27 April 2023

J Sainsbury plc

Preliminary Results for the 52 weeks ended 4 March 2023
Delivering greater value for customers, colleagues, communities and shareholders

Two years into our Food First plan, we are a fundamentally stronger business. We have made bold choices to reduce costs, make Argos and Tu more profitable and resilient, grow profits at Nectar and strengthen our balance sheet. We have reinvested the benefits in our food business, prioritising value, customer service and innovation, which is driving improved market share performance[1]. This has also given us the financial flexibility to make balanced choices, investing to help customers and colleagues, while also delivering results at the top end of expectations.

Financial highlights

- Retail sales up 5.2%, ex. fuel sales up 2.0%. Statutory Group sales (ex. VAT) up 5.3%. Q4 ex. fuel retail sales up 7.1% (7.8% like-for-like)
- Grocery sales up 3.0%, driven by inflation and improved market share performance. Q4 grocery sales up 7.4%
- General Merchandise (GM) sales down 0.4%, with Argos gaining share in a weak general merchandise market. Q4 GM sales up 7.6% (Argos sales up 9.3%)
- Underlying profit before tax of £690 million, down 5% and at the top end of £630 million to £690 million guidance range. Up 18% versus 2019/20 pre-pandemic UPBT of £586 million. Year-on-year decline reflects annualisation of COVID-19 driven grocery volume, investment in the customer proposition and operating cost inflation, partially offset by operating cost savings and lower finance charges
- Statutory profit before tax of £327 million versus £854 million last year. Impacted by non-cash asset impairments, driven by a higher discount rate, and one-off income from legal settlements in the prior year
- Retail free cash flow £645 million
- Year end net funds, excluding leases, of £144 million, a £285 million improvement. Net debt including leases improved by £415 million to £6,344 million
- Underlying earnings per share 23.0 pence, down 9%. Basic earnings per share 9.0 pence, down 70%
- Proposed final dividend of 9.2 pence, full-year dividend of 13.1 pence, in line with last year
- Outlook: At this early stage of the year, we expect UPBT between £640 million and £700 million in FY2023/24 and we continue to expect to generate at least £500 million of Retail free cash flow

Simon Roberts, Chief Executive of J Sainsbury plc, said: "We really get how tough life is for so many households right now which is why we are absolutely determined to battle inflation for our customers. Our focus on value has never been greater and we have spent over £560 million keeping our prices low over the last two years. As a result, we are now the best value compared to our competitors that we have been in many years and we are delivering improved market share performance in Sainsbury's and Argos.

"We are two years into our plan to put food back at the heart of Sainsbury's and have focused our efforts on reducing costs right across the business, which has enabled us to make the right decisions for our colleagues and customers. At the same time, we have improved the performance and profitability of Argos, Tu, Nectar and Financial Services so that we can invest further in the areas that customers and colleagues care about most.

"Our colleagues do a fantastic job serving our customers every day and we know that they are also dealing with the impact of the rising cost of living. That's why, over the last 12 months, we took the decision to invest £225 million in supporting colleagues including raising colleague pay three times, becoming the first major supermarket to pay our people the Living Wage across the whole country and providing free food at work and increased colleague discount. The results we have achieved this year are testament to the outstanding contribution across our entire team. I want to thank every one of my colleagues for their dedication and hard work.

"We continue to work closely with our suppliers and farmers and I am grateful for their support in what has been another difficult year for food supply chains. We know just how vital the agriculture industry is not only to Sainsbury's, but to the country as a whole and this is why we have made the choice to give £66 million of additional support to British farmers over the last year.

"We made these very deliberate decisions and investments because they make our business stronger, but more importantly because they are simply the right thing to do. While there is still much to be done and there is no doubt that the year ahead will remain challenging, I'm confident we will continue to deliver for our customers, colleagues, communities and shareholders."

Strategic highlights

- <u>Food First:</u> Customers want low prices, exciting new products and great customer service. This is where we are focusing our time, energy and investment and is why more customers are choosing to shop with us[2]. We have:

- Invested over £560 million in keeping prices lower over the last two years, £10 million more than the commitment we announced in December, helping us significantly improve our price position against all our competitors by as much as 16 per cent[3]
  - Launched Nectar Prices, offering discounts to every Nectar customer in supermarkets and online, building on Your Nectar Prices which offers personalised discounts. The most active Your Nectar Prices users are saving almost £200 a year on their shopping[4]
  - Exceeded our innovation target and launched more Taste the Difference products, helping to win market share around big events[5] as customers increasingly celebrate at home
  - Invested record amounts to increase colleague pay, provide free food and improve discount, driving up colleague and customer satisfaction scores
- Brands that Deliver: We have significantly improved profitability across our brands, creating £145 million[6] more firepower to invest in our core food business. We have:
  - Grown our Nectar digital users to 11 million and now have over 18 million Nectar members. Nectar360 is on track with its plan to deliver at least £90 million incremental profit by March 2026
  - Transformed the Argos sales and cost base, making the business considerably more profitable and more competitive than pre-pandemic. Argos has gained market share[7] in a weak general merchandise market
  - Launched more Habitat partnerships with third-party designers and delivered value market share gains in a number of homeware categories[8]
  - Grown full-price sales to now make up 80 per cent of our Clothing sales, up 15 percentage points versus pre-pandemic whilst also extending our range of third party clothing brands to offer more choice and convenience
  - Increased Financial Services profits, reflecting higher credit demand and travel money volumes
- Save to Invest: We are making tough but necessary decisions to simplify, prioritise and partner right across the business. These create cost savings that fuel investments in price, innovation and customer service. We have:
  - Delivered more than £900 million of cost savings over the last two years, remaining on track to deliver £1.3 billion of cost savings over three years, doubling the run rate from the three years to FY2019/20
  - Reduced our operating cost to sales ratio further, now 97 basis points lower than FY2019/20 despite significantly higher than anticipated operating cost inflation. Productivity improvements have driven a reduction in our labour cost to sales ratio despite significant investment in colleague wages
- Plan for Better: 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 have:
  - Reduced absolute greenhouse gas (GHG) emissions within our operations to 461,692 tCO_2e, a reduction of 38.2 per cent year-on-year. We were awarded an A rating for our Climate Change CDP submission for the ninth consecutive year and are the only UK food retailer to have achieved this
  - Donated over 10 million meals through our partnership with Neighbourly since launching in 2021, preventing over 4,500 tonnes of food from going to waste
  - Reduced absolute plastic packaging by 17.5 per cent from our baseline[9]. We are focused on reducing plastic packaging on high volume products and were the first retailer to vacuum-pack all beef mince, which will save over 450 tonnes of plastic a year

Financial Summary	**2022/23**	**2021/22**	**2019/20**	**YoY**	**Yo3Y**
Statutory performance					
Group revenue (excl. VAT, inc. fuel)	**£31,491m**	£29,895m	£28,993m	5.3%	8.6%
Profit before tax	**£327m**	£854m	£278m	(62)%	13%
Profit after tax	**£207m**	£677m	£170m	(69)%	15%
Basic earnings per share	**9.0p**	29.8p	6.7p	(70)%	27%
Business performance					
Group sales (inc. VAT)	**£35,157m**	£33,355m	£32,394m	5.4%	8.5%
Retail sales (inc. VAT, excl. fuel)	**£28,664m**	£28,095m	£26,868m	2.0%	6.7%
Underlying profit before tax[10]	**£690m**	£730m	£586m	(5)%	18%
Underlying basic earnings per share[10]	**23.0p**	25.4p	19.8p	(9)%	16%
Interim dividend per share	**3.9p**	3.2p	3.3p	22%	18%
Proposed Final dividend per share[11]	**9.2p**	9.9p	7.3p	(7)%	26%
Proposed Full-year dividend per share[11]	**13.1p**	13.1p	10.6p	-	24%
Net debt[10]	**£(6,344)m**	£(6,759)m	£(6,947)m	+£415m	+£603m
Non-lease net funds / (debt)	**£144m**	£(141)m	£(1,179)m	+£285m	+£1,323m
Return on capital employed[10]	**7.6%**	8.4%	7.4%	(80)bps	20bps

Like-for-like sales performance	2021/22		2022/23 YoY				
	Q3	Q4	Q1	Q2	Q3	Q4	FY
Like-for-like sales (excl. fuel)	(4.5%)	(5.6%)	(4.0%)	3.7%	5.9%	7.8%	2.6%
Like-for-like sales (incl. fuel)	0.6%	2.7%	2.9%	7.7%	6.8%	5.9%	5.7%

Total sales performance	2021/22		2022/23 YoY					2022/23 Yo3Y				
	Q3	Q4	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Grocery	(1.1%)	(1.6%)	(2.4%)	3.8%	5.6%	7.4%	3.0%	8.7%	10.1%	12.5%	12.4%	10.8%
Total General Merchandise	(16.0%)	(21.1%)	(11.2%)	1.2%	4.6%	7.6%	(0.4)%	(6.2%)	(3.6%)	(6.9%)	1.4%	(4.9)%
GM (Argos)	*(16.1%)*	*(20.4%)*	*(10.5%)*	*1.6%*	*4.5%*	*9.3%*	*0.1%*	*(4.5%)*	*(0.9%)*	*(5.0%)*	*4.2%*	*(2.9)%*
GM (Sainsbury's)	*(15.7%)*	*(24.1%)*	*(14.6%)*	*(1.3%)*	*5.4%*	*(1.0)%*	*(2.9)%*	*(13.8%)*	*(15.5%)*	*(15.6%)*	*(11.8)%*	*(14.6)%*
Clothing	(2.7%)	(9.3%)	(10.1%)	(0.2%)	1.3%	(1.9)%	(3.0)%	3.9%	0.8%	(0.4%)	(8.6)%	0.0%
Total Retail (excl. fuel)	**(5.3%)**	**(6.2%)**	**(4.5%)**	**3.1%**	**5.2%**	**7.1%**	**2.0%**	**5.4%**	**6.7%**	**6.7%**	**9.5%**	**6.7%**
Fuel	47.5%	80.1%	48.3%	29.1%	12.2%	(2.8)%	23.4%	26.9%	24.2%	16.2%	8.6%	20.3%
Total Retail (incl. fuel)	**(0.1%)**	**2.2%**	**2.5%**	**7.2%**	**6.2%**	**5.4%**	**5.2%**	**8.9%**	**9.6%**	**8.0%**	**9.3%**	**8.8%**

Outlook

Our Food First strategy has given us the financial flexibility to make the right decisions for customers, for colleagues, for communities and ultimately for our shareholders. This has delivered strong results and we're starting the new financial year with great momentum. We're determined to build on this stronger base and sustain this momentum, retaining the flexibility to make the right choices given a still uncertain outlook for consumer spending. Therefore, at this early stage of the year we expect underlying profit before tax will be between £640 million and £700 million in FY2023/24. We continue to expect to generate at least £500 million of Retail free cash flow.

Dividend

The Board has proposed a final dividend of 9.2 pence per share. This brings the full year dividend to 13.1 pence per share, in line with last year.

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 live webcast presentation and Q&A will be held at 09:15 (BST). The webcast can be accessed at the following link: https://sainsburys-2022-23-preliminary-results-announcement.open-exchange.net/registration

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 2023/24 First Quarter Trading Statement at 07:00 (BST) on 4 July 2023.

ENDS

Enquiries

Investor Relations	Media
James Collins	Rebecca Reilly
+44 (0) 7801 813 074	+44 (0) 20 7695 7295

Strategy Review: Driven by our passion for food, together we serve and help every customer

We are two years into our three-year plan to transform Sainsbury's, putting food back at the heart of our business and we are fundamentally stronger. Prioritising food, building on our strong brand heritage and reputation for quality, innovation and service while offering customers more consistent value has enabled us to deliver strong results.

Bolder prioritisation has allowed us to make more focused investments in our brands – Argos, Habitat, Tu, Nectar and Sainsbury's Bank – and these have continued to support our core food business while consistently delivering for customers and shareholders in their own right. By making our brands more profitable, we have been able to continue to invest in food, offer greater value, an improved product range, better service and we find that customers who love our food will also shop with us across our brands.

Underpinning all of this is our ambitious cost savings programme, Save to Invest. While we have had to make some difficult decisions, the investments we have made through this programme are delivering strong results and putting us ahead of our competitors. Our work to build a simpler and more efficient business enables us to reinvest where it makes the biggest difference to customers.

Food First

We are making good progress to put food back at the heart of Sainsbury's by offering better value, more new products and improved service. Our grocery volume market share performance has improved considerably[1] since we launched our Food First plan and we are growing our volumes ahead of other full-choice grocers[12].

Value

As the cost of living crisis continues to put pressure on millions of households, we are relentlessly focused on delivering consistent value for customers. Driven by our bold cost savings programme, we have invested over £560 million over the last two years to keep food prices low through campaigns that prioritise the products customers buy most often. Over 60 per cent of this investment has gone into fresh products such as meat, fish, poultry, fruit and vegetables and dairy. As a result, we have consistently inflated behind our key competitors[13] and we are seeing less switching of customer spend to limited-choice supermarkets than our competitors[14].

At the end of December we increased the number of products in Aldi Price Match by 20 per cent and our largest ever campaign matched the price on around 300 fresh products and household staples including chicken breasts, milk, eggs, nappies and cereal. Own brand ranges are performing strongly and our entry price range is the fastest growing product tier.

We recently launched Nectar Prices, offering discounts to all supermarket and online customers using the Nectar app or card and results are already exceeding our expectations. Your Nectar Prices – previously My Nectar Prices, which launched in 2021 – offers customers their own personalised discounts, generating more than 70 million unique offers a week for customers using SmartShop in supermarkets. The most active Your Nectar Prices users are saving almost £200 a year on their shopping[4].

Innovation

We have exceeded our innovation target by 15 per cent and launched nearly 1,400 new products during the year. More customers are celebrating special occasions, treating themselves at home and we outperformed the market at key seasonal events[5]. We expanded our Taste the Difference range by 33 per cent year-on-year and Taste the Difference sales are up 16 per cent versus FY2019/20.

Our seasonal ranges are popular with customers and our second Autumn Editions range included 70 per cent more products year-on-year. Since launching Inspired to Cook last year, the range has been popular with customers as more people look for creative solutions to home cooking from scratch and our World Foods range is also performing well.

In January we launched Flourish, a new range with 70 fresh and healthy convenient products that help people eat better whilst on the move. The range is already popular and bestselling lines so far include the Pesto Chicken Sandwich and Immune Boosting smoothie.

We are also changing the way we work with suppliers to build long term partnerships that drive better results. Last year we agreed a long-term contract with Moy Park, our chicken supplier, to ensure that from March 2023 all our *by* Sainsbury's fresh and frozen chicken is grown under better welfare conditions. Our investment has enabled Moy Park to have better product control and we have been able to make these improvements without increasing prices for customers.

Service

We have announced a record £225 million of investment over the last 12 months in colleague pay and benefits. In 2022 we became the first major supermarket to pay the Living Wage across the country and the first to give hourly-paid colleagues a third pay rise in one year. All Sainsbury's and Argos retail colleagues now receive a base rate of pay of £11 per hour and colleagues in London receive £11.95 per hour, increasing pay for frontline, hourly paid colleagues by 10 per cent in the last year and 44 per cent over seven years.

Alongside competitive pay we have invested heavily in extra support for colleagues in response to increased financial pressure. Colleagues told us that free food at work was important and so we recently extended the provision of free food during shifts for a further six months. To help our colleagues have more control over their monthly budgets, we also introduced a pay advance scheme where colleagues can access their pay as they earn it and invested in more frequent deeper discounts at Argos and Sainsbury's to help colleagues save money on their shopping.

Rewarding our colleagues is driving higher colleague engagement scores and higher customer satisfaction scores. Supermarket satisfaction is consistently performing ahead of full choice competitors[15], particularly in product quality and availability and colleague availability[16]. Colleague engagement scores have also improved over the last two years.

Customers are increasingly returning to stores post-pandemic and more people are prioritising convenience and speed as they return to the workplace. As a result, we have grown Convenience sales to £3 billion for the first time and sales are up 10 per cent year-on-year. Convenience and On Demand sales combined are up 9 per cent versus pre-pandemic and On Demand is averaging 118,000 weekly orders in as little as 30 minutes through our Chop Chop service and partnerships with Deliveroo, Uber Eats and Just Eat.

Groceries Online sales were down 13 per cent year-on-year but were 81 per cent higher than pre-pandemic levels. Groceries Online accounts for 14 per cent of grocery sales versus 8 per cent in FY2019/20. We introduced more Christmas delivery slots to serve customers and brought forward Easter grocery slots and availability scores are up[17]. Online productivity has improved with items picked per hour up 6 per cent year-on-year and up 9 per cent on pre-pandemic levels.

