Registered company number: 07111228

# Tintagel Castle Limited

## Annual Report and Financial Statements

For the 52 weeks to 7 March 2020

**Tintagel Castle Limited**
**Strategic report**
**for the 52 weeks to 7 March 2020**

**Principal activities and review of business**
The principal activity of Tintagel Castle Limited (the 'Company') (together with Sainsbury's Property Scottish Limited Partnership) is to act as a partner in a property partnership called Sainsbury's Property Scottish Partnership (the 'Partnership').

The Company's profit for the financial year is £16,010,965 (2019: £24,544,888). The financial position as at 7 March 2020 is shown in the balance sheet set out on page 10.

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 does not form part of this report.

**Future developments**
It is management's intention to wind up the Company within 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 and policies of the Company are disclosed in note 12 of the financial statements.

**Section 172 statement and stakeholder engagement**

All directors are collectively responsible for the success of the Company and take their duties and responsibilities, including those set out in Section 172(1) of the Companies Act 2006, seriously. When making decisions, the board of directors seek to take the course of action that it considers best leads to the success of the Company over the long term, and this includes considering the Company's stakeholders.

The Company is a subsidiary of J Sainsbury plc and its stakeholder engagement is integrated within the governance framework of J Sainsbury plc and its subsidiaries (the 'Group'). During the year, the Directors continued to focus on engagement with the Company's stakeholders, most notably the Group. The Directors primarily used finance meetings to consider and engage with the Group. These interactions informed key decisions that the Directors made during the year, such as approving the Company's financial statements.

Further details on how the Group engaged with its stakeholders, can be found in the 2020 Annual Report for J Sainsbury plc on pages 14-17.

By order of the Board:

Katherine Kinch
Katherine Kinch (May 14, 2021 09:26 GMT+1)

Katherine Kinch
On behalf of
**Sainsburys Corporate Director Limited**
14 May 2021

**Tintagel Castle Limited**
**Directors' report**
**for the 52 weeks to 7 March 2020**

The Directors present their report and the audited financial statements of Tintagel Castle Limited (the 'Company') for the 52 weeks to 7 March 2020. The prior financial year's financial statements were for the 52 weeks to 9 March 2019.

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

**Going concern**
During the financial year, J Sainsbury plc, announced that it had reached agreement with the Company's Pension Scheme Trustees on the terms of the triennial actuarial valuation as at 30 September 2018 and related funding plan. Under the revised funding plan, J Sainsbury plc established a new property partnership (Sainsbury's Thistle Scottish Limited Partnership) with the Pension Scheme (the "New Partnership") on 17 July 2019.

As the Company was created to act as a partner in the Sainsbury's Property Scottish Partnership which is to be wound up, it is management's intention to also wind up the Company. As a result the financial statements have not been prepared on a going concern basis. All carrying amounts are reflective of their recoverable amounts.

**Directors**
The names of the persons who were Directors at any time during the financial year and up to the date of signing the financial statements are set out below. Unless otherwise indicated they served as Directors for the entire financial year.

| | |
|---|---|
| Bruce Richardson | (Appointed 5 July 2019) |
| Martyn Burke | (Appointed 14 June 2019; resigned 5 July 2019) |
| Duncan Cooper | (Resigned 2 May 2019) |
| Sainsbury's Corporate Director Limited | |

**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:

| | |
|---|---|
| Sainsbury's Corporate Secretary Limited | (Appointed 7 May 2021) |
| Julia Foo | (Appointed 14 June 2019; resigned 7 May 2021) |
| Timothy Fallowfield | (Resigned 14 June 2019) |

**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/herself 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 (May 14, 2021 09:26 GMT+1)

Katherine Kinch
On behalf of
**Sainsburys Corporate Director Limited**
14 May 2021

**Tintagel Castle 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 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 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.

Bruce Richardson
**Director**
14 May 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TINTAGEL CASTLE LIMITED

### Opinion

We have audited the financial statements of Tintagel Castle Limited for the 52 week period ended 7 March 2020 which comprise the Statement of comprehensive income, Balance sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. 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.

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 IFRSs as adopted by the European Union; 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 note 2 and note 14 of the financial statements, which describe the impact on the Company as a result of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

### Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 2(b) to the financial statements which explains that the partners intend to liquidate the partnership and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 2(b). Our opinion is not modified in respect of this matter.

