

2018/19 Financial Statements – restated for IFRS 16

As previously announced, J Sainsbury PLC is adopting the fully retrospective approach to the new IFRS 16 lease standard, effective for the Group for the 52 weeks ending 7 March 2020.

IFRS 16 will have no economic effect on the business or cash. It does however impact the way assets, liabilities and the income statement are presented.

Our first Financial Statements to be prepared under IFRS 16 will be Interims 2019/20, to be reported on 7 November 2019. Ahead of those results, we are today publishing first half and full year restated 2018/19 results on a post-IFRS 16 basis.

- In line with prior guidance, restated underlying profit before tax for 2018/19 reduces by £34 million and statutory profit before tax reduces by £37 million. Underlying profit before tax therefore reduces from £635 million to £601 million, and statutory profit before tax reduces from £239 million to £202 million
- This restatement comprises £747 million reduction in rent, £(470) million increase in depreciation, £(323) million increase in underlying net finance costs and £12 million reduction in other costs
- The financial impact on the restated 2018/19 balance sheet includes the recognition of right-of-use assets of £4,993 million, recognition of IFRS 16 lease liabilities of £(5,822) million and recognition of deferred tax assets of £162 million. 2018/19 restated net assets reduce by £(673) million and retail net debt increases from £(1,142) million to £(6,844) million
- 2018/19 Net debt to EBITDAR of 3.1 times compares to previously reported adjusted Net debt to EBITDAR of 3.2 times

See below for 2018/19 full year and half year restated Financial Statements. See

<https://www.about.sainsburys.co.uk/investors/results-reports-and-presentations> for a more detailed disclosure on the impact of IFRS 16.

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These condensed consolidated financial statements for the 52 weeks ended 9 March 2019 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the 52 weeks ended 9 March 2019 (as reported) have been filed with the Registrar of Companies following their approval at the AGM. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Group income statement

	28 weeks to 22 September 2018 (reported) £m	IFRS 16 Impact £m	28 weeks to 22 September 2018 (restated) £m	52 weeks 9 March 2019 (reported) £m	IFRS 16 Impact £m	52 weeks 9 March 2019 (restated) £m
Revenue	15,127	-	15,127	29,007	-	29,007
Cost of sales	(14,100)	146	(13,954)	(27,000)	281	(26,719)
Gross profit	1,027	146	1,173	2,007	281	2,288
Administrative expenses	(891)	5	(886)	(1,733)	8	(1,725)
Other income	16	-	16	38	-	38
Operating profit	152	151	303	312	289	601
Finance income	28	1	29	22	2	24
Finance costs	(49)	(177)	(226)	(99)	(328)	(427)
Share of post-tax profit from joint ventures and associates	1	-	1	4	-	4
Profit before tax	132	(25)	107	239	(37)	202
Analysed as:						
Underlying profit before tax	302	(23)	279	635	(34)	601
Non-underlying items	(170)	(2)	(172)	(396)	(3)	(399)
	132	(25)	107	239	(37)	202
Income tax credit/(expense)	12	4	16	(20)	4	(16)
Profit for the financial period	144	(21)	123	219	(33)	186
Earnings per share	pence		pence	pence		pence
Basic earnings	6.1	(1.0)	5.1	9.1	(1.5)	7.6
Diluted earnings	5.8	(0.9)	4.9	8.9	(1.3)	7.5
Underlying basic earnings	10.3	(0.9)	9.4	22.0	(1.4)	20.7
Underlying diluted earnings	9.5	(0.7)	8.8	20.3	(1.2)	19.1

Group balance sheet

	28 weeks to 22 September 2018 (reported) £m	IFRS 16 Impact £m	28 weeks to 22 September 2018 (restated) £m	52 weeks to 9 March 2019 (reported) £m	IFRS 16 Impact £m	52 weeks to 9 March 2019 (restated) £m
Non-current assets						
Property, plant and equipment	9,782	(498)	9,284	9,708	(515)	9,193
Right-of-use asset	-	5,055	5,055	-	4,993	4,993
Intangible assets	1,052	(1)	1,051	1,044	(1)	1,043
Investments in joint ventures and associates	209	-	209	205	-	205
Financial assets at fair value through other comprehensive income	541	-	541	645	-	645
Other receivables	30	28	58	33	24	57
Amounts due from Financial Services customers	2,752	-	2,752	3,349	-	3,349
Derivative financial instruments	18	-	18	9	-	9
Net retirement benefit surplus	266	-	266	959	-	959
	14,650	4,584	19,234	15,952	4,501	20,453
Current assets						
Inventories	1,879	-	1,879	1,929	-	1,929
Trade and other receivables	659	(6)	653	661	(31)	630
Amounts due from Financial Services customers	3,482	-	3,482	3,638	-	3,638
Financial assets at fair value through other comprehensive income	353	-	353	211	-	211
Derivative financial instruments	47	-	47	21	-	21
Cash and cash equivalents	1,463	-	1,463	1,121	-	1,121
	7,883	(6)	7,877	7,581	(31)	7,550
Assets held for sale	8	-	8	8	-	8
	7,891	(6)	7,885	7,589	(31)	7,558
Total assets	22,541	4,578	27,119	23,541	4,470	28,011
Current liabilities						
Trade and other payables	(4,824)	42	(4,782)	(4,444)	71	(4,373)
Amounts due to Financial Services customers and other deposits	(5,336)	-	(5,336)	(5,797)	-	(5,797)
Borrowings	(255)	(510)	(765)	(832)	(517)	(1,349)
Derivative financial instruments	(6)	-	(6)	(17)	-	(17)
Taxes payable	(123)	-	(123)	(204)	-	(204)
Provisions	(133)	22	(111)	(123)	14	(109)
	(10,677)	(446)	(11,123)	(11,417)	(432)	(11,849)
Net current liabilities	(2,786)	(452)	(3,238)	(3,828)	(463)	(4,291)
Non-current liabilities						
Other payables	(333)	250	(83)	(340)	253	(87)
Amounts due to Financial Services customers and other deposits	(1,850)	-	(1,850)	(1,804)	-	(1,804)
Borrowings	(1,388)	(5,263)	(6,651)	(950)	(5,192)	(6,142)
Derivative financial instruments	(9)	-	(9)	(17)	-	(17)
Deferred income tax liability	(287)	162	(125)	(397)	162	(235)
Provisions	(161)	57	(104)	(160)	65	(95)
Net retirement benefit obligations	-	-	-	-	-	-
	(4,028)	(4,794)	(8,822)	(3,668)	(4,712)	(8,380)
Net assets	7,836	(662)	7,174	8,456	(674)	7,782
Equity						
Called up share capital	629	-	629	630	-	630
Share premium account	1,140	-	1,140	1,147	-	1,147
Capital redemption reserve	680	-	680	680	-	680
Merger reserve	568	-	568	568	-	568
Other reserves	170	-	170	172	-	172
Retained earnings	4,153	(662)	3,491	4,763	(674)	4,089
Total equity before perpetual securities	7,340	(662)	6,678	7,960	(674)	7,286
Perpetual capital securities	248	-	248	248	-	248
Perpetual convertible bonds	248	-	248	248	-	248
Total equity	7,836	(662)	7,174	8,456	(674)	7,782