Brands that Deliver

Our portfolio of brands – Argos, Habitat, Tu, Nectar and Sainsbury's Bank – are now £145 million more profitable than before the pandemic[6], helping to support our ambition in food. By offering a wide range of great quality, affordable General Merchandise products alongside our food range, customers can do more of their shopping in one place and as a result, more are choosing to shop with us[2]. Our brands are more profitable and, combined with our Save to Invest programme, are giving us greater firepower to invest in price, innovation and customer service.

Nectar is the UK's largest coalition loyalty programme and continues to grow, providing value for customers and helping drive increased profitability through Nectar360. We recently awarded our one trillionth Nectar point, equivalent to £5 billion worth of points over the last 20 years and we now have over 11 million digital Nectar users. We launched Nectar Prices in April, offering great discounts to Nectar customers in supermarkets and online. At the same time, Your Nectar Prices gives Nectar users personalised prices. Through Nectar, we are the only supermarket to have both a broad and personalised capability. Growing Nectar participation creates richer data, further fuelling the growth of our Nectar360 business. This allows us to offer over 700 brands more relevant content and activations across a range of marketing channels. Nectar360 is on track to deliver at least £90 million of incremental profit contribution by March 2026.

Argos has consistently outperformed the General Merchandise market over the last year[7] as we have built on its reputation for value and delivered better convenience and availability. Customers value the certainty and speed of Fast Track delivery and Click & Collect and towards the end of the year more sales went through Argos stores inside supermarkets than standalone Argos stores for the first time. Argos's market-leading Click & Collect and delivery offering made an especially big difference during the postal strikes over Christmas and last summer's hot weather, when many customers used Fast Track delivery – often under four hours – for seasonal products including paddling pools and barbecues. We have extended the breadth of range at Argos, including more premium brands, and continue to invest in Argos's digital capabilities, with 73 per cent of sales now originating online.

The transformation of the Argos store and distribution network continues at pace, reducing cost and improving availability and service for customers. We now have 17 Local Fulfilment Centres, a network that is transforming the speed at which we can fulfil customer orders and is improving product availability and driving improved customer satisfaction[18]. We now have the best national same and next day delivery proposition of any UK retailer. Over the last year we have closed 45 standalone Argos stores and opened 24 Argos stores inside Sainsbury's supermarkets and 92 in-store collection points. We now have 424 stores inside Sainsbury's supermarkets, 285 standalone stores and Collection points inside 420 Sainsbury's stores.

Tu is the sixth largest UK clothing brand by volume[19]. Full-price sales now make up 80 per cent of our Clothing sales, up 15 percentage points versus pre-pandemic and we are working with more online third-party brands including Sosandar, Little Mistress and Finery to provide a wider choice. We have migrated the Tu clothing online web platform onto the Argos platform, improving the quality of the web experience and enabling customers to use their Nectar points for purchases, further integrating our portfolio of brands and helping customers save money. This integration is also saving the business money and driving greater simplicity. Online sales are up 46 per cent versus pre-pandemic.

Habitat is performing well against a challenging General Merchandise backdrop and we have gained value market share in a number of homeware categories including bedding and decorations[8]. We are working with third-party designers including Sanderson Design Group to offer more choice to customers and have launched a one-off range with Kew Botanical Gardens for the summer.

Our Financial Services business is benefitting from a tighter focus on providing services for Sainsbury's and Argos customers. Profits have recovered to pre-pandemic levels as lending activity and travel money demand have increased but the loan book remains smaller than pre-pandemic levels.

Save to Invest

Our cost saving programme, Save to Invest, provides the fuel that drives our ability to invest in the areas that make the biggest difference for customers. We have made bold and deliberate decisions over the last two years to ensure we can invest in keeping prices low for customers and colleague pay. We are on track to deliver around £1.3 billion of cost savings in the three years to FY2023/24 and have reduced our operating cost to sales ratio by 97 basis points over the last two years, despite significantly higher than anticipated operating cost inflation.

We are making structural savings by rationalising our property estate and focusing on ensuring our stores are in the right locations to deliver for customers and serve communities. In the last year, we have closed eight convenience stores and three supermarkets. We have also opened 13 new convenience stores including one Neighbourhood Hub. We made the difficult decision to close our Argos operations in Republic of Ireland, including 34 stores and the website, in addition to the ongoing programme of Argos standalone store closures and the opening of Argos stores inside Sainsbury's supermarkets.

In February, we announced plans to close two of our warehouses and invest £90 million to improve automation at our Daventry warehouse, enabling a reduction of stock, faster delivery to customers and a simpler delivery process for suppliers. Industry-leading automation alongside improved training and development for colleagues is a key focus for future investment as we look at how we can improve our logistics network to get better and faster results for customers.

We plan to transform and simplify our logistics operations by working more effectively with the expert partners who already run significant parts of our network. We have announced plans to move to three dedicated partnerships across transport, food, general merchandise and clothing by the end of 2024, instead of multiple different contracts across the network. This will make the best use of our partners' expertise to provide better service and availability for customers, drive innovation and facilitate the sharing of industry best practice.

We are also focused on making our supply chains more efficient and increasing productivity in order to improve performance whilst creating simpler and more streamlined end-to-end processes. We have rolled out new supply chain capabilities across our food business including changing the way we forecast demand, how we purchase and order goods and the way our suppliers plan production. This is driving better availability and reducing waste.

We are becoming a simpler, nimbler and more efficient business so that we can reinvest in what matters most to customers. We have made changes to some of our office space and the way some of our Store Support Centre teams work in order to simplify processes. More than ever, our office-based colleagues are able to work remotely or from home and we have seen a significant reduction in the number that regularly use Sainsbury's offices across our locations in the UK. These changes were therefore a necessary step in adapting our ways of working to become more flexible, particularly following the pandemic.

Plan for Better

We know that the environmental and social challenges facing the world have never been greater and that these are issues our customers and colleagues care about too. As a UK retailer serving communities across the country with a global supply base, we have a responsibility to put environmental and social sustainability at the core of how we do business to protect our planet and our people and ensure we can continue to deliver for our customers now and in the future.

Better for the planet
We recognise the importance of investing in environmental sustainability to help reduce our impact on the planet and ensure the long-term success of our business. This is why we are continuing to take bold and decisive actions to meet our accelerated target to become Net Zero in our own operations by 2035.

As part of the WWF's Retailer Commitment for Nature, we (along with the other signatories) have increased our ambition to reduce Scope 3 emissions by 50 per cent by 2030 and net zero Scope 3 emissions by 2050. We have submitted this updated target to the SBTi (Science Based Targets initiative) for approval by the end of 2023.

We have reduced our Scope 1 and 2 absolute greenhouse gas (GHG) emissions within our operations to 461,692 tCO_2e, a reduction of 38.2 per cent year-on-year and 51.4 per cent from our 2018/19 baseline. We were proud that our environmental transparency was again recognised by CDP, an environmental impact disclosure system. We were awarded an A rating for climate change for the ninth consecutive year, the only UK food retailer to reach this standard. We were also recognised by CDP as a Supplier Engagement Leader for our work in engaging with our suppliers to tackle climate change.

This year we finalised the rollout of LED lighting to 100 per cent of our entire estate, helping to reduce our lighting energy consumption by an average of 70 per cent. From December 2023, 40 per cent of our electricity consumption will originate from New to Planet sources.

We have committed to reducing our own-brand plastic packaging by 50 per cent by 2025, so far achieving absolute reduction in plastic packaging of 17.5 per cent from our baseline[9]. We have introduced initiatives such as quadruple strength fruit squash, double length toilet rolls and removing single-use plastic lids and were the first UK retailer to vacuum-pack all beef mince, one of our highest volume products. This uses at least 55 per cent less plastic and saves over 450 tonnes of plastic annually. We also recently removed single-use plastic trays from our *by* Sainsbury's whole chicken range, saving 140 tonnes of plastic a year.

We are supporting our communities to help reduce food waste at home to decrease carbon emissions and help households save money. Since the launch of our partnership with Neighbourly in 2021, we have donated over 10 million meals to local partners who redistribute food to those who need it most. This is equivalent to a £19 million donation to charities and community groups and has prevented over 4,500 tonnes of food going to waste.

Better for Everyone
We are passionate about making a positive impact on the lives of millions of people by making the right choices for our customers, colleagues and communities.

Being an inclusive business with diverse representation at all levels is important to us. We came third in the latest FTSE Women Leaders Review, with 50.7 per cent senior women across our combined executive committee and direct reports. Only 23 FTSE 100 companies have met or exceeded the 40 per cent target. We also featured in The Times's Top 50 Employers for Women 2022: Taking Action on Gender Equality. Whilst we are proud of the progress we have made, we still have more to do and are committed to driving positive, sustainable change.

As part of our mission to be a truly inclusive retailer, last summer we launched 'Thrive with Sainsbury's', a free programme that invested £1 million to support Black founder-led start-up businesses transition to supermarket shelves. In partnership with Foundervine and Mission Ventures, the programme seeks to combat the barriers Black and ethnic minority start-up businesses face by offering one-to-one training, support with business branding and product improvements. So far, three brands – Mirror Margarita, Riddles Ice Tea and RAISE snacks – will be stocked in supermarkets later this year.

In response to the rising cost of living and as part of our commitment to Helping everyone eat better, we launched our Nourish the Nation community programme to provide food and urgent support for those most in need. Working with our longstanding charity partners Comic Relief, FareShare and other key redistribution partners, we are providing funding to initiatives designed to tackle food insecurity and ensure communities have access to balanced, nutritional and sustainable food sources. Through our Nourish the Nation programme we have raised £7.2 million to support Comic Relief and our food redistribution partners.

Better for You
Our ambition is to provide every customer with accessible information, affordable products and incentives to help them make better choices for themselves and for the planet. In 2022, we announced our revised health target based on changes to our nutrient criteria following updated government reformulation targets and expert advice, to increase our Healthy and Better for You sales tonnage to 85 per cent of total sales by FY2025/26. At least 70 per cent of the products in Aldi Price Match are also Healthy or Better for You choices.

We launched The Great Fruit & Veg Challenge for the third year to reward shoppers with extra Nectar points for purchasing fruit and vegetables between July and September. Over 585,000 customers signed up to take part and bought 88 million portions of fruit and vegetables during the challenge.

[1] Nielsen Panel volume market share FY2017/18 – FY2022/23. Total FMCG (excluding Kiosk & Tobacco), Market Universe: Total Outlets
[2] Nielsen Panel data, Proportion of Sainsbury's shoppers within the total market, 52 weeks to P13, Total market= Total Outlets, FMCG excluding Kiosk & Tobacco
[3] Value Reality. 1,610bps improvement vs Aldi – March 2023 vs November 2020; Edge by Ascential, internal modelling
[4] Average annual saving across our top 30,000 most active Your Nectar Price users
[5] Nielsen EPOS data - JS volume growth YoY% difference to Total Market growth YoY% for key events week growth versus last year events week
[6] Combined operating profit of Sainsbury's Bank, Argos (inc. Habitat) and Nectar FY2019/20 to FY2022/23
[7] GfK tracked market share 12 months to March 2023
[8] Global Data, Retail % of Value, Homewares, full-year to March 2023
[9] Baseline reflects 2018 CY for Food + 2020 CY for GM
[10] Refer to alternative performance measures for definitions and reconciliation to statutory measures
[11] Special dividend is included against FY2019/20 to aid comparability
[12] Nielsen Panel volume growth Yo3Y. Total FMCG (excluding Kiosk & Tobacco), 52 weeks to March 2023. Market Universe: Total Outlets
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Financial Review of the year results for the 52 weeks to 4 March 2023

In the 52 weeks to 4 March 2023, the Group generated profit before tax of £327 million (2021/22: £854 million) and an underlying profit before tax of £690 million (2021/22: £730 million).

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. Please see pages 52 to 56 for further information.

Summary income statement	**52 weeks to 4 March 2023 £m**	52 weeks to 5 March 2022 £m	Change %
Group sales (including VAT)	**35,157**	33,355	5.4
Retail sales (including VAT)	**34,626**	32,924	5.2
Retail sales (excluding fuel, including VAT)	**28,664**	28,095	2.0
Group sales (excluding VAT)	**31,491**	29,895	5.3
Retail sales (excluding VAT)	**30,960**	29,463	5.1
Underlying operating profit			
Retail	**926**	1,001	(7)
Financial services	**46**	38	21
Total underlying operating profit	**972**	1,039	(6)
Underlying net finance costs	**(282)**	(309)	9
Underlying profit before tax	**690**	730	(5)
Items excluded from underlying results	**(363)**	124	N/A
Profit before tax	**327**	854	(62)
Income tax expense	**(120)**	(177)	32
Profit for the financial period	**207**	677	(69)
Underlying basic earnings per share	**23.0p**	25.4p	(9)
Basic earnings per share	**9.0p**	29.8p	(70)
Interim Dividend per share	**3.9p**	3.2p	22
Final Dividend per share	**9.2p**	9.9p	(7)
Total Dividend per share	**13.1p**	13.1p	-

The business delivered a strong performance against a tough comparison last year which benefited from elevated COVID-19 sales. The ongoing cost programme helped us mitigate the impact of rising operating cost inflation and invest ahead of competitors to deliver for customers, colleagues and shareholders. We have consistently prioritised protecting value for customers, raising prices behind the market, and this remains key to our strategy to grow volume market share. We have supported colleagues throughout the year with three pay rises and are delivering a higher dividend payout ratio for shareholders, supported by strong cash generation.

Group sales

Group sales (including VAT, including fuel) increased by 5.4 per cent year-on-year. Retail sales (including VAT, excluding fuel) increased by 2.0 per cent, Fuel sales increased by 23.4 per cent and Financial Services sales increased by 23.0 per cent.

Total sales performance by category	**52 weeks to 4 March 2023 £bn**	52 weeks to 5 March 2022 £bn	Change %
Grocery	**21.7**	21.0	3.0
General Merchandise	**6.0**	6.1	(0.4)
Clothing	**1.0**	1.0	(3.0)
Retail (exc. fuel)	**28.7**	28.1	2.0
Fuel sales	**6.0**	4.8	23.4
Retail (inc. fuel)	**34.6**	32.9	5.2

Our Grocery customers managed their spend carefully, buying into own branded products and our strong promotional plan to partly offset the impact of significant market-wide grocery inflation. This helped us deliver relatively resilient volumes within a context of volume decline across the market. We continued to prioritise value for customers, inflating behind key competitors. Grocery sales strengthened through the year as inflation increased. The successful delivery of key events (Platinum Jubilee, World Cup, Christmas and Valentine's Day) and an exceptionally hot summer also helped drive sales growth after a tough first quarter COVID-19 comparative.

General Merchandise sales declined against strong COVID-19 comparatives in the first quarter but grew from the second quarter, with Argos delivering market share gains in a weak market. A strong performance in Consumer Electronics & Technology was driven by improved availability and increased collaboration with suppliers on key product lines. Small Domestic Appliances, particularly air fryers and clothes airers, also proved popular as customers reacted to cost-of-living concerns and social media trends.

Clothing sales growth was adversely impacted by a first quarter that annualised elevated sales the prior year when COVID-19 restrictions closed non-essential retail stores.

Fuel sales increased by 23.4 per cent, driven entirely by higher market prices reflecting oil price inflation and a weakened sterling exchange rate. Sainsbury's increased its share of the fuel market.

Total sales performance by channel	**52 weeks to 4 March 2023**	52 weeks to 5 March 2022
Total Sales fulfilled by Supermarket stores	**1.9%**	(2.0)%
Supermarkets (inc. Argos stores in Sainsbury's)	**4.8%**	(1.8)%
Groceries Online	**(13.5)%**	(4.7)%
Convenience	**9.9%**	8.8%

Sales in Supermarkets grew by 4.8 per cent as customers returned to stores following COVID-19 distortions in the prior year. Conversely, Groceries Online sales decreased by 13.5 per cent over the year as demand normalised, but were 81 per cent higher than pre-pandemic levels in 2019/20. Convenience sales increased by 9.9 per cent, with growth strongest in Food on the Move city centre stores and more urban locations.

Retail like-for-like sales performance	**52 weeks to 4 March 2023**	52 weeks to 5 March 2022
Like-for-like sales (exc. fuel)	**2.6%**	(2.3)%
Like-for-like sales (inc. fuel)	**5.7%**	3.6%

Retail like-for-like ('LFL') sales, excluding fuel, increased by 2.6 per cent (2021/22: 2.3 per cent decrease), driven by Grocery, with sales growth strengthening throughout the year.

Space

In 2022/23, Sainsbury's did not open any new supermarkets and closed three (2021/22: opened four new supermarkets and closed four). There were 13 new Convenience stores opened in the year and eight were closed (2021/22: 19 opened and 23 stores closed).

During the period, two standalone Argos stores were opened alongside 24 new Argos stores in Sainsbury's while 45 standalone Argos stores were closed, in line with our Argos transformation plan. The number of Argos collection points in Sainsbury's stores increased from 335 to 420. As at 4 March 2023, Argos had 709 stores including 424 stores in Sainsbury's.