### 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 year for which the financial statements are prepared is consistent with the financial statements; and

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

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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.

Ernst & Young LLP

Ernst & Young LLP (May 17, 2021 14:44 GMT+1)

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

**Tintagel Castle Limited**
**Statement of comprehensive income**
**for the 52 weeks to 7 March 2020**

| | Note | 2020 £ | 2019 £ |
|---|---|---|---|
| **Revenue** | | **15,179,843** | 24,406,578 |
| **Operating profit** | 3 | **15,179,843** | 24,406,578 |
| Finance income | 5 | **780,095** | 498,390 |
| **Profit before tax** | | **15,959,938** | 24,904,968 |
| Income tax expense | 6 | **51,027** | (360,080) |
| **Profit for the financial year** | | **16,010,965** | 24,544,888 |

There was no other comprehensive income or expense during the financial year or the prior financial year.

The notes on pages 12 to 20 are an integral part of these financial statements.

**Tintagel Castle Limited**
**Balance sheet**
**as at 7 March 2020**

| | Note | **2020** £ | 2019 (restated) £ |
|---|---|---|---|
| **Current assets** | | | |
| Investments | 7 | **210,700,000** | 210,700,000 |
| Other receivables | 8 | **109,563,125** | 93,603,187 |
| **Total assets** | | **320,263,125** | 304,303,187 |
| | | | |
| **Current liabilities** | | | |
| Other payables | 9 | **(211,132,867)** | (210,700,000) |
| Deferred income tax | 6 | **-** | (483,894) |
| **Net current assets** | | **109,130,258** | 93,119,293 |
| | | | |
| **Equity** | | | |
| Called up share capital | 10 | **10,001** | 10,001 |
| Retained earnings | 11 | **109,120,257** | 93,109,292 |
| **Total equity** | | **109,130,258** | 93,119,293 |

The notes on pages 12 to 20 are an integral part of these financial statements.

The financial statements on pages 9 to 20 were approved by the Board of Directors on 14 May 2021 and signed on its behalf by:

Bruce Richardson
**Director**
14 May 2021

**Tintagel Castle Limited**
**Cash flow statement**
**for the 52 weeks to 7 March 2020**

There were no cash flows arising in the Company in the current or prior financial year.

**Statement of changes in equity**
**for the 52 weeks to 7 March 2020**

| | Note | Called up share capital £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|
| **At 10 March 2019 (as previously reported)** | | **10,001** | **93,593,186** | **93,603,187** |
| **Cumulative adjustment to opening balance on adoption of IFRS 16** | | | **(483,894)** | **(483,894)** |
| **At 9 March 2019 (restated)** | | **10,001** | **93,109,292** | **93,119,293** |
| **Profit for the financial year** | 10 & 11 | **-** | **16,010,965** | **16,010,965** |
| **At 7 March 2020** | | **10,001** | **109,120,257** | **109,130,258** |

| | | | | |
|---|---|---|---|---|
| At 11 March 2018 (as previously reported) | | 10,001 | 68,688,218 | 68,698,219 |
| Cumulative adjustment to opening balance on adoption of IFRS 16 | | | (123,814) | (123,814) |
| At 11 March 2018 (restated) | | 10,001 | 68,564,404 | 68,574,405 |
| Profit for the financial year (restated) | 10 & 11 | - | 24,544,888 | 24,544,888 |
| At 9 March 2019 (restated) | | 10,001 | 93,109,292 | 93,119,293 |

The notes on pages 12 to 20 are an integral part of these financial statements.

## 1 General information

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

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

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.about.sainsburys.co.uk.

## 2 Accounting policies

### (a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and International Financial Reporting Interpretations Committee ('IFRIC') 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. It is the Directors' intention to wind up the Company within the next twelve months. As a result the financial statements have not been prepared on a going concern basis. Accordingly, investments are carried at their estimated realisable amount, and all assets and liabilities are classified as current.

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.

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.

### Going concern

During the financial year, J Sainsbury plc, announced that it had reached agreement with the Company's Pension Scheme Trustees on the terms of the triennial actuarial valuation as at 30 September 2018 and related funding plan. Under the revised funding plan, J Sainsbury plc established a new property partnership (Sainsbury's Thistle Scottish Limited Partnership) with the Pension Scheme (the "New Partnership") on 17 July 2019.

