).

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

15. Financial instruments (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|--------------------|--------------------|
| | £ | £ | £ | £ |
| At 7 March 2020 | | | | |
| Financial assets at fair value through other comprehensive income | - | - | 237,853,649 | 237,853,649 |
| At 9 March 2019 | | | | |
| Financial assets at fair value through other comprehensive income | - | - | 219,920,267 | 219,920,267 |

Reconciliation of Level 3 fair value measurements of financial assets:

| | 2020 |
|-------------------------------|--------------------|
| | £ |
| Opening balance | 219,920,267 |
| Total gains: | |
| In other comprehensive income | 17,933,382 |
| Closing balance | 237,853,649 |

| | 2019 |
|-------------------------------|--------------------|
| | £ |
| Opening balance | 163,525,176 |
| Total gains: | |
| In other comprehensive income | 56,395,091 |
| Closing balance | 219,920,267 |

The financial assets at fair value through other comprehensive income relate to the Company's beneficial interest in a property investment pool. The net present value of the interest in the various freehold reversions owned by the commercial property investment pool has been derived by assuming a property growth rate of 0.6 per cent per annum (2019: 0.6 per cent) and a discount rate of nine per cent per annum (2019: nine per cent).

The sensitivity of this balance to changes of one per cent in the assumed rate of property rental growth and one per cent in the discount rate holding other assumptions constant is shown below:

| | 2020 | 2020 | 2019 | 2019 |
|---|---|---|---|---|
| | Change in | Change in | Change in | Change in |
| | growth rate | discount rate | growth rate | discount rate |
| | +/- 1.0% | +/- 1.0% | +/- 1.0% | +/- 1.0% |
| | £ | £ | £ | £ |
| Financial assets at fair value through other comprehensive income | 10,535,230/ (10,291,982) | (7,172,470)/ 7,464,759 | 12,669,170/ (12,254,912) | (8,554,634)/ 8,984,558 |

Stamford Properties Three Limited
Notes to the financial statements (continued)
for the 52 weeks to 7 March 2020

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. 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

The Company's exposure to interest rate fluctuations is limited to amounts payable to the parent company. The Company is exposed to interest rate fluctuations as interest payable is calculated on the Bank of England base rate plus 1.5%.

Sensitivity analysis for variable rate instruments

The Company had £16,543,808 (2019: £20,377,294) payable to Group companies as at the balance sheet date of which £16,543,808 was interest bearing (2019: £20,377,294). The sensitivity of this balance and post-tax profit or loss to a change of 100 basis points in interest rates at the balance sheet date is shown below:

| | 2020 Change in interest rate +/- 1.0% £ | 2019 Change in interest rate +/- 1.0% £ |
|---------------------------|--|--|
| Variable rate instruments | (130,994)/ 98,245 | (161,347)/ 121,011 |

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.

17. Post balance sheet events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections across many countries. As detailed in note 2c it has been concluded that none of the conditions at the balance sheet date indicated that any adjustments would be required to the Company's financial statements.