Registered Number 03261722

Sainsbury's Supermarkets Ltd
Annual Report and Financial Statements

For the 52 weeks ended
28 February 2026

Sainsbury's Supermarkets Ltd
Strategic report
for the 52 weeks ended 28 February 2026

Principal activities and review of the business
Sainsbury's Supermarkets Ltd (the "Company") is a retailer of food, general merchandise and clothing. All material operations are carried out in the United Kingdom.

During the year, the Company continued to make strong progress against the J Sainsbury plc group (the "Group") Next Level Sainsbury's strategy. By investing in value, quality and innovation, the Company strengthened its position as a leading UK food retailer, delivering further grocery volume growth and market share gains. Continued investment in stores and the expansion of its food footprint helped the Company serve more customers, while long-term partnerships with suppliers and farmers supported resilience across the food system. A disciplined focus on efficiency and productivity enabled the Company to reinvest in customer priorities and support sustainable long-term value creation.

The Company is one of the main operating companies within the Group and its Directors are members of the Group's Operating Board (the "Operating Board").

A full review of the business, strategy and the business model can be found in the 2026 Annual Report and Financial Statements of J Sainsbury plc (the "2026 Group Annual Report"), the parent undertaking, on the following website: corporate.sainsburys.co.uk/investors/annual-report-2026/

Results and future developments
Revenue for the Company increased to £29,384 million for the financial year (2025: £28,544 million). Grocery sales increased 5.2%, reflecting a strong competitive position and market outperformance with more customers choosing Sainsbury's for their big weekly shop. General merchandise sales were down year on year, reflecting, as expected, volume decline driven by the strategic choice to allocate more space to food. Clothing sales were up 5.4% as a result of stronger availability and elevated style credentials, helping deliver continued market outperformance.

The Company generated an underlying profit before tax of £253 million (2025: £338 million). The reduction in underlying profit before tax was primarily driven by investment in value and higher operating cost inflation in a more competitive market, partially offset by higher grocery volumes and ongoing cost efficiencies as part of the Group's Save and invest to win programme. Profit before tax was £201 million (2025: £313 million) and profit after tax for the financial year was £140 million (2025 restated: £225 million).

Net assets of the Company at 28 February 2026 were £4,402 million (1 March 2025 restated: £4,414 million).

As the Group moves into the final year of implementing the Next Level Sainsbury's plan, the Company is well positioned for continued success. The Company will invest in around 30 more existing stores in the year ahead to continue progress in its "More for More" plan. This will be supplemented through the expected opening of around ten new supermarkets and at least 20 new convenience stores in the year ahead. The Company will continue to use its scale, reach and capabilities to drive positive change across the food system by working closely with farmers and suppliers to strengthen the supply of good food. The long-term partnership model is being expanded, so that by 2027 the Company will be supporting more than 2,500 British and Irish farms with long-term contracts.

Section 172 Statement
The Board of Directors of the Company (the "Board") believes that it has acted in accordance with Section 172(1) of the Companies Act 2006 during the year ended 28 February 2026. This requires each Director to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to the interest of other stakeholders, whilst maintaining high standards of business conduct.

The Company is a wholly-owned subsidiary of J Sainsbury plc and its stakeholder engagement is integrated within the Group's governance. During the year, the Directors continued to focus on engagement with the Company's stakeholders, most notably the Group, customers, colleagues and suppliers. It is the day-to day responsibility of individual Directors to engage with stakeholders relevant to their roles in the Group.

Further details on how the Group engaged with its stakeholders, can be found on pages 24 to 29 of the 2026 Group Annual Report.

Wates Corporate Governance Principles
The Company's governance and business decisions are integrated with the Group. For the year ended 28 February 2026, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"). The Company's immediate parent and ultimate parent company, J Sainsbury plc, has complied in full with the Principles and Provisions of the UK Corporate Governance Code 2024.

Set out below is how we have applied the Principles over the past year.

Principle 1 - Purpose and leadership
The Company adopted the Group's purpose and values which have been embedded throughout the business of the Group and Company. Details of the strategic priorities and the Group's progress against them can be found on pages 12 to 19 of the 2026 Group Annual Report. Feedback from stakeholders was taken into account when determining the Group's strategic priorities, details of which can be found on pages 24 to 29 of the 2026 Group Annual Report.

Principle 2 - Board composition

As at 28 February 2026, the Board consisted of seven members and the biographies of the current Directors can be found on the following website: https://corporate.sainsburys.co.uk/about-us/our-leadership/?primaryTag=Operating+Board&page=1

The Company is a wholly owned subsidiary of J Sainsbury plc and the Board concentrates on the day-to-day management of the Company and execution of strategy set out by the Board of J Sainsbury plc (the "plc Board"). The plc Board has independent Non-Executive Directors that oversee the work of the Company and provide constructive challenge and ensure efficient decision-making. The Board size, structure and succession planning is reviewed on a regular basis to ensure it aligns with the business' need and the needs of our stakeholders.

Diversity and inclusion

Our vision is to be the most trusted retailer, where people love to work and shop. That means harnessing talent, creativity and diversity of colleagues in an environment where everyone can thrive. We are committed to being a truly inclusive employer where all our colleagues are treated fairly and with respect and are encouraged to develop their skills and fulfil their potential.

The Group's CEO and the Board provide clear and committed leadership of and accountability for our inclusion agenda, with members of the Board acting as sponsors across wellbeing, diversity and inclusion and our Colleague Networks. The governance of diversity, equity and inclusion is a regular part of the Board agenda to ensure ongoing progress and focus.

Principle 3 - Director Responsibilities

The current Directors of the Company and their responsibilities can be found on the following website: https://corporate.sainsburys.co.uk/about-us/our-leadership/?primaryTag=Operating+Board&page=1

To support its work, the Board relies upon certain Group Committees, each of which has approved Terms of Reference setting out its areas of responsibility. These Committees include the Business Performance Review, Group Data Governance Committee, Group Safety Committee, Plan for Better Steering Committee and the Customer, Commercial and Channels Forum. For further information on these Group Committees, see pages 59 to 60 of the 2026 Group Annual Report.

Principle 4 - Opportunity and Risk

Details of the Group's business model can be found on pages 6 to 7 of the 2026 Group Annual Report. The risk management process is embedded through the Group and is supported by the bottom-up risk process within divisions and governance forums. For more information on the Group's Principal Risks and Uncertainties, see pages 40 to 47 of the Group Annual Report.

The internal controls framework encompasses controls relating to financial reporting, operations, compliance, and risk management. More information can be found on page 76 of the 2026 Group Annual Report.

Principle 5 - Remuneration

Pay and benefits for colleagues across the business is integrated within the Group's remuneration structure. The Group's objective is to have a fair, equitable and competitive total reward package that encourages colleagues to serve and help every customer, drives profitable sales and provides opportunities for colleagues to share in Sainsbury's success.

The Board of J Sainsbury plc determines the pay and benefits for colleagues across the business and the Group Remuneration Committee is responsible for:

- Determining and agreeing with the Board a transparent Remuneration Policy which supports the Company's strategy and promotes long-term sustainable success
- Setting the Remuneration Policy and individual remuneration arrangements for the Chair, Executive Directors and Operating Board Directors
- Reviewing and noting remuneration trends and reward policies applying to all colleagues, considering alignment to culture and taking these into account when determining executive pay
- Approving the service agreements of each Executive Director, including termination arrangements
- Considering the achievement of the performance conditions under annual and long-term incentive arrangements

For more information on the work of the Group Remuneration Committee during the year, see pages 81 to 103 of the 2026 Group Annual Report.

Principle 6 - Stakeholders

The Board has always deeply engaged with the Group's purpose, vision, values and goals recognising that they underpin everything we do as a business and help us strengthen relationships with our key stakeholders. It is the day-to-day responsibility of individual Directors to engage directly with stakeholders relevant to their roles and to provide this feedback to the Boards at each meeting.

The disclosure below provides further detail on how the Board has engaged with stakeholders.

Who are our stakeholders?	How do we engage with them?	Engagement outcomes
The Group	Through the Group Operating Board and other Group Committees detailed in the 2026 Group Annual Report on pages 59 to 60.	
Customers Customers are at the heart of our business. They trust us to provide great value, quality and service, helping them make the most of their money every time they shop with us. Understanding and responding to customers' changing needs is fundamental to delivering the Group's purpose and strategy. Through customer feedback, research and loyalty insights, we continually evolve our offer and shopping experience to strengthen loyalty and attract new customers.	The Company's customer engagement are integrated with the Group activities. The Group engaged with our customers through a range of channels, helping to improve products and services. Through customer satisfaction surveys, the Group collected customer feedback across Sainsbury's, Tu and Argos. To provide a view of changing behaviours, loyalty drivers and sentiment the Group used Nectar data, customer analytics and brand tracking, along with focus groups and product panels to test new initiatives. Social media monitoring highlighted emerging needs and concerns in real time to enable us to respond to customer needs quickly.	Customer insight informed improvements across value, quality and the shopping experience during the year. This included strengthening the value proposition through Nectar Prices and targeted price investment, enhancing own brand and fresh food ranges, and improving product availability. Customer insights also helped shape the development of more than 1,200 new Own Brand products, around half of which were added to the Taste the Difference range. Investment in the store estate created additional space for an expanded product offer, including new Discovery ranges and products that reflect evolving customer preferences.
Colleagues Colleagues include everyone who is employed by the Group. They bring our purpose to life and play a vital role in delivering great food, service and availability every day. Their insight and commitment shape how we invest in our business and help us build on our strong momentum.	The Group engaged colleagues through Operating Board listening sessions, internal social platforms, large scale surveys and targeted sentiment checks. Colleague feedback was consolidated and presented regularly to the Operating Board, alongside updates on culture, talent, succession, safety and diversity, equity and inclusion. The national Make It Better Together colleague contribution panels provided Board level insight into frontline experiences, ensuring the voice of the workforce was embedded in decision making.	Colleague feedback supported decisions to increase pay and enhance wellbeing support, including financial guidance and education on share plans. The Group also expanded development programmes for apprentices and graduates, including the launch of the FutureMaker programme designed to support early career professionals in developing the essential skills all future retail leaders will need. The Group celebrated the Christmas peak period by giving colleagues a £10 voucher towards their festive shopping and an uplifted colleague discount of 20 per cent for six days over the festive period.

Principle 6 – Stakeholders (continued)

Who are our stakeholders?	How do we engage with them?	Engagement outcomes
Suppliers Partnerships with suppliers and farmers underpin the Group's ability to deliver quality, value and availability for customers. The Group can only build resilience in its supply chain and deliver on its strategic outcomes by working in partnership with suppliers. Long-term partnerships and close collaboration enable the Group to invest, innovate and build resilience together across its food system. Through the Group's supplier relationships it is able to develop solutions to the food supply challenges that it may face - from climate change and geopolitical instability to rising costs and widening health inequalities.	The Group implemented a supplier engagement programme, combining virtual updates with targeted in-person events. A Supplier Trade Briefing was held which reached over 2,000 delegates. The Group engaged directly with suppliers through site visits by the plc Board, Operating Board and senior managers. This was complemented by category-specific results briefings and face-to-face networking sessions for smaller suppliers. A senior update and dinner for key partners was held alongside ongoing engagement through Fresh, Grocery and category newsletters. The Group also engaged through structured feedback mechanisms, including the annual Advantage Survey, which gathered input from over 1,200 suppliers.	Supplier insight informed discussions on the Group's innovation pipeline, supported progress against sustainability priorities and contributed to improved availability for customers throughout the year. The supplier engagement events created clear, consistent communication on a large scale, strengthened senior relationships and gave suppliers greater clarity and confidence in the Group's strategy and priorities. The Group was ranked number one by suppliers for use of technology and fresh food innovation in the 2025 Advantage Survey.
Communities As a responsible retailer, the Group wants to continue to support the communities that it serves across the UK. Nurturing resilient communities is at the heart of the Group's brand. It believes that everyone deserves access to affordable and nutritious food and the business has a long heritage of ensuring that everyone can access the joy that good food brings.	The Group continued to work with Comic Relief and supported local communities through the "Good food for all of us" grant scheme and store-based Community Champions. The involvement by Group in the Holiday Activities and Food programme enabled direct support for children and families at risk of food insecurity. Fundraising initiatives and redistribution partnerships further strengthened the community impact of the Group.	This year, the Group donated £8.7 million to Comic Relief to help tackle food poverty in UK communities. Through partnerships, the Group helped redistribute 26.8 million meals to communities in need. It supported 697 local good causes this year through the "Good food for all of us" community grant scheme, donating over £5.3 million to initiatives supporting local communities since 2021. With Comic Relief the Group helped to fund more than 120,000 additional Holiday Activities and Food holiday club places during school holidays across the UK.
Shareholders The Company's ultimate shareholder is J Sainsbury plc. J Sainsbury plc is a listed public limited company and has institutional, large investors and private shareholders.	The Board receives regular updates from the plc Board through the Chief Executive Officer and Chief Financial Officer. The Board attends the annual strategy conference with the plc Board, and the Directors of the Company and J Sainsbury plc meet on an ad hoc basis, as necessary. The Board also receives reports and updates on J Sainsbury plc shareholder relations. These summarise key feedback from its principal shareholders.	

