

Preliminary Results for the 52 weeks ended 2 March 2024
Strongest year of grocery performance driving momentum for Next Level Sainsbury's strategy

The strength of our grocery performance over the last year, with record market share gains¹ and volume growth accelerating every quarter, is a clear demonstration of the success of our Food First strategy. Over the last three years this strategy has enabled us to make consistent and balanced choices for customers, colleagues, suppliers and shareholders. Customers continue to respond to the investments we have made in value, innovation, availability and service and are doing more of their grocery shopping with Sainsbury's². Higher grocery volumes are feeding through to better profit leverage. This has driven profit and free cash flow results above the top end of our guidance range despite lower Financial Services profits and softer General Merchandise trading.

We are building on this momentum and the strength of our position in the UK grocery market through our Next Level Sainsbury's strategy, announced in February. We expect to continue to outperform the grocery market and for this volume advantage to drive strong profit leverage in the year ahead, with retail underlying operating profit of between £1,010 million and £1,060 million, growth of between five per cent and ten per cent. Reflecting the strength of our balance sheet and our commitment to deliver enhanced shareholder returns, we announced in February that we will buy back £200 million of shares in 2024/25. We will commence the buyback programme tomorrow.

| Financial Summary | 2023/24 | 2022/23 | YoY |
|--|------------------|----------------|------------|
| Business performance | | | |
| Group sales (inc. VAT) | £36,337m | £35,157m | 3.4% |
| Retail sales (inc. VAT, excl. fuel) | £30,615m | £28,664m | 6.8% |
| Retail underlying operating profit | £966m | £926m | 4.3% |
| Financial services underlying operating profit | £29m | £46m | (37.0)% |
| Underlying profit before tax | £701m | £690m | 1.6% |
| Underlying basic earnings per share | 22.1p | 23.0p | (3.9)% |
| Proposed Full-year dividend per share | 13.1p | 13.1p | - |
| Net debt (inc. lease liabilities) | £(5,554)m | £(6,344)m | £790m |
| Statutory performance | | | |
| Group revenue (excl. VAT, inc. fuel) | £32,700m | £31,491m | 3.8% |
| Profit before tax | £277m | £327m | (15.3)% |
| Profit after tax | £137m | £207m | (33.8)% |
| Basic earnings per share | 5.9p | 9.0p | (34.4)% |

Financial Highlights

- Retail sales (excl. fuel) up 6.8%. Grocery sales growth of 9.4%, General Merchandise sales up 1.2% (down 0.5% including the impact of the closure of Argos in the Republic of Ireland) and Clothing sales down 6.4%. Fuel sales down 14.3%, reflecting lower input prices. Statutory sales up 3.8%
- Retail underlying operating profit of £966 million, up 4.3%, with volume-driven grocery profit growth and continued strong delivery of cost savings partially offset by weaker General Merchandise profits
- Financial Services underlying operating profit of £29 million versus £46 million last year, reflecting the impact of higher funding costs from increased interest rates not being fully passed on to customers, as previously guided
- Underlying profit before tax of £701 million, up 1.6%
- Statutory profit before tax of £277 million, down 15.3%. Non-underlying items predominantly relate to the restructuring of the Financial Services division
- Retail free cashflow of £639 million, broadly flat year-on-year
- Net debt including leases of £5,554 million, £790 million lower, reflecting strong cash generation and a £372 million net reduction as a result of the Highbury and Dragon property transaction³. Net debt to EBITDA 2.6x
- Proposed final dividend of 9.2 pence, full year dividend of 13.1 pence, in line with last year

2024/25 Outlook

- We are confident of delivering strong profit growth in the year ahead. We expect to continue to grow grocery volumes ahead of the market, driving profit leverage. Combined with continued growth in Nectar profit contribution, a resilient Argos profit performance and continued strong cost saving delivery, we expect this to deliver retail underlying operating profit of between £1,010 million and £1,060 million, growth of between five per cent and ten per cent
- Our strong grocery momentum has continued into the new financial year and while we will face tougher comparatives, we expect to continue to generate volume growth and outperform the market. Against last year's cool and wet Summer, we additionally expect a sales benefit across the business from more normal seasonal weather
- We expect a lower profit contribution from Financial Services this year as we prepare to change the scope of the business. We expect a continued healthy profit contribution from the commission-based products we will retain. However, profits from our core banking products will continue to be impacted by higher funding costs and will

additionally be impacted by preparations for phased withdrawal from these areas. Therefore we expect these products to be loss-making and hence a net Financial Services contribution of between break even and £15 million

- We expect to generate Retail free cash flow of at least £500 million

Simon Roberts, Chief Executive of J Sainsbury plc, said:

"We said we'd put food back at the heart of Sainsbury's and that's what we've done. Our food business is firing on all cylinders. We have the best combination of value and quality in the market and that's winning us customers from all our key competitors, driving consistent volume market share growth as more customers choose us for their weekly shop and all their special occasions.

"We've done that by relentlessly investing in price; £780 million over the past three years. We know it's still tough out there for so many households and we're doing all we can to save money right across our business to keep prices low - we have reduced 4,000 products over the last year alone. Nectar Prices has also been a game changer for customers, saving them £12 on a typical £80 shop. And we're not compromising on quality: we've doubled our rate of innovation and Taste the Difference is performing especially well.

"As we embark on our Next Level Sainsbury's strategy, we'll continue to make deliberate, balanced choices to support our customers, colleagues, communities and farmers. I want to say a big thank you to all our colleagues and suppliers for all their hard work in delivering another record year. The business has real momentum and we're excited by our goal of making good food joyful, accessible and affordable for everyone, every day."

Delivering our Strategy

In February, we announced eight commitments that our Next Level Sainsbury's strategy will deliver by March 2027:

- **Food volume growth** ahead of the market
- **Customer satisfaction** higher 26/27 vs 23/24
- **Colleague engagement** higher 26/27 vs 23/24
- Deliver our **Plan for Better commitments**
- **Deliver profit leverage** from sales growth
- **£1bn of cost savings** over three years to 26/27
- **£1.6bn+ Retail free cash flow** over three years to 26/27
- **Higher return on capital employed**

Progress against these commitments will be driven by four strategic outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win.

- **First choice for food:** Consistent focus on improving our food offer, investing in value, innovation, availability and great service has driven market share gains over the course of the Food First plan. This year we've grown volumes in every quarter and made record market share gains, accelerating through the year⁴.
 - We're the most competitive we have ever been⁵. We have invested £220 million since March 2023 and £780 million over the last three years in keeping prices low and passing on less inflation than the market⁶. Customers' perception of the value we offer is the strongest it's been in six years⁷, which is why we're the only full-choice supermarket gaining volume from limited choice competitors⁸
 - We're also gaining more volume from premium competitors than all other full-choice grocers⁹ by continuing to be bold and ambitious on innovation. In the year we launched nearly 1,200 new products and delivered Taste the Difference sales growth of 12 per cent. With sales of £1.6 billion, Taste the Difference is proportionately the biggest Premium own-label brand of the full-choice grocers¹⁰, in more than one in four baskets during the year and more than one in three over Christmas
 - We led the market in paying our colleagues the new Real Living Wage and invested significantly in other benefits including free food. Our colleague engagement scores have increased nine percentage points¹¹. We believe highly engaged colleagues deliver leading customer service and our overall customer satisfaction is consistently ahead of full-choice competitors¹²
 - We're growing customer numbers for both primary and secondary customers faster than other full-choice grocers¹³. Through the rapid rollout of Nectar Prices this year and by focusing our investment on key centre of the plate items, we're delivering better value on the products customers buy most often and as a result more customers are shopping with us across the full basket and increasingly trusting us for their bigger shops¹⁴
 - In the next phase of our strategy, our ambition is to build on this momentum and deliver more food choice to more customers. Currently only 15 per cent of our grocery stores carry our full food range and so we are investing to bring more of our range to more customers, particularly enhancing choice in fresh food, re-allocating space currently used for general merchandise and clothing to food. We will focus on around 180 of our highest potential stores over the next three years
 - In the final quarter, we opened two new supermarkets, in Talbot Green and Southport, which showcase the 'more for more' investments we will be making: featuring our full food offering, a refreshed and innovative look and feel, optimum proposition balance and excellent sustainability credentials. These stores are performing significantly ahead of expectations

- Our strong, long-term relationships with suppliers put us in a strong position to play a leading role in creating a resilient and sustainable food system in the UK. We continue to make investments and changes to the way we work with and support our British farmers. This year, for example, we have introduced a cost model with a predictable margin for our potato suppliers
- We're making deliberate choices about the products and services that sit alongside our core food offer. Lower Tu clothing sales in the year in part reflected a disciplined trading approach, with good stock management protecting profitability in a seasonally weak and promotionally-driven market. However, there were also some disappointing range performances and in the fourth quarter we experienced availability challenges on some core lines, both of which are being addressed in plans for the year ahead
- Sainsbury's general merchandise sales were broadly unchanged year-on-year, despite poor Summer weather in the second quarter. Looking ahead, general merchandise and clothing inside Sainsbury's stores will become more aligned to customers' grocery missions, ensuring ranges are more relevant and desirable
- We're building further on the strength of our supermarket locations by rolling out Smart Charge ultra-rapid EV charging. We now have 371 charging bays in 45 stores with plans to extend our network over the year ahead
- **Loyalty everyone loves:** The role Nectar plays for customers and within our business continues to develop at pace as we further build a world-leading loyalty platform and market-leading retail media capabilities. Nectar has delivered ahead of our plan this year, with the April 2023 launch of Nectar Prices exceeding expectations and the continued growth of our Nectar360 business delivering strong returns for clients on their advertising spend.
 - The vast majority of Sainsbury's customers now regularly shop with Nectar Prices, saving £12 on a typical £80 weekly shop. Nectar sales participation has increased significantly since the launch of Nectar Prices and we now have over 17 million Nectar Digital Collectors. Nectar Prices are now available on around 7,000 products, with customers saving £1.3 billion since the launch
 - Your Nectar Prices, Nectar's personalised offers, are available to online and SmartShop customers and are shopped by more than one million customers each week
 - The strength of our Nectar loyalty programme is fuelling the performance of Nectar360. With a scaled dataset and deep media capabilities, Nectar360 is very well-positioned to continue to grow within the UK retail media market and we expect Nectar360 to deliver an incremental £100 million of profit contribution over the three years to March 2027
- **More Argos, more often:** We have transformed the Argos operating model in recent years, creating a much more resilient business. Through reducing the standalone store estate, opening more Argos stores inside Sainsbury's and driving greater operating efficiency, we have reduced operating costs by more than 3 per cent of sales since 2019/20. This helped protect profits over the last year, where sales were resilient at a headline level but were skewed towards lower margin consumer electronics and technology categories, with poor weather against tough comparatives impacting sales in higher margin seasonal categories.
 - We forecast a resilient Argos profit performance in the year ahead, with some benefit from cost saving plans and the expectation of more normal seasonal weather. The effect on Argos sales of the closure of Argos in the Republic of Ireland, (2.4)% during H2 2023/24, will reduce to around (1.5)% in Q1 2024/25 and will be fully annualised in Q2
 - We are focused on improving growth through further development of our branded ranges, strengthening our own-label products and growing awareness of our leading service proposition. We also aim to build customer engagement through improving our digital, loyalty and services experiences. We will continue to refine our operating model in stores and deliver better availability and service at a lower cost to serve
- **Save and invest to win:** We have delivered £1.3 billion of cost savings over the last three years, future-proofing our business with a structurally lower cost base and fuelling investment in our customer proposition. As we start the next phase of our strategy, we are confident of continued momentum and competitive advantage through unique cost savings opportunities and are already significantly underway with a programme of high-returning activities.
 - We're increasingly delivering productivity benefits through end-to-end programmes, making decisions across a full cross functional chain of costs. For example, we are unlocking significant savings and have already improved ambient availability by 170bps year-on-year¹⁵ through our partnership with Blue Yonder, which enables us to use real-time forecasting to optimise the sales, waste and stock equation. We are in the process of rolling this out across our fresh ranges, with the migration due to be completed by Summer 2024
 - We have committed to delivering a further £1 billion of cost savings by March 2027, more than offsetting cost inflation. High returning investments in technology and automation will drive big steps forward in efficiency with more agile, flexible systems bringing greater efficiency to decision making and accelerating the speed at which we can bring improvements to customers
- **Plan for Better:** We are making good progress on Plan for Better, investing in resilient supply chains and continuing to make progress against targets including plastic packaging and carbon reduction in our own operations.
 - We are accelerating our emission reduction commitments, with our revised targets for decreasing greenhouse gas emissions in our own operations and in our value chain now formally validated by the Science Based Targets Initiative (SBTi). In February, we were the only UK supermarket awarded an A rating for our

environmental commitments on climate change for the tenth consecutive year by the Carbon Disclosure Project and we were also recognised as a 2023 Supplier Engagement Leader

- We reduced relative plastic packaging by 2.8 per cent year-on-year and 12.9 per cent from our baseline. This year we launched our biggest ever plastic packaging removal, moving to cardboard trays across our full mushroom range, which will save over 775 tonnes of plastic per year
- We raised £36 million for good causes and our stores now support and donate to over 2,500 good causes across the UK. We increased our surplus food donations to communities by 57.8 per cent year-on-year in partnership with Neighbourly, with 13.5 million meals donated over the course of the year
- **Financial Services:** Underlying profit contribution declined for the year, with lower net interest margins reflecting higher funding costs not being fully passed through to customers, impacting profits on core banking products in particular. This offset more resilient income from commission-based products such as Travel Money and insurance. In January 2024, we announced a phased withdrawal from core banking activities, with any financial services products offered in future to be provided by dedicated financial services partners through a distributed model. We expect to provide an update on this process at our Interim results in November.

Like-for-like sales performance

| | 2022/23 | | | | 2023/24 YoY | | | | |
|----------------------------------|---------|------|------|------|-------------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | FY |
| Like-for-like sales (excl. fuel) | (4.0)% | 3.7% | 5.9% | 7.8% | 9.8% | 6.6% | 7.4% | 4.8% | 7.5% |
| Like-for-like sales (incl. fuel) | 2.9% | 7.7% | 6.8% | 5.9% | 3.9% | 2.2% | 5.3% | 2.9% | 3.8% |

Total sales performance

| | 2022/23 | | | | 2023/24 YoY | | | | |
|----------------------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | FY |
| Grocery | (2.4)% | 3.8% | 5.6% | 7.4% | 11.0% | 8.9% | 9.3% | 7.3% | 9.4% |
| Total General Merchandise | (11.2)% | 1.2% | 4.6% | 7.6% | 4.0% | (2.6)% | (0.6)% | (5.6)% | (0.5)% |
| GM (Argos) | (10.5)% | 1.6% | 4.5% | 9.3% | 5.1% | (2.6)% | (0.9)% | (6.6)% | (0.5)% |
| GM (Sainsbury's) | (14.6)% | (1.3)% | 5.4% | (1.0)% | (1.2)% | (2.7)% | 0.9% | 0.4% | (0.5)% |
| Clothing | (10.1)% | (0.2)% | 1.3% | (1.9)% | (3.7)% | (14.6)% | (1.7)% | (11.7)% | (6.4)% |
| Total Retail (excl. fuel) | (4.5)% | 3.1% | 5.2% | 7.1% | 9.2% | 5.8% | 6.5% | 4.3% | 6.8% |
| Fuel | 48.3% | 29.1% | 12.2% | (2.8)% | (21.4)% | (17.1)% | (7.2)% | (7.8)% | (14.3)% |
| Total Retail (incl. fuel) | 2.5% | 7.2% | 6.2% | 5.4% | 3.3% | 1.5% | 4.4% | 2.4% | 3.2% |

Like-for-like performance exc. Argos ROI in 2023/24

| | 2022/23 YoY inc. Argos ROI | | | | 2023/24 YoY exc. Argos ROI | | | | |
|----------------------------------|----------------------------|------|------|------|----------------------------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | FY |
| Like-for-like sales (excl. fuel) | (4.0)% | 3.7% | 5.9% | 7.8% | 10.0% | 6.6% | 7.4% | 4.8% | 7.6% |
| Like-for-like sales (incl. fuel) | 2.9% | 7.7% | 6.8% | 5.9% | 4.0% | 2.2% | 5.3% | 2.9% | 3.9% |

Total sales performance exc. Argos ROI in 2023/24

| | 2022/23 YoY inc. Argos ROI | | | | 2023/24 YoY exc. Argos ROI | | | | |
|----------------------------------|----------------------------|-------------|-------------|-------------|----------------------------|-------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | FY |
| Grocery | (2.4)% | 3.8% | 5.6% | 7.4% | 11.0% | 8.9% | 9.3% | 7.3% | 9.4% |
| Total General Merchandise | (11.2)% | 1.2% | 4.6% | 7.6% | 4.9% | (0.6)% | 1.5% | (3.9)% | 1.2% |
| GM (Argos) | (10.5)% | 1.6% | 4.5% | 9.3% | 6.1% | (0.1)% | 1.7% | (4.7)% | 1.6% |
| GM (Sainsbury's) | (14.6)% | (1.3)% | 5.4% | (1.0)% | (1.2)% | (2.7)% | 0.9% | 0.4% | (0.5)% |
| Clothing | (10.1)% | (0.2)% | 1.3% | (1.9)% | (3.7)% | (14.6)% | (1.7)% | (11.7)% | (6.4)% |
| Total Retail (excl. fuel) | (4.5)% | 3.1% | 5.2% | 7.1% | 9.3% | 6.2% | 7.1% | 4.7% | 7.2% |
| Fuel | 48.3% | 29.1% | 12.2% | (2.8)% | (21.4)% | (17.1)% | (7.2)% | (7.8)% | (14.3)% |
| Total Retail (incl. fuel) | 2.5% | 7.2% | 6.2% | 5.4% | 3.5% | 1.9% | 4.9% | 2.7% | 3.5% |

Notes

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

A webcast presentation and live Q&A will be held at 9:30 (BST). This will be available to view on our website at the following link: <https://sainsbury-2023-24-preliminary-results-announcement.open-exchange.net/>

A recorded copy of the webcast and Q&A call, alongside slides and a transcript of the presentation will be available at www.about.sainsburys.co.uk/investors/results-reports-and-presentations following the event.

Sainsbury's will issue its 2024/25 First Quarter Trading Statement at 07:00 (BST) on 2 July 2024.

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Strategy Review: Next Level Sainsbury's

In February we announced our Next Level Sainsbury's strategy, building on the success of the Food First strategy launched in 2020. Food First put food back at the heart of Sainsbury's, reset our competitive position and created a strong financial platform from which we will grow, invest in further strengthening the business and deliver enhanced returns to shareholders. Next Level Sainsbury's is underpinned by a new purpose: We make good food joyful, accessible and affordable for everyone, every day. The strategy focuses on four key outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win.