Store numbers and retailing space	As at 5 March 2022	New stores	Disposals / closures	Extensions / refurbishments / downsizes	**As at 4 March 2023**
Supermarkets	598	-	(3)	24	**595**
Supermarkets area '000 sq. ft.	20,803	-	(62)	(25)	**20,716**
Convenience	809	13	(8)	-	**814**
Convenience area '000 sq. ft.	1,918	40	(22)	-	**1,936**
Sainsbury's total store numbers	1,407	13	(11)	24	**1,409**
Argos stores	328	2	(45)	-	**285**
Argos stores in Sainsbury's	400	24	-	-	**424**
Argos total store numbers	728	26	(45)	-	**709**
Argos collection points	335	92	(7)	-	**420**
Habitat	3	-	-	-	**3**

In 2023/24, we expect to open three supermarkets and around 25 new convenience stores, and to close around one supermarket and five to ten convenience stores. In addition, we expect to open around 30 Argos stores inside Sainsbury's and close around 100 Argos standalone stores, including 34 stores in Ireland.

In the UK, we expect the standalone Argos store estate will reduce to around 180 stores by March 2024, while we expect to have 430-460 Argos stores inside Sainsbury's supermarkets as well as 450-500 collection points. We had previously guided to around 160 standalone Argos stores by this date. This change reflects further progress in rent negotiations.

Retail underlying operating profit

	52 weeks to 4 March 2023	52 weeks to 5 March 2022	YoY Change
Retail underlying operating profit (£m)[1]	**926**	1,001	(7.5)%
Retail underlying operating margin (%)[2]	**2.99**	3.40	(41)bps
Retail underlying EBITDA (£m)[3]	**2,060**	2,145	(4.0)%
Retail underlying EBITDA margin (%)[4]	**6.65**	7.28	(63)bps

1 Retail underlying earnings before interest, tax and Sainsbury's underlying share of post-tax profit from joint ventures.
2 Retail underlying operating profit divided by retail sales excluding VAT.
3 Retail underlying operating profit before underlying depreciation and amortisation of £1,134 million.
4 Retail underlying EBITDA divided by retail sales excluding VAT.

Retail underlying operating profit decreased by 7.5 per cent to £926 million (2021/22: £1,001 million) and retail underlying operating margin decreased by 41 basis points year-on-year to 2.99 per cent (2021/22: 3.40 per cent). These declines reflect our investment in value, reduced volumes and higher levels of operating cost inflation, offset by both higher fuel sales and our ongoing Save to Invest programme.

Continued step changes in our retail operating model delivered savings, led by enhanced labour productivity, structural distribution platform savings and ongoing optimisation of our estate through front end configuration.

In 2023/24, Sainsbury's expects a retail underlying depreciation and amortisation charge of around £1,150 million, including around £450 million right of use asset depreciation.

Financial Services

Financial Services results 12 months to 28 February 2023	2023	2022	Change
Underlying revenue (£m)	**531**	432	23%
Interest and fees payable (£m)	**(84)**	(57)	47%
Total income (£m)	**447**	375	19%
Underlying operating profit (£m)	**46**	38	21%
Net interest margin (%)[1]	**5.1**	4.5	60bps
Cost:income ratio (%)	**66**	74	(800bps)
Bad debt as a percentage of lending (%)[2]	**2.1**	1.2	90bps
Active customers (m) – Bank	**1.9**	1.8	2%
Active customers (m) – AFS	**2.1**	2.1	-
Tier 1 capital ratio (%)[3]	**15.5**	15.6	(10bps)
Total capital ratio (%)[4]	**17.9**	18.1	(20bps)
Total Customer lending (£bn)[5]	**5.3**	5.1	4%
Unsecured lending (£bn)	**4.7**	4.3	10%
Secured lending (£bn)	**0.6**	0.8	(27%)
Customer deposits (£bn)	**(4.7)**	(4.2)	12%

1 Net interest receivable divided by average interest-bearing assets.
2 Bad debt expense divided by average net lending.
3 Common equity Tier 1 capital divided by risk-weighted assets.
4 Total capital divided by risk-weighted assets.
5 Amounts due from customers at the Balance Sheet date in respect of loans, mortgages, credit cards and AFS credit, net of provisions.

Financial services underlying operating profit of £46 million is up £8 million (2021/22: £38 million), primarily driven by increased customer demand for credit and Travel Money, tempered by higher impairments and increased costs.

Net Interest Margin increased 60bps, with net interest income up 15 per cent due to a higher mix proportion of unsecured lending, improving yields and a focus on managing the increased cost of funding. Fee income has shown recovery post COVID-19 within Travel Money as demand for foreign travel returns and in Credit Cards due to higher Retail spend. The recovery of credit demand helped drive unsecured lending balances growth of 10 per cent year-on-year, resulting in total income up 19 per cent to £447 million (2021/22: £375 million).

The Cost:income ratio reduced to 66 per cent (2021/22: 74 per cent), driven primarily by the volume-driven recovery in income, together with careful management of yields, funding and costs.

Higher impairments reflect both the latest economic outlook assumptions on inflation and unemployment, as well as higher unsecured lending balances and tough comparators in the prior year. Bad debt expense as a percentage of lending increased 90bps year-on-year to 2.1 per cent (2021/22: 1.2 per cent), reflecting the above as well as the higher proportion of unsecured lending balances as the mortgage book runs down.

As disclosed at last year's preliminary results, a £50 million dividend was paid from Sainsbury's Bank to the Group for the first time in April 2022. The Bank remains well capitalised with a Total Capital ratio of 17.9 per cent (2021/22: 18.1 per cent).

We expect Financial Services underlying operating profit for 2023/24 to be broadly in line with 2022/23.

Underlying net finance costs

Underlying net finance costs reduced by 9 per cent to £282 million (2021/22: £309 million). These costs include £26 million of net non-lease interest (2021/22: £40 million). The reduction of net non-lease interest was driven by increased interest income, where the benefit from higher interest rates was supported by higher cash balances. Financing costs on lease liabilities reduced to £256 million (2021/22: £269 million), due primarily to the declining remaining term of the existing lease portfolio, with lower costs associated with leases as they age.

Sainsbury's expects underlying net finance costs in 2023/24 of between £295 million - £305 million, including around £245 million - £255 million lease interest.

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 4 March 2023 £m	52 weeks to 5 March 2022 £m
Restructuring and integration programmes	**(106)**	(103)
Impairment charges	**(281)**	-
Restructuring, impairment and integration	**(387)**	(103)
Income recognised in relation to legal disputes	**30**	182
Software as a service accounting adjustment	**-**	(21)
IAS 19 pension income	**58**	11
Property, finance and acquisition adjustments	**(64)**	55
Items excluded from underlying results	**(363)**	124

- Restructuring and integration costs of £106 million (2021/22: £103 million) include £106 million (2021/22: £92 million) relating to the structural integration of Sainsbury's and Argos announced in November 2020. Cash costs in the year were £50 million (2021/22: £114 million). We still expect to incur one off costs from these retail infrastructure and operating model changes of around £900 million to £1 billion, with cash costs of around £300 million, with the majority to be incurred in the period to March 2024. To date we have incurred costs of £746 million and cash costs of £203 million. In 2023/24 we expect to incur cash costs of around £60 million in relation to this programme.
- Non-cash impairments of £281 million were driven by a material increase in the underlying discount rate, following sustained increases in gilt interest rates (2021/22: £nil).
- Income recognised in relation to legal disputes of £30 million (2021/22: £182 million) primarily relates to settlements for overcharges from payment card processing fees and is shown net of legal fees. £30 million of cash was received in the year (2021/22: £107 million).
- 2021/22 included a non-cash cost of £21 million relating to software as a service following the IFRS interpretations committee clarification of how these costs should be treated and represented the out of period impacts of this change.
- IAS 19 Pension income rose to £58 million (2021/22: £11 million) driven by the increased net surplus brought forward from the 2021/22 year end and an increased discount rate which reduced pension scheme liabilities.
- Other movements of £64 million expense (2021/22: £55 million income) relate to property losses, acquisition adjustments and non-underlying financing costs. The adverse year-on-year movement is primarily driven by a loss on energy derivatives of £29 million (2021/22: £76 million gain) caused by lower energy prices. 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. Decreases in electricity forward prices in the year have led to loss on the related derivative financial instruments. In addition, the Group recorded a total cost of £10 million related to property transactions, including expenses related to the Post Balance Sheet Event disclosed below, and a loss on disposal of non-trading properties (2021/22: £7 million profit).

Taxation

The tax charge was £120 million (2021/22: £177 million). The underlying tax rate (UTR) was 22.8 per cent (2021/22: 21.1 per cent) and the effective tax rate (ETR) was 36.7 per cent (2021/22: 20.7 per cent).

The UTR is higher than the previous year. This reflects the impact of a similar value of tax adjusting items as last year having a greater proportional impact on lower profits in the current year. In addition, the previous year benefited from the agreement of a number of open returns with HMRC.

The ETR is higher than the prior year largely due to non-deductible expenses, particularly in respect of non-underlying impairment charges and the impact of restructuring in Ireland, giving rise to trade losses which will extinguish rather than being available for future offset. The effective tax rate is also higher than the standard rate of UK corporation tax due to the impact of non-deductible capital expenditure and non-underlying costs.

Sainsbury's expects an underlying tax rate in 2023/24 of around 29 per cent, with the increase being driven primarily by the change in the standard rate of UK corporation tax from 1 April 2023.

Earnings per share

Underlying basic earnings per share decreased to 23.0 pence (2021/22: 25.4 pence), primarily driven by the decrease in underlying profits. Basic earnings per share was 9.0 pence (2021/22: 29.8 pence per share).

Dividends

The Board has recommended a final dividend of 9.2 pence per share (2021/22: 9.9 pence). This will be paid on 14 July 2023 to shareholders on the Register of Members at the close of business on 9 June 2023. The Group's policy to pay a dividend of around 60 per cent of underlying earnings has allowed us to maintain a full-year dividend of 13.1 pence (2021/22: 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 23 June 2023.

Net debt and retail cash flows

As at 4 March 2023, net debt was £6,344 million (5 March 2022: £6,759 million), a reduction of £415 million (2021/22: £290 million increase). Excluding the impact of lease liabilities on net debt, Sainsbury's reduced net debt by £285 million in the year, moving to a net funds position of £144 million (5 March 2022: net debt of £141 million). We continue to expect to generate retail free cash flow of at least £500 million in the coming year[1].

Net debt includes lease liabilities under IFRS 16 of £6,488 million (2021/22: £6,618 million). Lease liabilities decreased by £130 million.

Group net debt includes the impact of capital injections into Sainsbury's Bank, less dividends received, but excludes Financial Services' own net debt balances. Financial Services balances are excluded because they are part of the daily operating cycle of the Bank rather than for financing purposes.

[1] Excludes the Supermarket Income REIT property transaction

Summary cash flow statement[1]	**Retail** 52 weeks to 4 March 2023 £m	Retail 52 weeks to 5 March 2022 £m
Retail underlying operating profit	**926**	1,001
Adjustments for:		
Retail underlying depreciation and amortisation	**1,134**	1,144
Share based payments and other	**49**	54
Retail exceptional operating cash flows (excluding pensions)[2]	**(23)**	(3)
Adjusted retail operating cash flow before changes in working capital[2]	**2,086**	2,196
Decrease/(increase) in working capital[3]	**174**	(185)
Net interest paid[3]	**(307)**	(323)
Pension cash contributions	**(44)**	(71)
Corporation tax paid	**(99)**	(23)
Adjusted net cash generated from operating activities[3]	**1,810**	1,594
Cash capital expenditure[3]	**(717)**	(645)
Repayments of lease liabilities	**(512)**	(491)
Initial direct costs on right-of-use assets	**(16)**	(3)
Proceeds from disposal of property, plant and equipment	**29**	46
Dividends and distributions received[3]	**51**	2
Retail free cash flow	**645**	503
Dividends paid on ordinary shares	**(319)**	(238)
Repayment of borrowings[3]	**(40)**	(256)
Other[3]	**(32)**	(27)
Net increase/(decrease) in cash and cash equivalents	**254**	(18)
Decrease in Debt	**552**	747
Conversion of perpetual convertible bond[4]	**-**	240
Other non-cash and net interest movements[5]	**(391)**	(1,259)
Movement in net funds/(debt)	**415**	(290)
Opening net debt	**(6,759)**	(6,469)
Closing net debt	**(6,344)**	(6,759)
of which		
Lease liabilities	**(6,488)**	(6,618)
Net funds/(debt) excluding lease liabilities	**144**	(141)

1 See note 7 for a reconciliation between Retail and Group cash flow
2 Excludes working capital and pension contributions.
3 Refer to the Alternative Performance Measures on pages 52 to 56 for reconciliation.
4 £242 million of the £250 million perpetual convertible bond converted. Given a carrying value of £248 million this resulted in a £240 million reduction in net debt.
5 Other non-cash includes new leases and lease modifications and fair value movements on derivatives used for hedging long-term borrowings.

Adjusted retail operating cash flow before changes in working capital decreased by £110 million year-on-year to £2,086 million (2021/22: £2,196 million) due to lower underlying profit and increased non-underlying costs. Higher retail non-underlying operating cashflows of £23 million (2021/22: £3 million) largely reflected lower legal disputes income offsetting restructuring costs. Working capital decreased by £174 million (2021/22: £185 million increase), in line with expectations, primarily driven by sales growth and a return to normal phasing of working capital following COVID-19 impacts.

Corporation tax paid increased to £99 million (2021/22: £23 million) with last year benefiting from payments made in 2020/21 before the decision to forgo business rates relief which subsequently reduced taxable profits in that year.

Pensions contributions of £44 million (2021/22: £71 million) are down versus last year, in line with the long-term pension funding framework and the triennial valuation agreed with the pension Trustee. Proceeds of £29 million (2021/22: £46 million) resulted from disposals of non-trading sites. A £50 million dividend was received from Sainsbury's Bank (2021/22: £nil).

Retail free cash flow increased by £142 million year-on-year to £645 million (2021/22: £503 million), with the year-on-year movement driven by the working capital reduction and the dividend received from Sainsbury's Bank, partly offset by higher capital expenditure and corporation tax. Retail free cash flow was used to fund dividends and reduce borrowings.

Dividends of £319 million were paid in the year, which were covered 2.0 times by free cash flow (2021/22: 2.1 times).

The Group has right sized its access to contingent funding with credit facilities reduced from £1,450 million to £1,000 million. At 4 March 2023, this facility remained undrawn. During the year, the Group arranged a three-year unsecured £575 million Term Loan facility with a maturity date of March 2026 to part fund the transaction disclosed in Post Balance Sheet Events below. This replaced the £575 million unsecured term facility that was due to mature in November 2024 detailed at Interims as a Post Balance Sheet Event.

Capital expenditure

Core retail cash capital expenditure was £717 million (2021/22: £645 million). This was in line with expectations and higher than recent years, when projects were delayed due to COVID-19.

Sainsbury's expects core retail cash capital expenditure (excluding Financial Services) in 2023/24 to be £750-£800 million.

Financial Ratios

Key financial ratios	**52 weeks to 4 March 2023**	52 weeks to 5 March 2022
Return on capital employed (%)[1]	**7.6**	8.4
Net debt to EBITDA[2]	**3.0 times**	3.1 times
Fixed charge cover[3]	**2.7 times**	2.8 times

1 ROCE: Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as Group net assets excluding the pension deficit/surplus less net debt (excluding perpetual securities). This is calculated using the average of 14 datapoints – the prior year closing capital employed, the current year closing capital employed and 12 intra-year periods as this more closely aligns to the recognition of profit.

2 Net debt of £6,344 million includes lease obligations under IFRS 16 divided by Group underlying EBITDA of £2,139 million.

3 Group underlying EBITDA divided by rent (both capital and interest) and net underlying finance costs, where interest on perpetual securities is treated as an underlying finance cost.

Sainsbury's continues to target leverage of 3.0x - 2.4x to deliver a solid investment grade balance sheet and net debt continues to reduce. Year-end leverage of 3.0x reflects higher average capital employed as a consequence of the exercise of purchase options on 21 leased supermarkets previously disclosed in last year's Group's results. The completion of the property transaction detailed within Post Balance Sheet Events will result in lower lease debt and an overall reduction in net debt.

Return on capital employed (ROCE) has declined primarily due to lower earnings, with higher capital employed driven by an increase in the average value of right of use assets and derivatives. Fixed charge cover is stable.

Defined benefit pensions

The Pension Scheme is valued on different bases for different purposes. For the corporate annual accounts, the value of the retirement benefit is calculated under IAS 19 while the funding of the Scheme is determined by the Trustee's triennial valuation. The last triennial valuation, as at 30 September 2021 and agreed in October 2022, showed a surplus of £130 million (when the IAS 19 Surplus was recorded as £720 million) and there was no change to the Asset Backed Contributions structure that was agreed in 2019.