Group cash flow statement

	28 weeks to 22 September 2018 (reported) £m	IFRS 16 Impact £m	28 weeks to 22 September 2018 (restated) £m	52 weeks to 9 March 2019 (reported) £m	IFRS 16 Impact £m	52 weeks to 9 March 2019 (restated) £m
Cash flows from operating activities						
Profit before tax	132	(25)	107	239	(37)	202
Net finance costs	21	176	197	77	326	403
Share of post-tax-profit from joint ventures and associates	(1)	-	(1)	(4)	-	(4)
Operating profit	152	151	303	312	289	601
Adjustments for:						
Depreciation expense	354	252	606	649	470	1,119
Amortisation expense	75	-	75	143	-	143
Non-cash adjustments arising from acquisitions	-	-	-	(2)	-	(2)
Financial Services impairment losses on loans and advances	49	-	49	98	-	98
Loss/(profit) on sale of properties	12	-	12	17	-	17
Loss on disposal of intangibles	1	-	1	-	-	-
Impairment charge of property, plant and equipment	-	-	-	3	-	3
Share-based payments expense	19	-	19	39	-	39
Retirement benefit obligations	(25)	-	(25)	45	-	45
Operating cash flows before changes in working capital	637	403	1,040	1,304	759	2,063
Changes in working capital						
Increase in inventories	(69)	-	(69)	(118)	-	(118)
Increase in current financial assets	(180)	-	(180)	(97)	-	(97)
Decrease/(increase) in trade and other receivables	67	(13)	54	74	18	92
Increase in amounts due from Financial Services customers and other deposits	(672)	-	(672)	(1,480)	-	(1,480)
Increase in trade and other payables	415	9	424	94	(23)	71
Increase in amounts due to Financial Services customers and other deposits	662	-	662	1,077	-	1,077
(Decrease)/increase in provisions and other liabilities	(75)	9	(66)	(105)	12	(93)
Cash generated from operations	785	408	1,193	749	766	1,515
Interest paid	(33)	-	(33)	(63)	-	(63)
Corporation tax paid	(22)	-	(22)	(68)	-	(68)
Net cash generated from operating activities	730	408	1,138	618	766	1,384
Cash flows from investing activities						
Purchase of property, plant and equipment	(237)	2	(235)	(478)	4	(474)
Initial direct costs on right-of-use assets	-	(6)	(6)	-	(11)	(11)
Purchase of intangible assets	(58)	-	(58)	(116)	-	(116)
Proceeds from disposal of property, plant and equipment	34	-	34	64	-	64
Proceeds from financial assets at fair value through other comprehensive income	-	-	-	39	-	39
Acquisition of subsidiaries, net of cash acquired	-	-	-	-	-	-
Investment in joint ventures	(5)	-	(5)	(5)	-	(5)
Interest received	2	-	2	4	-	4
Dividends and distributions received	16	-	16	18	-	18
Net cash used in investing activities	(248)	(4)	(252)	(474)	(7)	(481)
Cash flows from financing activities						
Proceeds from issuance of ordinary shares	11	-	11	22	-	22
Proceeds from borrowings	-	-	-	135	-	135
Proceeds from financial assets	39	-	39	-	-	-
Repayment of borrowings	(581)	-	(581)	(593)	-	(593)
Purchase of own shares	(12)	-	(12)	(30)	-	(30)
Repayment of capital element of obligations under finance lease borrowings	(25)	(224)	(249)	(32)	(425)	(457)
Interest elements of obligations under finance lease payments	(4)	(180)	(184)	(7)	(334)	(341)
Dividends paid on ordinary shares	(156)	-	(156)	(224)	-	(224)
Dividends paid on perpetual securities	(20)	-	(20)	(23)	-	(23)
Net cash used in financing activities	(748)	(404)	(1,152)	(752)	(759)	(1,511)
Net (decrease)/increase in cash and cash equivalents	(266)	-	(266)	(608)	-	(608)
Opening cash and cash equivalents	1,728	-	1,728	1,728	-	1,728
Closing cash and cash equivalents	1,462	-	1,462	1,120	-	1,120