First choice for food

Our work on improving value, innovation and service has driven volume market share gains over the course of our Food First plan. Our performance was particularly strong over the last financial year, with volume growth every quarter and at an accelerating rate of growth. More customers are choosing Sainsbury's and we are growing primary and secondary customers ahead of all full-choice competitors¹³.

Value that sticks

We reset our pricing position over the course of Food First, investing £780 million to improve our value versus all competitors. We are now the most competitive we have ever been⁵ and we are gaining volumes from all key competitors¹⁶. In 2023/24, we invested £220 million in lowering prices on the products customers buy most often and we passed on less inflation than our competitors⁶. We also launched Nectar Prices in April 2023, rapidly rolling out to around 7,000 products over the year. Customers are noticing, with value perception scores improving through the year and now the strongest they have been for six years⁷.

In January we doubled the number of products price matched to Aldi, with over 600 products now included across fresh, grocery and household ranges. We also made it easier for customers to identify lower prices in store by moving all of our entry price point products into a single brand, Stamford Street and by introducing Low Everyday Prices, which has replaced Price Lock and includes over 1,000 products, primarily branded.

Innovate to lead

We are being bold and ambitious on innovation, bringing more new products to customers. We launched over 4,000 products over the course of Food First and grew our Taste the Difference brand from £1.2 billion in 2019/20 to £1.6 billion in 2023/24. We launched nearly 1,200 new products in the year, 40 per cent of those in Taste the Difference, growing the Taste the Difference range by 7 per cent year-on-year. More customers are choosing to treat themselves: sales of our Premium tier grew 12 per cent year-on-year and significantly ahead of the market¹⁷. Ready-prepared meals, Bakery, Food to Go and FreeFrom all performed particularly well.

Customer favourites across the year included our Taste the Difference Mushroom, Mascarpone and Truffle Pizza, our Signature Beef Burger and at Christmas, our Buttermilk Turkey Crown with maple cured bacon and buttery sage and onion stuffing.

We consistently outperformed the market at every seasonal event¹⁸, finishing Q4 with a strong Valentine's Day, with standout sales across flowers, confectionery and our Taste the Difference meal deal, which was the best value in the market. We are well set up to continue our momentum in events and began 2024/25 with a record-breaking Easter week, performing ahead of the market¹⁸ with our biggest ever Easter grocery sales.

A more resilient food system

Our strong, long-term relationships with suppliers put us in a strong position to play a leading role in creating a resilient and sustainable food system in the UK. We continue to make investments and changes to the way we work with and support British farmers. This year, for example, we have introduced a cost model with a predictable margin for our potato suppliers, working closely together to protect supply. On a global scale, working in collaboration with longstanding partner Fairtrade, we are contributing towards paying banana workers a living wage three years ahead of the industry commitment.

Alongside this, we are increasingly moving to more long-term partnerships with key suppliers to enable them to invest for the future with confidence. For example, in March 2023 we began a new long-term partnership with Moy Park which has provided our chickens with 20 per cent more space than industry standard along with environmental enrichments such as perches and play bales. Results indicate that our birds are happier and more comfortable. We have made this change while keeping our price position as sharp as ever and our chicken market share has grown since launch¹⁹.

We were the first large supermarket to launch a dedicated 'Best of British' page on our Groceries Online website, better championing British grown and produced products. The page highlights over 450 products which are 100 per cent British sourced, including popular fruit, vegetable, meat, dairy, eggs and chilled essentials.

More food choice for more customers

Our strengths in fresh food, range and innovation are at the heart of Sainsbury's heritage and brand promise, Good Food For All Of Us. However, we do not currently offer our full range to enough customers in enough locations, with just 15 per cent of our supermarkets offering our full range. We are investing to bring more of our range to more customers, particularly enhancing choice in fresh food, focusing on around 180 of these highest-potential stores over the next three years. While carrying out these changes we are also updating the look and feel of many stores and selectively introducing innovations which we have trialled in a number of stores in recent months, bringing customer and efficiency benefits.

We opened two new supermarkets in Q4, Talbot Green and Southport, both centred around a food hall designed to help customers rediscover the joy of food. Offering our full range, both stores also feature new digital signage and displays designed to help customers feel more inspired and make the stores easier to navigate. To support our Plan for Better targets, each store has a unified refrigeration, ventilation and heating system that removes the need for fossil fuel gas heating and runs on natural CO2 refrigeration, with 100 per cent LED lighting throughout. These new supermarkets are performing significantly ahead of expectations.

Products and services that complement the Food offer

We are tightening our general merchandise and clothing ranges, aligning them more closely to customers' shopping missions. In combination with a more profitable food offer where it's needed, this will generate significantly better sales and profit returns on store space.

Tu clothing continued to maintain a disciplined trading approach in the year. Versus a 2019/20 base, this trading approach has created a more profitable sales mix over the last three years, with higher full price sales, significantly lower markdowns, stronger gross margins, higher average selling price and lower stock. This helped protect profitability over 2023/24 in a seasonally weak and promotionally-driven market. However, our performance during the year and particularly the fourth quarter, when we were further impacted by stock shortages, was below expectations and we have taken action to improve ranges in the year ahead.

We continue to expand our Habitat range, with our new home fragrance collection performing ahead of expectations. Looking ahead, Habitat will celebrate its 60th birthday in May with an innovative 60 Years of Design collection in partnership with designers including Sebastian Conran.

In January, we launched our Smart Charge ultra-rapid EV charging network, now in 45 supermarket locations with 371 charging bays. Smart Charge provides a quick and reliable offer using 100 per cent renewable energy. We will build further on the strength of our supermarket locations and customer traffic, investing in Smart Charge to increase our network of reliable ultra-rapid charging bays.

Engaged colleagues delivering leading customer service

In January we announced that we would be investing £200 million to increase colleague pay in line with the new Real Living Wage, increasing pay to £12 per hour nationally and £13.15 for colleagues in London; leading the market and taking our investment in colleague pay over three years to more than £500 million. Over the course of Food First, we have improved our colleague engagement scores by nine percentage points¹¹. We believe more engaged colleagues deliver better service, and our overall customer satisfaction scores were ahead of full-choice competitors throughout the year, leading in areas including speed and ease of checkout and friendliness and availability of colleagues²⁰.

Convenience sales grew ten per cent, with overall customer satisfaction improving by five percentage points²¹. We grew Groceries Online ahead of the market in the second half²², supporting our strong grocery sales momentum. Increased customer numbers are driving higher sales volumes and we have improved customer satisfaction and retention through better availability and the launch of Your Nectar Prices on Groceries Online²³. We have expanded our On Demand business to 1,157 stores, resulting in 69 per cent sales growth year-on-year.

We are always looking for ways we can improve customer experience while saving money to invest back into our product offer. We have made significant progress in our programme of automating some simple customer services functions to provide a more seamless customer experience and free up colleague time to provide customers with better service.

Plan for Better

Plan for Better is at the heart of how we will deliver our new purpose, to make good food joyful, accessible and affordable for everyone, every day. We are committed to playing a leading role in offering affordable high-quality food that supports healthy and sustainable diets and helps customers reduce their impact on the planet. We know how important it is for our customers, colleagues, communities and shareholders that we deliver on our Plan for Better goals. We are making good progress on our plan, investing in resilient supply chains and continue to make progress towards our targets.

We have a long history of providing good food and leading change to help our customers eat healthier, more sustainable diets. Our Healthy and Better for you sales tonnage as a proportion of total sales is at 80.9 per cent and we recognise there is more to do as we work towards our target of 85 per cent by 2025. Our progress is reflected in our market outperformance of Produce volume sales²⁴, the fact that 87 per cent of our own-brand sales are Healthy and Better for you choices and that our primary customers rate us ahead of our competitors for making it easy for them to choose food that is healthy. We have also designed our value offering to complement this work and this year at least 75 per cent of our Aldi Price Match campaign featured Healthy or Better for you products like fresh produce, wholewheat pasta, salmon and alternative milk products.

Plastic reduction initiatives launched in the year will save nearly 1,800 tonnes of plastic per year and we reduced relative plastic packaging by 2.8 per cent year-on-year and 12.9 per cent from our baseline. We became the first UK retailer to switch from plastic to paper packaging across our entire own-brand toilet paper and kitchen towel ranges, saving 485 tonnes. Other plastic saving initiatives included leading the market in changing our range of babywear to cardboard hangers and reducing plastic in meat packaging ranges.

In the last year, we raised £36 million for good causes and redistributed 57.8 per cent more surplus food to communities through our partnership with Neighbourly. Over the course of this partnership, we have donated over 23 million meals to communities. Our stores now support and donate to over 2,500 good causes across the UK. We also moved from use-by dates to best-before dates across our own-brand milk range, helping reduce food waste and impacting 730 million pints of milk sold by Sainsbury's every year²⁵.

We have restated the 2022/23 result for food waste to anaerobic digestion reported in the 2022/23 Annual Report from 23,443 tonnes to 30,399 tonnes due to an identified reporting error. The 2019/20 baseline is restated from 31,615 tonnes to 34,609 tonnes. This means that in 2022/23 we reduced absolute food waste by 12.2 per cent rather than the 25.8 per cent reported versus our 2019/20 baseline. This year we have reduced food waste to anaerobic digestion by 12.5 per cent absolute and 13.9 per cent relative to total tonnes handled versus our 2019/20 baseline. We are focused on accelerating our progress and have put in place a number of new measures including a partnership with Olivo to redistribute 'use by' foods from all of our stores and are extending trials on new ways to repurpose food waste for animal feed.

We are building the resilience of our business and accelerating our emission reduction commitments. In February, our revised commitments for lowering greenhouse gas emissions in our own operations and in our value chain were formally validated by the Science Based Targets initiative. In the same month, the Carbon Disclosure project awarded us an A rating for our environmental commitments on climate change for the tenth consecutive year – the only UK supermarket to be recognised at this level.

Loyalty everyone loves

We are continuing to build a world-leading Nectar loyalty platform, offering personalised, rewarding and integrated loyalty and market-leading retail media capabilities. This platform has been a key component in transforming our value offering and value perception. It has delivered ahead of our plan and is playing an ever-greater role for customers and within our business, with over 17 million digital subscribers.

We launched Nectar Prices in April last year and rapidly rolled it out across our ranges. It is now available on around 7,000 products and is saving customers an average of £12 on a typical £80 shop. The customer response to Nectar Prices has exceeded our expectations, strengthening value perception and driving Nectar participation levels, with more than five million new Nectar Digital Collectors since launch. In October, we also introduced Your Nectar Prices on Sainsburys.co.uk and our grocery app, with plans on track to roll this out more widely. Your Nectar Prices is powered by Nectar's personalised offers which are world-leading in their scale, generating over 280 million different personalised offers each week.

Nectar360 is well positioned within the fast-growing UK retail media market, with a scaled dataset and deep media capabilities. Nectar360 serves over 870 brands directly and has built partnerships with the 10 key agency groups. Over the last year we signed two new partners, allowing advertisers to better target campaigns and launching a new supply chain data sharing and insight platform for our suppliers. We also announced the expansion of our connected digital screen network to over 800 screens. To continue to build stronger digital engagement and deliver even more value to Nectar customers, we are investing in high return growth by expanding our team and unifying our capabilities across instore, onsite and offsite. As we continue to build our coalition of strong partners, we are also investing further in the integration of Nectar across all our digital platforms and into payment solutions.

Our Next Level Sainsbury's strategy will continue to build a world-leading loyalty platform – one that's even more personalised, joyful, rewarding and transparent – for everyone. We expect to generate an incremental £100 million of Nectar360 profit contribution over the three years to March 2027.

More Argos, more often

We are focused on transforming Argos around the three things that have always made it brilliant – curated range, famously convenient experience and great value – so that more customers buy more complete baskets more often. Over the last three years we have significantly improved Argos's profitability by transforming our store operating model, reducing the standalone store estate and opening more Argos stores inside Sainsbury's. This has reduced the fixed cost base while expanding the number of points where customers can conveniently collect products. Argos sales and gross profit last year were impacted by poor seasonal weather against tough comparatives in challenging market conditions, but lower fixed costs helped reduce the impact of weaker sales on Argos profitability.

Famous for convenience

Customers love and recognise Argos for the convenience and consistently great value we provide and this has remained at the heart of the Argos proposition over the last year. Half of UK households shop at Argos every year²⁶ and we have the fourth most visited retail website in the UK²⁷. More than 70 per cent of sales start online, 70 per cent of sales are collected in store and nearly 70 per cent of online Click and Collect orders are available for immediate collection. Over the next three years our focus will be on building customer awareness of our great service and convenience, with an ambition to drive greater frequency of customers shopping with Argos.

Inspiring choice, always great value

Our aim is to inspire customers to shop bigger baskets with Argos more often by continuing to improve our ranges and enhance customer experience. Gaming remains a strong contributor to growth, powered by strong Black Friday deals, consistent availability and continued demand for hardware and accessories. Mobile phone sales have also been strong, particularly iPhones, where we have had better stock allocations and as a result have grown market share. Premium product sales continue to perform well.

Argos's key brand health metrics significantly increased versus last year²⁸ and customer satisfaction improved over the course of the year in appealing promotions, value for money, quality and variety of items²⁹.

Supercharged digital capabilities

We are supercharging Argos's digital capabilities by further developing the website, app and customer relationship management capabilities, with the aim of driving traffic, basket spend and conversion. We continue to improve the digital customer journey by testing new promotional and personalisation mechanics and enhancing search and browsing

experiences – making checkout easier and faster. We recently relaunched our delivery checkout to provide a better customer experience and a more stable platform.

Accessible and relevant credit, care and services

Having the right range of accessible and relevant credit solutions is important to help our customers buy what they want, when they want it. We announced in January the completion of a strategic review of our Financial Services division which will over time result in a phased withdrawal from our core banking business. Whilst financial services will continue to be an important part of the Argos proposition, we expect to move to third party provision of Argos financial services products, improving the range and quality of payment solutions we can offer customers and increasing penetration, currently 21 per cent of sales.

Next level service, efficiency and stock flow

We have significantly transformed Argos to be a digital first business and have integrated Nectar. At the same time, we have moved from standalone stores towards a store-in-store model, increased the number of our collection points and continued to build a market-leading fulfilment network, as well as completing our withdrawal from the Republic of Ireland.

We have made significant changes to how and where we move and hold stock, driving efficiency and improving availability by making sure we have the right stock closer to customers when they need it. The next phase of our store operating model refinement is moving to a clustering model, which will replace a one-size-fits-all approach. This approach will unlock efficiencies and reduce operational complexity. As a result we will have better tailored ranges, availability and service, delivering cost-to-serve reductions alongside improved customer satisfaction. An example of this is our Croydon store, where we've already moved from three floors to one, resulting in faster service and improved customer satisfaction.

Save and invest to win

We have delivered £1.3 billion in savings over the last three years – double the rate of savings during Food First compared to prior years – which has been central to the delivery of our strategy. This has created the fuel to invest in what matters for our customers and has reset our value position. In the next three years, we will create a further £1 billion in savings, more than offsetting cost inflation and taking another big leap forward in efficiency, productivity and customer focus.

Our investments in technology and automation are driving big steps forward. More agile, flexible systems are bringing greater efficiency to decision making and accelerating the speed at which we can improve customer experience. For example, we are unlocking significant savings through accurate real-time grocery forecasting that optimises the sales, waste and stock equation. We have already migrated all of our ambient grocery products to machine learning forecasting, resulting in availability gains of 170bps year-on-year¹⁵ – the equivalent of 150 more products available in each of our supermarkets, driving up basket size. We are underway with rolling this out across our Fresh ranges, with the migration due to be completed by Summer 2024.

We are also simplifying our technology processes using cloud technology. This is helping with allocation and replenishment processes, enhancing customer personalisation and rewards and supporting the safety and stability of our ongoing operations. By automating some of the processes within our contact centre, we are delivering a more seamless customer experience and faster resolution times, while saving colleagues' time.

We are making bold decisions on business structure and propositions. We are simplifying our Store Support Centre structure and looking at where we can work more effectively with third party partners. We are also making good progress on the programme we began in 2022 to transform our eat-in, takeaway and home delivery food and drink offer, with fewer Sainsbury's cafés and more third-party outlets.

A smaller proportion of cost savings will be driven by structural changes in the future, but we continue to transform our food service offerings to reduce cost and complexity across our business while enhancing our customer offer. For example, leading the market on freshly baked goods is an important part of our ambition to be First choice for food. We are well underway with a programme to move many stores to a more efficient way of freshly baking products in-store, improving range and quality but also unlocking significant savings.

Plan for Better is fully integrated into our Save and invest to win initiatives. We are rolling out the latest integrated refrigeration and heating technology, delivering both a saving on energy and helping reduce our carbon footprint. The Longhill Burn Wind Farm was completed in August and the wind turbines are the largest and most powerful onshore in the UK. When all the turbines are operating at maximum capacity together they can provide enough electricity to supply up to 33 per cent of our total electricity needs. We have also started to roll out double decker trailers in our fleet, which

will reduce the number of vehicles on the road, thereby reducing our carbon footprint, while maintaining the same levels of stock movement.