At 4 March 2023, the net defined benefit surplus under IAS 19 for the Group was £989 million (excluding deferred tax). This represents a £1,294 million reduction from the prior year-end date of 5 March 2022. This was driven by a lower accounting value of the Scheme's liabilities (higher discount rate used to calculate the present value of benefits, an adjustment to the expected future improvements in mortality slightly offset by higher than expected inflation), more than offset by a decrease in the market value of assets. The asset value decrease was due to a reduction in the value of liability driven investment assets which the Scheme used to match the value of liabilities and provide a hedge against changes in inflation and interest rates.

Significant movements in gilt markets as a consequence of the political events of late 2022 resulted in the Trustee reducing the level of interest rate hedging in the Scheme. Coinciding with a fall in gilt yields, this reduced the ongoing funding level. However, there has been no change to the contributions to the Scheme, and the Company does not currently anticipate there to be any impact on the contributions from the 2024 triennial valuation.

The Trustee has since taken action to partially reinstate the interest rate hedging ratios. The Trustee has also reviewed the collateral sufficiency framework which ensures sufficient high quality liquid assets are maintained in order to meet liquidity requirements, even in times of market stress and volatility. The level of collateral that the Scheme can call on at any time is well above the limits suggested recently by the Pensions Regulator.

For 2023/24, total pension scheme cash contributions are expected to be around £45 million.

Retirement benefit obligations	Sainsbury's as at 4 March 2023 £m	Argos as at 4 March 2023 £m	**Group as at 4 March 2023 £m**	Group as at 5 March 2022 £m
Present value of funded obligations	(5,128)	(793)	**(5,921)**	(9,373)
Fair value of plan assets	6,007	927	**6,934**	11,693
Pension surplus	879	134	**1,013**	2,320
Present value of unfunded obligations	(12)	(12)	**(24)**	(37)
Retirement benefit surplus	867	122	**989**	2,283
Deferred income tax liability	(262)	(68)	**(330)**	(640)
Net retirement benefit surplus	605	54	**659**	1,643

Post Balance Sheet Events

Property transaction - Supermarket Income REIT

Subsequent to the balance sheet date, 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 will be retained and five sold. We will enter into new 15-year leases on four of the five divested stores.

The total consideration of £431 million (excluding costs) consists of three tranches: £279 million was paid immediately, £117 million is due on 10 July 2023, and the third tranche of £35 million is conditional on the sale of five stores from the property pool. In addition, the Group will fully fund the bond redemptions attached to the property pool, of which £170.5 million was paid on 20 March 2023, and £130.4 million will be paid on 13 July 2023. The Group will fully fund the consideration and bond redemptions by utilising the Group's cash resources and also by drawing under the three-year unsecured term loan. This will result in a reduction of lease debt of £1,042 million and drives an overall reduction in net debt and ongoing lease costs.

Consolidated income statement

for the 52 weeks to 4 March 2023

	Note	52 weeks to 4 March 2023 Before non-underlying items £m	52 weeks to 4 March 2023 Non-underlying items (Note 4) £m	52 weeks to 4 March 2023 Total £m	52 weeks to 5 March 2022 Before non-underlying items £m	52 weeks to 5 March 2022 Non-underlying items (Note 4) £m	52 weeks to 5 March 2022 Total £m
Revenue	5	**31,491**	**-**	**31,491**	29,895	-	29,895
Cost of sales		**(28,996)**	**(413)**	**(29,409)**	(27,523)	9	(27,514)
Impairment loss on financial assets		**(78)**	**-**	**(78)**	(15)	-	(15)
Gross profit/(loss)		**2,417**	**(413)**	**2,004**	2,357	9	2,366
Administrative expenses		**(1,480)**	**(35)**	**(1,515)**	(1,352)	(78)	(1,430)
Other income		**35**	**38**	**73**	34	186	220
Operating profit/(loss)		**972**	**(410)**	**562**	1,039	117	1,156
Finance income	8	**18**	**56**	**74**	3	17	20
Finance costs	8	**(300)**	**(9)**	**(309)**	(312)	(10)	(322)
Profit/(loss) before tax		**690**	**(363)**	**327**	730	124	854
Income tax (expense)/credit	9	**(157)**	**37**	**(120)**	(154)	(23)	(177)
Profit/(loss) for the financial period		**533**	**(326)**	**207**	576	101	677

	Note						
Earnings per share	10			**pence**			pence
Basic earnings				**9.0**			29.8
Diluted earnings				**8.8**			28.8

Impairment loss on financial assets has been disclosed separately in the current year and prior year comparative. Refer to note 2 for further details.

Consolidated statement of comprehensive income/(loss)

for the 52 weeks to 4 March 2023

	Note	**52 weeks to 4 March 2023 £m**	52 weeks to 5 March 2022 £m
Profit for the financial period		**207**	677
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	20	**(1,398)**	1,457
Movements on financial assets at fair value through other comprehensive income		**1**	76
Cash flow hedges fair value movements – inventory hedges		**123**	73
Current tax relating to items not reclassified		**25**	-
Deferred tax relating to items not reclassified		**322**	(461)
		(927)	1,145
Items that may be subsequently reclassified to the income statement			
Currency translation differences		**4**	(1)
Movements on financial assets at fair value through other comprehensive income		**1**	(5)
Items reclassified from financial assets at fair value through other comprehensive income reserve		**(1)**	4
Cash flow hedges fair value movements - non-inventory hedges		**(30)**	131
Items reclassified from cash flow hedge reserve		**(18)**	7
Deferred tax on items that may be reclassified		**14**	(57)
		(30)	79
Total other comprehensive (loss)/income for the period (net of tax)		**(957)**	1,224
Total comprehensive (loss)/income for the period		**(750)**	1,901

Consolidated balance sheet
At 4 March 2023 and 5 March 2022

	Note	4 March 2023 £m	5 March 2022 £m
Non-current assets			
Property, plant and equipment	12	**8,201**	8,402
Right-of-use-assets	13	**5,345**	5,560
Intangible assets	14	**1,024**	1,006
Investments in joint ventures and associates		**2**	3
Financial assets at fair value through other comprehensive income		**515**	604
Trade and other receivables		**56**	65
Amounts due from Financial Services customers and other banks		**1,908**	2,026
Derivative financial assets		**217**	213
Net retirement benefit surplus	20	**989**	2,283
		18,257	20,162
Current assets			
Inventories		**1,899**	1,797
Trade and other receivables		**627**	683
Amounts due from Financial Services customers and other banks		**3,484**	3,163
Financial assets at fair value through other comprehensive income		**494**	196
Derivative financial assets		**70**	78
Cash and cash equivalents	17	**1,319**	825
		7,893	6,742
Assets held for sale		**8**	8
		7,901	6,750
Total assets		**26,158**	26,912
Current liabilities			
Trade and other payables		**(4,837)**	(4,546)
Amounts due to Financial Services customers and other deposits		**(4,880)**	(4,444)
Borrowings	19	**(53)**	(54)
Lease liabilities	13	**(1,533)**	(526)
Derivative financial liabilities		**(16)**	(29)
Taxes payable		**(155)**	(169)
Provisions	16	**(140)**	(100)
		(11,614)	(9,868)
Net current liabilities		**(3,713)**	(3,118)
Non-current liabilities			
Trade and other payables		**-**	(24)
Amounts due to Financial Services customers and other deposits		**(1,066)**	(815)
Borrowings	19	**(603)**	(707)
Lease liabilities	13	**(4,956)**	(6,095)
Derivative financial liabilities		**(58)**	(3)
Deferred income tax liability		**(476)**	(806)
Provisions	16	**(132)**	(171)
		(7,291)	(8,621)
Total liabilities		**(18,905)**	(18,489)
Net assets		**7,253**	8,423
Equity			
Called up share capital		**672**	668
Share premium		**1,418**	1,406
Merger reserve		**568**	568
Capital redemption reserve		**680**	680
Other reserves		**274**	341
Retained earnings		**3,641**	4,760
Total equity		**7,253**	8,423

Consolidated cash flow statement
for the 52 weeks to 4 March 2023

	Note	**52 weeks to 4 March 2023 £m**	52 weeks to 5 March 2022 £m
Cash flows from operating activities			
Profit before tax		**327**	854
Net finance costs		**235**	302
Operating profit		**562**	1,156
Adjustments for:			
Depreciation expense	12, 13	**1,036**	1,069
Amortisation expense	14	**172**	151
Net impairment loss on property, plant and equipment, right of use assets, intangible assets	12, 13, 14	**315**	9
Financial Services movement in loss allowance for loans and advances to customers		**76**	19
Profit on sale of non-current assets and early termination of leases		**(15)**	(6)
Non-underlying fair value movements	4	**29**	(76)
Share-based payments expense		**59**	58
Defined benefit scheme (income)/expenses	20	**(2)**	4
Cash contributions to defined benefit scheme	20	**(44)**	(71)
Operating cash flows before changes in working capital		**2,188**	2,313
Changes in working capital			
Increase in inventories		**(105)**	(179)
(Decrease)/increase in financial assets at fair value through other comprehensive income		**(207)**	115
Decrease in trade and other receivables		**68**	33
(Increase)/decrease in amounts due from Financial Services customers and other deposits		**(307)**	161
Increase in trade and other payables		**280**	28
Increase/(decrease) in amounts due to Financial Services customers and other deposits		**687**	(1,030)
Decrease in provisions and other liabilities		**-**	(80)
Cash generated from operations		**2,604**	1,361
Interest paid		**(316)**	(329)
Corporation tax paid		**(103)**	(23)
Net cash generated from operating activities		**2,185**	1,009
Cash flows from investing activities			
Purchase of property, plant and equipment		**(525)**	(416)
Initial direct costs on new leases		**(16)**	(3)
Purchase of intangible assets		**(213)**	(278)
Proceeds from disposal of property, plant and equipment		**29**	46
Dividends and distributions received		**1**	2
Net cash used in investing activities		**(724)**	(649)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**13**	21
Repayment of borrowings		**(95)**	(248)
Repayment of perpetual capital securities		**-**	(8)
Purchase of own shares		**(45)**	(48)
Capital repayment of lease obligations		**(514)**	(493)
Dividends paid on ordinary shares	11	**(319)**	(238)
Dividends paid on perpetual securities		**-**	(4)
Net cash used in financing activities		**(960)**	(1,018)
Net increase/(decrease) in cash and cash equivalents		**501**	(658)
Opening cash and cash equivalents		**818**	1,476
Closing cash and cash equivalents	17	**1,319**	818

Consolidated statement of changes in equity

for the 52 weeks to 4 March 2023

	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 period		-	-	-	-	**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) for the period ended 4 March 2023		-	-	-	**94**	**(844)**	**(750)**
Cash flow hedges losses transferred to inventory		-	-	-	**(139)**	-	**(139)**
Transactions with owners:							
Dividends	11	-	-	-	-	**(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**

	Note	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves* £m	Retained earnings* £m	Total equity before perpetual securities £m	Perpetual convertible bonds £m	Total equity £m
At 7 March 2021		637	1,173	568	814	3,261	6,453	248	6,701
Profit for the period		-	-	-	-	677	677	-	677
Other comprehensive income		-	-	-	285	1,457	1,742	-	1,742
Tax relating to other comprehensive income		-	-	-	(87)	(431)	(518)	-	(518)
Total comprehensive income for the period ended 5 March 2022		-	-	-	198	1,703	1,901	-	1,901
Cash flow hedges gains transferred to inventory		-	-	-	28	-	28	-	28
Transactions with owners:									
Dividends	11	-	-	-	-	(238)	(238)	-	(238)
Share-based payment		-	-	-	-	60	60	-	60
Purchase of own shares		-	-	-	(48)	-	(48)	-	(48)
Allotted in respect of share option schemes		5	17	-	14	(15)	21	-	21
Conversion of perpetual convertible bonds		26	216	-	-	(2)	240	(240)	-
Redemption of perpetual capital securities		-	-	-	-	-	-	(8)	(8)
Other Adjustments		-	-	-	15	(12)	3	-	3
Tax on items charged to equity		-	-	-	-	3	3	-	3
At 5 March 2022		668	1,406	568	1,021	4,760	8,423	-	8,423

* In order to provide better visibility of reserves, the Group has presented the Own share reserve within Capital redemption and other reserves for the first time in the period. The Own Share Reserve of £68 million as at 5 March 2022 and £33 million as at 6 March 2021 has subsequently been reclassified from Retained Earnings to Capital redemption and other reserves.

Notes to the consolidated financial statements

1 General information

The financial information, which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group cash flow statement, Group statement of changes in equity and related notes, is derived from the full Group financial statements for the 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 Group Annual Report and Financial Statements 2023 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 2023.

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 financial year represents the 52 weeks to 4 March 2023 (prior financial year: 52 weeks to 5 March 2022). The consolidated financial statements for the 52 weeks to 4 March 2023 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.

The financial statements are presented in pound sterling, rounded to the nearest million ('£m') unless otherwise stated. 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.

Sainsbury's Bank plc and its subsidiaries have been consolidated for the twelve months to 28 February 2023 being the Bank's year-end date (prior financial year: 28 February 2022). There have been no significant transactions or events that occurred between this date and the Group's balance sheet date, and therefore no adjustments have been made to reflect the difference in year-end dates.

Significant accounting policies have been included in the relevant notes to which the policies relate, and those relating to the financial statements as a whole can be read further below. Unless otherwise stated, significant accounting policies have been applied consistently to all periods presented in the financial statements.

Impairment of financial assets disclosure
In accordance with IAS 1 Presentation of Financial Statements, Impairment loss on financial assets has been separately disclosed within the Consolidated income statement. Previously, this amount was included within Cost of sales, which has therefore been restated from £27,538 million to £27,523 million before non-underlying items; and from £27,529 million to £27,514 million in total. There is no impact to Gross profit, Operating profit or Profit before tax.

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 26 April 2024.

2 Basis of preparation continued

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 two years 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.

The Group successfully reduced net debt over the past year as part of the continued focus on deleveraging. Furthermore, the committed Revolving Credit Facility, which enables the Group to maintain sufficient levels of contingent funding, has been successfully refinanced and right-sized during the year with a new £1,000 million facility comprising two £500 million tranches. Tranche A has a final maturity of December 2026 and Tranche B has a final maturity of December 2027. As at 4 March 2023, the Revolving Credit Facility was undrawn. In addition, the Group successfully arranged a £575 million committed term loan facility with maturity of March 2026 in order to part fund the acquisition of a property portfolio.

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, funding headroom and financial covenants. 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, bonuses 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.

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 Amendments to published standards

Effective for the Group and Company in these financial statements:
The Group has considered the following amendments to published standards that are effective for the Group for the financial year beginning 6 March 2022 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements other than disclosures.

- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use
- Amendments to IAS 37 'Provisions, Contingent Assets and Contingent Liabilities' - Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' – Subsidiary as a first-time adopter
- Amendments to IFRS 9 'Financial Instruments' – Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to IAS 41 'Agriculture' – Taxation in fair value measurements

2 Basis of preparation continued

The accounting policies have remained unchanged from those disclosed in the Annual Report for the year ended 5 March 2022.

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

- Amendments to IAS 1 'Presentation of Financial Statements' on the classification of liabilities as current or non-current
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' on the disclosure of accounting policies
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of accounting estimates
- Amendments to IAS 12 'Income Taxes' on Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 16 'Leases' on Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 'Presentation of Financial Statements' on Non-current Liabilities with Covenants

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

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 profit) 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 APMs used by the Group are detailed on pages 52 to 56 of this report. This includes further information on the definition, purpose and reconciliation to the closest IFRS measure. All APMs relate to the current and comparative periods and are consistent with those used previously. There have been no changes to APMs in the year.

4 Profit before non-underlying items

In order to provide shareholders with additional insight into the year-on-year performance of the business, an adjusted measure of profit (underlying profit before tax) is provided to supplement the reported IFRS numbers, which reflects how the business measures performance internally. This adjusted measure excludes items recognised in reported profit or loss before tax which, if included, could distort comparability between periods.

Determining which items are to be adjusted requires judgement, in which the Group considers items which are significant either by virtue of their size and/or nature, or that are non-recurring. The same assessment is applied consistently to any reversals of prior non-underlying items.

Underlying profit is not an IFRS measure and therefore not directly comparable to other companies.

Below highlights the grouping in which non-underlying items have been allocated and provides further detail on why such items have been recognised within non-underlying items.