As the Company was created to act as a partner in the Sainsbury's Property Scottish Partnership which is to be wound up, it is management's intention to also wind up the Company. As a result the financial statements have not been prepared on a going concern basis. All carrying amounts are reflective of their recoverable amounts.

## 2. Accounting policies (continued)

**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 11 March 2018 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 have concluded that they will not have a significant impact on the Company's financial statements, apart from additional disclosures.

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

**Revenue**

Revenue is earned by means of a distribution of profits from the Company's investment in Sainsbury's Property Scottish Partnership.

**Finance income**

Finance income is recognised in the income statement for financial assets measured at amortised cost using the effective interest method.

**Investments**

Investments in partnerships are held at cost, less any recognised impairment loss.

## 2 Accounting policies (continued)

### Financial instruments

*Financial assets*
The Company classifies all of its financial assets at amortised cost 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, 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.

*Financial liabilities*
Bank loans and payables 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.

*Fair value estimation*
The fair values of receivables, payables and loans of a maturity of less than one year are approximate to their book values.

*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 contract.

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.

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.

### Called up 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.

**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.

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

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. Those which are significant to the Company are discussed separately below:

**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*
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 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 year when such determination is made. Detail of the tax charge is set out in note 6.

*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 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.

## 3 Operating profit

The auditors' remuneration, in the current financial year was £1,863 (2019: £1,414).

## 4 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.

## 5 Finance income

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Interest receivable from Group companies | **780,095** | 498,390 |

## 6 Income tax expense

| | 2020<br><br>£ | 2019<br>(restated)<br>£ |
|---|---|---|
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | **(101)** | 360,080 |
| Under/(over) provision in prior years | **-** | - |
| Revaluation of deferred tax balances | **(50,926)** | - |
| **Total deferred tax** | **(51,027)** | 360,080 |
| | | |
| **Total income tax (credit)/expense in income statement** | **(51,027)** | 360,080 |

The effective tax rate of -0.3 per cent (2019: 1.4 per cent) is lower than (2019: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

| | 2020<br><br>£ | 2019<br>(restated)<br>£ |
|---|---|---|
| Profit before tax | **15,959,938** | 24,904,968 |
| Income tax at UK corporation tax rate of 19.00% (2019: 19.00%) | **3,032,388** | 4,731,944 |
| Effects of: | | |
| Transfer pricing adjustment | **(482,813)** | (840,693) |
| Group relief claimed for £nil consideration | **(2,549,676)** | (3,891,251) |
| IFRS 16 adjustment | **-** | 360,080 |
| Revaluation of deferred tax balances | **(50,926)** | - |
| Total income tax (credit)/expense in income statement | **(51,027)** | 360,080 |

The movements in deferred income tax assets and liabilities during the financial year, prior to the offsetting of the balances within the same tax jurisdiction, are shown below.

| | Leases | Total |
|---|---|---|
| | £ | £ |
| At 10 March 2019 | **(483,894)** | **(483,894)** |
| Transfer to Group company | **432,867** | **432,867** |
| Credit to income statement | **101** | **101** |
| Rate change adjustment to income statement | **50,926** | **50,926** |
| **At 07 March 2020** | **-** | **-** |
| | | |
| At 11 March 2018 | (123,814) | (123,814) |
| Charge to income statement | (360,080) | (360,080) |
| At 09 March 2019 | (483,894) | (483,894) |

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Total deferred income tax liabilities | - | (483,894) |
| Total deferred income tax assets | - | - |
| | | |
| **Net deferred income tax liabilities recognised in current liabilities** | - | (483,894) |

Deferred income tax assets have been recognised in respect of all income tax losses and other temporary differences giving rise to deferred income tax assets because it is probable that these assets will be recovered. Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority.

## 7 Investments

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| At start of financial year | **210,700,000** | 210,700,000 |
| **At end of financial year** | **210,700,000** | 210,700,000 |

On 8 January 2010, the Company became a partner (together with a related partnership, Sainsbury's Property Scottish Limited Partnership) in a newly formed Scottish partnership, Sainsbury's Property Scottish Partnership. The Partnership is registered in Scotland and limited under the Limited Partnerships Act 1907. The Company has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has therefore not appended the financial statements of this qualifying partnership to these financial statements.