- 1 Nielsen Panel volume market share 2017/18 to 2023/24. Total FMCG (excluding Kiosk and Tobacco), Market Universe: Total Outlets
- 2 Nielsen Panel, total FMCG (exc. Kiosk and Tobacco). Primary and Secondary Volume Share of wallet %pt YoY change, 52 weeks to 2 March 2024
- 3 Please refer to note 2.4 in the Notes to the consolidated financial statements
- 4 Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco, volume market share change YoY
- 5 Value Reality, 2023/24; Acuity, internal modelling. Data available from 2016.
- 6 Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Top 100 SKUS Average 4 weekly Trended ASP (Average Selling Price) vs Total Market - 52 weeks to 2 March 2024
- 7 YouGov Brand Index – Supermarket Value for Money Perception metric %
- 8 Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Net volume switching to/from Aldi and Lidl, 52 weeks to 2 March 2024
- 9 Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Net volume switching to/from M&S and Waitrose, 52 weeks to 2 March 2024
- 10 Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco, Nielsen Panel data. Contribution of Premium Own Label to Total Sales
- 11 eSAT scores March 2024 vs April 2021
- 12 CSAT Supermarket Competitor Benchmark data – Overall Supermarket satisfaction score
- 13 Nielsen Panel, total FMCG (exc. Kiosk and Tobacco). Customer numbers YoY growth, 52 weeks to 2 March 2024
- 14 Nielsen Panel, total FMCG (exc. Kiosk and Tobacco), Total Shopper Mission customer numbers, YoY %pt change, 52 weeks to 2 March 2024
- 15 Q3 23/24 YoY improvement in availability
- 16 Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Sainsbury's to/ from net volume switching, 52 weeks to 2 March 2024
- 17 Nielsen Panel Premium Own Label Volume Growth YoY - Total FMCG excl. Kiosk and Tobacco. 52 weeks to 2 March 2024
- 18 Nielsen EPOS data. JS volume growth YoY% difference to Total Market growth YoY% for key events week growth versus last year events week
- 19 Nielsen Panel data, volume market share % growth YoY, FY23/24 vs FY22/23, Chicken category (raw chicken)
- 20 CSAT Supermarket Competitor Benchmarking data – FY23/24 scores
- 21 Lettuce Know Convenience customer satisfaction scores, FY23/24 vs FY22/23. Overall Satisfaction measure
- 22 Nielsen, Sainsbury's Online market share, 24 weeks to 2 March 2024
- 23 Lettuce Know Groceries Online customer satisfaction scores, FY23/24 vs FY22/23. Overall Satisfaction measure
- 24 Nielsen panel data, Produce category, volume growth YoY, 52w to 2nd March 2024
- 25 Includes all fresh and organic milk sold across England, Scotland, and Wales
- 26 Kantar Worldpanel. UK households vs ONS Total UK households 2022
- 27 SimilarWeb traffic share, 52 weeks to 2 March 2024
- 28 YouGov – General Retail Brand Health metrics
- 29 Argos E2E CSAT Survey

Financial Review of the year results for the 52 weeks to 2 March 2024

A number of Alternative Performance Measures ('APMs') have been adopted by the Directors to provide additional information on the underlying performance of the Group. These measures are intended to supplement, rather than replace the measures provided under IFRS. Underlying performance measures are reconciled to their IFRS equivalents on the face of the income statement with non-underlying items set out in more detail in note 3 to the financial statements. Other APMs are defined and reconciled to their nearest IFRS measures in notes A1 to A4.

| Summary income statement | 52 weeks to 2 March 2024 | 52 weeks to 4 March 2023 | Change |
|---|-----------------------------|-----------------------------|--------|
| | £m | £m | % |
| Group sales (including VAT) | 36,337 | 35,157 | 3.4 |
| Retail sales (including VAT) | 35,721 | 34,626 | 3.2 |
| Retail sales (excluding fuel, including VAT) | 30,615 | 28,664 | 6.8 |
| Group sales (excluding VAT) | 32,700 | 31,491 | 3.8 |
| Retail sales (excluding VAT) | 32,084 | 30,960 | 3.6 |
| Underlying operating profit | | | |
| Retail | 966 | 926 | 4.3 |
| Financial Services | 29 | 46 | (37.0) |
| Total underlying operating profit | 995 | 972 | 2.4 |
| Underlying net finance costs | (294) | (282) | 4.3 |
| Underlying profit before tax | 701 | 690 | 1.6 |
| Items excluded from underlying results | (424) | (363) | 16.8 |
| Profit before tax | 277 | 327 | (15.3) |
| Income tax expense | (140) | (120) | 16.7 |
| Profit for the financial period | 137 | 207 | (33.8) |
| Underlying basic earnings per share | 22.1p | 23.0p | (3.9) |
| Basic earnings per share | 5.9p | 9.0p | (34.4) |
| Interim Dividend per share | 3.9p | 3.9p | - |
| Final Dividend per share | 9.2p | 9.2p | - |
| Total Dividend per share | 13.1p | 13.1p | - |

In the 52 weeks to 2 March 2024, the Group generated profit before tax of £277 million (2022/23: £327 million) and an underlying profit before tax of £701 million (2022/23: £690 million).

This strong underlying profit performance was driven by the performance of our grocery business, which delivered both grocery volume growth and consistent market share gains throughout the year. This reflected the investment we have made in our grocery business in recent years to strengthen the customer proposition, in particular through the improvement of our value position. The grocery volume performance was further supported this year by the successful launch of Nectar Prices. Our ongoing cost savings programme helped us reduce the impact of rising operating cost inflation in order to deliver for customers, colleagues and shareholders. The combination of volume growth and cost savings delivered strong grocery profit growth, partially offset by the impact of poor weather on general merchandise and clothing sales and lower Financial Services profits. Strong cash generation, with retail free cash flow of £639 million, strengthened our balance sheet and supported dividend payments. We continue to make balanced investment choices, supporting our customers and colleagues whilst also delivering for shareholders.

Group sales

Group sales (including VAT) increased by 3.4 per cent year-on-year as a 6.8 per cent increase in Retail sales (including VAT, excluding fuel) more than offset a 14.3 per cent decrease in Fuel sales (including VAT).

| Total sales performance by category | 52 weeks to | 52 weeks to | Change |
|-------------------------------------|--------------|--------------|------------|
| | 2 March 2024 | 4 March 2023 | |
| | £bn | £bn | % |
| Grocery | 23.7 | 21.7 | 9.4 |
| General Merchandise | 6.0 | 6.0 | (0.5) |
| Clothing | 0.9 | 1.0 | (6.4) |
| Retail (exc. Fuel) | 30.6 | 28.7 | 6.8 |
| Fuel sales | 5.1 | 6.0 | (14.3) |
| Retail (inc. Fuel) | 35.7 | 34.6 | 3.2 |

| Retail like-for-like sales performance | 52 weeks to | 52 weeks to |
|--|--------------|--------------|
| | 2 March 2024 | 4 March 2023 |
| | | |
| Like-for-like sales (exc. Fuel) | 7.5% | 2.6% |
| Like-for-like sales (inc. Fuel) | 3.8% | 5.7% |

Grocery sales increased 9.4 per cent, reflecting strengthening volume growth as inflation reduced, particularly in the second half of the year. We continued to prioritise value for customers, inflating behind key competitors. This included the positive launch of Nectar Prices, offering lower prices for Nectar customers alongside extra personalised prices through 'Your Nectar Prices'. As a result, we have seen volume increases across all major categories and our own brand participation increased 93 basis points as customers opted to trade in to better value private label products from branded items to help manage the cost of living whilst also treating themselves through our *Taste the Difference* range, particularly at key events.

General merchandise sales decreased by 0.5 per cent. Seasonal and Kids and Home and Furniture sales both declined due to a cooler, wetter summer and warmer winter impacting seasonal sales, alongside tough market conditions. This was partially offset by Electronics and Tech sales increasing year-on-year, with Gaming being the primary driver. Sales were also affected by the closure of Argos Republic of Ireland on 24 June. Stripping out the effect of the Republic of Ireland closure, general merchandise sales increased by 1.2 per cent. Clothing sales decreased by 6.4 per cent, with lower volumes partially driven by unseasonable weather.

Fuel sales decreased by 14.3 per cent, reflecting a lower average pump price year-on-year.

| Total sales (including VAT) performance by channel | 52 weeks to | 52 weeks to |
|--|--------------|--------------|
| | 2 March 2024 | 4 March 2023 |
| | % | % |
| Total sales fulfilled by supermarket stores | 10.3 | 1.9 |
| Supermarkets (inc. Argos stores in Sainsbury's) | 11.0 | 4.8 |
| Groceries online | 5.5 | (13.5) |
| Convenience | 10.3 | 9.9 |

Sales fulfilled from our supermarkets grew by 10.3 per cent, driven by both grocery inflation and, particularly in the second half, volume growth. Groceries online sales increased by 5.5 per cent, driven by improvements in availability and service. Convenience sales increased by 10.3 per cent, with growth strongest in 'Food on the Move' city centre stores and more urban locations.

Space

During 2023/24, Sainsbury's opened three new supermarkets and closed one, and opened 23 new convenience stores, closing three.

During the year, we opened 22 new Argos stores in Sainsbury's and closed 73 standalone Argos stores. The number of Argos collection points in Sainsbury's stores increased from 420 to 456. As at 2 March 2024, Argos had 659 stores, including 446 stores in Sainsbury's, and a total of 1,115 points of presence.

| Store numbers and retailing space | As at 4 March 2023 ^{a)} | New stores | Disposals / Closures | As at 2 March 2024 |
|-----------------------------------|----------------------------------|------------|----------------------|--------------------|
| Supermarkets | 595 | 3 | (1) | 597 |
| Supermarkets area '000 sq. ft. | 20,691 | 120 | (10) | 20,801 |
| Convenience | 814 | 23 | (3) | 834 |
| Convenience area '000 sq. ft. | 1,961 | 61 | (6) | 2,016 |
| Sainsbury's total store numbers | 1,409 | 26 | (4) | 1,431 |
| Argos stores | 285 | 1 | (73) | 213 |
| Argos stores in Sainsbury's | 424 | 22 | - | 446 |
| Argos total store numbers | 709 | 23 | (73) | 659 |
| Argos collection points | 420 | 42 | (6) | 456 |
| Habitat | 3 | - | (3) | - |

a) Space (sq. ft.) adjusted at 4 March 2023 to include the net change of all store re-measures throughout the year including those made post- investment

In total for 2024/25, we expect to open three supermarkets and around 25 new convenience stores, with four supermarkets and three to five convenience stores to close. In addition, we expect to open around ten Argos stores inside Sainsbury's and close around 15-20 Argos stand-alone stores.

We expect the stand-alone Argos store estate will reduce to around 190 stores by March 2025 and we expect to have 450-460 Argos stores inside Sainsbury's supermarkets as well as 480-500 collection points.

Retail underlying operating profit

| Retail underlying operating profit | Note ^{a)} | 52 weeks to 2 March 2024 | 52 weeks to 4 March 2023 | Change |
|---|--------------------|--------------------------|--------------------------|---------|
| Retail underlying operating profit (£m) | A1.2 a) | 966 | 926 | 4.3% |
| Retail underlying operating margin (%) | A1.2 a) | 3.01 | 2.99 | 2bps |
| Retail underlying EBITDA (£m) | A1.2 d) | 2,078 | 2,060 | 0.9% |
| Retail underlying EBITDA margin (%) | A1.2 d) | 6.48 | 6.65 | (17)bps |

a) Note references for reconciliations refer to the Alternative Performance Measures.

Retail underlying operating profit increased by 4.3 per cent to £966 million (2022/23: £926 million) and retail underlying operating margin increased by two basis points year-on-year to 3.01 per cent (2022/23: 2.99 per cent). Strong grocery profit growth was driven by higher volumes and cost savings offsetting higher operating costs and value investment. This was partially offset by lower general merchandise margins, which reflected the mix impacts of lower seasonal sales and higher Consumer Electronics sales.

In 2024/25, Sainsbury's expects retail underlying operating profit of between £1,010 million and £1,060 million, growth of between five per cent and ten per cent.

Retail underlying EBITDA increased to £2,078 million (2022/23: £2,060 million). However, retail underlying EBITDA margin declined 17 basis points to 6.48 per cent (2022/23: 6.65 per cent). In 2024/25, Sainsbury's expects a retail underlying depreciation and amortisation charge of around £1.15 billion (2023/24: £1.11 billion), including around £0.4 billion right-of-use asset depreciation.

Financial Services

| Financial Services results | | | | |
|---|--------|--------------|-------|----------|
| 12 months to 29 February 2024 | Note | 2024 | 2023 | Change |
| Underlying revenue (£m) | | 637 | 531 | 20.2% |
| Interest and fees payable (£m) | | (211) | (84) | 152.4% |
| Total income (£m) | | 426 | 447 | (4.7)% |
| Underlying operating profit (£m) | | 29 | 46 | (37.0)% |
| Net interest margin (%) | a) | 4.7 | 5.1 | (40)bps |
| Cost:income ratio (%) | | 70 | 66 | 400bps |
| Bad debt as a percentage of lending (%) | b) | 2.1 | 2.1 | 0bps |
| Tier 1 capital ratio (%) | | 17.1 | 15.4 | 170bps |
| Total capital ratio (%) | c), e) | 19.4 | 17.8 | 160bps |
| Customer deposits (£bn) | | (4.2) | (4.7) | (10.6)% |
| Total customer lending (£bn) | d) | 4.5 | 5.3 | (15.1)% |
| <i>of which unsecured lending (£bn)</i> | | 4.5 | 4.7 | (4.3)% |
| <i>of which secured lending (£bn)</i> | | - | 0.6 | (100.0)% |

a) Net interest income divided by average interest-bearing assets

b) Bad debt expense divided by average net lending

c) Total capital divided by risk-weighted assets

d) Amounts due from customers at the balance sheet date in respect of loans, mortgages, credit cards and store cards net of provisions

e) The prior year (February 2023) unaudited CET 1 (15.5 per cent) and total capital ratio (17.9 per cent) have been updated to reflect a revised credit value adjustment (CVA) calculation as outlined in the Pillar 3 Disclosures published in July 2023.

Financial Services underlying operating profit of £29 million (2022/23: £46 million) reduced by £17 million, primarily reflecting the impact of higher funding costs from increased interest rates not being fully passed on to customers.

Total income of £426 million reduced by 4.7 per cent and net interest margin reduced by 40 basis points. Strong underlying revenue growth of 20 per cent was driven by selective unsecured customer lending growth (with average balance up five per cent) and customer rate increases, alongside strong growth in Travel Money and Argos Care. Interest and fees payable grew 152 per cent, driven by the increase in the Bank of England base rate since the financial year ended in 2022.

The Financial Services cost:income ratio increased to 70 per cent (2022/23: 66 per cent), reflecting the pressure on net income from higher funding costs and the impact of inflation on operating costs.

Bad debt as a percentage of lending stayed flat at 2.1 per cent (2022/23: 2.1 per cent) with slightly higher arrears in Loans offset by lower arrears in Store Cards.

Financial Services remains well capitalised, with a total capital ratio of 19.4 per cent (2022/23: 17.8 per cent), an increase of 160 basis points since prior full-year.

The scope of our Financial Services business is likely to change during the year. Profits from our core banking products will continue to be impacted by higher funding costs and will additionally be impacted by preparations for the phased withdrawal from these products. Therefore we expect these products to be loss-making, offsetting profits from Argos Financial Services and commission-based products such as insurance and travel money to make an underlying net Financial Services contribution of between break even and £15 million.

Underlying net finance costs

| | 52 weeks to 2 March 2024 | 52 weeks to 4 March 2023 | Change |
|---|-----------------------------|-----------------------------|------------|
| | £m | £m | % |
| Underlying net finance costs | | | |
| Non-lease interest costs | (71) | (42) | 69.0 |
| Non-lease interest income | 28 | 16 | 75.0 |
| Net finance costs on lease liabilities | (251) | (256) | (2.0) |
| Total underlying net finance costs | (294) | (282) | 4.3 |

Underlying net finance costs increased by 4.3 per cent to £294 million (2022/23: £282 million). These costs include £43 million of net non-lease interest (2022/23: £26 million). The increase of net non-lease interest was driven by increased interest costs of £28 million in respect of the £575 million term loan which was fully drawn from July 2023 to partially fund the Highbury and Dragon property transaction. This was partially offset by increased interest income of £12 million due to the benefit of higher interest rates on cash deposits. Net finance costs on lease liabilities reduced to £251 million (2022/23: £256 million), including the impact of the reduction in lease liabilities resulting from the Highbury and Dragon transaction.

Sainsbury's expects underlying net finance costs in 2024/25 of between £310 million and £320 million, including £260 million lease interest costs.

Items excluded from underlying results

In order to provide shareholders with insight into the underlying performance of the business, items recognised in reported profit before tax which, by virtue of their size and/or nature, do not reflect the Group's underlying performance are excluded from the Group's underlying results and shown in the table below.

| Items excluded from underlying results | 52 weeks to 2 March 2024 | 52 weeks to 4 March 2023 |
|---|-----------------------------|-----------------------------|
| | £m | £m |
| Sainsbury's structural integration | (95) | (106) |
| Impairment charges | - | (281) |
| Income recognised in relation to legal disputes | - | 30 |
| IAS 19 pension income | 44 | 58 |
| Property, finance and acquisition adjustments | (86) | (64) |
| Items excluded from underlying results before Financial Services | (137) | (363) |
| Financial Services phased withdrawal | (273) | - |
| Disposal of mortgage book | (14) | - |
| Total items excluded from underlying results | (424) | (363) |

Sainsbury's structural integration costs of £95 million (2022/23: £106 million) were recognised in relation to the programme relating to the structural integration of Sainsbury's and Argos announced in November 2020. Cash costs in the year were £67 million (2022/23: £50 million). The majority of the programme has now completed, with costs incurred to date of £841 million, and cash costs of £270 million.

In January 2024, the Group announced that Financial Services products to be offered in the future will be provided by dedicated financial services providers through a distributed model. Costs of £273 million associated with this decision comprise mainly of impairment of non-financial assets, additional allowances arising from a reassessment of the effective interest rate applied to the amortised cost of financial assets, onerous contracts relating to long-dated computer software contracts, and impairment of the remaining goodwill held in the Bank. Cash costs in the year were £5 million (2022/23: £nil). Further costs associated with this restructuring will be incurred in future years once more detailed plans to execute these changes are formulated and communicated.

Non-cash impairments of £281 million were recognised in 2022/23, driven by a material increase in the underlying discount rate, following sustained increases in gilt interest rates.

During the year, the Bank disposed of its mortgage portfolio for proceeds of £446 million, which resulted in a non-underlying charge of £14 million. This loss on disposal includes goodwill, transaction costs and the recognition of onerous contract provisions.

IAS 19 pension income decreased to £44 million (2022/23: £58 million). The lower pension income in the current year is primarily driven by a settlement credit of £8 million recognised in the prior year relating to a gain on payments made to members exiting the scheme relative to the liabilities extinguished, as well as the impact of the lower opening surplus at the beginning of the financial year, compared to the prior year.

2022/23 included legal disputes income of £30 million from credit card companies in respect of overcharges for credit card processing (interchange) fees.

Other movements of £86 million expense (2022/23: £64 million expense) include £15 million related to property transactions, £15 million of acquisition adjustments and £56 million of non-underlying finance and fair value adjustments. Non-underlying finance and fair value adjustments were impacted by a loss on energy derivatives of £46 million (2022/23: £29 million loss) caused by decreases in electricity forward prices in the period. The energy derivatives relate to long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are accounted for as derivative financial instruments, but are not designated in hedging relationships. Therefore, gains and losses are recognised in the income statement.

Taxation

The income tax expense was £140 million (2022/23: £120 million). The underlying tax rate was 26.4 per cent (2022/23: 22.8 per cent) and the effective tax rate was 50.5 per cent (2022/23: 36.7 per cent). The 2023/24 charges were structurally higher due to an increase in the headline rate of corporation tax to 25 per cent (previously 19 per cent), effective from 1 April 2023, partially offset by beneficial prior period adjustments (mainly due to super deduction claims).