4 Profit before non-underlying items continued

	Cost of sales	Administrative expenses	Other income	Net finance income/(costs)	Total adjustments before Tax	Tax	Total adjustments
	£m	£m	£m	£m	£m	£m	£m
Income recognised in relation to legal disputes	-	-	30	-	30	(6)	24
Restructuring and impairment							
Restructuring programmes	(103)	(14)	11	-	(106)	7	(99)
Impairment of non-financial assets	(281)	-	-	-	(281)	38	(243)
Total restructuring and impairment	(384)	(14)	11	-	(387)	45	(342)
Property, finance, pension and acquisition adjustments							
ATM business rates reimbursement	3	-	-	-	3	(1)	2
Property related transactions	(3)	(3)	(3)	-	(9)	2	(7)
Non-underlying finance and fair value movements	(29)	-	-	(9)	(38)	7	(31)
IAS 19 pension income	-	2	-	56	58	(11)	47
Acquisition adjustments	-	(20)	-	-	(20)	4	(16)
Total property, finance, pension and acquisition adjustments	(29)	(21)	(3)	47	(6)	1	(5)
Tax adjustments							
Over provision in prior years	-	-	-	-	-	2	2
Difference due to change in applicable rate of deferred tax	-	-	-	-	-	(5)	(5)
Total adjustments	(413)	(35)	38	47	(363)	37	(326)

Income recognised in relation to legal disputes

In the prior year, agreements were reached in relation to overcharges from payment card processing fees, which largely reflect inter-bank "interchange fees". This led to net income of £167 million being recognised. During the current period a further agreement has been reached resulting in net income of £30 million being recognised.

Net cash of £30 million was received during the year.

Restructuring programmes

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.

The programme is a multi-year activity and has continued into the current year. Total cumulative costs to 4 March 2023 are £(746) million split between £(640) million in the prior years and £(106) million in the current period as detailed in the table below. Total expected costs are still in the range of £900 million to £1 billion to March 2024, with the majority in the period to March 2024.

(Costs)/gains recognised in the current year are as follows:

	52 weeks to 4 March 2023	52 weeks to 5 March 2022
	£m	£m
Write downs of property, plant and equipment (a)	**(8)**	(6)
Write downs of leased assets (a)	**(21)**	(3)
Write downs of intangible assets	**(5)**	-
Closure provisions (b)	**1**	(24)
Accelerated depreciation of assets (c)	**(20)**	(33)
Redundancy provisions (d)	**(54)**	(40)
Consultancy costs	**(12)**	(18)
Gain on lease terminations (e)	**2**	9
Property profits (f)	**11**	12
Recognition of sub lease debtor	**-**	11
Total restructuring costs	**(106)**	(92)

4 Profit before non-underlying items continued

a) Write down of assets associated with Argos stores and IT assets as a result of the overall restructuring programme to accelerate the structural integration of Sainsbury's and Argos and further simplify the Argos business.
b) Closure provisions relate to onerous contract costs, dilapidations and strip out costs on leased sites that have been identified for closure. Upon initial recognition of closure provisions, management uses its best estimates of the relevant costs to be incurred as well as expected closure dates. Business rates on leased property where the Group no longer operates from are recognised in the period they are incurred. The current year includes amounts reversed in relation to sites no longer being exited as part of the programme.
c) 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.
d) Redundancy costs are recognised as the plan is announced and a valid expectation raised with the affected colleagues. The current year charge relates to redundancies announced as part of Argos store closures, depot closures, and the exit of operations in Ireland.
e) Gains on lease terminations relate to sites impaired in the prior year for which it has been negotiated to exit the leases before the contractual end date. This includes the release of any lease liabilities, as well as any closure provisions previously recognised.
f) Property profits relate to profits recognised in the period as sites previously impaired as part of the restructuring programmes have been sold.

As the costs incurred facilitate future underlying cost savings, it was considered whether it was appropriate to report these costs within underlying profit. Whilst they arise from changes in the Group's underlying operations, they can be separately identified, are material in size and do not relate to ordinary in-year trading activity. In addition, the areas being closed or restructured no longer relate to the Group's remaining underlying operations and their exclusion provides meaningful comparison between financial years.

Impairment of non-financial assets

In addition to the above, in line with IAS 36 'Impairment of Non-financial Assets', the Group is required to assess whether there is any indication that an asset (or cash-generating unit (CGU)) may be impaired.

Management considered whether the level of uncertainty within the wider macroeconomic environment, including sustained increases in the Bank of England gilt rates, represented an indicator of impairment at the reporting date. It was determined that the increase in discount rates was a significant impairment indicator and therefore a full impairment review was undertaken.

A non-cash impairment charge of £281 million has been recognised in the period and comprises the below amounts, and has all been recognised within the Retail segment. Further details of the impairment charge are included within note 15.

	£m
Write downs of property, plant and equipment	**(141)**
Write downs of leased assets	**(122)**
Write downs of intangible assets	**(18)**
Impairment of non-financial assets	**(281)**

4 Profit before non-underlying items continued

Property, finance, pension and acquisition adjustments

- A further £3 million of ATM rates reimbursement income is due to be received from the Valuation Office following the Supreme Court's ruling that ATMs outside stores should not be assessed for additional business rates on top of normal store rates. The total cumulative amount recognised to 4 March 2023 is £45 million.
- Property related transactions relate to the loss on disposal of non-trading properties, which comprised of £(3) million in the financial period, and £(6) million of costs relating to a property transaction. These are excluded from underlying profit as such profit is not related to the ongoing operating activities of the Group.
- Non-underlying finance movements for the financial period comprised £(38) million for the Group. These include fair value remeasurements on derivatives not in a hedging relationship and lease interest on impaired non-trading sites, including site closures. The fair value movements are driven by external market factors and can significantly fluctuate year-on-year. They are therefore excluded to ensure consistency between periods. Lease interest on impaired, non-trading sites is excluded as they do not contribute to the operating activities of the Group. Included within cost of sales is £(29) million in relation to unfavourable movements on long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are accounted for as derivative financial instruments, however are not designated in hedging relationships, therefore gains and losses are recognised in the income statement. Decreases in electricity forward prices in the year have led to losses on the related derivative financial instruments. Non-underlying finance and fair value movements also includes lease interest on impaired non-trading sites, including site closures. Lease interest on impaired, non-trading sites is excluded as they do not contribute to the operating activities of the Group. The remaining movements of £(9) million within finance income and costs are analysed further in note 8.
- Defined benefit pension interest and expenses comprises pension finance income of £57 million, settlement credit of £8 million and scheme expenses of £(6) million (see note 20). Although a recurring item, the Group has chosen to exclude net retirement benefit income and costs from underlying profit as, following closure of the defined benefit scheme to future accrual, it is not part of the ongoing operating activities of the Group and its exclusion is consistent with how the Directors assess the performance of the business.
- Acquisition adjustments of £(20) million reflect the unwind of non-cash fair value adjustments arising from Home Retail Group and Nectar UK acquisitions. The Group would not normally recognise these as assets outside of a business combination. Therefore the unwinds are classified as non-underlying and are recognised as follows:

	52 weeks to 4 March 2023			52 weeks to 5 March 2022		
	Argos	**Nectar**	**Total Group**	Argos	Nectar	Total Group
	£m	**£m**	**£m**	£m	£m	£m
Cost of sales	**1**	**-**	**1**	-	-	-
Depreciation	**1**	**-**	**1**	3	-	3
Amortisation	**(18)**	**(4)**	**(22)**	(18)	(5)	(23)
	(16)	**(4)**	**(20)**	(15)	(5)	(20)

4 Profit before non-underlying items continued

Comparative information

	Cost of sales £m	Administrative expenses £m	Other income £m	Net finance income/(costs) £m	Total adjustments before tax £m	Tax £m	Total adjustments £m
Income recognised in relation to legal disputes	-	13	167	-	180	(35)	145
Restructuring and integration							
Restructuring programmes	(69)	(35)	12	-	(92)	17	(75)
Financial Services transition and other	-	(11)	-	-	(11)	2	(9)
Total restructuring and integration	(69)	(46)	12	-	(103)	19	(84)
Software as a service accounting adjustment	-	(21)	-	-	(21)	4	(17)
Property, finance, pension and acquisition adjustments							
ATM business rates reimbursement	2	-	-	-	2	-	2
Profit on disposal of properties	-	-	7	-	7	-	7
Non-underlying finance and fair value movements	76	-	-	(8)	68	(13)	55
IAS 19 pension expenses	-	(4)	-	15	11	(2)	9
Acquisition adjustments	-	(20)	-	-	(20)	4	(16)
Total property, finance, pension and acquisition adjustments	78	(24)	7	7	68	(11)	57
Tax adjustments							
Over provision in prior years	-	-	-	-	-	(2)	(2)
Difference due to change in applicable rate of deferred tax	-	-	-	-	-	9	9
Other tax adjustments	-	-	-	-	-	(7)	(7)
Total adjustments	9	(78)	186	7	124	(23)	101

Cash flow statement

The table below shows the impact of non-underlying items on the Group cash flow statement:

	52 weeks to 4 March 2023 £m	52 weeks to 5 March 2022 £m
Cash flows from operating activities		
IAS 19 pension expenses	**(7)**	(7)
Financial Services transition and other	**-**	(13)
Restructuring programmes	**(50)**	(114)
Income recognised in relation to legal disputes	**30**	93
ATM rates reimbursement	**3**	14
Property related transactions	**(6)**	-
Cash used in operating activities	**(30)**	(27)
Cash flows from investing activities		
Proceeds from property disposals[1]	**29**	46
Cash generated from investing activities	**29**	46
Net cash flows	**(1)**	19

[1] £26 million of the current period proceeds from property disposals are a result of restructuring programmes (2022: £19 million).

5 Revenue

	2023 £m	2022 £m
Grocery and General Merchandise & Clothing (GM&C)	**25,993**	25,440
Fuel	**4,967**	4,023
Total retail sales	**30,960**	29,463
Financial Services interest receivable	**394**	322
Financial Services fees and commission	**137**	110
Total Financial Services income	**531**	432
Total revenue	**31,491**	29,895

6 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 CODM is presented information for the following operating segments:
- Retail – Food
- Retail – General Merchandise and Clothing
- 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.

Segment revenue presents a disaggregation of revenue from customers consistent with the Group's primary revenue streams.

Income statement and balance sheet

52 weeks to 4 March 2023	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	**30,960**	**-**	**30,960**
Financial Services to external customers	**-**	**531**	**531**
Revenue	**30,960**	**531**	**31,491**
Underlying operating profit	**926**	**46**	**972**
Underlying finance income	**18**	**-**	**18**
Underlying finance costs	**(300)**	**-**	**(300)**
Underlying profit before tax	**644**	**46**	**690**
Non-underlying expense (note 4)			**(363)**
Profit before tax			**327**
Income tax expense (note 9)			**(120)**
Profit for the financial year			**207**
Assets	**18,925**	**7,231**	**26,156**
Investment in joint ventures and associates	**2**	**-**	**2**
Segment assets	**18,927**	**7,231**	**26,158**
Segment liabilities	**(12,584)**	**(6,321)**	**(18,905)**
Other segment items			
Additions to non-current assets			
Property, plant and equipment	**532**	**2**	**534**
Intangible assets	**194**	**19**	**213**
Right-of-use assets	**398**	**-**	**398**
Depreciation expense[1]			
Property, plant and equipment	**565**	**1**	**566**
Right-of-use assets	**469**	**1**	**470**
Amortisation expense[2]			
Intangible assets	**141**	**31**	**172**
Impairment of non-financial assets	**315**	**-**	**315**
Impairment loss on financial assets	**2**	**76**	**78**
Share based payments	**54**	**5**	**59**

1. Depreciation within the Retail segment includes a £(1) million credit in relation to the unwind of fair value adjustments recognised on acquisition of HRG.
2. Amortisation within the Retail segment includes a £22 million charge in relation to the unwind of fair value adjustments recognised on acquisition of HRG and Nectar UK.

6 Segment reporting continued

52 weeks to 5 March 2022	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	29,463	-	29,463
Financial Services to external customers	-	432	432
Revenue	29,463	432	29,895
Underlying operating profit	1,001	38	1,039
Underlying finance income	3	-	3
Underlying finance costs	(312)	-	(312)
Underlying profit before tax	692	38	730
Non-underlying expense			124
Profit before tax			854
Income tax expense			(177)
Profit for the financial year			677
Assets	20,368	6,541	26,909
Investment in joint ventures and associates	3	-	3
Segment assets	20,371	6,541	26,912
Segment liabilities	(12,870)	(5,619)	(18,489)
Other segment items			
Additions to non-current assets			
Property, plant and equipment	417	-	417
Intangible assets	229	49	278
Right-of-use assets	1,294	-	1,294
Depreciation expense[1]			
Property, plant and equipment	590	1	591
Right-of-use assets	477	1	478
Amortisation expense[2]			
Intangible assets	130	21	151
Impairment of non-financial assets	8	1	9
Impairment (reversal)/loss on financial assets	(4)	19	15
Share based payments	53	5	58

1. Depreciation within the Retail segment includes a £(3) million credit in relation to the unwind of fair value adjustments recognised on acquisition of HRG.

2. Amortisation within the Retail segment includes a £23 million charge in relation to the unwind of fair value adjustments recognised on acquisition of HRG and Nectar UK.

Geographical segments

The Group trades predominantly in the UK and the Republic of Ireland and consequently the majority of revenues, capital expenditure and segment net assets arise there. The profits, turnover and assets of the businesses in the Republic of Ireland are not material to the Group.

6 Segment reporting continued

Cash flow

	APM reference	52 weeks to 4 March 2023 Retail £m	Financial Services £m	Group £m	52 weeks to 5 March 2022 Retail £m	Financial Services £m	Group £m
Profit before tax		**284**	**43**	**327**	833	21	854
Net finance costs		**235**	**-**	**235**	304	(2)	302
Operating profit		**519**	**43**	**562**	1,137	19	1,156
Adjustments for:							
Depreciation and amortisation expense		**1,175**	**33**	**1,208**	1,197	23	1,220
Net impairment charge on property, plant and equipment, right-of-use assets and intangible assets		**315**	**-**	**315**	8	1	9
Financial Services movement in loss allowance for loans and advances to customers		**-**	**76**	**76**	-	19	19
Profit on sale of non-current assets and early termination of leases		**(15)**	**-**	**(15)**	(6)	-	(6)
Non-underlying fair value movements		**29**	**-**	**29**	(76)	-	(76)
Share-based payments expense		**54**	**5**	**59**	53	5	58
Non-cash defined benefit scheme expenses		**(2)**	**-**	**(2)**	4	-	4
Cash contributions to defined benefit scheme		**(44)**	**-**	**(44)**	(71)	-	(71)
Operating cash flows before changes in working capital		**2,031**	**157**	**2,188**	2,246	67	2,313
Changes in working capital							
Movements in working capital		**185**	**231**	**416**	(306)	(646)	(952)
Cash generated from operations		**2,216**	**388**	**2,604**	1,940	(579)	1,361
Interest paid	a	**(307)**	**(9)**	**(316)**	(319)	(10)	(329)
Corporation tax paid		**(99)**	**(4)**	**(103)**	(23)	-	(23)
Net cash generated from/(used in) operating activities		**1,810**	**375**	**2,185**	1,598	(589)	1,009
Cash flows from investing activities							
Purchase of property, plant and equipment		**(523)**	**(2)**	**(525)**	(416)	-	(416)
Initial direct costs on new leases		**(16)**	**-**	**(16)**	(3)	-	(3)
Purchase of intangible assets		**(194)**	**(19)**	**(213)**	(229)	(49)	(278)
Proceeds from disposal of property, plant and equipment		**29**	**-**	**29**	46	-	46
Dividends and distributions received/(paid)	e	**51**	**(50)**	**1**	2	-	2
Net cash used in investing activities		**(653)**	**(71)**	**(724)**	(600)	(49)	(649)
Cash flows from financing activities							
Proceeds from issuance of ordinary shares	d	**13**	**-**	**13**	21	-	21
Repayment of borrowings	c	**(40)**	**(55)**	**(95)**	(248)	-	(248)
Repayment of perpetual capital securities	c	**-**	**-**	**-**	(8)	-	(8)
Purchase of own shares	d	**(45)**	**-**	**(45)**	(48)	-	(48)
Capital repayment of lease obligations	b	**(512)**	**(2)**	**(514)**	(491)	(2)	(493)
Dividends paid on ordinary shares		**(319)**	**-**	**(319)**	(238)	-	(238)
Dividends paid on perpetual securities	a	**-**	**-**	**-**	(4)	-	(4)
Net cash used in financing activities		**(903)**	**(57)**	**(960)**	(1,016)	(2)	(1,018)
Net increase/(decrease) in cash and cash equivalents		**254**	**247**	**501**	(18)	(640)	(658)

7 Supplier arrangements

Supplier incentives, rebates and discounts, collectively known as 'supplier arrangements', represent a material deduction to cost of sales and directly affect the Group's reported margin.