Further details on how the Group engaged with its stakeholders, can be found in the 2026 Group Annual Report on pages 24 to 29.

Modern Slavery Statement
As per Section 54(1) of the Modern Slavery Act 2015, the Company's Slavery and Human Trafficking Statement is published annually on our Group website. The statement covers the activities of the Group and details the steps taken during the year ended 28 February 2026 to prevent modern slavery and human trafficking in our own operations and supply chains.

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 40 to 47 of the 2026 Group Annual Report, which does not form part of this report.

Financial Risk Management
Financial risk management is managed by a central treasury department in accordance with policies and guidelines which are reviewed and approved by the Group Board of Directors. The risk management policies are designed to minimise potential adverse effects on the Group's financial performance by identifying financial exposures and setting appropriate risk limits and controls. The risk management policies also ensure sufficient liquidity is available to the Group to meet its foreseeable financial obligations and that cash assets are invested safely.

The principal financial risks faced by the Company relate to liquidity risk, credit risk and market risk (foreign currency risk, interest rate risk and commodity risk).

Liquidity risk
Liquidity risk is the risk that the Company could be unable to meet its financial obligations as they fall due and is managed centrally by the Group Treasury function.

The principal operational cash flow of the Group is largely stable and predictable reflecting the low business risk profile of the food retail sector and the cyclical profile of the non-food retail sector. The Company finances its operations through retained profits, leases and intra-group borrowings. As a result the Company's liquidity risk is closely aligned to that of the Group.

The Group has £1 billion unsecured committed facility in the form of a Revolving Credit Facility split into two Facilities, a £500 million Facility (A) and a £500 million Facility (B). Facility A with a maturity of December 2029 and Facility B with a maturity of December 2028. As at 28 February 2026, the Revolving Credit Facility was undrawn.

In January 2025 the Group issued £550 million of Investment Grade Corporate Bonds. The Bonds were split into two tranches, a £250 million tranche maturing in June 2030 and a £300 million tranche maturing in January 2035. The proceeds of the Bonds were used to repay in full the previous £575 million committed term loan facility.

Credit risk
Credit risk is the risk of a financial loss arising from counterparty default or non-performance in respect of holdings of cash and cash equivalents, derivative financial assets, deposits with banks, investments in marketable securities and trade and other receivables.

Counterparty limits are set based on their credit ratings and routinely monitored.

a) Market risk
The Company uses forward contracts to hedge foreign exchange and commodity exposures, and interest rate swap contracts to hedge interest rate exposures. The use of financial derivatives is governed by the plc Board approved policies which prohibit the use of derivative financial instruments for speculative purposes.

b) Foreign currency risk
Currency risk is the risk of increased costs arising from unexpected movements in exchange rates impacting the Company's foreign currency denominated supply contracts.

The Company seeks to limit the impact of fluctuating exchange rates on the income statement by requiring highly probable foreign currency cash flows to be hedged. Highly probable future cash flows, which may be either contracted or un-contracted, are hedged on a layered basis using foreign currency forward contracts and the Group's treasury department is responsible for managing the net position in each foreign currency.

c) Interest rate and credit risk
Interest rate risk is the risk of increased costs or lower income arising from unexpected movements in interest rates and inflation rates and is managed by maintaining a diversified mix of fixed rate, floating rate and variable capped rate liabilities.

The Company's cash and borrowing requirements are managed centrally by the Group treasury function in order to manage the net interest income/expense for the Group as a whole. As a result, the Group's interest rate risk arises from the variance in market rate when deposits are made. The principal objective of the Group's interest rate risk management is to manage the trade-off between obtaining the most beneficial effective rates of interest whilst minimising the impact of interest rate volatility on profits before tax.

Financial Risk Management (continued)

d) Commodity risk
Commodity risk is the risk of increased costs arising from unexpected movements in commodity prices impacting the Company's own use consumption of electricity, gas and diesel. The Company hedges own use consumption of electricity and gas with forward purchases under flexible purchasing agreements with its suppliers as well as power purchase agreements for electricity. The Company uses a combination of purchasing agreements and financial derivatives to hedge fuel exposures on a layered basis using contracts for difference.

Key performance indicators (KPIs)
The Directors of J Sainsbury plc manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, are discussed on pages 18 to 19 of the Group Annual Report, which does not form part of this report.

Non-financial and sustainability information statement
The Directors consider that the climate-related risks and opportunities of the Company, including how they are identified, assessed and managed, are integrated with those of J Sainsbury plc. The principal climate-related risks and opportunities for the Company are included in the Group's scenario analysis and are monitored by the Directors,

The climate-related risks and opportunities of the Group, and its arrangements for managing them (including the related time periods and potential impacts on the Group's business model and strategy), are discussed on pages 104 to 119 of the 2026 Group Annual report, which does not form part of this report.

Task Force on Climate-related Financial Disclosures
The Directors have committed to reduce Greenhouse Gas (GHG) emissions within our own operations to Net Zero by 2035 and reduce our Scope 3 emissions in-line with a 1.5°C trajectory. As signatories of the TCFD, we are committed to providing consistent information to our stakeholders and the Group disclosure can be found on pages 104 to 115 of the 2026 Group Annual Report.

By the order of the Board



Simon Roberts
Director
19 October 2026

Sainsbury's Supermarkets Ltd
Directors' report
for the 52 weeks ended 28 February 2026

The Directors present their report and the audited financial statements of Sainsbury's Supermarkets Ltd (the 'Company') for the 52 weeks ended 28 February 2026. The prior financial year's financial statements were for the 52 weeks ended 1 March 2025.

Registered number
The registered number of the Company is 03261722.

Directors
The Directors that held office during the year and up to the date of approval of the financial statements were as follows:

Bláthnaid Bergin
Clodagh Moriarty (resigned 12 September 2025)
Graham Biggart
Mark Given
Patrick Dunne
Prerana Issar (resigned 12 September 2025)
Rhian Bartlett
Simon Roberts
Tracey Clements (appointed 3 September 2025)

There were no other appointments or resignations in the year.

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

Nicolas Grant

Dividend
The Directors have recommended a final dividend of £500 million (2025: £nil) to its parent company, Sainsbury's Holdings Limited.

Directors' liabilities and indemnities
The Directors are entitled to be indemnified by the ultimate parent company, J Sainsbury plc, to the extent permitted by law and the Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The parent company purchased and maintained Directors' and Officers' liability insurance throughout 2025/26, which has been renewed for 2026/27. The insurance covers all Directors and Officers of companies in the J Sainsbury plc Group. Neither the indemnities nor the insurance provides cover if the Director is proved to have acted fraudulently.

The Group also maintains third party indemnification provisions for certain directors, under which the Group has agreed to indemnify those directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company and any of its associated companies. These indemnities are Qualifying Third Party Indemnity Provisions as defined in Section 234 of the Companies Act 2006 and copies are available for inspection at the registered office of the Group during business hours on any weekday except public holidays.

Employment policies
The Company values the different perspectives, experiences and abilities of all our colleagues. We ensure that those living with a disability or long-term health condition are fully and fairly considered for employment with the Company through well-developed policies for the equal treatment of all. We have a workplace adjustments process in place for our colleagues who find themselves with a disability or long-term health condition; workplace adjustments can be made at any point during a colleague's employment with us. We are committed to providing equal opportunities for all colleagues and applicants through training, development and promotion. Further information on our diversity strategy can be found throughout the 2026 Group Annual Report, specifically on pages 20 to 23, which does not form part of this report.

Ethical policies
The Company takes bribery extremely seriously and is committed to ensuring compliance with laws and regulations. Colleagues are expected to abide by a set of clearly communicated formal policies, such as the Anti-Bribery and Corruption Policy. Training in support of these policies is provided to colleagues especially in the commercial divisions, firstly during their induction into the Company and thereafter through annual refreshers.

Corporate responsibility and Sustainability
The Company's parent has developed a wide variety of projects and policies to meet the needs of stakeholders, further details can be found on pages 71 to 72 of the 2026 Group Annual Report, which does not form part of this report.

Political Donations
The Company has made no political donations and incurred no items of political expenditure during the year (2025: £nil).

Essential contracts
The Company has contractual and other arrangements with numerous third parties in support of its business activities. None of the arrangements are individually considered to be essential to the Company's business.

Financial risk management
This is discussed in the Strategic Report on pages 6 to 7.

Going concern and future developments
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further information is included within note 2 of the financial statements. The Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The assessment period for the purposes of considering going concern is the 12 months from the date on which these financial statements are signed.

Disclosure of information to auditors
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent Auditors
For the year ended 28 February 2026, in accordance with Section 485 of the Companies Act 2006, the Company passed a resolution on 7 August 2025 to appoint PricewaterhouseCoopers LLP as auditor of the Company with effect from 2 March 2025.

By order of the Board



Simon Roberts
Director
19 October 2026

Sainsbury's Supermarkets Ltd
Statement of Directors' responsibilities
for the 52 weeks ended 28 February 2026

Statement of directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Each of the Directors, whose names are listed in the Directors' report, confirms that, to the best of their knowledge:

- The financial statements, which have been prepared in accordance with the relevant financial reporting framework give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Strategic Report contained in the financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the emerging and principal risks and uncertainties that it faces; and
- The financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Bláthnaid Bergin (Oct 19, 2026 15:40:11 GMT+1)

Bláthnaid Bergin
Director
19 October 2026

Independent auditors' report to the members of Sainsbury's Supermarkets Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Sainsbury's Supermarkets Ltd's financial statements:
- give a true and fair view of the state of the company's affairs as at 28 February 2026 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:
- the statement of financial position as at 28 February 2026;
- the income statement for the period then ended;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:
- We obtained and reviewed the directors' going concern assessment including the parent company, J Sainsbury plc's, written confirmation of its intention to provide financial support to the company for a period of at least 12 months;
- We assessed the level of support that the parent company, J Sainsbury Plc, is able to provide to the company alongside its other commitments, and read the Group's borrowing facility documentation to confirm their availability to the Group, and indirectly the company, through the going concern period, including verifying that management had appropriately identified and assessed financial covenant compliance;
- We obtained the latest Group going concern assessment including cash flow forecasts and severe but plausible downside sensitivities and evaluated and challenged the key assumptions within the forecasts and considered whether these were supported by the evidence we obtained;
- We tested the latest Group assessment, including verifying going concern model inputs against Board-approved forecasts and validating the mathematical accuracy of the model;
- We assessed whether the sensitivities modelled in the Group's severe but plausible downside scenarios were sufficiently severe, including considering the principal risks facing the business. We evaluated the amount and timing of identified mitigating actions available to respond to a severe but plausible downside scenario and considered whether those actions are feasible and within the Group's control;
- We understood and evaluated the related controls surrounding the Group's and management's forecasting and budgeting process and considered the historical accuracy of management forecasting by comparing budgeted results with actual performance; and
- We reviewed and assessed the appropriateness of management's disclosures related to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 28 February 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, health and safety legislation, data protection laws and the Groceries Supply Code of Practice, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the UK Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- understanding and evaluating the design and implementation of controls designed to prevent and detect management override of controls, including irregularities and fraud;

- discussions with management, Internal Audit and the Group's General Counsel regarding their consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- challenging estimates and judgements made by management and assessing these for management bias; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

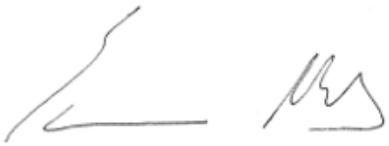
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.



Simon Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 October 2026

Sainsbury's Supermarkets Ltd
Income statement
For the 52 weeks ended 28 February 2026

		52 weeks to 28 February 2026			52 weeks to 1 March 2025 (restated*)		
	Note	**Underlying items £m**	**Non-underlying items (Note 5) £m**	**Total £m**	Underlying items £m	Non-underlying items (Note 5) £m	Total £m
Revenue		**29,384**	**-**	**29,384**	28,544	-	28,544
Cost of sales		**(27,743)**	**(71)**	**(27,814)**	(26,685)	(44)	(26,729)
Gross profit/(loss)		**1,641**	**(71)**	**1,570**	1,859	(44)	1,815
Administrative expenses		**(952)**	**(15)**	**(967)**	(1,069)	(42)	(1,111)
Other operating income		**16**	**13**	**29**	13	44	57
Operating profit/(loss)		**705**	**(73)**	**632**	803	(42)	761
Finance income	7	**2**	**32**	**34**	2	30	32
Finance expense	7	**(454)**	**(11)**	**(465)**	(467)	(13)	(480)
Profit/(loss) before tax		**253**	**(52)**	**201**	338	(25)	313
Income tax (expense)/credit	9	**(71)**	**10**	**(61)**	(96)	8	(88)
Profit/(loss) for the financial period		**182**	**(42)**	**140**	242	(17)	225

* Refer to note 2 for details of prior year restatements.