## 8 Other receivables

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| **Current** | | |
| Amounts due from parent company | **1** | 1 |
| Amounts due from Group companies | **109,563,124** | 93,603,186 |
| | **109,563,125** | 93,603,187 |

Amounts due from parent and Group companies are denominated in sterling and are interest bearing at Bank of England's base rate of 0.75 (2019: 0.75) per cent per annum.

Amounts due from parent and Group companies are not considered overdue or impaired.

## 9 Other payables

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| **Current** | | |
| Amounts due to Group companies | **211,132,867** | 210,700,000 |

*Current amounts due to Group entities are non-interest bearing and are payable on demand.*

## 10 Called up share capital

| | **2020** | **2020** | 2019 | 2019 |
|---|---|---|---|---|
| | **number** | **£** | number | £ |
| Authorised, allotted and fully paid - £1 ordinary shares | **10,001** | **10,001** | 10,001 | 10,001 |
| **Called up share capital** | **10,001** | **10,001** | 10,001 | 10,001 |

## 11 Retained earnings

| | **Retained earnings** |
|---|---|
| | **£** |
| **At 10 March 2019 (as previously reported)** | **93,593,186** |
| **Cumulative adjustment to opening balance on adoption of IFRS 16** | **(483,894)** |
| **At 9 March 2019 (restated)** | **93,109,292** |
| **Profit for the financial year** | **16,010,965** |
| **At 7 March 2020** | **109,120,257** |

| | |
|---|---|
| At 11 March 2018 (as previously reported) | 68,688,218 |
| Cumulative adjustment to opening balance on adoption of IFRS 16 | (123,814) |
| At 11 March 2018 (restated) | 68,564,404 |
| Profit for the financial year (restated) | 24,544,888 |
| At 9 March 2019 (restated) | 93,109,292 |

## 12 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 has no exposure to interest rate risk fluctuations as amounts due to Group companies carry fixed rates of interest or are non-interest bearing.

**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 amounts receivable from the parent and Group companies. These are existing related party receivables with no history of default and none of the amounts are past due nor 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.

## 13 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.about.sainsburys.co.uk. The Company does not have a bank account; all transactions are settled on an intercompany account.

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

### (b) Transactions with Parent company

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| **Year end balances arising from transactions with Parent company** | | |
| **Receivables** | | |
| Amounts due from Parent company | **1** | 1 |

## 13 Related party transactions (continued)

### (c) Transactions with Group companies

| | 2020 £m | 2019 £m |
|---|---|---|
| **Advances given to Group companies** | | |
| Interest income in respect of interest bearing loans | **780,095** | 498,390 |
| **Distribution of profits from Sainsbury's Property Scottish Partnership** | **15,179,843** | 24,406,578 |

| | | |
|---|---|---|
| **Year end balances arising from transactions with Group companies** | | |
| **Receivables** | | |
| Amounts due from Group companies | **109,563,124** | 93,603,186 |
| **Payables** | | |
| Amounts due to Group companies | **211,132,867** | 210,700,000 |

### (d) Transactions with other related parties

There have been no transactions with other related parties during the financial year.

## 14 Events after the balance sheet date

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections across many countries. As detailed in note 2 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.

Subsequent to the balance sheet date, Julia Foo resigned as Company secretary on 7 March 2021 and Sainsbury's Corporate Secretary Limited was appointed as Company secretary on 7 March 2021.

# Sainsbury's Property Scottish Partnership

# Annual Report and Financial Statements

For the 52 weeks to 7 March 2020

**Sainsbury's Property Scottish Partnership**
**Strategic report**
**for the 52 weeks to 7 March 2020**

**Principal activities and review of business**
The principal activity of Sainsbury's Property Scottish Partnership (the 'Partnership') is holding investment property and it is controlled by two partners, Tintagel Castle Limited and Sainsbury's Property Scottish Limited Partnership ('SLP').

The Partnership's profit for the financial year was £1,686,029 (2019: profit of £148,429,286). The financial position as at 7 March 2020 is shown in the balance sheet set out on page 9.

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 does 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 and policies of the Partnership are disclosed in note 14 of the financial statements.

By order of the Board:

*Katherine Kinch*
Katherine Kinch (May 14, 2021 09:27 GMT+1)

Katherine Kinch
For and on behalf of Sainsbury's Corporate Director Limited
on behalf of Braemar Castle Limited acting in its capacity as General Partner of Sainsbury's Property Scottish Limited Partnership
14 May 2021

**Sainsbury's Property Scottish Partnership**
**Partners' report**
**for the 52 weeks to 7 March 2020**

The Partners present the report and the audited financial statements of Sainsbury's Property Scottish Partnership (the 'Partnership') for the 52 weeks to 7 March 2020. The prior year's financial statements were for the 52 weeks to 9 March 2019.