Income is recognised when earned by the Group when all obligations per the terms of the contract have been satisfied. Any supplier arrangements which are linked to inventory purchases are included within the cost of the related inventory, and therefore recognised within cost of sales once the inventory is sold. Unpaid amounts relating to supplier arrangements are recognised within trade and other receivables, unless there is a legal right of offset, in which case it is recognised within trade and other payables. Amounts which have been invoiced at the balance sheet date are categorised as supplier arrangements due and those not yet invoiced are categorised as accrued supplier arrangements.

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

- Discounts and supplier incentives – these 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 – these are agreed with suppliers primarily to support in-store activity including promotions, such as utilising specific space.
- Supplier rebates – these are 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 through the Group's subsidiary Nectar 360 Services LLP and online marketing and advertising campaigns within Argos.

Amounts recognised in the income statement during the year for fixed amounts, volume-based rebates and marketing and advertising income are shown below. Discounts and supplier incentives are not shown as they are deemed to be part of the cost price of inventory.

	2023 £m	2022 £m
Fixed amounts	**192**	208
Supplier rebates	**94**	94
Marketing and advertising income	**97**	79
Total supplier arrangements	**383**	381

Of the above amounts, the following was outstanding and held on the balance sheet at the period-end:

	2023 £m	2022 £m
Within inventory	**(4)**	(4)
Within current trade receivables		
Supplier arrangements due	**45**	39
Accrued supplier arrangements	**43**	37
Within current trade payables		
Supplier arrangements due	**49**	47
Accrued supplier arrangements	**2**	2
Total supplier arrangements	**135**	121

8 Finance income and finance costs

	52 weeks to 4 March 2023			52 weeks to 5 March 2022		
	Underlying	**Non-Underlying**	**Total**	Underlying	Non-Underlying	Total
	£m	**£m**	**£m**	£m	£m	£m
Interest on bank deposits and other financial assets	**16**	**-**	**16**	1	-	1
Fair value measurements	**-**	**-**	**-**	-	2	2
IAS 19 pension financing income	**-**	**56**	**56**	-	15	15
Finance income on net investment in leases	**2**	**-**	**2**	2	-	2
Finance Income	**18**	**56**	**74**	3	17	20
Secured borrowings	**(41)**	**-**	**(41)**	(40)	-	(40)
Unsecured borrowings	**(2)**	**-**	**(2)**	(2)	-	(2)
Lease liabilities	**(258)**	**(9)**	**(267)**	(271)	(10)	(281)
Provisions - amortisation of discount	**-**	**-**	**-**	(1)	-	(1)
Interest capitalised - qualifying assets	**1**	**-**	**1**	2	-	2
Finance costs	**(300)**	**(9)**	**(309)**	(312)	(10)	(322)

9 Taxation

	52 weeks to 4 March 2023 £m	52 weeks to 5 March 2022 £m
Current year UK tax	**105**	131
Current year overseas tax	**3**	6
Over-provision in prior years	**2**	5
Total current tax expense	**110**	142
Origination and reversal of temporary differences	**9**	52
Under/(over) provision in prior years	**3**	(35)
Adjustment from change in applicable rate of deferred tax	**(2)**	23
Derecognition of capital losses	**-**	(5)
Total deferred tax expense	**10**	35
Total income tax expense in income statement	**120**	177
Analysed as:		
Underlying tax	**157**	154
Non-underlying tax	**(37)**	23
Total income tax expense in income statement	**120**	177
Underlying tax rate	**22.8%**	21.1%
Effective tax rate	**36.7%**	20.7%

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of J Sainsbury plc by the weighted average number of Ordinary shares in issue during the year, excluding own shares held by the J Sainsbury Employee Share Ownership Trust (ESOT).

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of J Sainsbury plc by the weighted average number of Ordinary shares in issue during the year, excluding own shares held, and adjusted for the effects of potentially dilutive shares. The dilutive impact is calculated as the weighted average of all potentially diluted ordinary shares. These represent share options granted by the Group, including performance-based options, where the scheme to date performance is deemed to have been earned.

For the comparative period, the weighted average number of dilutive shares includes the number of shares that would have been issued if all perpetual subordinated convertible bonds are assumed to be converted at the beginning of the period.

In addition, underlying basic earnings per share and underlying diluted earnings per share are presented to reflect the underlying profit attributable to ordinary shareholders of J Sainsbury plc and the underlying trading performance of the Group. In calculating the APMs, the profit attributable is adjusted for items considered non-underlying as defined in note 4. No adjustments have been made to the weighted average number of Ordinary or potentially dilutive shares which continue to be determined in accordance with IAS.

All operations are continuing for the periods presented.

	2023 million	2022 million
Weighted average number of shares in issue	**2,312.6**	2,271.8
Weighted average number of dilutive share options	**39.6**	39.6
Weighted average number of dilutive subordinated perpetual convertible bonds	**-**	39.6
Total number of shares for calculating diluted earnings per share	**2,352.2**	2,351.0

	£m	£m
Profit for the financial period attributable to ordinary shareholders	**207**	677
Diluted earnings for calculating diluted earnings per share	**207**	677
Profit for the financial period attributable to ordinary shareholders of the parent	**207**	677
Adjusted for non-underlying items (note 4)	**363**	(124)
Tax on non-underlying items (note 4)	**(37)**	23
Underlying profit after tax attributable to ordinary shareholders of the parent	**533**	576
Diluted underlying profit after tax attributable to ordinary shareholders of the parent	**533**	576

	Pence per share	Pence per share
Basic earnings	**9.0**	29.8
Diluted earnings	**8.8**	28.8
Underlying basic earnings	**23.0**	25.4
Underlying diluted earnings	**22.7**	24.5

11 Dividends

	2023 pence per share	2022 pence per share	2023 £m	2022 £m
Amounts recognised as distributions to ordinary shareholders in the year:				
Final dividend of prior financial year	**9.9**	7.4	**229**	164
Interim dividend of current financial year	**3.9**	3.2	**90**	74
	13.8	10.6	**319**	238
Proposed final dividend at financial year end	**9.2**	9.9	**213**	230

The proposed final dividend was approved by the Board on 26 April 2023 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 14 July 2023 to shareholders on the register as at 9 June 2023. No amount for the proposed final dividend has been recognised at the balance sheet date.

Distributions to shareholders will have no tax consequences to the Group.

12 Property, plant and equipment

	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At 6 March 2022	**9,693**	**5,288**	**14,981**
Additions	**250**	**284**	**534**
Disposals	**(71)**	**(540)**	**(611)**
Transfer to assets held for sale	**(7)**	**(3)**	**(10)**
At 4 March 2023	**9,865**	**5,029**	**14,894**
Accumulated depreciation and impairment			
At 6 March 2022	**2,917**	**3,662**	**6,579**
Depreciation expense for the year	**184**	**382**	**566**
Impairment loss for the year	**110**	**39**	**149**
Disposals	**(56)**	**(540)**	**(596)**
Transfer to assets held for sale	**(2)**	**(3)**	**(5)**
At 4 March 2023	**3,153**	**3,540**	**6,693**
Net book value at 4 March 2023	**6,712**	**1,489**	**8,201**
Capital work-in-progress included above	**206**	**314**	**520**
Cost			
At 7 March 2021	9,655	5,288	14,943
Additions	87	330	417
Disposals	(40)	(330)	(370)
Transfer to assets held for sale	(9)	-	(9)
At 5 March 2022	9,693	5,288	14,981
Accumulated depreciation and impairment			
At 7 March 2021	2,793	3,563	6,356
Depreciation expense for the year	170	421	591
Impairment loss for the year	-	6	6
Disposals	(37)	(328)	(365)
Transfer to assets held for sale	(9)	-	(9)
At 5 March 2022	2,917	3,662	6,579
Net book value at 5 March 2022	6,776	1,626	8,402
Capital work-in-progress included above	103	314	417

13 Leases

Group as lessee

The Group's lease portfolio is principally comprised of property leases of land and buildings in relation to stores, distribution centres and support offices, but also includes other assets such as motor vehicles. The leases have varying terms and often include break clauses or options to renew beyond the non-cancellable periods.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Net book value	Land and buildings £m	Equipment £m	Total £m
At 6 March 2022	**5,266**	**294**	**5,560**
New leases and modifications[1]	**283**	**115**	**398**
Depreciation charge	**(375)**	**(95)**	**(470)**
Impairment charge	**(142)**	**(1)**	**(143)**
At 4 March 2023	**5,032**	**313**	**5,345**

1 Includes new leases, terminations, modifications and reassessments

At 7 March 2021	4,414	333	4,747
New leases and modifications[1]	1,244	50	1,294
Depreciation charge	(389)	(89)	(478)
Impairment charge	(3)	-	(3)
At 5 March 2022	5,266	294	5,560

1Includes new leases, terminations, modifications and reassessments

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 £m	2022 £m
At 6 March 2022 and 7 March 2021	**6,621**	5,834
New leases and modifications	**382**	1,280
Interest expense	**267**	281
Payments	**(781)**	(774)
At 4 March 2023 and 5 March 2022	**6,489**	6,621
Current	**1,533**	526
Non-current	**4,956**	6,095

Maturity analysis

	2023 £m	2022 £m
Contractual undiscounted cash flows		
Less than one year	**1,798**	773
One to two years	**680**	1,683
Two to three years	**632**	627
Three to four years	**591**	575
Four to five years	**541**	542
Total less than five years	**4,242**	4,200
Five to ten years	**2,473**	2,416
Ten to fifteen years	**1,981**	2,005
More than fifteen years	**3,505**	3,338
Total undiscounted lease liability	**12,201**	11,959
Lease liability included in the statement of financial position	**6,489**	6,621
Current	**1,533**	526
Non-current	**4,956**	6,095

13 Leases continued

The Group presents additions to lease liabilities and right-of-use assets in line with the disclosure requirements of IFRS 16 'Leases'. In doing so, additions to right-of-use assets and lease liabilities above include the net impact of new leases, terminations, modifications, and reassessments. In the prior year, the Group exercised purchase options on 21 leased supermarkets held by a property investment pool in which the Group holds an interest. The purchase options were first included within the lease liability in the prior financial year when the Group exercised them. During the current year, the Group reached an agreement on an acquisition price on these 21 supermarkets and thus this acquisition price was used to remeasure the lease liabilities.

14 Intangible assets

	Goodwill £m	Computer software £m	Acquired brands £m	Customer relationships £m	Total £m
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 for the year	**-**	**150**	**20**	**2**	**172**
Impairment loss for the year	**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**
Cost					
At 7 March 2021	394	899	229	32	1,554
Additions	-	278	-	-	278
Disposals[1]	(2)	(100)	-	-	(102)
At 5 March 2022	392	1,077	229	32	1,730
Accumulated depreciation and impairment					
At 7 March 2021	28	457	127	28	640
Amortisation expense for the year	-	129	20	2	151
Disposals	(2)	(65)	-	-	(67)
At 5 March 2022	26	521	147	30	724
Net book value at 5 March 2022	**366**	**556**	**82**	**2**	**1,006**

1 Disposals included write offs of software-as-a-service balances.

15 Impairment of non-financial assets

Goodwill
Goodwill is not amortised but tested for impairment annually or more frequently where there is an indication that the asset may be impaired.

At the acquisition date goodwill is allocated to the CGU or group of CGUs within the Retail or Financial Services segments that are expected to benefit from the combination.

Impairment is assessed by measuring the recoverable amount of the CGU, calculated as the higher of fair value less cost to dispose and value-in-use, at the level at which this is monitored by management. Where the carrying value of the CGU exceeds the recoverable amount an impairment loss is recognised in the income statement. The impairment charge is allocated first against goodwill and then pro-rata over other assets within the CGU by reference to the carrying amount of each remaining asset in the unit. Impairment losses recognised for goodwill are not subsequently reversed.

Property, plant and equipment, right-of-use assets, and finite lived intangible assets
Property, plant and equipment (PPE), right-of-use assets, and finite-lived intangible assets are assessed on an ongoing basis to determine whether there is an indication that the net book value is no longer supportable. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its value-in-use, is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where there has been a change in the estimates used to determine the recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. An impairment loss reversal is recognised in the income statement.

Identification of cash generating units

Cash generating units are deemed the smallest group of assets that independently generate cash inflows and are independent of the cash flows generated by other assets. The CGUs identified within the respective reportable operating segments are as follows:

Retail
Cash generating units are deemed to be corporate level business units, trading stores, store pipeline development sites or in certain cases for Argos, a cluster of stores.

PPE, intangible assets and right-of-use assets are allocated to the store CGU they are associated with. For non-store assets, including depots and IT assets, these are allocated to store CGUs where it can be done on a reasonable and consistent basis, otherwise these are allocated to the CGU corporate level to which they relate.

Goodwill recognised on acquisition of retail chains of stores (Bells and Jacksons) is allocated to its respective store CGUs. Goodwill arising on the purchase of Home Retail Group is allocated to the Home Retail Group CGU. Nectar is a separate CGU.

Financial Services
Cash generating units are deemed to be each respective product or product group that is capable of generating cash flows independent of other products. Non-product assets are reviewed separately as collective CGUs with the products that they support.

Goodwill arising on the purchase of Sainsbury's Bank plc is allocated to the Financial Services CGU.

15 Impairment of non-financial assets continued

Identification of a triggering event

Management considered whether the level of uncertainty within the wider macroeconomic environment, including sustained increases in the Bank of England gilt rates, represented an indicator of impairment at the reporting date. It was determined that the increase in discount rates was a significant impairment indicator and therefore a full impairment review was undertaken.

Approach and assumptions

The recoverable amount for CGUs have been determined based on the fair value less cost to dispose and a value-in-use calculation which is based upon the cash flows expected to be generated, derived from the latest budget and forecast data which are reviewed by the Board. Budget and forecast data reflects both past experience and future expectations of market conditions.

A vacant possession valuation basis is used to approximate the fair value less costs to dispose. This is not considered to be a significant accounting judgement.

The key assumptions in measuring the value-in-use are as follows:

Assumption	Retail Segment	Financial Services Segment
Cash flow years / assumptions	-Derived from the Board approved cash flow projections for four years and then for owned stores, extrapolated into perpetuity with an assumed growth rate of 2.0%. -For leased stores, cash flows are taken to lease end with an assumed growth rate of 2.0% beyond the four-year forecast period. -In the case of properties identified for closure, cash flow years relate to the remaining period that the store will trade for. -Online grocery sales are fulfilled by individual stores and therefore these cash flows are allocated to the individual store CGUs which fulfil the online sales. In Argos, online GM&C sales for Click & Collect are allocated to the individual store CGUs which fulfil the online sales.	-Derived from the Board approved cash flow projections for four years and then extrapolated over the remaining useful lives of the assets being tested for impairment with no assumed growth rate.
Discount rate	-A post-tax discount rate representing the Retail segment's weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 9.1%. -The post-tax WACC has been 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. -The discount rate is applied consistently to all individual store CGUs and the Group of CGUs supported by Sainsbury's or Argos stores.	-A post-tax discount rate representing the Financial Services segment's weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 15.1%. -The post-tax WACC has been calculated using a combination of adjusted market analysis and the actual cost of debt on Tier 2 capital instruments. -The 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 value-in-use 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.

15 Impairment of non-financial assets continued

Climate change considerations

The Group's scenario analysis performed as part of the Task Force on Climate-Related Financial Disclosures (TCFD) report identified that the most material climate-related risks were heat events, labour capacity, drought, flooding, regulation and changes in consumer preferences. Produce, Cotton, Coffee, Tea, Clothing, Meat, Fish and Poultry (MFP), and Fuel were the product categories most exposed to the climate-related risks.

The most material transitional climate risk was in fuel. As such, the Group's current year impairment review included cashflow assumptions in relation to the expected future revenue loss within the fuel category. As such, the impairment conclusions reached have incorporated the expected climate-related risks associated with fuel sales.

Other than fuel, changes in consumer preferences in MFP was identified as the risk most vulnerable to transitional risks and modelling this risk in isolation to 2030 in a 1.5°C scenario calculated a £300m to £350m loss in revenue. The Group has considered what the impact that this revenue loss (if unmitigated) could have on the carrying value of the Group's store assets. In doing so, a corresponding reduction in margin and therefore cash flows has been modelled. Immaterial impairment risks were identified. As such, all other climate change related risks do not have a material impact on the Group's impairment considerations.

Output and sensitivities

Impairment charges recognised in the Retail Segment relate to both sites identified for closure as part of the restructuring programme as well as impairments on stores that will continue to trade but for which the cash flows no longer support the carrying amount of the assets. There were no charges recognised in the Financial Services Segment. The overall charges are as follows:

	Restructuring programme £m	Impairments £m	Total £m
Impairment of property, plant and equipment	**8**	**141**	**149**
Impairment of leased assets	**21**	**122**	**143**
Impairment of intangible assets	**5**	**18**	**23**
	34	**281**	**315**

Of the above assumptions, the value-in-use calculations are most sensitive to changes in the discount rate, forecast cash flows, and the long-term growth rate used beyond the forecast four-year forecast period. The table below sets out the key sensitivities performed on the value-in-use models and considered the reasonable possible changes in these assumptions. The impact of changing one sensitivity does not have a consequential impact on other sensitivities.