The effective tax rate, of 50.5 per cent for the year, is significantly higher than the prior year and headline tax rates due to the impact of the release of a deferred tax asset on capital losses (giving rise to a tax charge of £40 million) previously recognised against fair value gains within the Highbury and Dragon structure (against which a deferred tax liability was recognised). During the period, an £80 million credit was recognised in reserves in respect of the derecognition of the deferred tax liability against the property pool; this credit had no impact on the effective tax rate. In addition, the effective rate is adversely affected by the write off of goodwill as part of the Financial Services restructuring, for which no tax deduction is available.

We expect an underlying tax rate in 2024/25 of around 30 per cent. This is higher than prior years, because of the headline rate continuing at 25 per cent, but without any anticipated beneficial prior period adjustments.

Earnings per share

Underlying basic earnings per share decreased to 22.1 pence (2022/23: 23.0 pence) as the increase in corporation tax more than offset the increase in underlying pre-tax earnings. Basic earnings per share decreased to 5.9 pence (2022/23: 9.0 pence). Underlying diluted earnings per share decreased to 21.6 pence (2022/23: 22.7 pence) and diluted earnings per share decreased to 5.7 pence (2022/23: 8.8 pence).

Dividends

The Board has recommended a final dividend of 9.2 pence per share (2022/23: 9.2 pence). This will be paid on 12 July 2024 to shareholders on the Register of Members at the close of business on 7 June 2024. This is in line with the Group's policy to pay a dividend of around 60 per cent of underlying earnings, allowing us to maintain a full-year dividend of 13.1 pence (2022/23: 13.1 pence).

Sainsbury's has a Dividend Reinvestment Plan (DRIP), which allows shareholders to reinvest their cash dividends in our shares. The last date that shareholders can elect for the DRIP is 21 June 2024.

From financial year 2024/25, as per our capital allocation policy, we are committed to a progressive dividend policy. We have also announced that we will buyback £200 million of shares in 2024/25 and that we will review the level of cash return to shareholders through buyback on an annual basis.

Net debt and Retail cash flows

| Summary Retail cash flow statement | | | |
|---|--------------------|-------------------------------------|-----------------------------|
| | Note ^{a)} | 52 weeks to 2 March 2024 | 52 weeks to 4 March 2023 |
| | | £m | £m |
| Retail underlying operating profit | 5 | 966 | 926 |
| Adjustments for: | | | |
| Retail underlying depreciation and amortisation | | 1,112 | 1,134 |
| Share-based payments and other | | 78 | 49 |
| Adjusted retail underlying operating cash flow before changes in working capital | | 2,156 | 2,109 |
| Decrease in underlying working capital | b) | 262 | 159 |
| Retail non-underlying operating cash flows (excluding pensions) | | (72) | (23) |
| Pension cash contributions | | (44) | (44) |
| Retail net cash generated from operations | | 2,302 | 2,201 |
| Interest paid | | (323) | (307) |
| Corporation tax paid | | (58) | (99) |
| Net cash generated from operating activities | | 1,921 | 1,795 |
| Cash capital expenditure | | (814) | (717) |
| Repayments of lease liabilities | | (505) | (512) |
| Initial direct costs on right-of-use assets | | (6) | (16) |
| Proceeds from disposal of property, plant and equipment | | 16 | 29 |
| Interest income | b) | 27 | 15 |
| Dividends and distributions received | | - | 51 |
| Retail free cash flow | | 639 | 645 |
| Dividends paid on ordinary shares | | (306) | (319) |
| Net drawdown / (repayment) of borrowings | | 534 | (40) |
| Net consideration paid for Highbury and Dragon property transaction | | (670) | - |
| Share related transactions | | (3) | (32) |
| Net increase in cash and cash equivalents | | 194 | 254 |
| (Increase) / decrease in debt | | (29) | 552 |
| Highbury and Dragon non-cash lease movements | 12 | 1,042 | - |
| Other non-cash and net interest movements | c) | (417) | (391) |
| Movement in net debt | 17 | 790 | 415 |
| Opening net debt | 17 | (6,344) | (6,759) |
| Closing net debt | 17 | (5,554) | (6,344) |
| of which | | | |
| Lease liabilities | 17 | (5,354) | (6,488) |
| (Net debt) / net funds excluding lease liabilities | | (200) | 144 |

a) Note references relate to the financial statements. Other figures are reconciled in Notes A2.1 and A2.2 of the APMs

b) The Group cash flow statement now classifies Interest received within cash flows from investing activities to provide greater clarity over the Group's cash flows whereby such cash flows had previously been included within cash generated from operations. Refer to Consolidated cash flow statement.

c) Other non-cash movements include new leases and lease modifications and fair value movements on derivatives used for hedging long-term borrowings

Adjusted retail underlying operating cash flow before changes in working capital increased by £47 million year-on-year to £2,156 million (2022/23: £2,109 million) supported by an increase in retail underlying operating profit. Working capital reduced by £262 million, with payables increasing whilst maintaining a flat inventories and receivables position overall (2022/23: £159 million working capital reduction). Retail non-underlying operating cash flows of £72 million relate to restructuring costs, including cash flows associated with the closure of Argos operations in Republic of Ireland. Pension cash contributions of £44 million remained consistent with the prior year as no funding level events occurred.

We paid corporation tax of £58 million in the year (2022/23: £99 million), £41 million lower than the prior year benefitting from overpayments on account due to closing prior years, as well as current year benefits relating to a partial relief taken on full expensing allowances on our fixed assets investments. Proceeds of £16 million (2022/23: £29 million) resulted from disposals of non-trading sites. No dividends and distributions were received in the year while the prior year included a £50 million dividend received from Sainsbury's Bank.

Cash capital expenditure was £814 million (2022/23: £717 million). The year-on-year increase was primarily driven by investment in electric vehicles (EV) charging infrastructure (£63 million) and in-store investment. Sainsbury's expects core retail cash capital expenditure (excluding Financial Services) in 2024/25 to be £800 million to £850 million, with an additional £70 million of strategic investment in our EV charging business.

Retail free cash flow declined by £6 million year-on-year to £639 million (2022/23: £645 million). In 2024/25 we expect to generate retail free cash flow of at least £500 million, in line with our commitment of generating at least £1.6 billion of retail free cash flow over the next three years.

Dividends of £306 million were paid in the year, covered 2.1 times by free cash flow (2022/23: 2.0 times). Net drawdown of borrowings includes £575 million drawdown of the unsecured term loan facility used to part fund the Highbury and Dragon property transaction.

On 17 March 2023, the Group completed the purchase of a commercial property investment pool, known as Highbury and Dragon, in which it already held a beneficial interest. The investment pool contained 26 supermarkets, all of which were formerly leased to Sainsbury's. Of the 26 stores acquired, 21 have been retained, four have been sold and leased back, and one was held for sale at the balance sheet date. The total consideration paid for the asset acquisition was £731 million, which included fully funding the bond redemptions attached to the property pool of £300 million. Proceeds of £61 million were received for the four supermarkets sold and leased back.

As at 2 March 2024, net debt was £5,554 million (4 March 2023: £6,344 million), a decrease of £790 million. Excluding the impact of lease liabilities, non-lease net debt increased by £344 million in the year, moving to a net debt position of £200 million (4 March 2023: net funds of £144 million), impacted by the £670 million net consideration relating to the Highbury and Dragon property transaction and partially offset by positive cash generation.

Net debt includes lease liabilities of £5,354 million (4 March 2023: £6,488 million). Lease liabilities have decreased by £1,134 million, largely impacted by the Highbury and Dragon property transaction which resulted in a reduction of lease debt of £1,042 million.

For the financial year ending 1 March 2025, the definition of retail free cash flow will change to now exclude capital injections to, dividends from, and any other exceptional cash movements with, Sainsbury's Bank.

Financial Ratios

| Key financial ratios ^{a)} | As at 2 March 2024 | As at 4 March 2023 |
|------------------------------------|-----------------------|-----------------------|
| Return on capital employed | 8.3% | 7.6% |
| Net debt to EBITDA | 2.6x | 3.0x |
| Fixed charge cover | 2.7x | 2.7x |

a) Reconciliations are set out in notes A4.1, A3.2 and A4.2 of the APMs

Return on capital employed (ROCE) improved primarily due to lower capital employed, driven by a decline in the average value of derivatives, right-of-use assets and property, plant and equipment, and the impacts of the Highbury and Dragon transaction.

Sainsbury's continues to target leverage of 3.0x to 2.4x to deliver a solid investment grade balance sheet. An improvement in net debt to EBITDA to 2.6x from 3.0x at 4 March 2023 reflects the improvement in net debt benefiting from positive retail free cash flow and the Highbury and Dragon property transaction. Fixed charge cover is stable.

Defined benefit pensions

At 2 March 2024, the net defined benefit surplus under IAS 19 for the Group was £690 million (excluding deferred tax). This represented a reduction of £299 million from the prior year-end date of 4 March 2023, primarily driven by a reduction in the value of matching assets used to hedge against movements in gilt yields and inflation, and experience losses due to higher deferred pension increase assumptions, partially offset by updated mortality assumptions reducing scheme liabilities.

The net surplus reduced as the Trustees' funding basis is linked to government bond yields, which increased over the year by circa 0.3 per cent, reducing the value of the liabilities on the schemes funding basis and consequently the value of those matching assets. However, the IAS 19 basis in the financial statements is linked to yields on AA rated corporate bonds. Despite government bond yields increasing, AA bonds have remained broadly unchanged over the year. As a result of this 'valuation mis-match', the value of the scheme's liabilities on an IAS 19 basis was also broadly unchanged over the year, leading to the overall reduction in the net surplus.

There was no change during the year to the previously disclosed triennial valuation information. The next triennial valuation is due 30 September 2024.

For 2024/25, the total defined benefit pension scheme contributions are expected to be £45 million (2023/24: £44 million).

| Retirement benefit obligations | Sainsbury's as at 2 March 2024 £m | Argos as at 2 March 2024 £m | Group as at 2 March 2024 £m | Group as at 4 March 2023 £m |
|---------------------------------------|--|--------------------------------------|--|--------------------------------------|
| Present value of funded obligations | (5,172) | (816) | (5,988) | (5,921) |
| Fair value of plan assets | 5,777 | 925 | 6,702 | 6,934 |
| Pension surplus | 605 | 109 | 714 | 1,013 |
| Present value of unfunded obligations | (14) | (10) | (24) | (24) |
| Retirement benefit surplus | 591 | 99 | 690 | 989 |
| Deferred income tax liability | (201) | (43) | (244) | (330) |
| Net retirement benefit surplus | 390 | 56 | 446 | 659 |

Consolidated income statement

| | 52 weeks to 2 March 2024 | | | 52 weeks to 4 March 2023 | | | |
|---|--------------------------|-----------------|-------------------------------|--------------------------|------------|-------------------------------|----------|
| | Note | Underlying | Non-underlying items (Note 3) | Total | Underlying | Non-underlying items (Note 3) | Total |
| | | £m | £m | £m | £m | £m | £m |
| Revenue | 4 | 32,721 | (21) | 32,700 | 31,491 | - | 31,491 |
| Cost of sales | | (30,127) | (139) | (30,266) | (28,996) | (413) | (29,409) |
| Impairment loss on financial assets | | (98) | - | (98) | (78) | - | (78) |
| Gross profit/(loss) | | 2,496 | (160) | 2,336 | 2,417 | (413) | 2,004 |
| Administrative expenses | | (1,553) | (309) | (1,862) | (1,480) | (35) | (1,515) |
| Other income | | 52 | 6 | 58 | 35 | 38 | 73 |
| Operating profit/(loss) | | 995 | (463) | 532 | 972 | (410) | 562 |
| Finance income | 7 | 30 | 51 | 81 | 18 | 56 | 74 |
| Finance costs | 7 | (324) | (12) | (336) | (300) | (9) | (309) |
| Profit/(loss) before tax | | 701 | (424) | 277 | 690 | (363) | 327 |
| Income tax (expense)/credit | 8 | (185) | 45 | (140) | (157) | 37 | (120) |
| Profit/(loss) for the financial year | | 516 | (379) | 137 | 533 | (326) | 207 |
| Earnings per share | 9 | pence | | pence | pence | | pence |
| Basic earnings | | 22.1 | | 5.9 | 23.0 | | 9.0 |
| Diluted earnings | | 21.6 | | 5.7 | 22.7 | | 8.8 |

Consolidated statement of comprehensive income/(loss)

| | | 52 weeks to 2 March 2024 | 52 weeks to 4 March 2023 |
|---|------|---|--------------------------------|
| | Note | £m | £m |
| Profit for the financial year | | 137 | 207 |
| Items that will not be subsequently reclassified to the income statement | | | |
| Remeasurement on defined benefit pension schemes | 19 | (389) | (1,398) |
| Movements on financial assets at fair value through other comprehensive income | | 1 | 1 |
| Cash flow hedges fair value movements – inventory hedges | | (67) | 123 |
| Current tax relating to items not reclassified | | 10 | 25 |
| Deferred tax relating to items not reclassified | | 177 | 322 |
| | | (268) | (927) |
| Items that may be subsequently reclassified to the income statement | | | |
| Currency translation differences | | (3) | 4 |
| Movements on financial assets at fair value through other comprehensive income | | - | 1 |
| Items reclassified from financial assets at fair value through other comprehensive income reserve | | - | (1) |
| Cash flow hedges fair value movements - non-inventory hedges | | (82) | (30) |
| Items reclassified from cash flow hedge reserve | | 4 | (18) |
| Deferred tax on items that may be reclassified | | 17 | 14 |
| | | (64) | (30) |
| Total other comprehensive loss for the year (net of tax) | | (332) | (957) |
| Total comprehensive loss for the year | | (195) | (750) |

Consolidated balance sheet

| | Note | 2 March 2024 £m | 4 March 2023 £m |
|---|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 9,282 | 8,201 |
| Right-of-use assets | 12 | 4,296 | 5,345 |
| Intangible assets | 13 | 806 | 1,024 |
| Investments in joint ventures and associates | | 2 | 2 |
| Financial assets at fair value through other comprehensive income | | 761 | 515 |
| Trade and other receivables | | 108 | 56 |
| Amounts due from Financial Services customers and other banks | | 1,467 | 1,908 |
| Derivative financial assets | | 68 | 217 |
| Net retirement benefit surplus | 19 | 690 | 989 |
| | | 17,480 | 18,257 |
| Current assets | | | |
| Inventories | | 1,927 | 1,899 |
| Trade and other receivables | | 582 | 627 |
| Amounts due from Financial Services customers and other banks | | 3,050 | 3,484 |
| Financial assets at fair value through other comprehensive income | | 17 | 494 |
| Derivative financial assets | | 8 | 70 |
| Cash and cash equivalents | 16 | 1,987 | 1,319 |
| | | 7,571 | 7,893 |
| Assets held for sale | | 10 | 8 |
| | | 7,581 | 7,901 |
| Total assets | | 25,061 | 26,158 |
| Current liabilities | | | |
| Trade and other payables | | (5,091) | (4,837) |
| Amounts due to Financial Services customers and other deposits | | (5,515) | (4,880) |
| Borrowings | 18 | (65) | (53) |
| Lease liabilities | 12 | (515) | (1,533) |
| Derivative financial liabilities | | (28) | (16) |
| Taxes payable | | (125) | (155) |
| Provisions | 15 | (113) | (140) |
| | | (11,452) | (11,614) |
| Net current liabilities | | (3,871) | (3,713) |
| Non-current liabilities | | | |
| Trade and other payables | | (11) | - |
| Amounts due to Financial Services customers and other deposits | | (206) | (1,066) |
| Borrowings | 18 | (1,130) | (603) |
| Lease liabilities | 12 | (4,839) | (4,956) |
| Derivative financial liabilities | | (59) | (58) |
| Deferred income tax liability | | (329) | (476) |
| Provisions | 15 | (167) | (132) |
| | | (6,741) | (7,291) |
| Total liabilities | | (18,193) | (18,905) |
| Net assets | | 6,868 | 7,253 |
| Equity | | | |
| Called up share capital | | 678 | 672 |
| Share premium | | 1,430 | 1,418 |
| Merger reserve | | 568 | 568 |
| Capital redemption and other reserves | | 955 | 954 |
| Retained earnings | | 3,237 | 3,641 |
| Total equity shareholders' funds | | 6,868 | 7,253 |

Consolidated statement of changes in equity

| | Note | Called up share capital £m | Share premium account £m | Merger reserve £m | Capital redemption and other reserves £m | Retained earnings £m | Total equity £m |
|---|------|-------------------------------|-----------------------------|----------------------|---|-------------------------|--------------------|
| At 5 March 2023 | | 672 | 1,418 | 568 | 954 | 3,641 | 7,253 |
| Profit for the financial year | | - | - | - | - | 137 | 137 |
| Other comprehensive loss | | - | - | - | (147) | (389) | (536) |
| Tax relating to other comprehensive loss | | - | - | - | 99 | 105 | 204 |
| Total comprehensive loss | | - | - | - | (48) | (147) | (195) |
| Cash flow hedges losses transferred to inventory | | - | - | - | 32 | - | 32 |
| Transactions with owners: | | | | | | | |
| Dividends | 10 | - | - | - | - | (306) | (306) |
| Share-based payment | | - | - | - | - | 87 | 87 |
| Purchase of own shares | | - | - | - | (18) | - | (18) |
| Allotted in respect of share option schemes | | 6 | 12 | - | 35 | (38) | 15 |
| At 2 March 2024 | | 678 | 1,430 | 568 | 955 | 3,237 | 6,868 |
| | | | | | | | |
| | Note | Called up share capital £m | Share premium account £m | Merger reserve £m | Capital redemption and other reserves £m | Retained earnings £m | Total equity £m |
| At 6 March 2022 | | 668 | 1,406 | 568 | 1,021 | 4,760 | 8,423 |
| Profit for the financial year | | - | - | - | - | 207 | 207 |
| Other comprehensive income/(loss) | | - | - | - | 80 | (1,398) | (1,318) |
| Tax relating to other comprehensive income/(loss) | | - | - | - | 14 | 347 | 361 |
| Total comprehensive income/(loss) | | - | - | - | 94 | (844) | (750) |
| Cash flow hedges losses transferred to inventory | | - | - | - | (139) | - | (139) |
| Transactions with owners: | | | | | | | |
| Dividends | 10 | - | - | - | - | (319) | (319) |
| Share-based payment | | - | - | - | - | 58 | 58 |
| Purchase of own shares | | - | - | - | (45) | - | (45) |
| Allotted in respect of share option schemes | | 4 | 12 | - | 23 | (26) | 13 |
| Other adjustments | | - | - | - | - | 5 | 5 |
| Tax on items charged to equity | | - | - | - | - | 7 | 7 |
| At 4 March 2023 | | 672 | 1,418 | 568 | 954 | 3,641 | 7,253 |