**Going concern**

During the 52 weeks to 7 March 2020, J Sainsbury plc, announced that it had reached agreement with the Company's Pension Scheme Trustees on the terms of the triennial actuarial valuation as at 30 September 2018 and related funding plan. Under the revised funding plan, J Sainsbury plc established a new property partnership (Sainsbury's Thistle Scottish Limited Partnership) with the Pension Scheme (the "New Partnership") on 17 July 2019.

To facilitate this, Sainsbury's Supermarkets Ltd ("SSL") purchased the Pension Scheme Trustees' interest in the Sainsbury's Property Scottish Limited Partnership, making the Partnership a wholly owned subsidiary of the Sainsbury's Group. All properties within The Partnership were then sold to other companies within the Group for a sum of £874 million.

It is the Partners' intention to wind up the Partnership within the next twelve months. As a result the financial statements have not been prepared on a going concern basis.

**Partners**

The names of the partners who were Partners at any time during the period and up to the date of signing the financial statements are set out below. Unless otherwise indicated they served as Partners for the entire financial year.

Tintagel Castle Limited
Sainsbury's Property Scottish Limited Partnership

Sainsbury's Property Scottish Partnership is unincorporated and the annual report and financial statements will not be filed with the Registrar of Companies. The financial statements have been audited by Ernst & Young LLP.

**Disclosure of information to auditors**

Each of the Partners confirms that, so far as he is aware, there is no relevant audit information of which the auditors are unaware. Each Partner has taken all steps that he ought to have taken as a Partner 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.

For and on behalf of Sainsbury's Property Scottish Partnership,

Katherine Kinch
Katherine Kinch (May 14, 2021 09:27 GMT+1)

Katherine Kinch
For and on behalf of Sainsbury's Corporate Director Limited
on behalf of Braemar Castle Limited acting in its capacity as General Partner of Sainsbury's Property Scottish Limited Partnership
14 May 2021

**Sainsbury's Property Scottish Partnership**
**Statement of Partners' responsibilities**
**for the 52 weeks to 7 March 2020**

The Partners are responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies in note 2 for management purposes. The Partners must not approve the non-statutory financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these non-statutory financial statements, the Partners have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated the basis of preparation and accounting polices applied;
- prepared the non-statutory financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The Partners are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bruce Richardson
On behalf of Tintagel Castle Limited
14 May 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAINSBURY'S PROPERTY SCOTTISH PARTNERSHIP

### Opinion

We have audited the financial statements of the Sainsbury's Property Scottish Partnership for the 52 week period ended 7 March 2020 which comprise of the Statement of comprehensive income, Balance sheet, Cash flow statement, the Statement of changes in Partners' Interests and the related notes 1 to 15, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

give a true and fair view of the qualifying partnership's affairs as at 7 March 2020 and of its profit for the period 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 as applied to qualifying partnerships.

### 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 note 2 and note 15 of the financial statements, which describe the impact on the partnership as a result of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

### Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 2(b) to the financial statements which explains that the partners intend to liquidate the partnership and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 2(b). Our opinion is not modified in respect of this matter.

### 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 partners" report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and partners' 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 qualifying partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or partners' 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 Partners'**

As explained more fully in the Partners' Responsibilities Statement set out on page 4, the partners 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 partners 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 partners are responsible for assessing the qualifying partnership'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 partners either intend to liquidate the qualifying partnership 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 qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships. Our audit work has been undertaken so that we might state to the qualifying partnership'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 qualifying partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP (May 17, 2021 14:45 GMT+1)