Statement of comprehensive income
For the 52 weeks ended 28 February 2026

	Note	**52 weeks to 28 February 2026 £m**	52 weeks to 1 March 2025 (restated*) £m
Profit for the financial period		**140**	225
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	19	**(205)**	(48)
Cash flow hedges fair value movements		**-**	(13)
Tax relating to items that will not be reclassified	9	**54**	12
		(151)	(49)
Items that may be subsequently reclassified to the income statement			
Cash flow hedges fair value movements		**(35)**	15
Items reclassified from cash flow hedge reserve		**5**	2
Tax relating to items that may be reclassified	9	**3**	(6)
		(27)	11
Total other comprehensive loss for the year (net of tax)		**(178)**	(38)
Total comprehensive (expense)/income for the financial period		**(38)**	187

* Refer to note 2 for details of prior year restatements.

The notes on pages 17 to 46 form an integral part of these financial statements.

Sainsbury's Supermarkets Ltd
Statement of financial position
As at 28 February 2026

Registered Number: 03261722

	Note	**28 February 2026 £m**	1 March 2025 (restated*) £m	2 March 2024 (restated*) £m
Non-current assets				
Property, plant and equipment	10	**5,856**	5,754	5,660
Right-of-use assets	11	**7,264**	7,380	7,444
Intangible assets	12	**476**	465	405
Investments in subsidiaries	13	**14**	3	3
Investments in joint ventures and associates	13	**-**	1	1
Trade and other receivables	15	**1,164**	1,322	1,431
Deferred income tax asset	9	**-**	-	35
Derivative financial assets		**13**	30	10
Retirement benefit surplus	19	**552**	729	755
		15,339	**15,684**	**15,744**
Current assets				
Inventories	14	**1,351**	1,327	1,226
Trade and other receivables	15	**1,791**	1,401	1,182
Derivative financial assets		**6**	7	2
Income taxes receivable		**173**	190	-
Cash and cash equivalents		**171**	218	214
		3,492	3,143	2,624
Assets held for sale	16	**3**	7	9
		3,495	3,150	2,633
Total assets		**18,834**	18,834	18,377
Current liabilities				
Trade and other payables	17	**(4,613)**	(4,446)	(4,267)
Lease liabilities	11	**(664)**	(617)	(627)
Derivative financial liabilities		**(11)**	(9)	(15)
Provisions	18	**(30)**	(44)	(48)
		(5,318)	(5,116)	(4,957)
Net current liabilities		**(1,823)**	(1,966)	(2,324)
Non-current liabilities				
Trade and other payables	17	**(18)**	(21)	(3)
Lease liabilities	11	**(9,002)**	(9,135)	(9,177)
Derivative financial liabilities		**(2)**	(2)	(1)
Retirement benefit deficit	19	**(23)**	(13)	(14)
Deferred income tax liability	9	**(4)**	(44)	-
Provisions	18	**(65)**	(89)	(81)
		(9,114)	(9,304)	(9,276)
Total liabilities		**(14,432)**	(14,420)	(14,233)
Net assets		**4,402**	4,414	4,144
Equity				
Called up share capital	20	**2,900**	2,900	2,900
Other reserves		**2**	15	(4)
Retained earnings		**1,500**	1,499	1,248
Total equity shareholders' funds		**4,402**	4,414	4,144

* Refer to note 2 for details of prior year restatements.

The notes on pages 17 to 46 form an integral part of these financial statements.

The financial statements on pages 14 to 46 were approved by the Board of Directors and were signed on their behalf by:



Bláthnaid Bergin (Oct 19, 2026 15:40:11 GMT+1)

Bláthnaid Bergin
Director
19 October 2026

Sainsbury's Supermarkets Ltd
Statement of changes in equity
For the 52 weeks ended 28 February 2026

	Called up share capital £m	Other reserves £m	Retained earnings £m	Total Equity £m
At 2 March 2025 (as previously reported)	**2,900**	**15**	**1,404**	**4,319**
Opening balance adjustment	**-**	**-**	**95**	**95**
At 2 March 2025 (restated*)	**2,900**	**15**	**1,499**	**4,414**
Profit for the financial year	**-**	**-**	**140**	**140**
Other comprehensive loss (pre-tax)	**-**	**(30)**	**(205)**	**(235)**
Tax relating to components of other comprehensive loss	**-**	**3**	**54**	**57**
Total comprehensive loss	**-**	**(27)**	**(11)**	**(38)**
Cash flow hedges gains transferred to inventory	**-**	**14**	**-**	**14**
Transactions with owners:				
Tax on items charged to equity	**-**	**-**	**12**	**12**
At 28 February 2026	**2,900**	**2**	**1,500**	**4,402**

	Called up share capital £m	Capital redemption and other reserves £m	Retained earnings £m	Total Equity £m
At 3 March 2024 (as previously reported)	2,900	(4)	1,163	4,059
Opening balance adjustment	-	-	85	85
At 3 March 2024 (restated*)	2,900	(4)	1,248	4,144
Profit for the financial year (restated*)	-	-	225	225
Other comprehensive income/(loss) (pre-tax)	-	4	(48)	(44)
Tax relating to components of other comprehensive income/(loss)	-	(6)	12	6
Total comprehensive income	-	(2)	189	187
Cash flow hedges gains transferred to inventory	-	21	-	21
Transactions with owners:				
Share-based payment	-	-	59	59
Tax on items charged to equity	-	-	3	3
At 1 March 2025 (restated*)	2,900	15	1,499	4,414

* Refer to note 2 for details of prior year restatements.

The notes on pages 17 to 46 form an integral part of these financial statements.

Sainsbury's Supermarkets Ltd
Notes to the financial statements
For the 52 weeks ended 28 February 2026

1. General information

Sainsbury's Supermarkets Ltd (the "Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006. For the 52 weeks ended 28 February 2026 the Company's registered address was 33 Holborn, London EC1N 2HT, until the Company changed to 33 Charterhouse Street, London, EC1M 6HA with effect from 18 June 2025. The Company is part of the J Sainsbury plc group (the "Group").

Where relevant, equivalent disclosures have been given in the consolidated financial statements of J Sainsbury plc into which the Company is consolidated. These are separate financial statements. The Company is exempt from the requirement to prepare consolidated financial statements by virtue of section 401 of the Companies Act 2006, as it is wholly owned part of a Group whose consolidated financial statements are publicly available.

The financial year represents the 52 weeks to 28 February 2026 (prior financial year 52 weeks to 1 March 2025).

2. Basis of Preparation and Accounting Policies

(a) Statement of compliance

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework and the requirements of the Companies Act 2006 applicable to entities preparing financial statements under that framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- IAS 1 Presentation of Financial Statements – certain comparative and reconciliation disclosures, including those relating to property, plant and equipment and intangible assets.
- IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows – the requirement to present a cash flow statement and related disclosures.
- IAS 7 Statement of Cash Flows.
- IAS 24 Related Party Disclosures – disclosures relating to key management personnel compensation and intra-group transactions between wholly owned members of the Group.
- IAS 36 Impairment of assets – disclosures relating to assumptions, the effect of changes in assumptions and valuation techniques.
- IFRS 2 Share-based Payment – certain disclosures relating to share-based payment arrangements.
- IFRS 7 - Financial Instruments: Disclosures.
- IFRS 13 Fair Value Measurement – paragraphs 91–99 (disclosures of valuation techniques and inputs).
- IAS 12 Income Taxes – Pillar Two disclosure requirements.

(b) Basis of preparation

The financial statements are presented in pound sterling, rounded to the nearest million.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for certain derivative financial instruments, defined benefit scheme assets and share-based payments that are measured at fair value.

Material accounting policies have been included in note 3. Material accounting policies have been applied consistently to all periods presented in the financial statements.

There were no new accounting standards, interpretations and amendments to standards and IFRIC interpretations that became applicable during the year which had a material impact on the Company's results or net assets. Accordingly, no changes were required to be made to the Group accounting policies, and the policies have remained unchanged from those disclosed in the Annual Report for the financial year ended 1 March 2025.

The Company has not applied any standards, interpretations or amendments that have been issued but are not yet effective. With the exception of IFRS 18 'Presentation and Disclosure in Financial Statements', the new requirements are not expected to have a material impact on the Company's accounting policies, results or net assets, although management is currently finalising its assessment.

IFRS 18 'Presentation and Disclosure in Financial Statements' will become effective in the financial statements for the financial year ending 26 February 2028. IFRS 18 sets out overall requirements for the presentation and disclosure in financial statements, and all income and expenses will be classified into one of five categories on the income statement: operating, investing, financing, taxation and discontinued operations. The standard will also introduce 'management defined performance measures', a subset of the Company's alternative performance measures, which will be disclosed in the audited financial statements. The Company's profit before tax will not change.

2. Basis of Preparation and Accounting Policies (continued)

The Company has commenced its assessment of IFRS 18, which will include determining the impacts on the Company including system changes, transition plans and quantifying the impacts of the new standard on the comparative financial statements. As the assessment remains ongoing, it is not yet practicable to reasonably estimate the full impact of adopting IFRS 18.

Prior period restatements

a) Deferred tax

The tax charge in the comparative period income statement and the comparative period balance sheets has been restated to incorporate the deferred tax impact arising from a misclassification of assets between those impacting deferred tax and those which do not, and an omission of the tax effects of prior year impairments and disposals. Prior year adjustments from the finalisation of each year's tax compliance process that are related to fixed assets have been included within the restated figures. Therefore, the restatement also includes current tax impacts.

b) Balance sheet line items

Comparative period amounts of the following line items within the Company's balance sheet have been re-presented, with no impact on net assets:

- Taxes payable, which was previously presented on a net basis, has been re-presented to separately disclose income taxes receivable and income taxes payable, and to present other taxation and social security payables within trade and other payables.
- Lease liabilities have been re-presented to correct the classification between certain current and non-current liabilities.
- The net retirement benefit surplus has been re-presented to separately disclose the present value of unfunded obligations as retirement benefit deficit, as the Company does not have the right to offset these amounts.
- Intercompany receivables have been re-presented to correct the classification between current and non-current assets.

c) Impairment

During the preparation of the financial statements, it was identified that an impairment could have been recognised over certain non-trading assets in a prior period. The affected right-of-use assets and property, plant and equipment have been written down to their recoverable amount supported by the cash inflows expected from the sites' separately identifiable areas, including sublet and previously unutilised space.

Prior period comparatives

The prior period comparatives have been restated in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors' and have impacted the primary financial statements as follows:

Income statement

	Underlying items			Non-underlying items			Total		
for the 52 weeks to 1 March 2025	As previously reported £m	Deferred tax (a) £m	**As restated £m**	As previously reported £m	Deferred tax (a) £m	**As restated £m**	As previously reported £m	Deferred tax (a) £m	**As restated £m**
Revenue	28,544	-	**28,544**	-	-	**-**	28,544	-	**28,544**
Cost of sales	(26,685)	-	**(26,685)**	(44)	-	**(44)**	(26,729)	-	**(26,729)**
Gross profit/(loss)	1,859	-	**1,859**	(44)	-	**(44)**	1,815	-	**1,815**
Administrative expenses	(1,069)	-	**(1,069)**	(42)	-	**(42)**	(1,111)	-	**(1,111)**
Other income	13	-	**13**	44	-	**44**	57	-	**57**
Operating profit/(loss)	803	-	**803**	(42)	-	**(42)**	761	-	**761**
Finance income	2	-	**2**	30	-	**30**	32	-	**32**
Finance expense	(467)	-	**(467)**	(13)	-	**(13)**	(480)	-	**(480)**
Profit/(loss) before tax	338	-	**338**	(25)	-	**(25)**	313	-	**313**
Income tax (expense)/credit	(106)	10	**(96)**	8	-	**8**	(98)	10	**(88)**
Profit/(loss) for the financial period	232	10	**242**	(17)	-	**(17)**	215	10	**225**

2. Basis of Preparation and Accounting Policies (continued)

Prior period restatements (continued)

Balance sheets

As at 1 March 2025	As previously reported £m	Cumulative opening reserves adjustment (a), (c) £m	Tax (a) £m	Taxes payable (b) £m	Lease liabilities (b) £m	Net retirement benefit (b) £m	Intercompany (b) £m	As restated £m
Non-current assets								
Property, plant and equipment	5,759	(5)	-	-	-	-	-	5,754
Right-of-use assets	7,406	(26)	-	-	-	-	-	7,380
Trade and other receivables	65	-	-	-	-	-	1,257	1,322
Retirement benefit surplus	716	-	-	-	-	13	-	729
	14,445	(31)	-	-	-	13	1,257	15,684
Current assets								
Trade and other receivables	2,658	-	-	-	-	-	(1,257)	1,401
Income taxes receivable	7	-	12	171	-	-	-	190
Cash and cash equivalents	218	-	-	-	-	-	-	218
	4,217	-	12	171	-	-	(1,257)	3,143
Total assets	18,669	(31)	12	171	-	13	-	18,834
Current liabilities								
Trade and other payables	(4,275)	-	-	(171)	-	-	-	(4,446)
Lease liabilities	(622)	-	-	-	5	-	-	(617)
	(4,950)	-	-	(171)	5	-	-	(5,116)
Net current liabilities	(726)	-	12	-	5	-	(1,257)	(1,966)
Non-current liabilities								
Lease liabilities	(9,130)	-	-	-	(5)	-	-	(9,135)
Retirement benefit deficit	-	-	-	-	-	(13)	-	(13)
Deferred income tax liability	(158)	116	(2)	-	-	-	-	(44)
	(9,400)	116	(2)	-	(5)	(13)	-	(9,304)
Total liabilities	(14,350)	116	(2)	(171)	-	(13)	-	(14,420)
Net assets	4,319	85	10	-	-	-	-	4,414
Equity								
Retained earnings	1,404	85	10	-	-	-	-	1,499
Total equity shareholders' funds	4,319	85	10	-	-	-	-	4,414