Consolidated cash flow statement

| | Note | 52 weeks to 2 March 2024 £m | 52 weeks to 4 March 2023 £m |
|---|----------|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 277 | 327 |
| Net finance costs | 7 | 255 | 235 |
| Operating profit | | 532 | 562 |
| Depreciation | 11,12 | 989 | 1,036 |
| Amortisation | 13 | 189 | 172 |
| Net impairment loss on non-financial assets | 11,12,13 | 235 | 315 |
| Profit on sale of non-current assets and early termination of leases | | (2) | (15) |
| Non-underlying fair value movements | 3 | 46 | 29 |
| Share-based payments expense | | 89 | 59 |
| Defined benefit scheme expense/(income) | 19 | 7 | (2) |
| Cash contributions to defined benefit scheme | 19 | (44) | (44) |
| Operating cash flows before changes in working capital | | 2,041 | 2,112 |
| Decrease/(increase) in inventories | | 5 | (105) |
| Decrease in financial assets at fair value through other comprehensive income | | (135) | (207) |
| (Increase)/decrease in trade and other receivables | | (5) | 53 |
| Decrease/(increase) in amounts due from Financial Services customers and other deposits | | 459 | (231) |
| Increase in trade and other payables | | 214 | 280 |
| (Decrease)/increase in amounts due to Financial Services customers and other deposits | | (225) | 687 |
| Increase in provisions | | 8 | - |
| Cash generated from operations | | 2,362 | 2,589 |
| Interest paid | | (336) | (316) |
| Corporation tax paid | | (61) | (103) |
| Net cash generated from operating activities | | 1,965 | 2,170 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (1,381) | (525) |
| Initial direct costs on new leases | | (6) | (16) |
| Purchase of intangible assets | | (178) | (213) |
| Proceeds from disposal of property, plant and equipment | | 77 | 29 |
| Proceeds from disposal of amounts due from Financial Services customers | | 446 | - |
| Interest received | | 27 | 15 |
| Dividends and distributions received | | - | 1 |
| Net cash used in investing activities | | (1,015) | (709) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares | | 15 | 13 |
| Proceeds from borrowings | 18 | 575 | - |
| Repayment of borrowings | | (41) | (95) |
| Purchase of own shares | | (18) | (45) |
| Capital repayment of lease obligations | | (507) | (514) |
| Dividends paid on ordinary shares | 10 | (306) | (319) |
| Net cash used in financing activities | | (282) | (960) |
| Net increase in cash and cash equivalents | | 668 | 501 |
| Opening cash and cash equivalents | | 1,319 | 818 |
| Closing cash and cash equivalents | 16 | 1,987 | 1,319 |

The Group now classifies interest received within cash flows from investing activities to provide greater clarity over the Group's cash flows whereby such cash flows had previously been included within cash generated from operations. The 2023 amounts have therefore been re-presented whereby cash generated from operations and cash flows from investing activities were previously £2,604 million and £(724) million respectively.

Notes to the consolidated financial statements

1 General information

The financial information, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of changes in equity and related notes, is derived from the full Consolidated financial statements for the 52 weeks to 2 March 2024 (prior financial year: 52 weeks to 4 March 2023) and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006.

The Annual Report and Financial Statements 2024 on which the auditors have given an unqualified report and which does not contain a statement under section 498 (2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders in June 2024.

J Sainsbury plc is a public limited company (the 'Company') incorporated in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 33 Holborn, London EC1N 2HT, United Kingdom.

The consolidated financial statements for the 52 weeks to 2 March 2024 comprise the financial statements of the Company and its subsidiaries (the 'Group') and the Group's share of the post-tax results of its joint ventures and associates.

The Group's principal activities are Food, General Merchandise and Clothing retailing and Financial Services.

2 Basis of preparation

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards.

They have been prepared under the historical cost convention, except for derivative financial instruments, defined benefit pension scheme assets and financial assets at fair value through other comprehensive income (FVOCI).

Sainsbury's Bank plc and its subsidiaries have been consolidated for the twelve months to 29 February 2024 being the Bank's year-end date (2023: 28 February 2023). Adjustments have been made for the effects of significant transactions or events that occurred between this date and the Group's balance sheet date.

Unless otherwise stated, material accounting policies have been applied consistently to all periods presented in the financial statements although certain presentational changes have been made with the objective of simplification and to assist in and aid the users' understanding.

2.1 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The assessment period for the purposes of considering going concern is the 12 months to 24 April 2025.

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's most recent corporate planning and budgeting processes. This includes an annual review which considers profitability, the Group's cash flows, committed funding and liquidity positions and forecasted future funding requirements over three years, with a further year of indicative movements.

The Group manages its financing by diversifying funding sources, structuring core borrowings with phased maturities to manage refinancing risk and maintaining sufficient levels of standby liquidity via the Revolving Credit Facility. This seeks to minimise liquidity risk by maintaining a suitable level of undrawn additional funding capacity.

2 Basis of preparation continued

The Revolving Credit Facility of £1,000 million comprises two £500 million facilities which were both extended by a further 12 months during the year. Facility A has a final maturity of December 2028 and Facility B has a final maturity of December 2027. As at 2 March 2024, the Revolving Credit Facility was undrawn.

In assessing going concern, scenarios in relation to the Group's principal risks have been considered in line with those disclosed in the viability statement by overlaying them into the corporate plan and assessing the impact on cash flows, net debt and funding headroom. These severe but plausible scenarios included modelling inflationary pressures on both food margins and general recession-related risks, the impact of any regulatory fines, and the failure to deliver planned cost savings.

In performing the above analysis, the Directors have made certain assumptions around the availability and effectiveness of the mitigating actions available to the Group. These include reducing any non-essential capital expenditure and operating expenditure on projects, bonus and pay awards, and dividend payments.

The Group's most recent corporate planning and budgeting processes includes assumed cashflows to address climate change risks, including costs associated with initiatives in place as part of the Plan for Better commitment which include reducing environmental impacts and meeting customer expectations in this area, notably through reducing packaging and reducing energy usage across the estate. Climate-related risks do not result in any material uncertainties affecting the Group's ability to continue as a going concern.

Specific additional consideration has been given to the impacts of the strategic review of the Financial Services division. The strategy change introduces new or amended risks in respect of liquidity and capital adequacy which arise from the move to offer financial services products by dedicated financial services providers and the phased withdrawal from the core banking business. Taking into account the current and forecast levels of liquidity and capital together with the related headroom, the Directors have considered and assessed the potential impact of the strategic change and the risks arising thereon. The evaluation has included the quantification of any potentially adverse impacts of customer behaviour as well as the timing of repayment of external funding. Having undertaken this assessment, the Directors are satisfied that the Bank has sufficient liquidity and capital resources to withstand severe but plausible adverse scenarios stemming from the risks of the strategic change, prior to any additional mitigating actions being taken. In the event of any mitigations being required, the Directors are confident that additional liquidity could be raised through future asset securitisations or other sources of funding. Accordingly, it has been concluded that this does not result in any material uncertainties affecting the Group's ability to continue as a going concern.

As a consequence of the work performed, the Directors considered it appropriate to adopt the going concern basis in preparing the Financial Statements with no material uncertainties to disclose.

2.2 New accounting pronouncements

New accounting standards, amendments to standards and IFRIC interpretations which became applicable during the year or have been published but are not yet effective, were either not relevant or had no impact, or no material impact, on the Group's results or net assets.

In respect of IFRS 17 Insurance Contracts, which became effective for the current financial year, an assessment was made as to whether any of the Group's arrangements met the definition of an insurance contract. While some contracts may transfer an element of insurance risk, they relate to warranty agreements and therefore will continue to be accounted for under the existing revenue and provisions standards. The Group has identified that IFRS 17 will impact the results of its captive insurance company as it issues insurance contracts, however the impact on the income statement and balance sheet is immaterial. The Group has also assessed its parent company guarantee arrangements but concluded that the adoption of IFRS 17 has no impact on these.

The accounting policies have remained unchanged from those disclosed in the Annual Report for the financial year ended 4 March 2023.

2 Basis of preparation continued

2.3 Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors use various APMs. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs.

The Directors believe that these APMs provide additional useful information for understanding the financial performance and health of the Group. They are also used to enhance the comparability of information between reporting periods (such as like-for-like sales and underlying performance measures) by adjusting for non-recurring factors which affect IFRS measures, and to aid users in understanding the Group's performance. Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes.

The income statement shows the non-underlying items excluded from reported results to determine underlying results with a more detailed analysis of the non-underlying items set out in note 3. Other APMs are detailed in notes A1, A2, A3 and A4 of this report which includes further information on the definition, purpose and reconciliation to the closest IFRS measure. APMs used by the Group are consistent with those used in the prior financial year.

2.4 Asset acquisition

During the financial year the Group purchased Supermarket Income REIT's beneficial interest in a commercial property investment pool, in which the Group already held a beneficial interest, through the acquisition of Hobart Property plc, Avenell Property plc, Horndrift Limited and Cornerford Limited. The Group signed a Master Framework Agreement on 13 March 2023 subject to certain conditions being met including providing sufficient up-front funding to the Security Trustee for them to redeem each of the bond liabilities attached to the property pools. These investment pools consisted of 26 supermarket stores, all of which were formerly leased to Sainsbury's. Of the 26 stores acquired, 21 stores have been retained and one store has been vacated and recognised within assets held for sale. The remaining four stores have been sold and leased back to the Group.

The Group considered both the optional 'concentration test' and the 'substantive process test' set out within IFRS 3 Business Combinations to assess whether the assets and liabilities acquired in the transaction constituted a business. The value of investment properties represented substantially all of the fair value of the gross assets acquired and as such the transaction has been accounted for as an asset acquisition, with a corresponding derecognition of lease liabilities and right of use assets whereby the Group already had a beneficial interest in these assets.

The impact of this transaction on the Group's accounts is set out in notes to the financial statements and is summarised as follows.

The Group recognised £1,021 million of property, plant and equipment for the stores acquired and derecognised £1,042 million in lease liabilities and £1,031 million in right-of-use assets respectively as a result of the transaction. The net difference in the lease liabilities and right-of-use assets derecognised is included within the recognition of the property, plant and equipment. The lease balances had included the payment of purchase options at the end of the lease terms, which were rescinded as part of the transaction.

The total consideration paid for the asset acquisition was £731 million. As part of the purchase agreement, the Group pre-funded £170 million of consideration in escrow for the benefit of the Security Trustee on 14 March 2023, to enable them to redeem the Avenell Bond on 20 March 2023. Similarly, the Group pre-funded £130 million of consideration in escrow for the benefit of the Security Trustee on 5 July 2023, to enable them to redeem the Hobart Bond on 13 July 2023.

2 Basis of preparation continued

The total consideration paid of £731 million, including the pre-funded £300 million noted above, is all presented within the Group cashflow statement as investing activities within purchases of property, plant and equipment.

Proceeds of £61 million were received for the four stores sold and leased back. As the proceeds in the sale and leaseback were equal to the fair value of the assets sold, these cashflows have been presented within investing cashflows.

Previously the Group had held a portion of the beneficial interest in this commercial property investment pool, recognised within financial assets at FVOCI. This balance of £366 million was fully derecognised as part of the acquisition.

The asset acquisition is referred to as the Highbury & Dragon property transaction.

3 Non-underlying items

| | 2024 | | | | 2023 | | | |
|------------------------------------|------------------------------|------------|--------------|--------------|------------------------------|-----------|-------------|--------------|
| | Restructuring and impairment | Pensions | Other | Total | Restructuring and impairment | Pensions | Other | Total |
| | 3.1 | 3.2 | 3.3 | | 3.1 | 3.2 | 3.3 | |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Revenue | (21) | - | - | (21) | - | - | - | - |
| Cost of sales | (73) | - | (66) | (139) | (384) | - | (29) | (413) |
| Administrative (expense)/income | (273) | (7) | (29) | (309) | (14) | 2 | (23) | (35) |
| Other income | - | - | 6 | 6 | 11 | - | 27 | 38 |
| Affecting operating profit | (367) | (7) | (89) | (463) | (387) | 2 | (25) | (410) |
| Net finance (costs)/income | (1) | 51 | (11) | 39 | - | 56 | (9) | 47 |
| Affecting profit before tax | (368) | 44 | (100) | (424) | (387) | 58 | (34) | (363) |
| Income tax credit | | | | 45 | | | | 37 |
| Affecting profit after tax | | | | (379) | | | | (326) |

The impact of non-underlying items on Retail cash generated from operations is presented in note A2.2.

3.1 Restructuring and impairment

Comprises restructuring charges of £368 million (2023: £106 million) and non-restructuring related impairment charges of £nil million (2023: £281 million, all of which was recognised within cost of sales).

a) Restructuring Financial Services model

In January 2024, the Group announced that financial services products to be offered in the future will be provided by dedicated financial services providers through a distributed model and over time this would result in a phased withdrawal from the core Banking business. Costs associated with this restructuring are set out in the table below with key components comprising full impairment of non-financial assets (comprising mainly computer software for which the level of activities which it was designed to fulfil is now significantly curtailed in terms of both volume and period use), additional allowances arising from a reassessment of the effective interest rate applied to the amortised cost of financial assets, onerous contracts and goodwill. Further costs associated with this restructuring will be incurred in future years once more detailed plans to execute these changes are formulated and communicated.

3 Non-underlying items continued

Sainsbury's structural integration

In the year ended 6 March 2021, the Group announced a restructuring programme to accelerate the structural integration of Sainsbury's and Argos and further simplify the Argos business; create a new supply chain and logistics operating model, moving to a single integrated supply chain and logistics network across Sainsbury's and Argos; and further rationalise/repurpose the Group's supermarkets and convenience estate. The programme also considered the Group's Store Support Centre ways of working.

b) Non-Restructuring items

Impairments of non-financial assets

Separate from restructuring initiatives and property related transactions, the Group has assessed whether there were any indicators of impairment or reversals of impairment. No indicators were present in the current financial year which therefore resulted in no non-restructuring related impairments or reversals of impairment. In the prior financial year, the level of uncertainty within the wider macroeconomic environment, including sustained increases in the Bank of England gilt rates, represented an indicator of impairment. It was determined that the increase in discount rates was a significant impairment indicator and therefore a full impairment review was undertaken.

Analysis of restructuring and non-restructuring impairment items

| | | 2024 | | | 2023 | | |
|--|---------------------------------|--------------------------------|--|-------------|--|--|-------------|
| | Note | Financial Services model £m | Sainsbury's structural integration £m | Total £m | Sainsbury's structural integration £m | Impairment of non-financial assets £m | Total £m |
| Non-financial asset impairment | - Property, plant and equipment | (9) | (1) | (10) | (8) | (141) | (149) |
| | - Right-of-use assets | (3) | (3) | (6) | (21) | (122) | (143) |
| | - Intangible assets | (200) | - | (200) | (5) | (18) | (23) |
| | | (212) | (4) | (216) | (34) | (281) | (315) |
| Accelerated depreciation of assets | a) | - | (19) | (19) | (20) | - | (20) |
| Employee costs | b) | (8) | (33) | (41) | (54) | - | (54) |
| Onerous contracts | c) | (17) | - | (17) | - | - | - |
| Property closure provisions | d) | - | (33) | (33) | 1 | - | 1 |
| Effective interest rate adjustment to financial assets | e) | (21) | - | (21) | - | - | - |
| Other (costs)/gains | f) | (15) | (6) | (21) | 1 | - | 1 |
| | | (273) | (95) | (368) | (106) | (281) | (387) |

- a) The remaining useful economic lives of corresponding sites have been reassessed to align with closure dates, resulting in an acceleration in depreciation of these assets. The existing depreciation of these assets (depreciation that would have been recognised absent of a closure decision) is recognised within underlying expenses, whereas accelerated depreciation above this is recognised within non-underlying expenses.
- b) Comprises severance costs and for the Financial services model also includes retention bonuses relating to performance in 2024.
- c) Comprises long dated IT contracts where anticipated early termination will result in unavoidable costs of meeting obligations under the contracts which exceed the economic benefits expected to be received under them. Costs represent the lower of the costs of fulfilling contracts and the costs of terminating.
- d) Relates to onerous lease costs, dilapidations and strip out costs on sites that have been identified for closure, as well as business rates for sites the Group no longer operates from which are recognised as incurred. The prior year includes amounts reversed in relation to sites no longer being exited as part of the programme. Upon initial recognition of such provisions, management uses its best estimates of the relevant costs to be incurred as well as expected closure dates.
- e) The withdrawal from core banking operations has a commercial impact upon future management initiatives and actions which could lead to different customer behaviours than previously forecasted. This resulted in revised assumptions about customer behaviours which led to a reduction in the amortised cost of financial assets (credit cards) with the impacts being recognised in revenue.
- f) Other costs comprise predominantly consultancy costs offset by profits recognised on properties sold during the financial year which had previously been impaired as part of the restructuring programme.

3 Non-underlying items continued

3.2 Pensions

Such amounts relate to the defined benefit pension scheme (the Scheme) and are treated as non-underlying owing to the Scheme being closed to future accrual and accordingly not forming part of ongoing operating activities.

3.3 Other

| | | 2024 £m | 2023 £m |
|---|----|--------------|-------------|
| Disposal of mortgage book | a) | (14) | - |
| Legal disputes | b) | - | 30 |
| Property related transactions | c) | (15) | (9) |
| Non-underlying finance and fair value movements | d) | (56) | (38) |
| Acquisition adjustments | e) | (15) | (20) |
| ATM business rates reimbursement | | - | 3 |
| | | (100) | (34) |

- a) During the period, the Group disposed of its mortgage portfolio for proceeds of £446 million which resulted in a non-underlying charge of £(14) million, included within administrative expenses, which includes a loss on disposal including goodwill, transaction costs and the recognition of onerous contract provisions.
- b) Consists of other income representing receipt from credit card companies in respect of overcharges for credit card processing (interchange) fees.
- c) Comprises an impairment charge of £19 million of property, plant and equipment recognised in cost of sales as part of the asset acquisition of 21 stores, whereby the asset base of these stores' CGUs had significantly changed as a result of the transaction and therefore were reviewed for impairment. Offset by a gain on disposal of non-trading properties of £4 million recognised in other income. (2023: loss on disposal of non-trading properties of £3 million recognised in other income, and £6 million of costs relating to a property transaction recognised in cost of sales and administrative expenses).
- d) Comprises £46 million (2023: £29 million) within cost of sales relating to unfavourable movements on long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are classified as derivatives which are not in a hedge relationship and owing to potentially significant fluctuations in value from external market factors are treated as non-underlying to enable consistency between periods. Remaining movements of £10 million (2023: £9 million) are within net finance costs and relate to lease interest paid on impaired non-trading sites.
- e) Comprises the unwind of non-cash fair value adjustments arising from the Home Retail Group and Nectar UK acquisitions. Classification as non-underlying is because these assets would not normally be recognised outside of a business combination.