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

**Sainsbury's Property Scottish Partnership**
**Statement of comprehensive income**
**for the 52 weeks to 7 March 2020**

| | Note | 2020<br>£ | 2019<br>restated<br>£ |
|---|---|---|---|
| **Revenue** | | **15,631,234** | 47,524,583 |
| Cost of sales | | - | - |
| **Gross profit** | | **15,631,234** | 47,524,583 |
| Partners' remuneration charged as an expense | | **(24,130,424)** | (43,791,011) |
| Investment property fair value movements | 6 | - | 144,570,000 |
| Administrative expenses | | - | (4,355) |
| Intercompany Loan waiver | | - | 123,913 |
| Gain on sale of properties | | **1,316,732** | - |
| **Operating (loss)/profit** | 3 | **(7,182,458)** | 148,423,130 |
| Finance income | 5 | **8,916,174** | 130,104 |
| Finance costs | 5 | **(47,687)** | (123,948) |
| **Profit for the financial year** | | **1,686,029** | 148,429,286 |
| Attributable to: | | | |
| Profit available for distribution among partners | | **1,686,029** | 148,429,286 |

There was no other comprehensive income or expense during the financial year or the prior financial year.

The notes on pages 11 to 19 are an integral part of these financial statements.

**Sainsbury's Property Scottish Partnership**
**Balance sheet**
**as at 7 March 2020**

| | Note | 2020 £ | 2019 restated £ |
|---|---|---|---|
| **Current assets** | | | |
| Investment properties | 6 | - | 874,470,000 |
| Trade and other receivables | 7 | **891,142,642** | - |
| Cash & equivalents | 10b | **33,905** | 30,171,971 |
| **Total assets** | | **891,176,547** | 904,641,971 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 8 | - | (13,882,408) |
| Lease liabilities | 9 | - | (1,269,045) |
| Partners' capital | 11 | **(810,700,100)** | (810,700,100) |
| **Net current assets** | | **80,476,447** | 78,790,418 |
| | | | |
| **Partners' interests** | | | |
| Reserves | 12 | **80,476,447** | 78,790,418 |
| **Total equity** | | **80,476,447** | 78,790,418 |

The notes on pages 11 to 19 are an integral part of these financial statements.

The financial statements on pages 7 to 19 were authorised for issue on behalf of the Partners of Sainsbury's Property Scottish Partnership by:

Bruce Richardson
On behalf of Tintagel Castle Limited
14 May 2021

**Sainsbury's Property Scottish Partnership**
**Cash flow statement**
**for the 52 weeks to 7 March 2020**

| | Note | 2020 £ | 2019 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 10a | **(880,547,538)** | 48,407,582 |
| **Net cash generated from operating activities** | | **(880,547,538)** | 48,407,582 |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant & equipment | | **874,470,000** | - |
| Interest received | 5 | **69,896** | 130,104 |
| **Net cash generated from investing activities** | | **874,539,896** | 130,104 |
| | | | |
| **Cash flows from financing activities** | | | |
| Partners' remuneration | | **(24,130,424)** | (43,791,011) |
| **Net cash generated from financing activities** | | **(24,130,424)** | (43,791,011) |
| | | | |
| **Net increase in cash and cash equivalents** | | **(30,138,066)** | 4,746,675 |
| | | | |
| Opening cash and cash equivalents | | **30,171,971** | 25,425,296 |
| Net cash generated from operating activities | | **(30,138,066)** | 4,746,675 |
| **Closing cash and cash equivalents** | 10b | **33,905** | 30,171,971 |

The notes on pages 11 to 19 are an integral part of these financial statements.

**Sainsbury's Property Scottish Partnership**
**Statement of changes in Partners' interests**
**for the 52 weeks to 7 March 2020**

| | Note | **Total Partners' interests** **£** |
|---|---|---|
| **At 10 March 2019** | | **78,790,418** |
| **Profit for the financial year** | 12 | **1,686,029** |
| **At 7 March 2020** | | **80,476,447** |

| | | |
|---|---|---|
| At 11 March 2018 | | (68,369,858) |
| Cumulative adjustment to opening balance on adoption of IFRS 16 | | (1,269,010) |
| At 11 March 2018 (restated) | | (69,638,868) |
| Profit for the financial year | 12 | 148,429,286 |
| At 9 March 2019 | | 78,790,418 |

The notes on pages 11 to 19 are an integral part of these financial statements.

## 1 General information

Sainsbury's Property Scottish Partnership (the 'Partnership') is a qualifying Scottish partnership. The Partnership is domiciled in the United Kingdom and its registered address is Scottish Commercial Office, Hurlawcrook Road, Langlands Park Industrial Estate, East Kilbride, G75 OQH.

The Partnership'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 Partnership's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and International Financial Reporting Interpretations Committee ('IFRIC') interpretations.