As at 2 March 2024	As previously reported £m	Tax (a) £m	Taxes payable (b) £m	Lease liabilities (b) £m	Net retirement benefit (b) £m	Intercompany (b) £m	Impairment (c) £m	As restated £m
Non-current assets								
Property, plant and equipment	5,665	-	-	-	-	-	(5)	5,660
Right-of-use assets	7,470	-	-	-	-	-	(26)	7,444
Deferred income tax asset	-	35	-	-	-	-	-	35
Trade and other receivables	98	-	-	-	-	1,333	-	1,431
Retirement benefit surplus	741	-	-	-	14	-	-	755
	14,393	35	-	-	14	1,333	(31)	15,744
Current assets								
Trade and other receivables	2,515	-	-	-	-	(1,333)	-	1,182
Income taxes receivable	17	-	(17)	-	-	-	-	-
Cash and cash equivalents	214	-	-	-	-	-	-	214
	3,974	-	(17)	-	-	(1,333)	-	2,624
Total assets	18,376	35	(17)	-	14	-	(31)	18,377
Current liabilities								
Trade and other payables	(4,284)	-	17	-	-	-	-	(4,267)
Lease liabilities	(627)	-	-	-	-	-	-	(627)
	(4,974)	-	17	-	-	-	-	(4,957)
Net current liabilities	(991)	-	-	-	-	(1,333)	-	(2,324)
Non-current liabilities								
Lease liabilities	(9,177)	-	-	-	-	-	-	(9,177)
Retirement benefit deficit	-	-	-	-	(14)	-	-	(14)
Deferred income tax liability	(81)	81	-	-	-	-	-	-
	(9,343)	81	-	-	(14)	-	-	(9,276)
Total liabilities	(14,317)	81	17	-	(14)	-	-	(14,233)
Net assets	4,059	116	-	-	-	-	(31)	4,144
Equity								
Retained earnings	1,163	116	-	-	-	-	(31)	1,248
Total equity shareholders' funds	4,059	116	-	-	-	-	(31)	4,144

2. Basis of Preparation and Accounting Policies (continued)

(c) Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue for a period of at least 12 months from the date of approval. The parent company, J Sainsbury plc, has confirmed its intention to provide financial support for a period of at least 12 months from the date of approval such that the Company is able to repay its liabilities as they fall due. Therefore the going concern assessment of the Company is linked to the Group's going concern and viability assessment which is included within the Group Annual Report on page 48.

In assessing the Company'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. The Directors have also considered the Group's announced disposal of the Argos business, which occurred subsequent to the completion of the Group's most recent planning and budgeting processes.

In performing the above analysis, the Directors have made certain assumptions around the availability and effectiveness of the mitigating actions available to the Company. 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 incorporates assumed cashflows to address climate change risks, including those associated with the Group's Plan for Better commitment which include reducing environmental impacts and meeting customer expectations in this area, notably through reducing packaging and energy usage across the estate. Climate-related risks do not result in any material uncertainties affecting the Company'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.

3. Material Accounting Policies

3.1 Revenue
Revenue arises from the sale of goods and services in the course of the Company's ordinary activities, net of returns, related discounts and excluding Value Added Tax (VAT). Revenue is recognised when the Company has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation.

Sale of goods
Revenue from the sale of goods is recognised at point of sale or, where later, upon collection by, or delivery to, the customer as this is the point in which control has passed. Where consideration has been received in advance of the performance obligation being satisfied, a contract liability is recognised within trade and other payables.

Other revenue items
Other revenue items comprise income from commissions.

Commission revenue relates to the sale of third-party products where it has been determined that the Company is acting as an agent. Sales commission from third parties is recognised when the related goods or services are sold.

Other income
Other income generally consists of profits and losses on disposal of assets and dividend income from other Group entities.

3.2 Cost of sales
Cost of sales consists of all costs that are directly attributable to the point of sale including warehouse, transportation costs and all the costs of operating retail outlets.

The Company regularly enters into arrangements to receive income from suppliers. This income can be in the form of purchase discounts, sales volume incentives or amounts received to perform marketing or promotional activities in store or online. These arrangements are collectively known as 'supplier arrangements' and are recognised as a reduction to cost of sales when the performance conditions within each agreement have been met. The types of supplier income and recognition policies are as follows:

Volume-based discounts and incentive
Volume-based discounts and incentives are earned based on either sales or intake volumes over a defined period for defined products. Income is recognised as a deduction to cost of sales on sale of the inventory to which it relates. Where discounts are received based on intake volumes and there remains inventory unsold at the reporting period, the relevant discount is deducted from the carrying value of that inventory.

3. Material Accounting Policies (continued)

3.2 Cost of sales (continued)

Marketing and promotional income
Marketing and promotional income primarily relates to in-store or on-line activity, including promotional or marketing materials, support for promotional pricing or product placement. Income is recognised over the period to which the agreement relates and in accordance with the performance conditions therein. As these agreements do not identify specific inventory purchases, this approach is deemed the best estimate to reflect the appropriate reduction in cost of sales.

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 that 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.

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

3.4 Taxation
Current tax
Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the balance sheet date. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income.

Deferred tax
Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all temporary differences, except to the extent where it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination or a transaction that gives rise to an equal and deductible temporary difference and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income.

Deferred tax is provided on temporary differences associated with investments in subsidiaries, branches and joint ventures except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3.5 Property, plant and equipment
a) Land and buildings
Land and buildings are held at historical cost less accumulated depreciation and, where appropriate, any provision for impairment as determined in accordance with note 3.8. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

b) Fixtures and equipment
Fixtures, equipment and vehicles are held at cost less accumulated depreciation and, where appropriate, any provision for impairment as determined in accordance with note 3.8. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and its intended use.

c) Work in progress
Capital work in progress is held at cost less any provision for impairment.

d) Depreciation
Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line basis over their useful economic life, using the following rates:
- Freehold buildings and leasehold improvements are fifty years, or the lease term if shorter
- Fixtures and equipment are depreciated over three to fifteen years according to the estimated life of the asset
- Freehold land is not depreciated

Capital work in progress (which excludes land) is not depreciated prior to being available for its intended commercial use.

3. Material Accounting Policies (continued)

e) Disposals and retirement
The gain or loss on disposal or retirement of an asset is determined by comparing proceeds less any associated costs of disposal with the asset's carrying amount and is recognised within operating profit.

f) Climate change impacts
Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. This includes consideration over climate change-related risks which may impact the useful lives or residual values of the Company's assets, such as the impact of flood risks on store and non-store assets, changes in regulations related to carbon emissions and any anticipated replacement of existing assets with new technologies.

g) Capitalisation of interest
Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised to the cost of the asset, gross of tax relief.

3.6 Leases
a) Company as lessee
The Company'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.

The Company 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 in note 11 include the net impact of new leases, terminations, modifications, and reassessments.

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease, when the underlying asset is available for use. The cost of right-of-use assets comprises the amount of lease liabilities recognised, any initial direct costs incurred, lease payments made at or before the commencement date and any restoration costs, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any subsequent modifications, that include terminations and reassessments, which all represent a remeasurement of lease liabilities.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments and variable lease payments that depend on an index or a rate (using the relevant rate at the commencement date of the lease), less any lease incentives receivable. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. For agreements which contain both lease and non-lease components, such as cleaning and maintenance services, the non-lease component is excluded from the lease payments used to measure the lease liabilities.

The IBRs depend on the start date and term of the lease, and are determined based on a reference (risk free) rate and adjustments to reflect the Company's credit risk.

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

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due to a change in the lease term such as a recognition of an extension or break option, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low value asset recognition exemption to groups of underlying leases where the underlying assets leased are considered uniformly low value. Lease payments on short-term leases and leases of low value assets are expensed to the income statement.

b) Company as lessor
The Company leases out owned properties and sublets leased properties under operating and finance leases. Such properties include mall units, stores and units within stores.

3. Material Accounting Policies (continued)

Subleases
Classification is assessed with reference to the head lease right-of-use asset. This assessment considers, among other factors, whether the sublease represents the majority of the remaining life of the head lease. The ratio of rental income to head lease rental payments is used to determine how much of the right-of-use asset should be derecognised, or analysis of square foot leased in the headlease and sublease where appropriate. This assessment takes into consideration whether the sublease/headlease are above or below market rate.

Finance leases
Amounts due under finance leases are recorded as a receivable at an amount equal to the net investment in the lease. This is initially calculated and recognised using the IBR prevalent in the underlying headlease at the recognition date. Any difference between the derecognised right-of-use asset and the newly recognised amounts due for leases under finance leases is immediately recognised in the income statement. The Company recognises finance income over the lease term, reflecting a constant periodic rate of return on the Company's net investment in the lease.

Operating leases
Operating lease income is recognised as earned on a straight-line basis over the lease term.

3.7 Intangible assets
a) Goodwill
Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is considered to have an indefinite useful life. Goodwill is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment.

b) Computer software
Software and licences which are capitalised include costs incurred to acquire the assets as well as any external and internal costs incurred in the development of software. External and internal costs are external direct costs, as well as directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use. Costs associated with internally generated software are recognised as an intangible asset only if they can be separately identified, it is probable that the asset will generate future economic benefits which exceed one year, and the cost can be measured reliably. Software under development is not amortised, but held at cost less any impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs associated with maintaining computer software are recognised as an expense as incurred.

c) Cloud computing arrangements
Software as a Service (SaaS) arrangements are service contracts providing the Company with the right to access a cloud provider's application software over the contract period. Typically, such arrangements involve ongoing licence fees to obtain access to the cloud provider's application software, as well as upfront costs incurred to configure or customise the SaaS solution.

Configuration and customisation costs are capitalised in the following instances as intangible assets:
- The Company has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor.
- The costs incurred meet the definition of and recognition criteria for an intangible asset. This includes for example the development of software code that enhances or modifies, or creates additional capability to, existing systems controlled by Sainsbury's.

Where these conditions are not met, costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Where the configuration or customisation of a SaaS solution is performed by the SaaS vendor, consideration is given to whether this activity is distinct from the provision of the solution itself. This assessment considers the nature of the activities, and whether Sainsbury's can benefit from any of the services in isolation. Where the activity is not considered distinct, the costs are capitalised as a prepayment and amortised over the expected useful life of the solution.

d) Amortisation
Amortisation is calculated to write down the cost of the assets to their residual values, on a straight-line basis over their useful economic life, using the following rates:
- Goodwill not amortised
- Computer software – 5 to 15 years
- Configuration and customisation costs capitalised as part of SaaS arrangements – life of the SaaS arrangement

Capital work in progress is not amortised prior to being available for its intended commercial use.

3. Material Accounting Policies (continued)

3.8 Impairment

a) Non-financial assets

Property, plant and equipment (PPE), right-of-use assets, and 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 (VIU), 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 Company 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 impaired to its recoverable amount.

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 (except for goodwill) is increased to the revised estimate of its recoverable amount, although not to exceed the carrying amount that would have been determined had no impairment loss been recognised. Any impairment loss or reversal of impairment is recognised in the income statement.

Goodwill is assessed annually by measuring the recoverable amount of the associated CGU, or group of CGUs calculated as the higher of fair value less cost to dispose and VIU. Where the carrying value of the CGU or group of CGUs 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 against other assets within the CGU by reference to the carrying amount of each remaining asset in the CGU or group of CGUs. Impairment losses recognised for goodwill are not subsequently reversed.

b) Financial assets

Impairments on financial assets measured at amortised cost are accounted for using a three-stage forward-looking expected credit loss (ECL) approach. The Company is required to record an allowance for ECL for all loans and other debt financial assets not held at fair value through profit or loss (FVPL), together with loan commitments and financial guarantee contracts.

ECLs are based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

3.9 Inventories

Inventories comprise goods held for resale and are valued on a standard cost or weighted average cost basis which approximates to actual cost and is carried at the lower of cost or net realisable value.

Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or damaged items where appropriate.

3.10 Investment in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are carried at cost less any impairment loss in the financial statements of the Company.

At each reporting date, the Company assesses whether there is any indication that an investment in a subsidiary, joint venture or associate may be impaired. In performing this assessment, management considers both external and internal sources of information, including the financial performance and net asset position of the investee, changes in market conditions and other relevant indicators of impairment.