4 Revenue

Disaggregated revenue

| | 2024 £m | 2023 £m |
|---|---------------|---------------|
| Retail | | |
| Grocery and General Merchandise & Clothing (GM&C) | 27,830 | 25,993 |
| Fuel | 4,254 | 4,967 |
| | 32,084 | 30,960 |
| Financial Services | | |
| Interest receivable | 472 | 394 |
| Fees and commissions | 144 | 137 |
| | 616 | 531 |
| Total | 32,700 | 31,491 |

5 Segment reporting

The Group's operating segments have been determined based on the information regularly provided to the Chief Operating Decision Maker (CODM), which has been determined to be the Group Operating Board, which is used to make optimal decisions on the allocation of resources and assess performance.

The Group's reportable operating segments have been identified as:

- Retail: comprising the sale of food, household, general merchandise, clothing and fuel primarily through store and online channels.
- Financial Services: comprising banking and insurance services through Sainsbury's Bank and Argos Financial Services.

The CODM uses underlying profit before tax as the key measure of segmental performance as it represents the ongoing trading performance with additional insight into year-on-year performance that is more comparable over time. The use of underlying profit before tax aims to provide parity and transparency between users of the financial statements and the CODM in assessing the core performance of the business and performance of management.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

5.1 Income statement

| | 2024 | | | 2023 | | |
|--------------------------------------|---------------|-----------------------------|---------------|--------------|-----------------------------|-------------|
| | Retail £m | Financial Services £m | Group £m | Retail £m | Financial Services £m | Group £m |
| Underlying revenue | | | | | | |
| Retail sales to customers | 32,084 | - | 32,084 | 30,960 | - | 30,960 |
| Financial Services to customers | - | 637 | 637 | - | 531 | 531 |
| | 32,084 | 637 | 32,721 | 30,960 | 531 | 31,491 |
| Underlying operating profit | 966 | 29 | 995 | 926 | 46 | 972 |
| Underlying finance income | 30 | - | 30 | 18 | - | 18 |
| Underlying finance costs | (324) | - | (324) | (300) | - | (300) |
| Underlying profit before tax | 672 | 29 | 701 | 644 | 46 | 690 |
| Non-underlying items | | | (424) | | | (363) |
| Profit before tax | | | 277 | | | 327 |
| Income tax expense | | | (140) | | | (120) |
| Profit for the financial year | | | 137 | | | 207 |

5.2 Balance sheet

| | 2024 | | | 2023 | | |
|--|-----------------|-----------------------------|-----------------|--------------|-----------------------------|-------------|
| | Retail £m | Financial Services £m | Group £m | Retail £m | Financial Services £m | Group £m |
| Assets | 18,288 | 6,771 | 25,059 | 18,925 | 7,231 | 26,156 |
| Investments in joint ventures and associates | 2 | - | 2 | 2 | - | 2 |
| Segment assets | 18,290 | 6,771 | 25,061 | 18,927 | 7,231 | 26,158 |
| Segment liabilities | (12,171) | (6,022) | (18,193) | (12,584) | (6,321) | (18,905) |

5 Segment reporting continued

5.3 Other segment items

| | 2024 | | | 2023 | | |
|---|--------------|-----------------------------|-------------|--------------|-----------------------------|-------------|
| | Retail £m | Financial Services £m | Group £m | Retail £m | Financial Services £m | Group £m |
| Additions to non-current assets | | | | | | |
| Property, plant and equipment | 1,654 | 1 | 1,655 | 532 | 2 | 534 |
| Intangible assets | 165 | 13 | 178 | 194 | 19 | 213 |
| Right-of-use assets | 435 | 3 | 438 | 398 | - | 398 |
| Depreciation expense | | | | | | |
| Property, plant and equipment | 538 | 1 | 539 | 565 | 1 | 566 |
| Right-of-use assets | 449 | 1 | 450 | 469 | 1 | 470 |
| Amortisation expense | | | | | | |
| Intangible assets | 159 | 30 | 189 | 141 | 31 | 172 |
| Impairment of non-financial assets | 23 | 174 | 197 | 301 | - | 301 |
| Impairment of goodwill | - | 38 | 38 | 14 | - | 14 |
| Impairment (reversal)/ loss on financial assets | (4) | 102 | 98 | 2 | 76 | 78 |
| Share based payments | 83 | 6 | 89 | 54 | 5 | 59 |

5.4 Geographical segments

In the current year and the prior year, the Group predominantly traded in the UK and the Republic of Ireland and consequently the majority of revenues, capital expenditure and segment net assets arise there. The profits, revenues and assets of the businesses in the Republic of Ireland are not material.

6 Supplier arrangements

The types of supplier arrangements applicable to the Group are as follows:

- Discounts and supplier incentives: Represent the majority of all supplier arrangements and are linked to individual unit sales. The incentive is typically based on an agreed sum per item sold on promotion for a period and therefore is considered part of the purchase price of that product.
- Fixed amounts: Agreed with suppliers primarily to support in-store activity including promotions, such as utilising specific space.
- Supplier rebates: Typically agreed on an annual basis, aligned with the Group's financial year. The rebate amount is linked to pre-agreed targets such as sales volumes.
- Marketing and advertising income: Advertising income from suppliers and online marketing and advertising campaigns within Argos.

Recognised in income statement

| | 2024 £m | 2023 £m |
|----------------------------------|------------|------------|
| Fixed amounts | 271 | 192 |
| Supplier rebates | 76 | 94 |
| Marketing and advertising income | 134 | 97 |
| | 481 | 383 |

Discounts and supplier incentives are not shown as they are deemed to be part of the cost price of inventory.

6 Supplier arrangements continued

Held on the balance sheet

| | 2024 | 2023 |
|---|------------|------------|
| | £m | £m |
| Within inventory | (3) | (4) |
| Within current trade receivables | | |
| Supplier arrangements due | 47 | 45 |
| Accrued supplier arrangements | 48 | 43 |
| Within current trade payables | | |
| Supplier arrangements due | 39 | 49 |
| Accrued supplier arrangements | 1 | 2 |
| Total supplier arrangements | 132 | 135 |

7 Finance income and finance costs

| | 2024 | | | 2023 | | |
|--|------------------|--------------------------|--------------|------------------|--------------------------|--------------|
| | Underlying £m | Non- underlying £m | Total £m | Underlying £m | Non- underlying £m | Total £m |
| Interest on bank deposits and other financial assets | 28 | - | 28 | 16 | - | 16 |
| IAS 19 pension financing income | - | 51 | 51 | - | 56 | 56 |
| Finance income on net investment in leases | 2 | - | 2 | 2 | - | 2 |
| Finance income | 30 | 51 | 81 | 18 | 56 | 74 |
| Secured borrowings | (38) | - | (38) | (41) | - | (41) |
| Unsecured borrowings | (33) | - | (33) | (1) | - | (1) |
| Lease liabilities | (253) | (11) | (264) | (258) | (9) | (267) |
| Provisions - amortisation of discount | - | (1) | (1) | - | - | - |
| Finance costs | (324) | (12) | (336) | (300) | (9) | (309) |

8 Taxation

8.1 Income statement

| | 2024 | 2023 |
|---|--------------|------------|
| | £m | £m |
| Current tax | | |
| UK Corporation tax | 100 | 105 |
| Overseas tax | - | 3 |
| (Over)/under provision in prior years | (4) | 2 |
| | 96 | 110 |
| Deferred Tax | | |
| Origination and reversal of temporary differences | 24 | 9 |
| (Over)/under provision in prior years | (19) | 3 |
| Adjustment from change in applicable rate of deferred tax | (1) | (2) |
| Derecognition of capital losses | 40 | - |
| | 44 | 10 |
| Total income tax expense | 140 | 120 |
| Analysed as: | | |
| Underlying tax | 185 | 157 |
| Non-underlying tax | (45) | (37) |
| Total income tax expense | 140 | 120 |
| Underlying tax rate | 26.4% | 22.8% |
| Effective tax rate | 50.5% | 36.7% |

8 Taxation continued

The Spring Budget on 21 March 2023 confirmed the introduction of Pillar Two reporting requirements for the UK, and were enacted on 18 July 2023, confirming that the rules will apply to the Group for the period ending 1 March 2025. Pillar Two reporting introduced a global minimum 15 per cent tax rate by the end of 2023 and the Group will be required to file certain returns evidencing the payment of tax at this rate. The potential impact of this has been assessed based on the most recent tax filings, country by country reporting and financial statements for the constituent entities in the Group, and it is not considered that there is a material top up tax liability at this stage under the transitional safe harbour rules.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes and which tax rate to use to measure deferred taxes. The Group has therefore applied the mandatory temporary exception in the amended IAS 12 'Income taxes' from the requirement to recognise or disclose information about deferred tax assets and liabilities related to the proposed Pillar Two model rules.

9 Earnings per share

The calculations of basic and underlying basic earnings per share are based on profit after tax and underlying profit after tax for the financial year, respectively, divided by the weighted average number of Ordinary shares in issue during the year, excluding own shares held by the Employee Share Ownership Trust (ESOT).

Underlying earnings per share figures, which represent alternative performance measures as defined in note 2.3, have been calculated based on earnings before non-underlying items which are set out in note 3.

Diluted and underlying diluted earnings per share are calculated on the same basis as basic and underlying basic earnings per share, but where the weighted average share numbers has also been adjusted for the weighted average effects of potentially dilutive shares. Such potentially dilutive shares comprise share options and awards granted to employees, where the scheme to date performance is deemed to have been earned.

| | 2024 million | 2023 million |
|--|--------------------|--------------------|
| Weighted average number of shares in issue for calculating basic earnings per share | 2,334.8 | 2,312.6 |
| Weighted average number of dilutive share options | 59.2 | 39.6 |
| Weighted average number of shares in issue for calculating diluted earnings per share | 2,394.0 | 2,352.2 |
| | £m | £m |
| Profit attributable to ordinary shareholders of the parent | 137 | 207 |
| Adjustment for non-underlying items net of tax | 379 | 326 |
| Profit attributable to ordinary shareholders of the parent - underlying | 516 | 533 |
| | Pence per share | Pence per share |
| Earnings per share | | |
| Basic | 5.9 | 9.0 |
| Diluted | 5.7 | 8.8 |
| Underlying basic | 22.1 | 23.0 |
| Underlying diluted | 21.6 | 22.7 |

10 Dividends

| | 2024 pence per share | 2023 pence per share | 2024 £m | 2023 £m |
|---|-------------------------------|-------------------------------|------------|------------|
| Amounts recognised as distributions to ordinary shareholders | | | | |
| Final dividend for financial year ended 5 March 2022 | - | 9.9 | - | 229 |
| Interim dividend for financial year ended 4 March 2023 | - | 3.9 | - | 90 |
| Final dividend for financial year ended 4 March 2023 | 9.2 | - | 215 | - |
| Interim dividend for financial year ended 2 March 2024 | 3.9 | - | 91 | - |
| | 13.1 | 13.8 | 306 | 319 |
| Proposed final dividend at financial year-end | 9.2 | | 217 | |

The proposed final dividend was approved by the Board on 24 April 2024 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 12 July 2024 to shareholders on the register as at 7 June 2024. No amount for the proposed final dividend has been recognised at the balance sheet date.

11 Property, plant and equipment

| | 2024 | | | 2023 | | |
|--|-----------------------------|------------------------------------|---------------|-----------------------------|------------------------------------|---------------|
| | Land and buildings £m | Fixtures and equipment £m | Total £m | Land and buildings £m | Fixtures and equipment £m | Total £m |
| Cost | | | | | | |
| At beginning of financial year | 9,865 | 5,029 | 14,894 | 9,693 | 5,288 | 14,981 |
| Acquisition | 1,021 | - | 1,021 | - | - | - |
| Additions | 273 | 360 | 633 | 249 | 284 | 533 |
| - Capitalised expenditure | | | | | | |
| - Capitalised interest | 1 | - | 1 | 1 | - | 1 |
| Disposals | (1) | (470) | (471) | (71) | (540) | (611) |
| Transfer to assets held for sale | (5) | - | (5) | (7) | (3) | (10) |
| At end of financial year | 11,154 | 4,919 | 16,073 | 9,865 | 5,029 | 14,894 |
| Accumulated depreciation and impairment | | | | | | |
| At beginning of financial year | 3,153 | 3,540 | 6,693 | 2,917 | 3,662 | 6,579 |
| Depreciation expense | 186 | 353 | 539 | 184 | 382 | 566 |
| Impairment loss | 8 | 21 | 29 | 110 | 39 | 149 |
| Disposals | - | (470) | (470) | (56) | (540) | (596) |
| Transfer to assets held for sale | - | - | - | (2) | (3) | (5) |
| At end of financial year | 3,347 | 3,444 | 6,791 | 3,153 | 3,540 | 6,693 |
| Net book value | 7,807 | 1,475 | 9,282 | 6,712 | 1,489 | 8,201 |
| Capital work-in-progress included above | 115 | 56 | 171 | 206 | 314 | 520 |

12 Leases

Group as a lessee

a) Right-of-use assets

| | 2024 | | | 2023 | | |
|---|--------------------------|-----------------|--------------|--------------------------|-----------------|--------------|
| | Land and buildings £m | Equipment £m | Total £m | Land and buildings £m | Equipment £m | Total £m |
| Net book value | | | | | | |
| At beginning of financial year | 5,032 | 313 | 5,345 | 5,266 | 294 | 5,560 |
| New leases and modifications | 334 | 104 | 438 | 283 | 115 | 398 |
| Impairment loss | (6) | - | (6) | (142) | (1) | (143) |
| Depreciation expense | (353) | (97) | (450) | (375) | (95) | (470) |
| Derecognised as part of asset acquisition | (1,031) | - | (1,031) | - | - | - |
| At end of financial year | 3,976 | 320 | 4,296 | 5,032 | 313 | 5,345 |

b) Lease liabilities

| | 2024 £m | 2023 £m |
|---|--------------|--------------|
| At beginning of financial year | 6,489 | 6,621 |
| New leases and modifications | 414 | 382 |
| Derecognised as part of asset acquisition | (1,042) | - |
| Interest expense | 264 | 267 |
| Payments | (771) | (781) |
| At end of financial year | 5,354 | 6,489 |

c) Maturity analysis

| | 2024 £m | 2023 £m |
|---|---------------|---------------|
| Contractual undiscounted cash flows | | |
| Less than 1 year | 703 | 1,798 |
| 1 to 2 years | 660 | 680 |
| 2 to 3 years | 619 | 632 |
| 3 to 4 years | 562 | 591 |
| 4 to 5 years | 534 | 541 |
| Total less than 5 years | 3,078 | 4,242 |
| 5 to 10 years | 2,467 | 2,473 |
| 10 to 15 years | 1,779 | 1,981 |
| More than 15 years | 2,770 | 3,505 |
| Total undiscounted lease liability | 10,094 | 12,201 |
| Lease liability in the balance sheet | 5,354 | 6,489 |
| Analysed as: | | |
| Current | 515 | 1,533 |
| Non-current | 4,839 | 4,956 |

13 Intangible assets

| | Goodwill £m | Computer software £m | Acquired brands £m | Customer relationships £m | Total £m |
|--|----------------|----------------------------|--------------------------|---------------------------------|--------------|
| Cost | | | | | |
| At 5 March 2023 | 391 | 1,105 | 229 | 32 | 1,757 |
| Additions | - | 178 | - | - | 178 |
| Disposals | (7) | (48) | - | - | (55) |
| At 2 March 2024 | 384 | 1,235 | 229 | 32 | 1,880 |
| Accumulated amortisation and impairment | | | | | |
| At 5 March 2023 | 39 | 495 | 167 | 32 | 733 |
| Amortisation expense | - | 171 | 18 | - | 189 |
| Impairment loss | 38 | 162 | - | - | 200 |
| Disposals | - | (48) | - | - | (48) |
| At 2 March 2024 | 77 | 780 | 185 | 32 | 1,074 |
| Net book value at 2 March 2024 | 307 | 455 | 44 | - | 806 |
| Capital work-in-progress included above | - | 44 | - | - | 44 |
| Cost | | | | | |
| At 6 March 2022 | 392 | 1,077 | 229 | 32 | 1,730 |
| Additions | - | 213 | - | - | 213 |
| Disposals | (1) | (185) | - | - | (186) |
| At 4 March 2023 | 391 | 1,105 | 229 | 32 | 1,757 |
| Accumulated amortisation and impairment | | | | | |
| At 6 March 2022 | 26 | 521 | 147 | 30 | 724 |
| Amortisation expense | - | 150 | 20 | 2 | 172 |
| Impairment loss | 14 | 9 | - | - | 23 |
| Disposals | (1) | (185) | - | - | (186) |
| At 4 March 2023 | 39 | 495 | 167 | 32 | 733 |
| Net book value at 4 March 2023 | 352 | 610 | 62 | - | 1,024 |
| Capital work-in-progress included above | - | 48 | - | - | 48 |

14 Impairment of non-financial assets

14.1 Key assumptions in measuring VIU

The recoverable amount of Retail CGUs is measured at the higher of fair value less cost to dispose and the value-in-use of cash flows expected to be independently generated. For owned store related assets, a vacant possession valuation is used as an approximation of fair value less cost to dispose.

The announcement of the restructuring of the Financial Services business as described further in note 3, which will result in a phased withdrawal from the core Banking business such that in future such services will be offered by dedicated financial services providers, represented an indicator of impairment, and as such full impairment review was undertaken, with a value-in-use calculation adopted as the measure of recoverability.