### (b) Basis of preparation

The financial statements are presented in sterling, rounded to the nearest pound (£) unless otherwise stated. It is the Partners' intention to wind up the Partnership within the next twelve months. As a result the financial statements have not been prepared on a going concern basis. Accordingly, all assets are carried at their estimated realisable amount, and all assets and liabilities are classified as current.

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The 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.

**Amendments to published standards**
**Effective for the Partnership in these financial statements:**

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

— 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)

## 2 Accounting policies (continued)

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

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

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

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

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

**Partners' capital**
Partners' capital has been classified as a financial liability.

**Financial instruments**
*Financial liabilities*
Payables are initially 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.

## 2 Accounting policies (continued)

*Fair value estimation*
The fair values of receivables, payables and loans of maturity of less than one year are considered to approximate their book values.

**Tax**
No tax is recorded in the financial statements of the Partnership, as all tax liabilities are liabilities of the Partners, not the Partnership.

**Investment properties**
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 conditions for its intended use, including related transaction costs. After initial recognition at cost, they are carried at their fair values based on market value determined by professional valuers at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included within the income statement.

**Impairment of non-financial assets**
At each reporting date, the Partnership 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 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 Partnership estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs.

Any impairment charge is recognised in the income statement in the year in which it occurs. Where an impairment loss, other than an impairment loss on goodwill, 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.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash in hand and at bank, investments in money market funds and 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.

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

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. Those which are significant to the Partnership are discussed separately below:

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

## 2 Accounting policies (continued)

*Operating leases for lessors*

The Partnership 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 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.

*Lease term*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option under some of its leases to either lease the assets for additional terms, or terminate the lease early (a break option). The Company applies judgement in evaluating whether it is reasonably certain to exercise these options. That is, it considers all relevant factors that create an economic incentive for it to exercise them. For leased properties, this includes the current and expected profitability of the respective site, as well as the length of time until the option can be exercised. The judgement currently applied is that the Company assumes contractual terms unless it is reasonably certain that an extension or break option will be applied.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the options to renew (e.g. a change in business strategy). Any reassessment of the lease term will be reflected in a recalculation of the lease liability and respective right-of-use asset.

**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*
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 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.

*Fair value of Investment properties*
The Company carries its investment properties using the "cost method" which is cost less accumulated depreciation and any recognised impairment loss. For disclosure purposes the Company engaged an independent valuation specialist to assess fair value as at 7 March 2020. A valuation methodology based on a discounted cash flow (DCF) model was used. Please refer to note 6 for the key assumptions used to determine the fair value of the properties.

*Lease liabilities*
The discount rate used to calculate the lease liability is the rate implicit in the lease if it can be readily determined, or the Group's incremental borrowing rate (IBR) if not.

The IBRs depend on the start date and term of the lease, and are determined based on a number of inputs including a reference (risk free) rate and adjustments to reflect the Group's credit risk. The reference rates are based on UK overnight swap rates and the credit risk adjustments are based on the prices of instruments issued by the Group and quoted credit default swaps ("CDS").

The weighted average IBR applied on transition to IFRS 16 was 5.5 per cent, with individual leases ranging from 0.7 per cent to 16.5 per cent.

## 3 Operating loss

The auditors' remuneration, in the current financial year was £1,863 (2019: £1,414).

A gain of £1,316,732 (2019: £nil) was recognised on the sale of the Partnership's investment properties

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

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

## 4 Employee Costs

The average monthly number of persons (including Partners) employed by the Partnership during the financial year was nil (2019: nil).

## 5 Finance Income and costs

| | 2020 £ | 2019 £ |
|---|---|---|
| Interest on other financial assets | **8,846,278** | - |
| Interest on bank deposits | **69,896** | 130,104 |
| **Finance income** | **8,916,174** | 130,104 |

| | | |
|---|---|---|
| Lease liabilities | **(47,687)** | (123,948) |
| **Finance costs** | **(47,687)** | (123,948) |

## 6 Investment properties

| | 2020 £ | 2019 £ |
|---|---|---|
| At start of the financial year | **874,470,000** | 729,900,000 |
| Revaluation of properties | **-** | 144,570,000 |
| Disposal of properties | **(874,470,000)** | - |
| **Total investment properties** | **-** | 874,470,000 |

At the end of the financial year, the company held nil investment properties.