Where indicators of impairment are identified, the Company considers impairment of its investment in subsidiaries by estimating the recoverable amounts of the investments, which are based on either the net assets of the subsidiary, or value-in-use calculations. Where a value-in-use calculation is used, discounted cash flows have been derived from Board approved cash flow projections for three years and then extrapolated into perpetuity with an assumed growth rate of 2.0%, discounted at a pre-tax rate of 9.0%. Any impairment loss is immediately recognised in the income statement.

3.11 Trade and other receivables

Trade and other receivables are non-interest bearing and are on commercial terms. They are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach, with adjustments for factors specific to each receivable.

3.12 Assets held for sale

Assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and also only when the sale is highly probable within one year from the date of classification and the assets are available for sale in their present condition. Assets held for sale are stated at the lower of the carrying amount and fair value less costs to dispose. Any amounts no longer classified as assets held for sale are measured at the lower of its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

3. Material Accounting Policies (continued)

3.13 Trade and other payables
Trade payables are initially recognised at fair value and subsequently measured at amortised cost. Amounts are presented net of supplier arrangements due where there is a contractual right of offset.

3.14 Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the consideration required to settle the obligation at the reporting date and are based on assumptions which are inherently uncertain and the ultimate financial impact may differ from the amount provided.

Provisions are discounted using a pre-tax rate that reflects current market assessments where the time value of money is deemed material. An increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for onerous contracts are recognised when the Company considers that the unavoidable costs of meeting or novating a contract exceed the economic benefits expected to be received under it. Where assets are dedicated to the fulfilment of a contract that cannot be redirected to other parts of the Company, an impairment charge is recognised to reduce the carrying value of the assets to £nil before recognising a separate onerous contract.

A restructuring provision is recognised when the Company has developed a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring.

Property provisions
Where the Company 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 Company's best estimates of the likely committed outflows and site closure dates. These provisions do not include rent in accordance with IFRS 16, but do include unavoidable costs related to the lease such as service charges and insurance.

Property provisions also include provisions for maintenance and restoration (referred to collectively as dilapidations), which are recognised where the Company has a present obligation to make good its leased properties, a reliable estimate of the expected cost for dilapidations can be made, and payment for dilapidations is probable. These provisions are recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. The expected timing of the future cash outflow is consistent with the outstanding length of the lease. Amounts provided are reviewed at each reporting date. Any difference between amounts expected to be settled and the actual cash outflow is accounted for in the period when such determination is made.

Where the Company 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 Company makes no assumptions on the ability to either exit or sublet a property until a position is agreed. Utilisation is expected to be in line with the profile of the leases to which the provisions relate.

Insurance provisions
Provisions are based on assumptions regarding past claims experience and assessments by an independent actuary to provide a best estimate of the most likely or expected outcome.

The eventual cost is dependent on response rates, uphold rates, complaint rates, redress costs and claim handling costs.

Other provisions
Predominantly comprises provisions for long service awards.

3.15 Financial Instruments
a) Financial assets
The Company classifies all of its financial assets as either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

The Company's non-derivative financial assets comprise:
- Cash and cash equivalents
- Trade and other receivables, excluding prepayments, taxes receivable and employee related benefits
- Financial assets at FVOCI
- Financial assets at FVPL

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, are required to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

3. Material Accounting Policies (continued)

3.15 Financial Instruments (continued)
In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding; this is performed at an instrument level.

The business model assessment reflects how the Company manages the risks relating to the underlying financial assets, including whether the Company's principal objective is to collect the contractual cash flows arising from the instruments (amortised cost), to sell the financial instruments (FVPL) or a combination thereof (FVOCI).

Financial instruments at amortised cost
Financial assets that are principally held for the collection of contractual cash flows and which pass the SPPI test are classified as amortised cost. For the Company this includes cash and receivables. The Company has no intention of trading these assets. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures these financial assets at fair value plus transaction costs. Subsequently these assets are carried at amortised cost less impairment using the effective interest rate method. Income from these financial assets is calculated on an effective interest rate basis and is recognised in the income statement.

Financial assets at fair value through other comprehensive income
Financial assets that are held for both the purpose of collecting contractual cash flows and to sell are classified as FVOCI. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Interest on financial assets at FVOCI debt instruments is recognised using the effective interest method.

Financial assets at fair value through profit and loss
Financial assets that do not meet the classification criteria to be measured at amortised cost or at FVOCI are measured at FVPL. Interest on debt instruments is recognised using the effective interest method.

Financial assets are derecognised when the contractual cash flows from the asset have expired or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

b) Financial liabilities
The Company's derivative financial liabilities are classified as FVPL and all other financial liabilities are classified as amortised cost. Financial liabilities' costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Company's non-derivative financial liabilities comprise:
- Borrowings
- Trade and other payables, excluding deferred income, other taxes and social security and employee related benefits
- Lease liabilities
- Other financial liabilities

Interest-bearing bank loans, overdrafts and other deposits are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest rate method. Transaction costs are amortised on a straight-line basis over the life of the facility they relate to.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled, or expires.

3.16 Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks. All derivative financial instruments are initially measured at fair value on the contract date and are subsequently measured at fair value at each reporting date. Where derivatives do not qualify for hedge accounting, changes in the fair value are recognised in profit and loss as they arise.

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Where derivatives qualify for hedge accounting, changes in fair value are recognised depending on the nature of the hedge relationship and the item being hedged as follows:

3. Material Accounting Policies (continued)

3.16 Derivative financial instruments and hedge accounting (continued)

a) Cash flow hedges
Hedge relationships are classified as cash flow hedges where the derivative financial instruments hedge the Company's exposure to variability in cash flows resulting from a highly probable forecasted transaction. These include the exchange rate risk of inventory purchases denominated in foreign currency, and interest rate risk and commodity risk on purchases of power and fuel. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve therefore only contains amounts where hedge accounting applies.

3.16 Derivative financial instruments and hedge accounting (continued)
If a cash flow hedge is hedging a firm commitment or forecast transaction that results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of the asset or liability. This applies to the Company's foreign currency hedges in relation to inventory purchases.

3.17 Cash and cash equivalents
Cash and bank balances comprise cash in hand and at bank, deposits at central banks, investments in money market funds and deposits and other short-term highly liquid investments.

To be classified as cash and cash equivalents, an asset must:
- Be readily convertible into cash;
- Have an insignificant risk of changes in value; and
- Have a maturity period of typically three months or less at acquisition.

3.18 Retirement benefit obligations
The surplus or deficit recognised in the balance sheet for defined benefit schemes represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is actuarially calculated on an annual basis using the projected unit credit method.

Actuarial gains and losses are reported in the statement of other comprehensive income as incurred, and comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

The income statement charge consists of a financing charge, which is the net of interest cost on pension scheme liabilities and interest income on plan assets and defined benefit pension scheme expenses.

The financing charge is determined by applying the discount rate used to measure the defined benefit obligation to the pension scheme liabilities and plan assets at the beginning of the financial year.

3.19 Share-based payments
The Company receives a recharge from the parent undertaking in respect of options granted over the parent's equity instruments to employees of the Company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period, with a corresponding credit to equity as a capital contribution.

3.20 Foreign currency
Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Critical accounting judgements represent key decisions made by management in applying the Company's accounting policies. Key sources of estimation uncertainty arise where there is a significant risk that actual outcomes could differ from management assumptions and result in a material adjustment to the carrying amounts of assets and liabilities within the next 12 months.

Judgements and estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recognised in the period in which the estimate is revised.

The following estimate, which was disclosed as a significant estimate in the prior year financial statements, is no longer deemed to be a key source of estimation uncertainty:

- Lease liabilities: derivation of discount rates: Lease liabilities are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate (IBR) at the lease commencement date (for additions) or at the lease modification date (for modifications). While the IBRs are determined based on a number of inputs including a reference (risk-free) rate and adjustments to reflect the Company's credit risk, these are ascertained on the measurement date and not changed unless a lease modification occurs. As such, a reasonably possible change in the IBR would not result in a material adjustment to the carrying amounts of lease liabilities within the next financial year, and therefore the derivation of discount rates used to determine IBRs is no longer deemed to be a key source of estimation uncertainty

4.1 Critical accounting judgements

Non-underlying items

In order to provide shareholders with additional insight into the year-on-year performance of the business, underlying profit measures are provided to supplement the reported IFRS numbers and reflect how the business measures performance internally. These adjusted measures exclude items recognised in reported profit, which, if included, could distort comparability between periods.

Determining which items are to be adjusted requires judgement, in which the Company considers items that are significant either by virtue of their size and/or nature, or that are non-recurring in that they do not relate to the ongoing business. The same assessment is applied consistently to any reversals of prior non-underlying items.

An analysis of non-underlying items is set out in note 5.

Lease terms

The lease term includes periods covered by extension options where the Company is reasonably certain to exercise those options, and excludes periods covered by break options where the Company is reasonably certain not to exercise those options.

In assessing whether the Company is reasonably certain, management considers all relevant facts and circumstances that create an economic incentive, including the strategic importance of the leased asset, its expected contribution to the Company's long-term plans and the costs associated with terminating or replacing the lease. Judgements are reviewed when significant events or changes in circumstances occur that are within the control of the Company.

4.2 Key sources of estimation uncertainty

Impairment of non-financial assets

Non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. The recoverable amount is sensitive to the discount rate used for the value in use model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Post-employment benefits

Assets

The Sainsbury's Pension Scheme (the Scheme) holds some private market assets as they are expected to deliver a more favourable risk/return profile than public market equivalents. These assets are relatively illiquid (likely to be realised over approximately five years) but the Scheme holds sufficient liquid assets (cash, gilts and other liquid securities) to be confident that it can meet its pension and collateral obligations over time.

The valuation of these assets is based on the audited accounts of the funds, where available, and net asset value statements from the investment managers where recent accounts are not available. For many of these investments, the valuations provided are at 30 September or 31 December with an adjustment for cashflows incurred between the valuation date and the end of the financial year. The assets have been assessed for impairment, from the date of the most recent statement date, through manager enquiry and analysis of similar public market indices.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Liabilities
The present value of post-employment benefit obligations is determined on an actuarial basis using various assumptions, including the discount rate, inflation rate, future pension increases and mortality assumptions. Any changes in these assumptions will impact the carrying amount as well as the net pension finance income/(cost). Key assumptions and sensitivities for post-employment benefit obligations are disclosed in note 19.

5. Non-underlying items

	Restructuring programmes 5.1 £m	**Impairment of non-financial assets 5.2 £m**	**Pensions 5.3 £m**	**Other 5.4 £m**	**2026 Total £m**
Cost of sales	**(52)**	**(12)**	**-**	**(7)**	**(71)**
Administrative expenses	**(4)**	**-**	**(6)**	**(5)**	**(15)**
Other income	**-**	**-**	**-**	**13**	**13**
Affecting operating profit	**(56)**	**(12)**	**(6)**	**1**	**(73)**
Net finance (costs)/income	**(2)**	**-**	**32**	**(9)**	**21**
Affecting profit before tax	**(58)**	**(12)**	**26**	**(8)**	**(52)**
Being:					
Non-financial asset impairments	**3**	**(12)**	**-**	**-**	**(9)**
Accelerated depreciation of assets and acquisition adjustments	**(28)**	**-**	**-**	**-**	**(28)**
Loss on disposal of properties	**-**	**-**	**-**	**(4)**	**(4)**
Property closure provisions	**(14)**	**-**	**-**	**-**	**(14)**
Employee costs	**(10)**	**-**	**-**	**-**	**(10)**
Non-underlying finance (costs)/income	**(2)**	**-**	**32**	**(9)**	**21**
Fair value movements	**-**	**-**	**-**	**(7)**	**(7)**
Income from subsidiary entities	**-**	**-**	**-**	**14**	**14**
Other net costs	**(7)**	**-**	**(6)**	**(2)**	**(15)**
Affecting profit before tax	**(58)**	**(12)**	**26**	**(8)**	**(52)**

	Restructuring programmes 5.1 £m	Impairment of non-financial assets 5.2 £m	Pensions 5.3 £m	Other 5.4 £m	2025 Total £m
Cost of sales	(31)	(16)	-	3	(44)
Administrative expenses	(35)	-	(7)	-	(42)
Other (expense)/income	(4)	-	-	48	44
Affecting operating profit	(70)	(16)	(7)	51	(42)
Net finance (costs)/income	(3)	-	30	(10)	17
Affecting profit before tax	(73)	(16)	23	41	(25)
Being:					
Non-financial asset impairments	(4)	(16)	-	-	(20)
Accelerated depreciation of assets and acquisition adjustments	(15)	-	-	-	(15)
Profit on disposal of properties	-	-	-	39	39
Property closure provisions	(7)	-	-	-	(7)
Employee costs	(25)	-	-	-	(25)
Non-underlying finance income/(costs)	(3)	-	30	(10)	17
Fair value movements	-	-	-	2	2
Income from subsidiary entities	-	-	-	12	12
Other net costs	(19)	-	(7)	(2)	(28)
Affecting profit before tax	(73)	(16)	23	41	(25)

5. Non-underlying items (continued)

5.1 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; create a new supply chain and logistics operating model; and further rationalise/repurpose the Group's supermarkets and convenience estate. The programme also considered the Group's store support centre ways of working.