14 Impairment of non-financial assets continued

Cash flows and discount rate

| Assumption | Retail Segment | Financial Services Segment |
|---------------|--|--|
| Cash flows | <ul style="list-style-type: none"> Derived from the Board approved cash flow projections for four years with an assumed growth rate of 2% beyond the four-year forecast period. <ul style="list-style-type: none"> owned stores: extrapolated into perpetuity leased stores: taken to lease end properties identified for closure: remaining period of trading. Online grocery are allocated to the individual store CGUs which fulfil the online sales. | <ul style="list-style-type: none"> Two scenarios of cash flow projection which assume a sale of financial services products or a run down were prepared which represent either end of a reasonably possible range of outcomes that could occur and have been probability weighted in determining value in use. Value in use has been derived from the Board approved cash flow projections for four years, measured with reference to the assets' remaining useful economic life that is being tested, adjusted for any estimated reduction in life arising from the phased withdrawal of the core banking business. For products not directly impacted by the phased withdrawal, the assumed growth rate of up to 2%, depending on product line, has been extrapolated beyond management's four year forecast over the remaining useful life of the assets. |
| Discount rate | <ul style="list-style-type: none"> Post-tax rate representing the weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 8.9%. Post-tax WACC calculated using the capital asset pricing model, the inputs of which include a 20-year average risk-free rate for the UK, a UK equity risk premium, levered debt premium and risk adjustment and an average beta for the Group. Discount rate is applied consistently to all individual store CGUs and the Group of CGUs supported by Sainsbury's or Argos stores. | <ul style="list-style-type: none"> Post-tax rate representing weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 14.7%. Post-tax WACC calculated using a combination of adjusted market analysis and the actual cost of debt on Tier 2 capital instruments. Discount rate is applied consistently to all individual product CGUs and the collective CGUs which support the products. |

For store pipeline development sites, where there are plans to develop the store, the carrying value of the asset is compared with its VIU using a methodology consistent with the store CGU approach described above. Future cash flows include the estimated costs to completion. For sites where there is no plan to develop a store, the recoverable amount is based on its fair value less costs to dispose.

14.2 Non-financial assets

a) Impairment charges

| | 2024 | | | 2023 | | |
|-------------------------------|--------------|-----------------------------|-------------|--------------|-----------------------------|-------------|
| | Retail £m | Financial Services £m | Total £m | Retail £m | Financial Services £m | Total £m |
| Balance sheet | | | | | | |
| Property, plant and equipment | 20 | 9 | 29 | 149 | - | 149 |
| Right-of-use assets | 3 | 3 | 6 | 143 | - | 143 |
| Intangible assets | - | 200 | 200 | 23 | - | 23 |
| Total impairment loss | 23 | 212 | 235 | 315 | - | 315 |
| Income statement | | | | | | |
| Comprising | | | | | | |
| Restructuring programmes | 4 | 212 | 216 | 34 | - | 34 |
| Non-restructuring programmes | 19 | - | 19 | 281 | - | 281 |
| Total impairment loss | 23 | 212 | 235 | 315 | - | 315 |

14 Impairment of non-financial assets continued

b) Sensitivity

For all impairments recognised, management is satisfied that there are no reasonably possible changes in assumptions that would lead to the recognition of a materially different impairment charge.

14.3 Goodwill

a) Impairment charges

The following impairment charges are included within the intangible assets impairment presented in note 14.2.

| | | 2024 | 2023 |
|-------------------------|----|-----------|-----------|
| | | £m | £m |
| Sainsbury's Bank plc | a) | 38 | - |
| Jacksons Stores Limited | b) | - | 10 |
| Bells Stores Limited | b) | - | 4 |
| | | 38 | 14 |

(a) As described in note 3.3, following the sale of the Group's mortgage portfolio, goodwill of £7 million in respect of Sainsbury's Bank plc was derecognised on disposal. Following the restructuring of the financial services business announced on 18 January 2024 and described in further detail in note 3.1, the remaining balance of goodwill of Sainsbury's Bank plc has been fully impaired.

(b) Related to the store CGUs to which Jacksons Stores Limited and Bells Stores Limited goodwill amounts are allocated to.

The recoverable amount of CGUs to which the respective goodwill has been allocated are based on the same key assumptions as noted in 14.1.

b) Sensitivities

Sensitivity analysis on the impairment tests for each group of CGUs to which goodwill has been allocated has been performed. The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions would not result in any impairment of goodwill that differs to that recognised. Management is satisfied that there are no reasonable possible changes to assumptions that would lead to further impairments.

| | | Headroom £m | Discount rate | | Headroom Cash flows | |
|-------------------------|--------|----------------|---------------|-------|------------------------|-------|
| | | | -2% | +2% | -10% | +10% |
| | | | £m | £m | £m | £m |
| Home Retail Group | a), b) | 1,920 | 3,066 | 1,291 | 1,653 | 2,188 |
| Sainsbury's Bank plc | a), c) | - | n/a | n/a | n/a | n/a |
| Nectar UK | a) | 1,656 | 2,412 | 1,241 | 1,473 | 1,838 |
| Jacksons Stores Limited | d) | 92 | 116 | 77 | 80 | 104 |
| Bells Stores Limited | d) | 38 | 44 | 34 | 33 | 43 |
| Other | | 45 | 74 | 29 | 36 | 54 |

a) Cash flows derived from Board approved projections for four years and then extrapolated into perpetuity with an assumed growth rate of 2.0%.

b) Allocated to the collective Argos store and non-store CGU.

c) Sainsbury's Bank plc goodwill is allocated to the Financial Services collective CGUs and has been fully impaired as described in note 3. There are no reasonably possible changes in key assumptions that would cause the goodwill to not be impaired.

d) Goodwill balances are allocated to individual store CGUs to which they relate.

15 Provisions

| | Property provisions a) £m | Insurance provisions b) £m | Sainsbury's structural integration provisions c) £m | Financial Services-related provisions d) £m | Other provisions £m | Total £m |
|--------------------------|---------------------------------|----------------------------------|---|---|------------------------|-------------|
| At 5 March 2023 | 114 | 59 | 58 | 28 | 13 | 272 |
| Additional provisions | 77 | 22 | 42 | 18 | - | 159 |
| Unused amounts released | (19) | - | (8) | (6) | (2) | (35) |
| Utilisation of provision | (52) | (22) | (42) | (1) | - | (117) |
| Amortisation of discount | - | - | 1 | - | - | 1 |
| At 2 March 2024 | 120 | 59 | 51 | 39 | 11 | 280 |
| Current | 45 | 13 | 28 | 22 | 5 | 113 |
| Non-current | 75 | 46 | 23 | 17 | 6 | 167 |
| At 6 March 2022 | 140 | 62 | 29 | 26 | 14 | 271 |
| Additional provisions | 26 | 30 | 64 | 5 | - | 125 |
| Unused amounts released | (33) | (4) | (3) | (1) | (1) | (42) |
| Utilisation of provision | (19) | (29) | (32) | (2) | - | (82) |
| At 4 March 2023 | 114 | 59 | 58 | 28 | 13 | 272 |
| Current | 55 | 19 | 30 | 28 | 8 | 140 |
| Non-current | 59 | 40 | 28 | - | 5 | 132 |

- a) Property provisions comprise onerous property contract provisions for the least net cost of exiting from the contract and provisions for dilapidations.
- b) Insurance provisions comprise liabilities in respect of outstanding insurance claims in relation to public liability, employer's liability and third party motor.
- c) Sainsbury's structural integration restructuring provisions comprise mainly redundancies as described in note 3.
- d) Financial Services related provisions comprise mainly Financial Services loan commitment provisions reflecting expected credit losses modelled in relation to loan commitments not yet recognised on the balance sheet, including on credit cards and Argos store cards. Additional provisions in the current year relate to onerous contracts arising from the changes to the Financial Services model restructuring programme as described in note 3.

16 Cash and cash equivalents

16.1 Balance sheet

| | 2024 £m | 2023 £m |
|--|--------------|--------------|
| Cash in hand and bank balances | 606 | 569 |
| Money market funds | 263 | 255 |
| Money market deposits | 232 | 150 |
| Deposits at central banks | 886 | 345 |
| | 1,987 | 1,319 |
| Restricted amounts included above | | |
| Held as a reserve deposit with the Bank of England | 14 | 15 |
| For insurance purposes | 7 | 3 |
| Held within the Group's Employee Share Ownership Trust | - | 10 |
| | 21 | 28 |

17 Analysis of net debt

The Group's definition of net debt includes the following:

- Cash
- Borrowings and overdrafts
- Lease liabilities
- Debt-related financial assets at fair value through other comprehensive income
- Derivatives used in hedging borrowings

Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately.

17.1 Reconciliation of opening to closing net debt

| | Cash Movements | | | Non-Cash Movements | | | |
|--|--------------------------|---|---|---------------------------|---------------------------------------|-----------------------------------|--------------------------|
| | 5 March 2023 £m | Cash flows excluding interest £m | Net interest (received) / paid £m | Accrued interest £m | Other non- cash movements £m | Changes in fair value £m | 2 March 2024 £m |
| Retail | | | | | | | |
| Net derivative financial instruments | - | - | (1) | 1 | - | - | - |
| Borrowings (excluding overdrafts) | (539) | (534) | 60 | (64) | - | - | (1,077) |
| Lease liabilities | (6,488) | 505 | 264 | (264) | 629 | - | (5,354) |
| Arising from financing activities | (7,027) | (29) | 323 | (327) | 629 | - | (6,431) |
| Cash and cash equivalents | 683 | 194 | - | - | - | - | 877 |
| Retail net debt | (6,344) | 165 | 323 | (327) | 629 | - | (5,554) |
| Financial Services | | | | | | | |
| Net derivative financial instruments | - | - | - | - | - | - | - |
| Borrowings (excluding overdrafts) | (122) | - | 13 | (13) | - | - | (122) |
| Lease liabilities | (1) | 2 | - | - | (1) | - | - |
| Arising from financing activities | (123) | 2 | 13 | (13) | (1) | - | (122) |
| Financial assets at fair value | 626 | 135 | - | - | - | - | 761 |
| Cash and cash equivalents | 636 | 474 | - | - | - | - | 1,110 |
| Financial services net debt | 1,139 | 611 | 13 | (13) | (1) | - | 1,749 |
| Group | | | | | | | |
| Net derivative financial instruments | - | - | (1) | 1 | - | - | - |
| Borrowings (excluding overdrafts) | (661) | (534) | 73 | (77) | - | - | (1,199) |
| Lease liabilities | (6,489) | 507 | 264 | (264) | 628 | - | (5,354) |
| Arising from financing activities | (7,150) | (27) | 336 | (340) | 628 | - | (6,553) |
| Financial assets at fair value | 626 | 135 | - | - | - | - | 761 |
| Cash and cash equivalents | 1,319 | 668 | - | - | - | - | 1,987 |
| Group net debt | (5,205) | 776 | 336 | (340) | 628 | - | (3,805) |

Other non-cash movements relate to new leases and foreign exchange.

17 Analysis of net debt continued

| | Cash Movements | | | | Non-Cash Movements | | |
|---|-----------------------|--|--|---------------------------|---|-----------------------------------|-----------------------|
| | 6 March 2022 £m | Cash flows excluding interest £m | Net interest (received)/ paid £m | Accrued interest £m | Other non- cash movement s £m | Changes in fair value £m | 4 March 2023 £m |
| Retail | | | | | | | |
| Net derivative financial instruments | 5 | - | (5) | 5 | (5) | - | - |
| Borrowings (excluding overdrafts) | (575) | 40 | 45 | (40) | (9) | - | (539) |
| Lease liabilities | (6,618) | 512 | 267 | (267) | (382) | - | (6,488) |
| Arising from financing activities | (7,188) | 552 | 307 | (302) | (396) | - | (7,027) |
| Financial assets at fair value through other comprehensive income | | | | | | | |
| Cash and cash equivalents | 436 | 247 | - | - | - | - | 683 |
| Bank overdrafts | (7) | 7 | - | - | - | - | - |
| Retail net debt | (6,759) | 806 | 307 | (302) | (396) | - | (6,344) |
| Financial Services | | | | | | | |
| Net derivative financial instruments | 4 | - | - | - | - | (4) | - |
| Borrowings (excluding overdrafts) | (179) | 55 | 9 | (12) | - | 5 | (122) |
| Lease liabilities | (3) | 2 | - | - | - | - | (1) |
| Arising from financing activities | (178) | 57 | 9 | (12) | - | 1 | (123) |
| Financial assets at fair value through other comprehensive income | | | | | | | |
| Cash and cash equivalents | 418 | 207 | - | - | - | 1 | 626 |
| Bank overdrafts | 389 | 247 | - | - | - | - | 636 |
| Financial services net debt | 629 | 511 | 9 | (12) | - | 2 | 1,139 |
| Group | | | | | | | |
| Net derivative financial instruments | 9 | - | (5) | 5 | (5) | (4) | - |
| Borrowings (excluding overdrafts) | (754) | 95 | 54 | (52) | (9) | 5 | (661) |
| Lease liabilities | (6,621) | 514 | 267 | (267) | (382) | - | (6,489) |
| Arising from financing activities | (7,366) | 609 | 316 | (314) | (396) | 1 | (7,150) |
| Financial assets at fair value through other comprehensive income | | | | | | | |
| Cash and cash equivalents | 418 | 207 | - | - | - | 1 | 626 |
| Bank overdrafts | 825 | 494 | - | - | - | - | 1,319 |
| Group net debt | (6,130) | 1,317 | 316 | (314) | (396) | 2 | (5,205) |

18 Borrowings

| | 2024 | | | 2023 | | |
|---------------------------------|---------------|-------------------|-------------|---------------|-------------------|-------------|
| | Current £m | Non-current £m | Total £m | Current £m | Non-current £m | Total £m |
| Loan due 2031 | 54 | 442 | 496 | 48 | 491 | 539 |
| Term loan due 2026 | 6 | 575 | 581 | - | - | - |
| Sainsbury's Bank Tier 2 Capital | 6 | 116 | 122 | 6 | 116 | 122 |
| | 66 | 1,133 | 1,199 | 54 | 607 | 661 |
| Transaction costs | (1) | (3) | (4) | (1) | (4) | (5) |
| | 65 | 1,130 | 1,195 | 53 | 603 | 656 |

18 Borrowings continued

18.1 Loan due 2031

The loan is secured against 48 (2023: 48) supermarket properties. This is an inflation linked amortising loan from the finance company Longstone Finance plc with an outstanding principal value of £486 million (2023: £527 million) fixed at a real rate of 2.36 per cent where principal and interest rate are uplifted annually by RPI subject to a cap at five per cent and a floor at nil per cent. The loan has a final repayment date of April 2031. The principal activity of Longstone Finance plc is the issuance of commercial mortgage-backed securities and applying the proceeds towards the secured loans due 2031.

The Group has entered into forward starting inflation swaps to convert £155 million (2023: £490 million) from RPI linked interest to fixed rate interest from April 2025 until April 2026. These transactions have been designated as cash flow hedges.

Intertrust Corporate Services Limited holds all the issued share capital of Longstone Finance Holdings Limited on trust for charitable purposes. Longstone Finance Holdings Limited beneficially owns all the issued share capital of Longstone Finance plc. As the Group has no interest, power or bears any risk over these entities they are not included in the Group consolidation.

18.2 Sainsbury's Bank Tier 2 Capital

The Group has £120 million of fixed rate reset callable subordinated Tier 2 notes in issuance (2023: £120 million), which were issued in September 2022. These notes pay interest on the principal amount at a rate of 10.5 per cent per annum, payable in equal instalments semi-annually in arrears, until March 2028 at which time the interest rate will reset. The Bank has the option to redeem these notes in March 2028.

18.3 Term loan due 2026

The Group entered into a £575 million unsecured term loan in December 2022, with maturity of March 2026. As at 2 March 2024, the term loan was fully drawn (4 March 2023: £nil).

18.4 Undrawn facilities

The Group's Revolving Credit Facility (RCF) is unsecured and is split into two Facilities, a £500 million Facility (A) and a £500 million Facility (B). Facility A has a maturity of December 2028 and Facility B has a maturity of December 2027.

19 Retirement benefit obligations

19.1 Background

Retirement benefit obligations relate to the Sainsbury's Pension Scheme plus three unfunded pension liabilities for former senior employees of Sainsbury's and Home Retail Group.

The Sainsbury's Pension Scheme has two sections, the Sainsbury's Section which holds the assets and liabilities of the original Sainsbury's Pension Scheme, and the Argos Section which holds the assets and liabilities of the former Home Retail Group Pension Scheme. Each section's assets are segregated by deed and ring fenced for the benefit of the members of that section. The Scheme is run by a corporate trustee with nine directors.

The Scheme is also used to pay life assurance benefits to current (including new) colleagues.

19.2 Balance sheet

| | 2024 | | | 2023 | | |
|---------------------------------------|-------------------|-------------|-------------|-------------------|-------------|-------------|
| | Sainsbury's £m | Argos £m | Group £m | Sainsbury's £m | Argos £m | Group £m |
| Present value of funded obligations | (5,172) | (816) | (5,988) | (5,128) | (793) | (5,921) |
| Fair value of plan assets | 5,777 | 925 | 6,702 | 6,007 | 927 | 6,934 |
| Retirement benefit surplus | 605 | 109 | 714 | 879 | 134 | 1,013 |
| Present value of unfunded obligations | (14) | (10) | (24) | (12) | (12) | (24) |
| Retirement benefit surplus | 591 | 99 | 690 | 867 | 122 | 989 |

19 Retirement benefit obligations continued

The retirement benefit surplus and the associated deferred income tax balance are shown within different line items on the face of the balance sheet.

Movements in net defined benefit surplus

| | | | 2024 | | | 2023 |
|---|--------|-------------|-------|---------|-------------|---------|
| | Assets | Obligations | Net | Assets | Obligations | Net |
| | £m | £m | £m | £m | £m | £m |
| As at the beginning of the financial year | 6,934 | (5,945) | 989 | 11,693 | (9,410) | 2,283 |
| Interest income/(cost) | 341 | (290) | 51 | 277 | (221) | 56 |
| Remeasurement (losses)/gains | (335) | (54) | (389) | (4,739) | 3,341 | (1,398) |
| Pension scheme expenses | - | (7) | (7) | (6) | - | (6) |
| Employer contributions | 44 | - | 44 | 44 | - | 44 |
| Benefits (paid)/received | (282) | 284 | 2 | (306) | 308 | 2 |
| Settlement (losses)/gains | - | - | - | (29) | 37 | 8 |
| As at the end of the financial year | 6,702 | (6,012) | 690 | 6,934 | (5,945) | 989 |

19.3 Actuarial assumptions for measuring liabilities

Principal actuarial assumptions

| | 2024 | 2023 |
|--------------------------|-------------|-------------|
| | % | % |
| Discount rate | 5.00 | 5.00 |
| Inflation rate – RPI | 3.20 | 3.25 |
| Inflation rate – CPI | 2.55 | 2.55 |
| Future pension increases | 1.95 – 3.00 | 1.90 – 2.95 |

a) Discount rate

The discount rate for the Scheme is derived from the expected yields on high quality corporate bonds over the duration of the Group's pension scheme and extrapolated in line with gilts with no theoretical growth assumptions. High quality corporate bonds are those for which at least one of the main ratings agencies considers to be at least AA (or equivalent).

b) Inflation

The Government's intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) takes effect from 2030. As a result, the Group has assumed that RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 1.00% p.a. up to 2030 (2023: 0.70% p.a.).

c) Mortality

The base mortality assumptions use the SAPS S2 and SAPS S3 tables for the Sainsbury's and Argos sections, respectively, with adjustments to reflect the Scheme's population.