Sensitivity area	Sensitivities	Increase / (decrease) in impairment £m
Discount rate	Increase of 2%	163
	Decrease of 2%	(105)
Cash flows	Increase of 10%	(77)
	Decrease of 10%	57
Long-term growth rate	Increase of 0.5%	(30)
	Decrease of 1%	58

15 Impairment of non-financial assets continued

Goodwill

Goodwill was separately tested at the year-end as required under IAS 36. Goodwill comprises the following:

	2023 £m	2022 £m
Jacksons Stores Limited	**18**	28
Home Retail Group	**119**	119
Sainsbury's Bank plc	**45**	45
Nectar	**147**	147
Bells Stores Limited	**5**	9
Other	**18**	18
	352	366

Value-in-use calculations used to derive the recoverable amount of the CGU to which the respective goodwill has been allocated are based on the following key assumptions:

Cash flow years / assumptions	Cash flows relating to Home Retail Group, Sainsbury's Bank plc and Nectar are derived from Board approved cash flow projections for four years and then extrapolated into perpetuity with an assumed growth rate of 2.0%. Cash flows relating to goodwill attributable to stores are consistent with the assumptions detailed above.
Discount rate	A post-tax discount rate representing the Retail segment's weighted average cost of capital (WACC), as detailed above, has been used for all goodwill balances, except Sainsbury's Bank plc where the post-tax discount rate representing the Financial Services segment's WACC, as detailed above, has been used.

Jackson Stores Limited and Bells Stores Limited goodwill balances are allocated to individual store CGUs to which they relate, within the Retail segment detailed above. Home Retail Group goodwill is allocated to the collective Argos store and non-store CGUs. Sainsbury's Bank plc goodwill is allocated to the Financial Services collective CGUs, as noted above. Nectar is a separate CGU.

Goodwill impairments of £14 million were recognised in the year as part of the year-end impairment review, detailed above. This impairment was in relation to the store CGUs to which Jacksons Stores Limited and Bells Stores Limited goodwill amounts are allocated to. There was no impairment identified at the collective CGU level for Argos nor Financial Services, thus there was nil impairment in the Home Retail Group or Sainsbury's Bank plc goodwill amounts. No impairments were recognised to Nectar goodwill.

Sensitivity analysis on the impairment tests for each group of cash-generating units 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.

While goodwill impairments of £14 million were noted on certain store CGUs to which Jacksons Stores Limited and Bells Stores Limited goodwill amounts are allocated to, any reasonable possible changes in assumptions would not lead to changes in this impairment amount of more or less than £2 million.

The headroom disclosed below for goodwill in Jacksons Stores Limited and Bells Stores Limited relates to all store CGUs to which these goodwill amounts are allocated. Overall, management are satisfied that there are no reasonable possible changes to assumptions that would lead to further impairments in Jacksons Stores Limited, or impairments in any other goodwill.

15 Impairment of non-financial assets continued

			Sensitivities (revised headroom)			
			Discount rate		Cash flows	
	Carrying amount £m	Headroom £m	Decrease of 2% £m	Increase of 2% £m	Decrease of 10% £m	Increase of 10% £m
Jacksons Stores Limited	**18**	13	20	9	10	15
Home Retail Group	**119**	1,257	2,072	803	1,050	1,464
Sainsbury's Bank plc	**45**	418	525	338	358	477
Nectar UK	**147**	1,165	1,692	871	1,031	1,300
Bells Stores Limited	**5**	1	1	-	-	1
Other	**18**	21	41	10	16	27

16 Provisions

Property provisions

Where the Group no longer operates from a leased property, onerous property contract provisions are recognised for the least net cost of exiting from the contract. The amounts provided are based on the Group's best estimates of the likely committed outflows and site closure dates. These provisions do not include rent in accordance with IFRS 16, however do include unavoidable costs related to the lease such as service charges and insurance.

Property provisions also include provisions for dilapidations which are recognised where the Group has the obligation to make-good its leased properties, which is when a decision to exit a lease has been made. This is the point at which a reliable estimate of the expected cost for dilapidations can be made. These provisions are recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. Any difference between amounts expected to be settled and the actual cash outflow will be accounted for in the period when such determination is made.

Where the Group is able to exit lease contracts before the expiry date or agree sublets, this results in the release of any associated property provisions. Such events are subject to the agreement of landlords, therefore the Group makes no assumptions on the ability to either exit or sublet a property until a position is agreed. Utilisation of the above amounts is expected to be incurred in conjunction with the profile of the leases to which they relate.

Insurance provisions

The provision relates to the Group's outstanding insurance claims liabilities in relation to public and employer's liability claims, and third party motor claims. Claims provisions are based on assumptions regarding past claims experience and on assessments by an independent actuary and are intended to provide a best estimate of the most likely or expected outcome.

Restructuring provisions

The current year charge relates to redundancies announced as part of Argos store closures, depot closures, and the exit of operations in Ireland. Utilisation of restructuring provisions is expected to be incurred in line with the closure date of the site to which the provision relates.

Financial Services related provisions

Financial Services loan commitment provisions reflect expected credit losses modelled in relation to loan commitments not yet recognised on the balance sheet, including on credit cards and Argos store cards.

Other Financial Services related provisions are primarily in relation to Argos Financial Services customers in respect of potential redress payable arising from the historic sales of Payment Protection Insurance (PPI).

The eventual cost is dependent on response rates, uphold rates, complaint rates, redress costs and claim handling costs. The provision represents management's best estimate of future costs. These assumptions are inherently uncertain and the ultimate financial impact may differ from the amount provided.

16 Provisions continued

	Property provisions £m	Insurance provisions £m	Restructuring £m	Financial Services related provisions £m	Other provisions £m	Total £m
At 6 March 2022	**140**	**62**	**29**	**26**	**14**	**271**
Additional provisions	**26**	**30**	**64**	**5**	**-**	**125**
Unused amounts reversed	**(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**
At 7 March 2021	164	67	54	26	38	349
Additional provisions	9	34	44	6	1	94
Unused amounts reversed	(7)	(5)	(16)	(3)	(24)	(55)
Utilisation of provision	(27)	(34)	(53)	(3)	(1)	(118)
Amortisation of discount	1	-	-	-	-	1
At 5 March 2022	140	62	29	26	14	271
Current	16	22	28	26	8	100
Non-current	124	40	1	-	6	171

17 Cash and cash equivalents

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

	2023 £m	2022 £m
Cash in hand and bank balances	**569**	566
Money market funds	**255**	25
Money market deposits	**150**	-
Deposits at central banks	**345**	234
Cash and bank balances as reported in the Group balance sheet	**1,319**	825
Bank overdrafts	**-**	(7)
Net cash and cash equivalents as reported in the Group cash flow statement	**1,319**	818

Of the above balance, £28 million was restricted at the balance sheet date (2022: £18 million). The balance includes £15 million (2022: £15 million) held as a reserve deposit with the Bank of England in accordance with statutory requirements is not available for use in day-to-day operations, £10 million (2022: £nil) held within the ESOT, and £3 million (2022: £3 million) is restricted for insurance purposes.

18 Analysis of net debt

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

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

Net debt includes the capital injections to Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries (Financial Services). 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.

A reconciliation of opening to closing net debt is included below. Balances and movements for the total Group and Financial Services are shown in addition to Retail to enable reconciliation between the Group balance sheet and Group cash flow statement.

		Cash Movements		Non-Cash Movements			
	6 March 2022	Cash flows excluding interest	Net interest (received) / paid	Accrued Interest	Other non-cash movements	Changes in fair value	4 March 2023
	£m	£m	£m	£m	£m	£m	£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	**418**	**207**	**-**	**-**	**-**	**1**	**626**
Cash and cash equivalents	**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	**418**	**207**	**-**	**-**	**-**	**1**	**626**
Cash and cash equivalents	**825**	**494**	**-**	**-**	**-**	**-**	**1,319**
Bank overdrafts	**(7)**	**7**	**-**	**-**	**-**	**-**	**-**
Group net debt	**(6,130)**	**1,317**	**316**	**(314)**	**(396)**	**2**	**(5,205)**
Retail net debt	**(6,759)**	**806**	**307**	**(302)**	**(396)**	**-**	**(6,344)**
Of which:							
Leases	**(6,618)**						**(6,488)**
Net debt excluding lease liabilities	**(141)**						**144**

18 Analysis of net debt continued

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

	7 March 2021	Cash Movements: Cash flows excluding interest	Cash Movements: Net interest (received) / paid	Non-Cash Movements: Accrued Interest	Non-Cash Movements: Other non-cash movements	Non-Cash Movements: Changes in fair value	5 March 2022
	£m	£m	£m	£m	£m	£m	£m
Retail							
Net derivative financial instruments	(14)	-	10	(10)	11	8	5
Borrowings (excluding overdrafts)	(826)	248	28	(25)	-	-	(575)
Lease liabilities	(5,829)	491	281	(281)	(1,280)	-	(6,618)
Arising from financing activities	(6,669)	739	319	(316)	(1,269)	8	(7,188)
Financial assets at fair value through other comprehensive income	1	-	-	-	-	(1)	-
Cash and cash equivalents	546	(110)	-	-	-	-	436
Bank overdrafts	(99)	92	-	-	-	-	(7)
Retail net debt (excluding perpetual securities)	(6,221)	721	319	(316)	(1,269)	7	(6,759)
Financial Services							
Net derivative financial instruments	-	-	-	-	-	4	4
Borrowings (excluding overdrafts)	(179)	-	10	(11)	-	1	(179)
Lease liabilities	(5)	2	-	-	-	-	(3)
Arising from financing activities	(184)	2	10	(11)	-	5	(178)
Financial assets at fair value through other comprehensive income	537	(115)	-	-	-	(4)	418
Cash and cash equivalents	1,029	(640)	-	-	-	-	389
Financial services net debt	1,382	(753)	10	(11)	-	1	629
Group							
Net derivative financial instruments	(14)	-	10	(10)	11	12	9
Borrowings (excluding overdrafts)	(1,005)	248	38	(36)	-	1	(754)
Lease liabilities	(5,834)	493	281	(281)	(1,280)	-	(6,621)
Arising from financing activities	(6,853)	741	329	(327)	(1,269)	13	(7,366)
Financial assets at fair value through other comprehensive income	538	(115)	-	-	-	(5)	418
Cash and cash equivalents	1,575	(750)	-	-	-	-	825
Bank overdrafts	(99)	92	-	-	-	-	(7)
Group net debt (excluding perpetual securities)	(4,839)	(32)	329	(327)	(1,269)	8	(6,130)
Retail net debt (excluding perpetual securities)	(6,221)	721	319	(316)	(1,269)	7	(6,759)
Perpetual convertible bonds	(248)	8	-	-	240	-	-
Retail net debt (including perpetual securities)	(6,469)	729	319	(316)	(1,029)	7	(6,759)
Of which:							
Leases	(5,829)						(6,618)
Net debt excluding lease liabilities	(640)						(141)

Reconciliation of net cash flow to movement in net debt

	52 weeks to 4 March 2023 £m	52 weeks to 5 March 2022 £m
Opening net debt	**(6,759)**	(6,469)
Cash flow movements		
Net increase/(decrease) in cash and cash equivalents (including overdrafts)	**501**	(658)
Elimination of Financial Services movement in cash and cash equivalents	**(247)**	640
Repayment of perpetual capital securities	**-**	8
Decrease in Retail borrowings	**40**	248
Decrease in Retail lease obligations	**512**	491
Net interest paid on components of Retail net debt	**307**	319
Changes in net debt resulting from cash flow	**1,113**	1,048
Non-cash movements		
Accrued interest	**(302)**	(316)
Retail fair value and other non-cash movements	**(396)**	(1,022)
Changes in net debt resulting from non-cash movements	**(698)**	(1,338)
Movement in net debt	**415**	(290)
Closing net debt	**(6,344)**	(6,759)

19 Borrowings

	2023			2022		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Loan due 2031	**48**	**491**	**539**	44	531	575
Bank overdrafts	**-**	**-**	**-**	7	-	7
Transaction costs	**(1)**	**(4)**	**(5)**	-	-	-
Sainsbury's Bank Tier 2 Capital	**6**	**116**	**122**	3	176	179
	53	**603**	**656**	54	707	761

a) Loan due 2031
The loan is secured against 48 (2022: 48) supermarket properties (note 12). This is an inflation linked amortising loan from the finance company Longstone Finance plc with an outstanding principal value of £527 million (2022: £566 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 carrying value of the loan is £539 million (2022: £575 million) with a final repayment date of April 2031.

The Group has entered into inflation swaps to convert £490 million (2022: £490 million) of the £527 million (2022: £566 million) loan from RPI linked interest to fixed rate interest until April 2023. These transactions have been designated as cash flow hedges.

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 with the Group as summarised above.

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.

b) Bank overdrafts
Bank overdrafts are repayable on demand and bear interest at a spread above Bank of England base rate.

c) Sainsbury's Bank Tier 2 Capital
The Bank issued £120 million of fixed rate reset callable subordinated Tier 2 notes 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. This was issued in conjunction with a tender to repurchase and extinguish £120 million of the existing £175 million subordinated Tier 2 notes that were issued in November 2017. The Bank subsequently redeemed the remaining £55 million of the existing £175 million issued in November 2022.

d) Short term borrowings
The Group refinanced its Revolving Credit Facility in December 2022. The new Revolving Credit Facility 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 2026 and Facility B has a maturity of December 2027. At 4 March 2023, the Revolving Credit Facility was undrawn (2022: undrawn).

The Revolving Credit Facility incurs commitment fees at market rates and drawdowns bear interest at a margin above SONIA.

The Group maintains uncommitted facilities to provide additional capacity to fund short-term working capital requirements. Drawdowns on these uncommitted facilities bear interest at a margin. The uncommitted facilities were undrawn at 4 March 2023 (2022: undrawn).

e) Term loan
The Group issued a £575 million unsecured term loan in December 2022, with maturity of March 2026. This new term loan refinanced the £575m Bridge Loan Facility arranged in October 2022 with maturity of November 2024. At 4 March 2023, the term loan was undrawn.

f) Transaction costs
Transaction costs are amortised on a straight-line basis over the life of the facility they relate to.

20 Retirement benefit obligations

Background

The 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 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.

The retirement benefit obligations at the year-end have been calculated by Isio, the actuarial advisers to the Group, using the projected unit credit method and based on adjusting the position at the date of the previous triennial valuation for known events and changes in market conditions as allowed under IAS 19 'Employee Benefits'.

The amounts recognised in the balance sheet are as follows:

	2023			2022		
	Sainsbury's £m	**Argos £m**	**Group £m**	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	**(5,128)**	**(793)**	**(5,921)**	(8,060)	(1,313)	(9,373)
Fair value of plan assets	**6,007**	**927**	**6,934**	10,158	1,535	11,693
Retirement benefit surplus	**879**	**134**	**1,013**	2,098	222	2,320
Present value of unfunded obligations	**(12)**	**(12)**	**(24)**	(20)	(17)	(37)
Retirement benefit surplus	**867**	**122**	**989**	2,078	205	2,283

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

The movements in the Group's net defined benefit surplus are as follows:

	2023 £m	2022 £m
As at the beginning of the year	**2,283**	744
Net interest income	**56**	15
Remeasurement (losses)/gains	**(1,398)**	1,457
Pension scheme expenses	**(6)**	(7)
Contributions by employer	**44**	71
Benefits paid	**2**	-
Past service credit	**-**	3
Settlement gains	**8**	-
As at the end of the year	**989**	2,283

The principal actuarial assumptions used at the balance sheet date are as follows:

	2023 %	2022 %
Discount rate	**5.00**	2.40
Inflation rate – RPI	**3.25**	3.60
Inflation rate – CPI	**2.55**	2.90
Future pension increases	**1.90 – 2.95**	2.30 - 3.45

20 Retirement benefit obligations continued

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).

Inflation
On 25 November 2022, the Government and UK Statistics Authority's joint consultation response on RPI reform was published. This confirmed their intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) with effect from 2030. As a result, the Group reduced the post 2030 gap between RPI and CPI to nil in the prior year, effectively assuming RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 0.70% p.a. for the 4th March 2023 year-end. This approach has been applied consistently in the current year.

Mortality
The base mortality assumptions are based on the SAPS S2 tables, 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 2023 year-end are CMI 2021 projections with a long term rate of improvement of 1.25 per cent p.a. Future mortality improvements for the 2023 year-end are CMI 2021 projections with a long term rate of improvement of 1.25 per cent p.a. Future mortality improvements for the 2022 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 still CMI 2021 which was released on 9 March 2022.