Separately, as part of our Next Level Sainsbury's strategy implementation, we commenced a multi-year restructuring programme in the prior financial year which will update our central management structures to support faster decision making and drive performance at both Sainsbury's and Argos, creating fewer, bigger roles with clearer accountabilities. As previously announced, the programme also includes the closure of food counters, converting cafes to expert partners, and converting remaining scratch bakeries. Costs have continued to be incurred in the current period.

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 Company'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 Company's remaining underlying operations and their exclusion provides meaningful comparison between financial years.

For accelerated depreciation of assets, the remaining useful economic lives of corresponding sites have been reassessed to align with the latest closure dates, resulting in an acceleration in depreciation of these assets. The existing depreciation of these assets (depreciation that would have been recognised absent a closure decision) is recognised within underlying expenses, whereas accelerated depreciation above this is recognised within non-underlying expenses.

Property closure provisions relate to dilapidations and strip out costs on sites that have been identified for closure, as well as business rates for sites the Company no longer operates from which are recognised as incurred.

Other net costs comprise predominantly consultancy costs.

Included within Restructuring programmes in the current year are credits of £3 million (2025: charge of £4 million) relating to the reversal of impairment charges of non-financial assets which have arisen as part of the Restructuring programmes.

5.2 Impairment of non-financial assets
Separate from restructuring initiatives and property-related transactions, the Company has recognised £12 million (2025: £16 million) of impairment in relation to certain non-trading sites. This includes £6 million of impairment recognised on right-of-use assets and property, plant and equipment which have been written down to their recoverable amount supported by the cash inflows expected from the sites' separately identifiable areas, including sublet and previously unutilised space. The remaining £6 million relates to previously impaired sites whereby rent reviews increased the associated right-of-use assets and, in prior periods, sub-tenant defaults.

5.3 Pensions
Such amounts relate to the defined benefit pension scheme (the Scheme) and are treated as non-underlying owing to the Scheme being closed to future accrual and accordingly not forming part of ongoing operating activities. More detailed analysis is included in note 19.

5.4 Other
Comprises:

- Non-underlying finance and fair value movements comprising £9 million (2025: £10 million) of finance costs relating to lease interest on impaired non-trading sites, and a £7 million loss (2025: £2 million gain) within cost of sales relating to adverse (2025: favourable) movements on long-term, fixed price Power Purchase agreements (PPAs) with independent producers. These are classified as derivatives which are not in a hedge relationship and owing to potentially significant fluctuations in value from external market factors are treated as non-underlying to facilitate the comparability of underlying results between periods
- Other net costs include income recognised in relation to the settlement of a legal case involving European truck manufacturers, and consultancy costs in relation to corporate transaction activity
- Intercompany dividends are excluded from underlying items as they are not considered part of the day-to-day activities of the business
- Property-related transactions in 2025 of £39 million predominantly related to the profit on completion of the disposal of land associated with the Hendon Mixed Used Development Scheme, which included the closure of the existing supermarket and the recognition of a new supermarket asset within property, plant and equipment

6. Operating profit

Operating profit/(loss) is stated after charging/(crediting) the following items:

			Note	2026 £m	2025 £m
Employee costs			8	**3,369**	3,226
Inventories recognised as an expense within cost of sales				**23,350**	22,663
Write-down of inventories				**696**	670
Depreciation and amortisation	Property, plant and equipment	a)	10	**429**	362
	Right-of-use assets		11	**673**	634
	Intangible assets	a)	12	**163**	181
Impairment of non-financial assets				**13**	20
Short-term lease expense				**20**	24
Sublet income				**(61)**	(47)
Finance income from sub-leasing of Right-of-use assets				**(3)**	(3)
Loss/(profit) on disposal	Property, plant and equipment			**3**	(30)
	Lease terminations			**(14)**	(1)
Foreign exchange loss				**3**	8

Fees payable to the Company's auditors for the audit of the Company's annual accounts were £39,000 (2025: £37,522). In accordance with Regulation 6(3)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, no further disclosure is made as this information is disclosed in the consolidated financial statements of J Sainsbury plc.

7. Finance income and costs

	2026			2025		
	Underlying £m	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
IAS 19 pension financing income	**-**	**32**	**32**	-	30	30
Interest on bank deposits and other financial assets	**1**	**-**	**1**	1	-	1
Finance income on net investment in leases	**1**	**-**	**1**	1	-	1
Finance income	**2**	**32**	**34**	2	30	32
Lease liabilities	**(448)**	**(11)**	**(459)**	(450)	(12)	(462)
Provisions - amortisation of discount	**-**	**-**	**-**	-	(1)	(1)
Intercompany interest	**(6)**	**-**	**(6)**	(17)	-	(17)
Finance costs	**(454)**	**(11)**	**(465)**	(467)	(13)	(480)

Interest on lease liabilities included £197 million (2025: £204 million) of intercompany interest costs.

8. Employee costs

	2026 £m	2025 £m
Wages and salaries	**2,813**	2,767
Social security costs	**318**	221
Other pension costs	**181**	179
Share-based payments expense	**57**	59
	3,369	3,226

Employee numbers

Average number of employees, including Directors and discontinued operations:	2026 '000	2025 '000
Full time	**43.7**	45.9
Part time	**86.1**	84.9
	129.8	130.8
Full-time equivalent	**82.7**	84.5

In addition to the above, 1,873 (2025: 1,796) full-time employees and 1,893 (2025: 1,815) full-time equivalent employees are employed by the Company. However, the related employee costs are borne directly by JS Information Systems Limited, a fellow subsidiary of J Sainsbury plc.

All of the Directors are employees of the ultimate parent company, J Sainsbury plc or other Group companies. It is not possible to make an accurate apportionment of the Directors' emoluments as they serve as Directors to a number of Group companies. Details of the highest paid director's remuneration is disclosed in the Group Annual Report.

9. Taxation

9.1 Income statement

	2026 £m	2025 (restated*) £m
Current tax		
Current year UK tax	**28**	18
Over provision in prior years	**6**	(15)
Total current tax expense	**34**	3
Deferred tax		
Origination and reversal of temporary differences	**32**	67
(Over)/under provision in prior years	**(5)**	22
Recognition of capital losses	**-**	(4)
Total deferred tax expense	**27**	85
Total income tax expense	**61**	88
Analysed as:		
Underlying tax	**71**	96
Non-underlying tax	**(10)**	(8)
Total income tax expense	**61**	88
Underlying tax rate	**28.1%**	28.4%
Effective tax rate	**30.3%**	28.1%

The effective tax rate of 30.3% (2025 restated: 28.1%) is higher than (2025: higher than) the standard rate of corporation tax in the UK of 25%. The differences are set out below:

	2026			2025 (restated*)		
	Underlying £m	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Profit before tax	**253**	**(52)**	**201**	338	(25)	313
Income tax at UK corporation tax rate of 25% (2025: 25%):	**63**	**(12)**	**51**	84	(6)	78
Disallowed depreciation on UK properties	**15**	**-**	**15**	13	-	13
Loss on disposal of properties	**-**	**(1)**	**(1)**	-	-	-
Non-taxable dividends income	**-**	**(4)**	**(4)**	-	(3)	(3)
Restructuring programmes	**-**	**-**	**-**	-	1	1
Other	**(4)**	**3**	**(1)**	(7)	3	(4)
(Over)/under provision in prior years	**(3)**	**4**	**1**	6	1	7
Recognition of capital losses	**-**	**-**	**-**	-	(4)	(4)
	71	**(10)**	**61**	96	(8)	88

* Refer to note 2 - Prior period restatements (a).

9.2 Income tax charged or (credited) to equity and/or other comprehensive income

	2026			2025		
	Current tax £m	**Deferred tax £m**	**Total £m**	Current tax £m	Deferred tax £m	Total £m
Share-based payment reserve	**(2)**	**(10)**	**(12)**	(3)	-	(3)
Actuarial reserve	**-**	**(54)**	**(54)**	-	(12)	(12)
Cash flow hedge	**-**	**(3)**	**(3)**	-	6	6
	(2)	**(67)**	**(69)**	(3)	(6)	(9)

The current and deferred tax in relation to the Company's defined benefit pension scheme's remeasurements and available-for-sale fair value movements have been charged or credited through other comprehensive income where appropriate.

9.3 Movements in deferred tax

	Accelerated capital allowances £m	Capital losses £m	Fair value £m	Rolled over capital gains £m	Retirement benefit obligations £m	Share-based payments £m	Leases £m	Other £m	Total £m
2 March 2025 as previously reported	**(207)**	**30**	**(5)**	**(61)**	**(179)**	**29**	**255**	**(20)**	**(158)**
Opening balance adjustment	**107**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**114**
2 March 2025 (restated*)	**(100)**	**30**	**(5)**	**(61)**	**(179)**	**29**	**255**	**(13)**	**(44)**
(Charge)/credit to income statement	**(18)**	**-**	**-**	**-**	**(7)**	**3**	**(22)**	**12**	**(32)**
Credit to equity or other comprehensive income	**-**	**-**	**3**	**-**	**54**	**10**	**-**	**-**	**67**
Prior year adjustment to income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**
28 February 2026	**(118)**	**30**	**(2)**	**(61)**	**(132)**	**42**	**233**	**4**	**(4)**
3 March 2024 as previously reported	(174)	30	(1)	(61)	(180)	34	275	(4)	(81)
Opening balance adjustment	111	-	-	-	-	-	-	5	116
3 March 2024 (restated*)	(63)	30	(1)	(61)	(180)	34	275	1	35
(Charge)/credit to income statement as previously reported	(33)	(4)	-	-	(7)	(5)	(22)	6	(65)
Restatement	(4)	-	-	-	-	-	-	2	(2)
(Charge)/credit to income statement (restated*)	(37)	(4)	-	-	(7)	(5)	(22)	8	(67)
Reallocation	2	-	2	-	(4)	-	-	-	-
Credit to equity or other comprehensive income	-	-	(6)	-	12	-	-	-	6
Prior year adjustment to income statement	(2)	-	-	-	-	-	2	(22)	(22)
Recognition of deferred tax asset	-	4	-	-	-	-	-	-	4
1 March 2025 (restated*)	(100)	30	(5)	(61)	(179)	29	255	(13)	(44)

(a) Deferred tax balances have been reallocated between categories following a review undertaken during the preparation of the tax workings. The reallocation does not affect the overall deferred tax balance.

* Refer to note 2 - Prior period restatements (a).

Post the offset of balances in the same tax jurisdiction, the total deferred tax is presented as a deferred income tax liability on the Company's balance sheet.

Deferred income tax assets have not been recognised in respect of capital losses of £281 million (2025: £268 million) for which their use against chargeable capital gains is restricted. These capital losses have no date of expiry. Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority.

10. Property, plant and equipment

			2026
	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At beginning of financial year	**6,611**	**4,131**	**10,742**
Additions	**134**	**432**	**566**
Disposals	**(88)**	**(470)**	**(558)**
At end of financial year	**6,657**	**4,093**	**10,750**
Accumulated depreciation and impairment			
At beginning of financial year (as previously reported)	**2,185**	**2,798**	**4,983**
Opening balance adjustment	**5**	**-**	**5**
At beginning of financial year (restated*)	**2,190**	**2,798**	**4,988**
Depreciation expense	**141**	**288**	**429**
Impairment loss	**4**	**1**	**5**
Disposals	**(58)**	**(470)**	**(528)**
Reclassification	**-**	**-**	**-**
At end of financial year	**2,277**	**2,617**	**4,894**
Net book value	**4,380**	**1,476**	**5,856**
Capital work-in-progress included above	**184**	**58**	**242**

* Refer to note 2 - Prior period restatements (c).