## 7 Trade and other receivables

| | 2020 £ | 2019 £ |
|---|---|---|
| **Current** | | |
| Amounts due from Group companies | **891,142,642** | - |
| Total trade and other receivables | **891,142,642** | - |

## 8 Trade and other payables

| | 2020 £ | 2019 £ |
|---|---|---|
| **Current** | | |
| Amounts owed to Group companies | **-** | 10,978,687 |
| Other payables | **-** | 2,903,721 |
| Total trade and other payables | **-** | 13,882,408 |

## 9 Lease liabilities

| | 2020 £m | 2019 £m |
|---|---|---|
| At start of the financial year | **1,269,045** | 1,269,010 |
| Interest expense | **47,687** | 123,948 |
| Payment made by Group company | **-** | (123,913) |
| Disposal | **(1,316,732)** | - |
| **Total lease liabilities** | **-** | 1,269,045 |

## 10 Notes to the cash flow statement

### (a) Reconciliation of gross profit to cash generated from operations

| | 2020 £ | 2019 £ |
|---|---|---|
| Gross profit | **15,631,234** | 47,524,583 |
| Administrative expenses | **-** | (4,355) |
| Gross profit and operating cash flows before changes in working capital | **15,631,234** | 47,520,228 |
| Changes in working capital: | | |
| Increase in trade and other receivables | **(891,142,642)** | - |
| (Decrease)/Increase in trade and other payables | **(13,882,408)** | 887,354 |
| Interest on other financial assets | **8,846,278** | - |
| **Cash generated from operations** | **(880,547,538)** | 48,407,582 |

### (b) Cash and cash equivalents

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

| | 2020 £ | 2019 £ |
|---|---|---|
| Cash and cash equivalents | **33,905** | 30,171,971 |

## 11 Partners' capital

| | Sainsbury's Property Scottish Limited Partnership £ | Tintagel Castle Limited £ | Total £ |
|---|---|---|---|
| **Called up share capital** | | | |
| Balance at beginning of financial year | **600,000,100** | **210,700,000** | **810,700,100** |
| Contributions by partners | - | - | - |
| **Balance at end of financial year** | **600,000,100** | **210,700,000** | **810,700,100** |

## 12 Partners' interests

| | Income Account £ | Capital Account £ | Total Reserves £ |
|---|---|---|---|
| **At 10 March 2019** | **14,501,104** | **64,289,314** | **78,790,418** |
| **Profit for the financial year** | **1,686,029** | **-** | **1,686,029** |
| **At 7 March 2020** | **16,187,133** | **64,289,314** | **80,476,447** |
| | | | |
| At 11 March 2018 | 11,910,828 | (80,280,686) | (68,369,858) |
| Cumulative adjustment to opening balance on adoption of IFRS 16 | (1,269,010) | - | (1,269,010) |
| Profit for the financial year | 3,859,286 | 144,570,000 | 148,429,286 |
| At 9 March 2019 | 14,501,104 | 64,289,314 | 78,790,418 |

## 13 Financial risk management

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

The Group operates a central treasury function which is responsible for managing the Partnership's liquid resources, funding requirements and interest rate and currency exposures.

### Interest rate risk
The Partnership's exposure to interest rate risk is limited to interest received on bank deposits. Amounts payable to Group companies are non-interest bearing.

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

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

### Counterparty credit risk
Counterparty credit risk is the risk of a financial loss arising from counterparty default on non-performance of the Company's holdings of cash and cash equivalents. Management does not expect any losses arising from non-performance of deposit counterparties.

## 14 Related party transactions

The Partners share control over the operation of the Partnership as set out in the Partnership Agreement. The Partners are registered in England and Wales or Scotland. Copies of the Partners' financial statements may be obtained from Companies House.

### (a) Key management personnel

The Partnership is managed by two partners, Tintagel Castle Limited and Sainsbury's Property Scottish Limited Partnership. The Partnership did not have any transactions with the Partners other than the distribution of income as per the Partnership Agreement.

### (b) Transactions with partners

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| **Distribution expense** | | |
| Partners' remuneration charged as an expense | **24,130,424** | 43,791,011 |

### Transactions with other related parties

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| Rental income | **15,631,234** | 47,524,583 |
| Rent received in advance | - | 8,963,888 |

## 15 Events after the balance sheet date

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections across many countries. As detailed in note 2 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.