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 was maintained for CMI 2021, with zero per cent weighting applied to 2020 and 2021 data.

A 10 per cent weighting has therefore been applied again to the 2020 and 2021 mortality data, broadly reflecting that the effects of the pandemic were significantly reduced going forwards with mortality rates for 2022 immediately returning to those in 2019. Thereafter, mortality improvements are in line with the CMI 2021 Core model. The impact of different weightings on the Scheme liabilities is included in the sensitivities section within this note.

The life expectancy for members aged 65 years at the balance sheet date is as follows:

	Sainsbury's section Main Scheme 2023 Years	**Sainsbury's section Executive Scheme 2023 Years**	**Argos section 2023 Years**	Sainsbury's section Main Scheme 2022 Years	Sainsbury's section Executive Scheme 2022 Years	Argos section 2022 Years
Male pensioner	**19.5**	**22.7**	**20.3**	19.6	23.8	21.3
Female pensioner	**23.3**	**24.0**	**23.4**	23.5	25.0	23.9

20 Retirement benefit obligations continued

The life expectancy at age 65 for members aged 45 years at the balance sheet date is as follows:

	Sainsbury's section Main Scheme 2023 Years	**Sainsbury's section Executive Scheme 2023 Years**	**Argos section 2023 Years**	Sainsbury's section Main Scheme 2022 Years	Sainsbury's section Executive Scheme 2022 Years	Argos section 2022 Years
Male pensioner	**20.7**	**24.0**	**21.6**	20.8	25.0	22.5
Female pensioner	**24.9**	**25.5**	**24.8**	25.0	26.5	25.4

21 Contingent liabilities

The Group has a number of contingent liabilities in respect of historic 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. 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 13,000 equal pay claims from circa 8,100 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.

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 may 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.

22 Post balance sheet events

Subsequent to the Group’s balance sheet date, on 14 March 2023 the Group exchanged contracts for the purchase of Supermarket Income REIT's beneficial interest in a commercial property investment pool, in which the Group already held a beneficial interest. The purchase has been implemented through the acquisition of Cornerford Limited, Horndrift Limited, Avenell Property PLC and Hobart Property PLC.

The transaction completed on 17 March 2023 for a total consideration of £431 million (excluding costs), which is being paid in three tranches. £279 million was paid on 17 March 2023 and £117 million will be paid on 10 July 2023, whilst the third tranche of £35 million is conditional on the sale of five stores from the property pool by the Group. Additionally, the Group will fully fund the bond redemptions attached to the property pool, of which £170.5 million was paid on 20 March 2023 and £130.4 million will be paid on 13 July 2023.

The total consideration and bond redemptions are to be funded by utilising the Group's cash resources and also by drawing under the committed unsecured term facility, from which the Group drew £200 million on 14 March 2023.

As this transaction took place subsequent to the Group’s balance sheet date, no adjustments are required to be made to the Group’s financial statements. As the transaction exchanged and completed after the balance sheet date, control of the entities acquired only passed to the Group after the balance sheet date and therefore the initial accounting for this transaction has not yet been completed.

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 period's results and comparative periods where provided.

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation
Income statement - Revenue				
Retail sales	**Revenue**	Group sales less Financial Services revenue.	Shows the annual rate of growth in the Group's Retail business sales.	A reconciliation of the measure is provided in note 5 of the financial statements.
Like-for-like sales	**No direct equivalent**	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 like-for-like. Within the comparative period, the impact on sales of stores which were temporarily closed due to COVID-19 have been included within LFL sales. Only permanently closed sites and those temporarily closed for non COVID-19 related reasons are treated as non LFL.	The measure is used widely in the retail industry as an indicator of current trading performance and is useful when comparing growth between retailers that have different profiles of expansion, disposals and closures.	The reported retail like-for-like sales increase of 2.6 per cent is based on a combination of Sainsbury's like-for-like sales and Argos like-for-like sales for 2023. See movements below: (see table below)
Income statement – Profit				
Retail underlying operating profit	**Profit before tax**	Underlying earnings before interest, tax, Financial Services operating profit and Sainsbury's underlying share of post-tax profit from joint ventures and associates.	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.	(see table below)
Underlying profit before tax	**Profit before tax**	Underlying results exclude items recognised in reported profit or loss before tax which, if included, could distort comparability between periods. In determining which items to exclude from underlying profit, the Group considers items which are significant either by virtue of their size and/or nature, or that are non-recurring.	In order to provide shareholders with additional insight into the year-on-year performance of the business, this adjusted measure of profit is provided to supplement the reported IFRS numbers and reflects how the business measures performance internally.	Underlying profit before tax is bridged to statutory profit before tax in the income statement and note 4 of the financial statements. The adjusted items are as described in note 4 of the financial statements.

Like-for-like sales reconciliation:

	2023	2022
Retail like-for-like (exc. Fuel, inc. VAT)	**2.6%**	(2.3)%
Underlying net new space impact	**(0.6)%**	(0.3)%
Retail sales growth (exc. Fuel, inc. VAT)	**2.0%**	(2.6)%
Fuel impact	**3.2%**	6.0%
Total retail sales growth (inc. fuel, inc. VAT)	**5.2%**	3.4%
VAT impact	**(0.1)%**	(0.4)%
Total retail sales growth per note 5	**5.1%**	3.0%

Retail underlying operating profit reconciliation:

	2023 £m	2022 £m
Group PBT (note 6)	**327**	854
Add back/(less) Group non-underlying items (note 4)	**363**	(124)
Group UPBT	**690**	730
Financial Services underlying operating profit	**(46)**	(38)
Retail underlying profit before tax	**644**	692
Net underlying finance costs	**282**	309
Retail underlying operating profit	**926**	1,001
Retail sales (note 5)	**30,960**	29,463
Retail underlying operating margin	**2.99%**	3.40%

Alternative performance measures (APMs) continued

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Definition</th><th>Purpose</th><th>Reconciliation</th></tr>
<tr><td colspan="5">Income statement - Profit</td></tr>
<tr><td>Underlying basic earnings per share</td><td>Basic earnings per share</td><td>Earnings per share using underlying profit as described above.</td><td>This is a key measure to evaluate the performance of the business and returns generated for investors.</td><td>A reconciliation of the measure is provided in note 10 of the financial statements.</td></tr>
<tr><td>Retail underlying EBITDA</td><td>No direct equivalent</td><td>Retail underlying operating profit as above, before underlying depreciation, and amortisation.</td><td>EBITDA is used to review the retail segment’s profit generation and the sustainability of ongoing capital reinvestment and finance costs.</td><td>
<table>
<tr><th></th><th>2023
£m</th><th>2022
£m</th></tr>
<tr><td>Retail underlying operating profit</td><td>926</td><td>1,001</td></tr>
<tr><td>Add: Retail depreciation and amortisation expense</td><td>1,175</td><td>1,197</td></tr>
<tr><td>Less: Non-underlying depreciation and amortisation</td><td>(41)</td><td>(53)</td></tr>
<tr><td>Retail underlying EBITDA</td><td>2,060</td><td>2,145</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Retail sales (note 5)</td><td>30,960</td><td>29,463</td></tr>
<tr><td>Retail underlying EBITDA margin</td><td>6.65%</td><td>7.28%</td></tr>
</table>
</td></tr>
<tr><td>Underlying net finance costs</td><td>Finance income less finance costs</td><td>Net finance costs before any non-underlying items as defined above that are recognised within finance income / expenses.</td><td>This provides shareholders with additional insight into the underlying net finance costs of the Group by excluding non-recurring one-off items.</td><td>A reconciliation of this measure is included in note 8 of the financial statements.

The adjusted items are as follows:

• Non-underlying finance movements – these include fair value remeasurements on derivatives not in a hedging relationship and lease interest on impaired non-trading sites, including site closures. The fair value movements are driven by external market factors and can significantly fluctuate year-on-year. They are therefore excluded to ensure consistency between periods. Lease interest on impaired, non-trading sites is excluded as they do not contribute to the operating activities of the Group.
• IAS 19 pension interest - Although a recurring item, the Group has chosen to exclude net retirement benefit income and costs from underlying profit as, following closure of the defined benefit scheme to future accrual, it is not part of the ongoing operating activities of the Group and its exclusion is consistent with how the Directors assess the performance of the business.</td></tr>
<tr><td>Underlying tax rate</td><td>Effective tax rate</td><td>Tax on underlying items, divided by underlying profit before tax.</td><td>Provides an indication of the tax rate across the Group before the impact of non-underlying items.</td><td>The tax on non-underlying items is included in note 4 of the financial statements.</td></tr>
</table>

Alternative performance measures (APMs) continued

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Definition</th><th>Purpose</th><th>Reconciliation</th></tr>
<tr><td colspan="5">Cash flows and net debt</td></tr>
<tr><td>Retail cash flow items in Financial Review</td><td>No direct equivalent</td><td>N/A</td><td>To help the reader understand cash flows of the business a summarised cash flow statement is included within the Financial Review.

As part of this a number of line items have been combined. The cash flow in note 6 of the financial statements includes a reference to show what has been combined in these line items.</td><td>
<table>
<tr><th></th><th>Ref</th><th>4 March 2023 £m</th><th>5 March 2022 £m</th></tr>
<tr><td>Net interest paid</td><td>a</td><td>(307)</td><td>(323)</td></tr>
<tr><td>Capital repayment of lease liabilities</td><td>b</td><td>(512)</td><td>(491)</td></tr>
<tr><td>Repayment of borrowings</td><td>c</td><td>(40)</td><td>(256)</td></tr>
<tr><td>Other</td><td>d</td><td>(32)</td><td>(27)</td></tr>
<tr><td>Dividends and distributions received</td><td>e</td><td>51</td><td>2</td></tr>
</table>
</td></tr>
<tr><td>Retail free cash flow</td><td>Net cash generated from operating activities</td><td>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.</td><td>This measures cash generation, working capital efficiency and capital expenditure of the retail business.</td><td>
<table>
<tr><th></th><th>4 March 2023 £m</th><th>5 March 2022 £m</th></tr>
<tr><td>Cash generated from retail operations</td><td>2,216</td><td>1,940</td></tr>
<tr><td>Net interest paid (ref (a) above)</td><td>(307)</td><td>(323)</td></tr>
<tr><td>Corporation Tax</td><td>(99)</td><td>(23)</td></tr>
<tr><td>Retail purchase of property, plant and equipment</td><td>(523)</td><td>(416)</td></tr>
<tr><td>Retail purchase of intangibles assets</td><td>(194)</td><td>(229)</td></tr>
<tr><td>Retail proceeds from disposal of property, plant and equipment</td><td>29</td><td>46</td></tr>
<tr><td>Initial direct costs on right-of-use assets</td><td>(16)</td><td>(3)</td></tr>
<tr><td>Capital repayment of lease liabilities</td><td>(512)</td><td>(491)</td></tr>
<tr><td>Dividends and distributions received</td><td>51</td><td>2</td></tr>
<tr><td>Retail free cash flow</td><td>645</td><td>503</td></tr>
</table>
</td></tr>
<tr><td>Adjusted net cash generated from retail operations (per Financial Review)</td><td>Cash generated from operations</td><td>This presents retail operating cash flows adjusted for movements in working capital, less net interest paid (including distributions on perpetual securities) and pension cash contributions.</td><td>This enables management to assess the cash generated from its core retail operations.</td><td>
<table>
<tr><th></th><th>4 March 2023 £m</th><th>5 March 2022 £m</th></tr>
<tr><td>Retail cash generated from operating activities (note 6)</td><td>1,810</td><td>1,598</td></tr>
<tr><td>Perpetual security coupons</td><td>-</td><td>(4)</td></tr>
<tr><td>Adjusted net cash generated from operating activities</td><td>1,810</td><td>1,594</td></tr>
</table>
</td></tr>
<tr><td>Core retail capital expenditure</td><td>No direct equivalent</td><td>Capital expenditure excluding Sainsbury's Bank.</td><td>This allows management to assess core retail capital expenditure in the period in order to review the strategic business performance.</td><td>
<table>
<tr><th></th><th>2023 £m</th><th>2022 £m</th></tr>
<tr><td>Purchase of property, plant and equipment</td><td>(523)</td><td>(416)</td></tr>
<tr><td>Purchase of intangibles</td><td>(194)</td><td>(229)</td></tr>
<tr><td>Cash capital expenditure</td><td>(717)</td><td>(645)</td></tr>
</table>
</td></tr>
</table>

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation
Underlying working capital movements	**No direct equivalent**	Removes working capital and cash movements relating to non-underlying items.	To provide a reconciliation of the working capital movement in the Financial statements to the underlying working capital movement in the Financial review.	

	4 March 2023 £m	5 March 2022 £m
Retail working capital movements per cash flow (note 6)	**185**	(306)
Adjustments for:		
Retail non-underlying impairment charges (note 6)	**315**	8
Non-underlying restructuring and impairment charges (note 4)	**(387)**	(92)
Bank non-underlying restructuring and impairment charges	**-**	7
Accelerated depreciation (note 4)	**20**	33
Gains on early termination of leases (note 4)	**(2)**	(9)
Profit on disposal of properties within restructuring programme (note 4)	**(11)**	(12)
ATM income (note 4)	**3**	2
Income recognised in relation to legal disputes (note 4)	**30**	180
Property related transactions (note 4)	**(9)**	-
Other	**7**	1
Non-underlying working capital movements before cash movements	**(34)**	118
Non-underlying cash movements:		
Restructuring (note 4)	**50**	114
Bank restructuring	**-**	(4)
ATM income (note 4)	**(3)**	(14)
Income recognised in relation to legal disputes (note 4)	**(30)**	(93)
Property related transactions (note 4)	**6**	-
Retail non-underlying operating cash flows (excluding pensions)	**23**	3
Total adjustments for non-underlying working capital	**(11)**	121
Underlying working capital movements	**174**	(185)

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation
Net debt	**Borrowings, cash, derivatives, financial assets at FVTOCI, lease liabilities**	Net debt includes the capital injections into Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries. It is calculated as: financial assets at fair value through other comprehensive income (excluding equity investments) + net derivatives to hedge borrowings + net cash and cash equivalents + loans + lease obligations.	This shows the overall strength of the balance sheet alongside the liquidity and its indebtedness and whether the Group can cover its debt commitments.	A reconciliation of the measure is provided in note 18 of the financial statements. In addition, to aid comparison to the balance sheet, reconciliations between financial assets at FVTOCI and derivatives per the balance sheet and Group net debt (i.e. including Financial Services) is included below:

	4 March 2023 £m	5 March 2022 £m
Financial instruments at FVTOCI per balance sheet	**1,009**	800
Less: equity related securities	**(383)**	(382)
Financial instruments at FVTOCI included in net debt	**626**	418
Net derivatives per balance sheet	**213**	259
Less: derivatives not used to hedge borrowings	**(213)**	(250)
Derivatives included in net debt	**-**	9

Other

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation
Net debt/ underlying EBITDA	**No direct equivalent**	Net debt divided by Group underlying EBITDA.	This helps management measure the ratio of the business's debt to operational cash flow.	Net debt as provided in note 18. Group underlying EBITDA is reconciled within the fixed charge cover analysis below.
Return on capital employed	**No direct equivalent**	Return on capital employed is calculated as 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 deficit/surplus, less net debt (excluding perpetual securities). The average is calculated on a 14-point basis. The 14-point basis uses the average of 14 datapoints – the prior year closing capital employed, the current year closing capital employed and 12 intra-year periods as this more closely aligns to the recognition of amounts in the income statement.	This represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business.	

	52 weeks to 4 March 2023 £m	52 weeks to 5 March 2022 £m
Underlying profit before tax	**690**	730
Add: Underlying net interest	**282**	309
Return	**972**	1,039

Capital employed is reconciled as follows:

	52 weeks to 4 March 2023 £m	52 weeks to 5 March 2022 £m
Group net assets	**7,253**	8,423
Less: Pension surplus (note 20)	**(989)**	(2,283)
Deferred tax on pension surplus (note 9)	**330**	640
Less: net debt (ex-perpetual securities) (note 18)	**6,344**	6,759
Effect of in-year averaging	**(101)**	(1,127)
Capital employed	**12,837**	12,412
Return on capital employed	**7.6%**	8.4%

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation
Fixed charge cover	**No direct equivalent**	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.	

	52 weeks to 4 March 2023 £m	52 weeks to 5 March 2022 £m
Group underlying operating profit	**972**	1,039
Add: Group depreciation and amortisation expense	**1,208**	1,220
Less: Non-underlying depreciation and amortisation expense	**(41)**	(53)
Group underlying EBITDA	**2,139**	2,206
Repayment of capital element of lease obligations	**(514)**	(493)
Underlying finance income	**18**	3
Underlying finance costs	**(300)**	(312)
Fixed charges	**(796)**	(802)
Fixed charge cover	**2.7**	2.8