11. Leases

11.1 Company as lessee

a) Right-of-use assets

			2026
	Land and buildings	Equipment	Total
Net book value	**£m**	**£m**	**£m**
At beginning of financial year (as previously reported)	**7,046**	**360**	**7,406**
Opening balance adjustment	**(26)**	**-**	**(26)**
At beginning of financial year (restated*)	**7,020**	**360**	**7,380**
New leases and modifications	**419**	**152**	**571**
Impairment loss	**(14)**	**-**	**(14)**
Depreciation expense	**(563)**	**(110)**	**(673)**
At end of financial year	**6,862**	**402**	**7,264**

* Refer to note 2 - Prior period restatements (c).

b) Lease liabilities

	Note	2026 £m	2025 (restated*) £m
At beginning of financial year		**9,752**	9,804
New leases and modifications		**556**	537
Interest expense	7	**459**	462
Payments		**(1,101)**	(1,051)
At end of financial year		**9,666**	9,752

* For the financial year ended 1 March 2025, new leases and modifications were re-presented from £365 million to £537 million and payments from £879 million to £1,051 million, to better reflect the treatment of intercompany lease payments. The re-presentation has no impact on the total lease liability.

c) Maturity analysis

	2026 £m	2025 (restated*) £m
Contractual undiscounted cash flows		
Less than 1 year	**986**	972
1 to 2 years	**946**	938
2 to 3 years	**904**	880
3 to 4 years	**874**	845
4 to 5 years	**838**	825
Total less than 5 years	**4,548**	4,460
5 to 10 years	**3,802**	3,710
10 to 15 years	**1,799**	2,137
More than 15 years	**3,597**	3,912
Total undiscounted lease liability	**13,746**	14,219
Lease liability in the balance sheet	**9,666**	9,752
Current	**664**	617
Non-current	**9,002**	9,135

* Comparative undiscounted cash flow amounts have been restated to reflect updated assumptions behind the methodology of determining these amounts. Additionally, refer to note 2 - Prior period restatements (b) in relation to the classification between certain current and non-current lease liabilities.

d) Undiscounted future rental payments not currently included within the reported lease liability

	2026 £m	2025 £m
Extension options expected to not be exercised	**4,755**	4,591
Lease breaks expected to be exercised	**357**	313

11. Leases (continued)

e) Lease liabilities subject to specific terms (typically occurring on an annual or five-yearly basis)

	2026	2025
	£m	£m
Inflation-linked rentals	**2,866**	2,861
Subject to rent reviews	**190**	200
Leases that have been signed but not yet commenced	**10**	32

f) Lease cash flows

	2026	2025 (restated*)
	£m	£m
Total cash outflow for leases (excludes sublet income)	**(1,145)**	(1,077)

* Comparative total cash outflows have been restated to reflect updated assumptions – refer to note 11 (b) above.

11.2 Company as lessor

a) Maturity analysis of lease receivables classified as finance leases:

	2026	2025 (restated*)
	£m	£m
Contractual undiscounted cash flows		
Less than 1 year	**7**	12
1 to 5 years	**24**	27
More than 5 years	**40**	45
	71	84
Lease receivable included in the balance sheet		
Current	**5**	9
Non-current	**48**	55
	53	64

* Comparative undiscounted cash flow amounts have been restated to reflect updated assumptions behind the methodology of determining these amounts. Additionally, refer to note 2 - Prior period restatements (b) in relation to the classification between certain current and non-current lease liabilities.

b) Maturity analysis of lease receivable classified as operating leases:

	2026	2025
	£m	£m
Less than 1 year	**16**	17
1 to 2 years	**15**	15
2 to 3 years	**14**	13
3 to 4 years	**12**	12
4 to 5 years	**11**	10
5 to 10 years	**34**	32
10 to 15 years	**9**	7
More than 15 years	**15**	20
Total undiscounted lease payments receivable	**126**	126

12. Intangible assets

	Goodwill £m	Computer software £m	Total £m
Cost			
At 2 March 2025 (as previously reported)	**80**	**799**	**879**
Opening balance adjustment	**(2)**	**19**	**17**
At 2 March 2025 (restated)	**78**	**818**	**896**
Additions	**-**	**174**	**174**
Disposals	**(1)**	**(142)**	**(143)**
At 28 February 2026	**77**	**850**	**927**
Accumulated amortisation and impairment			
At 2 March 2025 (as previously reported)	**45**	**369**	**414**
Opening balance adjustment	**(1)**	**18**	**17**
At 2 March 2025 (restated)	**44**	**387**	**431**
Amortisation expense	**-**	**163**	**163**
Disposals	**(1)**	**(142)**	**(143)**
At 28 February 2026	**43**	**408**	**451**
Net book value at 28 February 2026	**34**	**442**	**476**
Capital work-in-progress included above	**-**	**12**	**12**
Net book value at 1 March 2025	35	430	465
Capital work-in-progress included above	**-**	**28**	**28**

* Represents a reclassification between intangible asset cost and accumulated amortisation following a review of historical statutory adjustments. There is no impact on net book value.

Goodwill is comprised of:

	2026 £m	2025 £m
Jacksons Stores Limited	**18**	18
Bells Stores Limited	**5**	6
Other	**11**	11
	34	35

13. Investments in subsidiaries, joint ventures and associates

	2026 £m	2025 £m
Subsidiaries		
At the beginning of the financial year	**3**	3
Additions	**11**	-
At the end of the financial year	**14**	3
Joint ventures and associates		
At the beginning of the financial year	**1**	1
Impairment	**(1)**	-
At the end of the financial year	**-**	1
	14	4

During the year, the Company recognised additions of £11 million in relation to the investment in Home Retail Group Holdings (Overseas) Limited and Argos Surbs Investments Limited.

13. Investments in subsidiaries, joint ventures and associates (continued)

The direct and indirect subsidiaries of the Company are:

Entity	Country of incorporation	Interest	Holding	Registered office address[1]
Argos Surbs Investments Limited	UK	100%	Direct	33 Charterhouse Street
Barleygold Limited	UK	100%	Direct	50 Bedford Street
BLSSP (PHC 7) Limited	UK	100%	Direct	33 Charterhouse Street
Coolidge Investments Limited	UK	100%	Direct	33 Charterhouse Street
Home Retail Group Holdings (Overseas) Limited	UK	100%	Direct	33 Charterhouse Street
Nash Court (Kenton) Limited	UK	100%	Direct	33 Charterhouse Street
Sainsbury's Corporate Healthcare Trustee Limited	UK	100%	Direct	33 Charterhouse Street
Sainsbury's (NI) Ltd	UK	100%	Direct	Forestside Shopping Centre
Sainsbury's SL Limited	UK	100%	Direct	33 Charterhouse Street
Town Centre Retail (Bicester) Limited	UK	100%	Direct	33 Charterhouse Street
Sainsbury's Argos Asia Commercial Limited	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Limited	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Sourcing Limited**	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Technical Limited**	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Commercial Consulting (Shanghai) Limited	China	100%	Indirect	26/F, Tower 1

[1] See full address on page 197 of the J Sainsbury plc Annual Report 2026.
** An application has been made to deregister this company.

The joint ventures and associates of the Company are:

Entity	Country of incorporation	Interest	Holding	Registered office address1
Harvest Development Management Limited	UK	50%	Indirect	100 Victoria Street
Harvest 2 Limited Partnership	UK	50%	Indirect	100 Victoria Street
Harvest 2 Selly Oak Limited	UK	50%	Indirect	100 Victoria Street
Nectar 360 Services LLP	UK	50%	Indirect	33 Charterhouse Street

[1] See full address on page 197 of the J Sainsbury plc Annual Report 2026.

14. Inventories

	2026	2025
	£m	£m
Gross finished goods	**1,394**	1,375
Inventory provision	**(43)**	(48)
	1,351	1,327

15. Trade and other receivables

			2026		2025 (restated*)	
	Non-current	**Current**	**Total**	Non-current	Current	Total
	£m	**£m**	**£m**	£m	£m	£m
Trade receivables	**1**	**60**	**61**	-	59	59
Amounts owed by Parent entity	**-**	**1,204**	**1,204**	-	1,027	1,027
Amounts owed by other Group entities	**1,107**	**387**	**1,494**	1,259	126	1,385
Other receivables	**51**	**36**	**87**	53	79	132
Prepayments and accrued income	**5**	**102**	**107**	10	109	119
Other taxes	**-**	**2**	**2**	-	1	1
	1,164	**1,791**	**2,955**	1,322	1,401	2,723

* At 1 March 2025, trade receivables were re-presented from £77 million to £59 million, other receivables from £146 million to £132 million, prepayments and accrued income from £88 million to £119 million, and other taxes from £nil to £1 million, to better reflect the nature of certain balances within these sub-categories. The re-presentation has no impact on the total 'Trade and other receivables' balance. For the restatement amounts owed by other Group entities, refer to note 2 - Prior period restatements (b).

The Company's exposure to credit risk arising from its retail operations is minimal given that the customer base is large and unrelated and that the overwhelming majority of customer transactions are settled through cash or secure electronic means. New parties wishing to obtain credit terms with the Company are credit checked prior to invoices being raised and credit limits are determined on an individual basis.

Receivable balances with other Group entities are reviewed for potential impairment based on the ability of the counterparty to meet its obligations. This is assessed by considering the net asset position of the entity and whether the amounts owed to the Company are covered. No impairment losses were recognised in the year.

16. Assets held for sale

	2026 £m	2025 £m
Opening balance	**7**	9
Classified as held for sale in the year	**-**	2
No longer classified as held for sale in the year	**-**	(3)
Sold in the year	**(4)**	(1)
Closing balance	**3**	7

The fair value of assets held for sale is based on independent market valuations of the assets.

17. Trade and other payables

			2026		2025 (restated*)	
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade payables	**-**	**3,293**	**3,293**	-	3,384	3,384
Amounts owed to other Group entities	-	**204**	**204**	-	173	173
Other payables	**1**	**361**	**362**	-	282	282
Accruals and deferred income	**17**	**542**	**559**	21	436	457
Other taxes and social security	**-**	**213**	**213**	-	171	171
	18	**4,613**	**4,631**	21	4,446	4,467

* As at 1 March 2025, other payables have been re-presented from £403 million to £282 million, accruals and deferred income from £336 million to £457 million, and other taxes and social security from £nil to £171 million, to better reflect the nature of certain balances within these sub headings. There is no impact on the total 'Trade and other payables' balance other than 'Income taxes payable'. For the restatement of income taxes payable, refer to note 2 - Prior period restatements (b).

Trade and other creditors are non-interest bearing and the fair values are not considered to differ materially from the recognised book values. Other amounts owed to group entities comprise both interest-bearing and non-interest-bearing balances, are unsecured and are held at amortised cost using the effective interest rate method.

18. Provisions

Property provisions comprise onerous property contract provisions for the least net cost of exiting from the contract and provisions for dilapidations. Utilisation is expected to be in line with the profile of the leases to which the provisions relate.

Insurance provisions comprise liabilities in respect of outstanding insurance claims in relation to public liability, employer's liability and third-party motor. Utilisation of the provision at the balance sheet date is expected to be in line with the settlement of claims.

Restructuring programme provisions comprise mainly redundancies as described in note 5.1. Restructuring provisions are expected to be utilised in the next 12 months.

	Property provisions £m	Insurance provisions £m	Restructuring programmes £m	Other provisions £m	Total £m
At 2 March 2025	**60**	**42**	**25**	**6**	**133**
Additional provisions	**15**	**19**	**5**	**1**	**40**
Unused amounts released	**(28)**	**-**	**(2)**	**-**	**(30)**
Utilisation of provision	**(6)**	**(20)**	**(23)**	**-**	**(49)**
Amortisation of discount	**1**	**-**	**-**	**-**	**1**
At 28 February 2026	**42**	**41**	**5**	**7**	**95**
Current					**30**
Non-current					**65**
At 3 March 2024	65	38	20	6	129
Additional provisions	6	22	32	9	69
Unused amounts released	(7)	-	(6)	-	(13)
Utilisation of provision	(5)	(18)	(21)	(9)	(53)
Amortisation of discount	1	-	-	-	1
At 1 March 2025	60	42	25	6	133
Current					44
Non-current					89

Climate change considerations
The Company takes into account the potential impact of climate change on its legal and constructive obligations, such as regulations related to carbon emissions, environmental liabilities and natural disasters. The Company has reviewed its provisions and concluded that no adjustments need to be made for climate change risks, and that no new provisions need to be recognised for climate-related matters.

19. Retirement benefit obligations

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

The section's assets are segregated by deed and ring-fenced for the benefit of the members of that section. The section is closed to new members and to future accrual, with benefits determined by past service and salary or accrued cash balance entitlements. The Scheme is governed by a corporate trustee.

The Scheme is also used to pay life assurance benefits to current colleagues.

Scheme funding and triennial valuation

The Trustee's triennial valuation is used to determine the contributions required for the Scheme to pay all the benefits due, now and in the future. The Trustee must allow for a level of prudence in these assumptions resulting in a relatively high estimate of the Scheme's liabilities. By contrast, IAS 19 'Employee Benefits' requires companies to value the liabilities on a 'best estimate' basis which delivers a lower estimate of the liabilities and therefore a more favourable relative financial position. As such, the accounting valuation is different to the Trustee's triennial valuation basis.

The latest triennial valuation as at 30 September 2024 (the "2024 triennial") was completed on 20 March 2026, and showed a surplus of £93 million, including the estimated value of the Scheme's entitlements under the asset backed contribution (ABC) structure. Excluding these entitlements, the deficit was £29 million. The 2024 triennial, among other actuarial updates, assumes higher inflation volatility, which has the effect of reducing expected liabilities. This may result in an earlier end to contributions under the ABC structure. To provide additional assurance to the Scheme in that context, the Company has established an escrow account in favour of the Scheme, which will expire no later than 2048. Funds will be deposited into the escrow account, and either be released to the Company, or contributed to the Scheme, depending on agreed funding triggers. This arrangement, coupled with the ABC arrangement, will act to protect the Scheme's access to funds while reducing the risk that the Company might overfund the Scheme. There are no funds deposited in the escrow arrangement as at 28 February 2026.

The surplus has been recognised as the Company has concluded that it has an unconditional right to a refund of any surplus once all member benefits have been paid. The Company's judgement is that the Trustees would be unable to unconditionally wind up the plan or enhance members' benefits without the Company's consent.