Following the completion of the 2021 triennial valuation and consideration of the previous three years of mortality experience both in the Scheme and the UK as a whole, the Company has decided to update the actuarial mortality base tables that determine the life expectancy assumptions to reflect a best-estimate adjustment derived from analysis carried out for the valuation. Future mortality improvements for the 2024 year-end are CMI 2022 projections with a long-term rate of improvement of 1.0 per cent p.a. Future mortality improvements for the 2023 year-end were CMI 2021 projections with a long-term rate of improvement of 1.25 per cent p.a.

While COVID-19 had an impact on mortality in 2020, the impact on future mortality trends is currently unknown. All IAS 19 calculations use the CMI model which measures potential changes to future mortality trends. The Group's policy is to use the available version as at the year-end which is CMI 2022 which was released in June 2023.

19 Retirement benefit obligations continued

As a result of the significant change to mortality in the CMI 2020 model, the CMI modified the calibration process for CMI 2020 to allow choice on the weighting placed on an individual year's data. For the Core version of CMI 2020, a weight of zero per cent was applied to 2020 data and weightings of 100 per cent for other years, so the potentially exceptional 2020 experience was ignored when modelling future improvements. This approach has been amended for CMI 2022, with zero per cent weighting applied to 2020 and 2021 data and 25% weighting applied to 2022 data, to reflect the view that the sustained and less volatile mortality experience provides greater evidence of a change to future mortality trends.

A 10 per cent weighting above the core parameters has been applied, reflecting that mortality rates for 2022 were higher and for 2023 are expected to be higher than 2019, and recognising the uncertain outlook. From 2028, mortality improvements are in line with the CMI 2022 Core model. The impact of different weightings on the Scheme liabilities is included in the sensitivities section within this note.

Life expectancy at age 65

| | 2024 | | | 2023 | | |
|--|---|--|---------------------------|--|--|---------------------------|
| | Sainsbury's section Main Scheme Years | Sainsbury's section Executive Scheme Years | Argos section Years | Sainsbury's section Main Scheme Years | Sainsbury's section Executive Scheme Years | Argos section Years |
| Members aged 65 at balance sheet date | | | | | | |
| Male pensioner | 18.9 | 22.2 | 19.7 | 19.5 | 22.7 | 20.3 |
| Female pensioner | 22.8 | 23.4 | 22.8 | 23.3 | 24.0 | 23.4 |
| Members aged 45 at balance sheet date | | | | | | |
| Male pensioner | 19.8 | 23.1 | 20.7 | 20.7 | 24.0 | 21.6 |
| Female pensioner | 23.9 | 24.6 | 24.0 | 24.9 | 25.5 | 24.8 |

20 Contingent liabilities

The Group has a number of contingent liabilities in respect of historical lease guarantees, particularly in relation to the disposal of assets, which if the current tenant and their ultimate parents become insolvent, may expose the Group to a material liability, however this liability decreases over time as the leases expire. The Group has considered a number of factors, including past history of default as well as the profitability and cash generation of the current leaseholders, and has concluded that the likelihood of pay-out is remote.

Along with other retailers, the Group is currently subject to claims from current and ex-employees in the Employment Tribunal for equal pay under the Equality Act 2010 and/or the Equal Pay Act 1970. There are currently circa 16,300 equal pay claims from circa 10,900 claimants and the Group believes that further claims may be served. The claimants are alleging that their work within Sainsbury's stores is or was of equal value to that of colleagues working in Sainsbury's distribution centres, and that differences in terms and conditions relating to pay are not objectively justifiable. The claimants are seeking the differential back pay based on the higher wages in distribution depots, and the equalisation of wages and terms and conditions on an ongoing basis.

20 Contingent liabilities continued

There are three stages in the tribunal procedure for equal value claims of this nature and the claimants will need to succeed in all three. The first stage is whether store claimants have the legal right to make the comparison with depot workers. Following European and Supreme Court decisions in other litigation, Sainsbury's has conceded this point. The second stage is the lengthy process to determine whether any of the claimants' roles are of equal value to their chosen comparators. In the event that any of the claimants succeed at the second stage, there will be a third stage comprising further hearings, in the following years, to consider Sainsbury's material factor defences, relating to non-discriminatory reasons for any pay differential. Completion of these two stages is likely to take many years which will involve hearings and appeals. It is not possible to predict a final date with any certainty. If the Group is unsuccessful at the end of the litigation the liability could be material but due to the complexity and multitudinous factual and legal uncertainties we are not in a position to predict an outcome, quantum or impact at this stage. There are substantial factual and legal defences to these claims and the Group intends to defend them vigorously.

Given that the outcome of the second and third stages in the litigation remains highly uncertain at this stage, the Group cannot make any assessment of the likelihood nor quantum of any outcome and accordingly, no provision has been recognised.

Alternative performance measures (APMs)

In the reporting of financial information, the Directors use various APMs which they believe provide additional useful information for understanding the financial performance and financial health of the Group. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies who use similar measures.

All of the following APMs relate to the current financial year's results and comparative financial year where provided.

A1 Income statement measures

A1.1 Revenue

a) Retail like-for-like sales (Closest IFRS equivalent: none)

Definition and purpose

Year-on-year growth in sales including VAT, excluding Fuel and Financial Services, for stores that have been open for more than one year. The relocation of Argos stores into Sainsbury's supermarkets are classified as new space, while the host supermarket is classified as like-for-like.

The measure is used widely in the retail sector.

Reconciliation

| | 2024 | 2023 |
|--|-------------|--------|
| Retail like-for-like (exc. Fuel, inc. VAT) | 7.5% | 2.6% |
| Underlying net new space impact | (0.7)% | (0.6)% |
| Retail sales growth (exc. Fuel, inc. VAT) | 6.8% | 2.0% |
| Fuel impact | (3.6)% | 3.2% |
| Total retail sales growth (inc. Fuel, inc. VAT) | 3.2% | 5.2% |
| VAT impact | 0.4% | (0.1)% |
| Total retail sales growth | 3.6% | 5.1% |

A1.2 Profit

a) Retail underlying operating profit and margin (Closest IFRS equivalent: Profit before tax)

Definition and purpose

Profit before interest and tax for the retail segment excluding non-underlying items.

This is the lowest level at which the retail segment can be viewed from a management perspective, with finance costs managed for the Group as a whole.

Reconciliation

| | Note | 2024 £m | 2023 £m |
|---|------|---------------|------------|
| Retail underlying operating profit | 5.1 | 966 | 926 |
| Retail sales | 4 | 32,084 | 30,960 |
| Retail underlying operating margin | | 3.01% | 2.99% |

b) Underlying profit before tax (Closest IFRS equivalent: Profit before tax)

Definition and purpose

Profit before tax excluding non-underlying items.

Provides shareholders with additional insight into the year-on-year performance.

Reconciliation

Face of the income statement.

Non-underlying items as set out in note 3 to the financial statements.

Alternative performance measures (APMs) continued

- c) **Underlying basic and diluted earnings per share** (Closest IFRS equivalent: Basic and diluted earnings per share)

Definition and purpose

Earnings per share using underlying profit as described above.

A key measure to evaluate the performance of the business and returns generated for investors.

Reconciliation

Note 9 to the financial statements.

- d) **Retail underlying EBITDA** (Closest IFRS equivalent: None)

Definition and purpose

Retail underlying operating profit as above, before underlying depreciation, and amortisation.

Used to review the retail segment's profit generation and the sustainability of ongoing capital reinvestment and finance costs.

Reconciliation

| | Note | 2024 £m | 2023 £m |
|--|------|--------------|--------------|
| Retail underlying operating profit | 5.1 | 966 | 926 |
| Add: Retail underlying depreciation and amortisation | A2.1 | 1,112 | 1,134 |
| Retail underlying EBITDA | | 2,078 | 2,060 |
| Retail sales | 4 | 32,084 | 30,960 |
| Retail underlying EBITDA margin | | 6.48% | 6.65% |

- e) **Underlying net finance costs** (Closest IFRS equivalent: Finance income less finance costs)

Definition and purpose

Net finance costs before any non-underlying items that are recognised within finance income / expenses.

Provides shareholders with additional insight into the underlying net finance costs.

Reconciliation

Note 7 to the financial statements.

- f) **Underlying tax rate** (Closest IFRS equivalent: Effective tax rate)

Definition and purpose

Tax on underlying items, divided by underlying profit before tax.

Provides an indication of the tax rate across the Group before the impact of non-underlying items.

Reconciliation

Non-underlying tax items as set out in note 3 to the financial statements.

Alternative performance measures (APMs) continued

A2 Cash flows and borrowings

A2.1 Retail cash flows (Closest IFRS equivalent: Group cash flows)

Definition and purpose

Retail cash flows identified as a separate component of Group cash flows.

Retail free cash flow: Net cash generated from retail operations, after cash capital expenditure and including payments of lease obligations, cash flows from joint ventures and associates and Sainsbury's Bank capital injections. This measures cash generation, working capital efficiency and capital expenditure of the retail business.

Other retail cash flows: Individual cash flow line items segregated from Group cash flows to allow individual Retail cash flows to be identified. This enables management to assess the cash generated from its core retail operations, and to assess core retail capital expenditure in the financial year in order to review the strategic business performance.

Alternative performance measures (APMs) continued

Reconciliation

| | 2024 | | | 2023 | | |
|---|----------------|----------------|----------------|--------------|----------------|-------------|
| | | Financial | | Financial | | |
| | Retail £m | Services £m | Group £m | Retail £m | Services £m | Group £m |
| Profit before tax | 483 | (206) | 277 | 284 | 43 | 327 |
| Net finance costs | 255 | - | 255 | 235 | - | 235 |
| Operating profit/(loss) | 738 | (206) | 532 | 519 | 43 | 562 |
| Depreciation and amortisation | | | | | | |
| - Underlying | 1,112 | 32 | 1,144 | 1,134 | 33 | 1,167 |
| - Non-underlying | 34 | - | 34 | 41 | - | 41 |
| | 1,146 | 32 | 1,178 | 1,175 | 33 | 1,208 |
| Net impairment charge on non-financial assets | 23 | 212 | 235 | 315 | - | 315 |
| (Profit)/loss on sale of non-current assets and early termination of leases | | | | | | |
| - Underlying | (5) | - | (5) | (5) | - | (5) |
| - Non-underlying | (11) | 14 | 3 | (10) | - | (10) |
| | (16) | 14 | (2) | (15) | - | (15) |
| Non-underlying fair value movements | 46 | - | 46 | 29 | - | 29 |
| Share-based payments expense | 83 | 6 | 89 | 54 | 5 | 59 |
| Defined benefit scheme expense/(income) | 7 | - | 7 | (2) | - | (2) |
| Cash contributions to defined benefit scheme | (44) | - | (44) | (44) | - | (44) |
| Operating cash flows before changes in working capital | 1,983 | 58 | 2,041 | 2,031 | 81 | 2,112 |
| Movements in working capital | | | | | | |
| - Underlying | 262 | (20) | 242 | 159 | 307 | 466 |
| - Non-underlying | 57 | 22 | 79 | 11 | - | 11 |
| | 319 | 2 | 321 | 170 | 307 | 477 |
| Cash generated from operations | 2,302 | 60 | 2,362 | 2,201 | 388 | 2,589 |
| Interest paid | (323) | (13) | (336) | (307) | (9) | (316) |
| Corporation tax paid | (58) | (3) | (61) | (99) | (4) | (103) |
| Net cash generated from operating activities | 1,921 | 44 | 1,965 | 1,795 | 375 | 2,170 |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | | | | | | |
| - Additions | (649) | (1) | (650) | (523) | (2) | (525) |
| - Acquisitions | (731) | - | (731) | - | - | - |
| Purchase of intangible assets | (165) | (13) | (178) | (194) | (19) | (213) |
| Capital expenditure | (1,545) | (14) | (1,559) | (717) | (21) | (738) |
| Initial direct costs on new leases | (6) | - | (6) | (16) | - | (16) |
| Proceeds from disposal of property, plant and equipment | | | | | | |
| - Core disposals | 16 | - | 16 | 29 | - | 29 |
| - Acquisition related | 61 | - | 61 | - | - | - |
| Proceeds from disposal of amounts due from Financial Services Customers | - | 446 | 446 | - | - | - |
| Dividends and distributions received/(paid) | | | | | | |
| Interest received | 27 | - | 27 | 15 | (50) | 1 |
| Net cash (used in)/generated from investing activities | (1,447) | 432 | (1,015) | (638) | (71) | (709) |
| Cash flows from financing activities | | | | | | |
| Proceeds from issuance of ordinary shares | 15 | - | 15 | 13 | - | 13 |
| Purchase of own shares | (18) | - | (18) | (45) | - | (45) |
| Share related transactions | (3) | - | (3) | (32) | - | (32) |
| Proceeds from borrowings | 575 | - | 575 | - | - | - |
| Repayment of borrowings | (41) | - | (41) | (40) | (55) | (95) |
| Net drawdown/(repayment) of borrowings | 534 | - | 534 | (40) | (55) | (95) |
| Capital repayment of lease obligations | (505) | (2) | (507) | (512) | (2) | (514) |
| Dividends paid on ordinary shares | (306) | - | (306) | (319) | - | (319) |
| Net cash used in financing activities | (280) | (2) | (282) | (903) | (57) | (960) |
| Net increase in cash and cash equivalents | 194 | 474 | 668 | 254 | 247 | 501 |
| Capital expenditure | (1,545) | | | (717) | | |
| Less amounts paid for asset acquisition (note 2.6) | 731 | | | - | | |
| Core Retail capital expenditure | (814) | | | (717) | | |

Alternative performance measures (APMs) continued

Items in the retail cash flow marked a) to c) reconcile to the summary cash flow statement in the financial review as outlined in note A2.2.

As set out in the Group cash flow statement the Group now classifies Interest received within Cash flows from investing activities whereby the previous treatment was within Cash flows from operations. 2023 amounts have therefore been re-presented whereby Retail Cash generated from operations and Retail Cash flows from investing activities were previously £2,216 million and £(653) million respectively. There has been no impact on cash flows within the Financial Services segment.

A2.2 Underlying retail cash flow movements (Closest IFRS equivalent: None)

Definition and purpose

Identifies cash movements in respect of Retail non-underlying items and also sets out a breakdown of items included in the summary cash flow statement set out in the Financial Review.

Reconciliation

| | Note | 2024 £m | 2023 £m |
|--|------|--------------|------------|
| Cash contribution to defined benefit scheme | A2.1 | (44) | (44) |
| Non-underlying cash movements: | | | |
| Financial services model | | (5) | - |
| Sainsbury's structural integration | | (67) | (50) |
| Legal disputes income | | - | 30 |
| ATM business rates reimbursement | | - | 3 |
| Property-related transactions | | - | (6) |
| Operating cash flows | | (72) | (23) |
| Effect on Retail cash generated from operations | | (116) | (67) |

Sum of items marked a), b), and c) in note A2.1 as they appear in the financial review

| | Reference | 2024 £m | 2023 £m |
|---|-----------|------------|------------|
| Retail free cash flow | a) | 639 | 645 |
| Share based payments and other | b) | 78 | 49 |
| Net consideration paid for Highbury & Dragon property transaction | c) | (670) | - |

A3 Borrowings

A3.1 Net debt (Closest IFRS equivalent: Borrowings, cash, derivatives, financial assets at FVTOCI, lease liabilities)

Definition and purpose

Net debt includes the capital injections into Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries. Financial Services' net debt balances are excluded because they are required as part of the business as usual operations of a bank, as opposed to specific forms of financing for the Group. Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately. Hence net debt is represented as Retail net debt.

This metric shows the liquidity and indebtedness of the Group and whether the Group can cover its debt commitments.

Reconciliation

Note 17 to the financial statements.

Alternative performance measures (APMs) continued

A3.2 Net debt / underlying EBITDA (Closest IFRS equivalent: None)

Definition and purpose

Net debt divided by Group underlying EBITDA.

Helps management measure the ratio of the business's debt to operational cash flow.

Reconciliation

| | Note | 2024 £m | 2023 £m |
|-----------------------------------|------|-------------|-------------|
| Net debt | 17 | 5,554 | 6,344 |
| Group underlying EBITDA | A4.2 | 2,139 | 2,139 |
| Net debt/underlying EBITDA | | 2.6x | 3.0x |

Group underlying EBITDA is reconciled within the fixed charge cover analysis in note A4.2.

A4 Other measures

A4.1 Return on capital employed (Closest IFRS equivalent: None)

Definition and purpose

Return divided by average capital employed.

Return is defined as 52 week rolling underlying profit before interest and tax.

Capital employed is defined as Group net assets excluding pension surplus, less net debt. The average is calculated on a 14-point basis which uses the average of 14 data points.

Represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business.

Reconciliation

Net debt as set out in note 17.

| | Note | 2024 £m | 2023 £m |
|---|---------------|---------------|---------------|
| Return (Group underlying operating profit) | 5.1 | 995 | 972 |
| | | £m | £m |
| Group net assets | Balance sheet | 6,868 | 7,253 |
| Less: Pension surplus | Balance sheet | (690) | (989) |
| Deferred tax on pension surplus | | 244 | 330 |
| Less: Net debt | 17 | 5,554 | 6,344 |
| Effect of in-year averaging | | 42 | (101) |
| Capital employed | | 12,018 | 12,837 |
| Return on capital employed | | 8.3% | 7.6% |

Alternative performance measures (APMs) continued

A4.2 Fixed charge cover (Closest IFRS equivalent: None)

Definition and purpose

Group underlying EBITDA divided by rent (representing capital and interest repayments on leases) and underlying net finance costs, where interest on perpetual securities is treated as an underlying finance cost. All items are calculated on a 52 week rolling basis.

This helps assess the Group's ability to satisfy fixed financing expenses from performance of the business.

Reconciliation

| | Note | 2024 £m | 2023 £m |
|---|------|--------------|------------|
| Group underlying operating profit | 5.1 | 995 | 972 |
| Add: Group underlying depreciation and amortisation expense | A2.1 | 1,144 | 1,167 |
| Group underlying EBITDA | | 2,139 | 2,139 |
| Capital repayment of lease obligations | A2.1 | (507) | (514) |
| Underlying finance income | 7 | 30 | 18 |
| Underlying finance costs | 7 | (324) | (300) |
| Fixed charges | | (801) | (796) |
| Fixed charge cover | | 2.7x | 2.7x |