19. Retirement benefit obligations (continued)

Asset-backed contribution structure

The Company operates an asset-backed contributions (ABC) structure in support of the Scheme. Under the ABC structure, properties with a valuation of £1,350 million were transferred into a newly formed property holding company, Sainsbury's Property Holdings Limited (Propco), from other Sainsbury's Group companies. The Propco is a wholly owned subsidiary of the Group and leases the transferred properties back to other Group companies. Rental receipts on these leases facilitate payments of interest and capital on loan notes issued to the Partnership, in which the Scheme holds an interest.

The Partnership is controlled by Sainsbury's and its results are consolidated by the Group. The Scheme's investment in the Partnership does not qualify as a plan asset for the purposes of the Group's financial statements and is therefore not included within the fair value of plan assets.

The value of the properties transferred to the Propco remains in the Group's property, plant and equipment on the balance sheet, and the Group retains operational flexibility to extend, develop and substitute them.

The Scheme's interest in the Partnership entitles it to annual distributions over up to 20 years initially through three payment streams:

1) Payments to the Sainsbury's section (£15 million per year) which stopped from December 2021
2) Payments to the Argos section (£20 million per year) which stopped from December 2024
3) Switching payment stream, paid to either the Sainsbury's section or the Argos section (initially £23 million per year, increasing to £33 million by 2038)

The Sainsbury's section reached its funding target on 31 December 2021 and so the first payment stream was permanently switched off.

The Argos section (stream 2) reached its funding target on 31 December 2024 and so the second payment stream has also been permanently switched off.

The switching stream (stream 3) was initially paid to the Sainsbury's section until it reached the funding target on 31 December 2021, when it switched to the Argos section. Now that the Argos section has reached the funding target, this stream has switched back to the Sainsbury's section. Payments continue until 2038 or until both sections have reached their funding targets, if earlier.

The ABC structure provides security to the Scheme which reduces based on funding level targets. Once a section reaches a specific funding target for three consecutive quarters, the level of security that the Scheme can access reduces from the following 31 March, in line with the Residual Security Amount (RSA) caps set out in the ABC structure. The security is currently provided by properties in the ABC structure which are valued annually. If the value of the property security is outside a corridor either side of the RSA, the Company must top up if the value is less, or can choose to remove property from the Propco if the value is higher; however, if a default event were to occur, the Scheme would only have rights over the security to the value of the RSA – any excess value would remain in the Propco and revert to the Company.

Unfunded pension liabilities
The unfunded pension liabilities are unwound when each employee either retires and draws their pension or the pension is taken as a lump sum on retirement or upon leaving.

a) Income Statement

		2026 £m	2025 £m
Excluded from underlying profit before tax:			
Interest cost on pension liabilities	a)	**(257)**	(253)
Interest income on plan assets		**289**	283
Total included in finance income		**32**	30
Defined benefit pension scheme expenses		**(6)**	(7)
Total (excluded from underlying profit before tax)		**26**	23

a) Includes interest of £1 million for the unfunded pension scheme (2025: £1 million).

b) Remeasurements included in other comprehensive income

		2026 £m	2025 £m
Return on plan assets, excluding amounts included in interest		**36**	(396)
Actuarial gains/(losses) arising from changes in			
Finance assumptions		**79**	335
Demographic assumptions		**(70)**	3
Experience		**(250)**	10
Total actuarial (losses)/gains	a)	**(241)**	348
Total remeasurements		**(205)**	(48)

a) Includes £nil remeasurement gain for the unfunded pension scheme (2025: £1 million).

19. Retirement benefit obligations (continued)

c) Balance sheet

	Assets	**Obligations**	**2026 Net**	Assets	Obligations	2025 Net
	£m	**£m**	**£m**	£m	£m	£m
As at the beginning of the financial year	**5,549**	**(4,833)**	**716**	5,926	(5,185)	741
Interest income/(cost)	**289**	**(257)**	**32**	283	(253)	30
Remeasurement (losses)/gains	**36**	**(241)**	**(205)**	(396)	348	(48)
Pension scheme expenses	**(6)**	**-**	**(6)**	(7)	-	(7)
Transfer into scheme	**-**	**(9)**	**(9)**	-	-	-
Benefits paid	**(267)**	**268**	**1**	(257)	257	-
As at the end of the financial year	**5,601**	**(5,072)**	**529**	5,549	(4,833)	716

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

Analysed in the balance sheet:	**2026**	2025
	£m	£m
Retirement benefit surplus	**552**	729
Retirement benefit deficit	**(23)**	(13)
Net retirement benefit surplus	**529**	716

d) Investment strategy and risks associated with defined benefit pension scheme

The investment strategy of the Scheme is determined by the Trustee. The Trustee considers that its primary responsibility in respect of investments is to ensure, for the duration of the Scheme, that funds will be available to meet the benefit payment obligations as they fall due. The Trustee continues to target being funded on a gilts +0.5 per cent p.a. basis for the Sainsbury's section, while limiting the downside risk associated with investments wherever possible. The investment objectives target a 50 per cent or better chance of being fully funded on this basis between 2029 and 2032 for the Sainsbury's section.

On 25 July 2024, the Court of Appeal upheld the High Court's decision in Virgin Media v NTL Pension Trustees. This case found that changes made between 1997 and 2016 to pension benefits from a contracted-out salary-related scheme could be void where trustees do not have written section 37 confirmation from the scheme actuary. The case also confirmed that retrospective confirmation would not be permissible. This judgment is relevant for the Sainsbury's Pension Scheme as it was contracted out of the State Second Pension (formerly SERPS) and there were changes to the Scheme during the relevant period.

In June 2025 the Department for Work and Pensions (DWP) confirmed that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. In September 2025, the UK Government introduced amendments to the Pension Schemes Bill to address the decision, allowing for the retrospective validation of historical alterations to salary-related contracted-out occupational pensions.

Based on a review of the changes made to the Scheme during this period, and the contents of the Pension Schemes Bill, the Company does not consider that any adjustments to the financial statements are required in respect of this matter.

During the year the Trustee has initiated a review of its US tax reporting, following the identification of an inconsistency between differing elements of its US tax filings. The outcome of this review is currently unknown, and although an additional US tax liability may arise, a reliable estimate of the amount of any potential liability cannot be made at this stage, although it is not expected to be material, and no provision has been recognised at this time.

19. Retirement benefit obligations (continued)

Risks associated with achieving the pensions investment strategy

Risk	Description	Mitigation
Investment Strategy and implementation	Misalignment of the investment strategy relative to changes in liabilities reduces the future resources available to meet pension obligations. The strategy also includes addressing sustainability and Environmental, Social, and Governance (ESG) related risks for the Scheme. Poor execution or attention to regulation or underperformance in applying the strategy could lead to lower funding levels.	Using an FCA-regulated market-leading investment adviser, a liability-driven investment (LDI) framework has been adopted to align asset and liability risks by hedging interest rate and inflation exposures, thereby reducing funding volatility. ESG and related risks are incorporated into the Statement of Investment Principles (SIP), and an annual TCFD report and Implementation Statement are published covering relevant risk management and goals. Investment managers have signed up to international ESG principles and are requested to confirm that they operate in line with the Trustee's policies on ESG. Investment mandates are monitored closely against portfolio benchmarks set out in investment guidelines. The Investment Committee will terminate consistently underperforming mandates and reallocate capital.
Investment Liquidity	Insufficient liquidity to meet cash flow requirements to make collateral top up requests to manage the Scheme's derivative positions and member benefit payments.	The Scheme adopts a collateral sufficiency framework to ensure that sufficient liquid assets are maintained and imposes limits on short-term maturing repurchase contracts. The investment adviser liaises with the scheme actuary and Pensions department to determine current and future cash flow requirements.
Investment Counterparty	Financial losses may be incurred due to failure of counterparties or inability to roll over derivative positions.	Asset managers manage credit limits for all their derivative counterparty exposures and monitor positions over derivative roll dates.
Inflation	Scheme obligations are linked to inflation, so a higher-than-expected long-term inflation rate leads to higher liabilities.	The Scheme's LDI portfolio and inflation-linked investments reduce inflation risk by aligning asset movements to changes in inflation expectations. Inflation increases are subject to maximum caps.
Interest rate	Scheme liabilities are determined using discount rates linked to corporate bond yields for accounting and gilt yields for funding purposes. A decrease in yields increases liabilities.	The Scheme's LDI portfolio reduces this risk on a funding basis. Whilst the accounting basis may differ because of divergence between corporate bond and gilt yields, other assets held in the portfolio reduce the exposure.
Sustainability, including ESG and climate	Investment managers do not have appropriate policies and procedures in place to identify ESG risks and opportunities. A broad range of these risks exists across the activities of the entities in which the Scheme ultimately invests which include exposure to climate transition, a lack of diversity, equity and inclusion, or poor corporate governance.	ESG, stewardship and other related risks are incorporated into the Statement of Investment Principles. The Trustee publishes an annual TCFD report and an Implementation Statement which detail how climate risks are managed. Day-to-day management of ESG risks is delegated to investment managers who are requested to confirm alignment with the Trustee's policies. A net zero carbon emission goal by 2050 has been adopted by the Trustee and follows new climate governance and reporting standards. The Scheme's investment managers have signed up to the UN Principles of Responsible Investment.
Longevity	The Scheme pays benefits longer than expected due to members living longer than forecast.	Longevity risk is monitored with the aim of achieving sufficient funding levels to take account of the potential for increased life expectancy.
Cyber risk	The increasing threat of cyber-attack leads to data breaches and financial losses.	Robust cyber security measures have been implemented by the Trustee's custodian and administrators, including regular security assessments and employee training. These measures aim to protect sensitive Scheme data and ensure the integrity and confidentiality of member information.

19. Retirement benefit obligations (continued)

e) Analysis of plan assets

		2026		2025	
		Quoted £m	**Unquoted £m**	Quoted £m	Unquoted £m
Liability matching assets		**3,068**	**1,215**	2,854	1,436
Growth assets					
Equity	a)				
Private		**-**	**226**	-	272
Alternatives					
Real Estate		**-**	**191**	-	219
Private Debt		**-**	**166**	-	360
Diversified Growth		**-**	**194**	-	252
Multi asset strategies		**216**	**-**	-	-
Cash and Cash equivalents		**325**	**-**	156	-
		3,609	**1,992**	3,010	2,539

a) Certain unquoted fixed interest securities, private equity and debt investments and property investments are stated at fair value. These fair values may differ from their realisable values due to the absence of liquid markets in these investments.

Included within liability matching assets are Government Bonds totalling £4,842 million (2025: £4,499 million), Corporate Bonds totalling £1,728 million (2025: £1,919 million), and Fixed income derivatives totalling £299 million (2025: £323 million), offset by repurchase agreements totalling £(2,586) million (2025: £(2,451) million).

The Sainsbury's section adopts a liability-driven investment (LDI) framework to manage its funding risk and reduce volatility by largely removing the interest rate and inflation rate impacts of its liabilities. As a result, the value of the section's assets changes in a similar way to its liabilities, which helps maintain its ability to pay benefits and therefore member security over the long term.

Of the above assets, £5,400 million are denominated in pound sterling and £201 million are denominated in overseas currencies.

For 2026, the valuation of private market assets is based on the latest available manager statements, adjusted for cash contributed or remitted. The assets have been assessed for impairment, from the date of the most recent statement date through manager enquiry and analysis of similar public market indices. This approach differs from the approach taken in 2025 where, in addition to the cash adjustment detailed above, asset values were rolled-forward, from the date of the last statement to the balance sheet date, using the returns on related public market indices. The value of the roll-forward adjustment in 2025 was £11.6 million. Based on historical analysis it was concluded that the updated approach provided a better estimate of the asset value for private market assets at the balance sheet date.

f) Assumptions

Principal actuarial assumptions

	2026	2025
Discount rate	**5.55**	5.45
Inflation rate – RPI	**3.05**	3.15
Inflation rate – CPI	**2.50**	2.55
Future pension increases	**1.95 - 2.90**	1.95–2.95

Assumptions are on a weighted average blended basis.

Discount rate
The discount rate for the Scheme is derived from the expected yields on high quality corporate bonds over the duration of the Company'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
The Government's intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) takes effect from 2030. As a result, the Company has assumed that RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 0.55 per cent p.a. up to 2030 (2025: 0.60 per cent p.a.).

Future pension increases
Pensions in the Scheme receive various increases in payment depending on the section of the Scheme and when benefits were built up. For the majority of benefits, the increases provided are based on either RPI or CPI inflation, subject to various caps or collars depending on when benefits were built up. As a result, different assumptions are needed for each type of pension increase provided and the table above shows the range of assumptions adopted.

19. Retirement benefit obligations (continued)
f) Assumptions (continued)

Mortality
The base mortality assumptions use the SAPS S4 tables for the Sainsbury's section, with adjustments to reflect the section's population.

Following the completion of the 2024 triennial valuation and consideration of the previous three years of mortality experience both in the Scheme and the UK as a whole, the Company updated 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 2026 year-end are CMI 2024 projections with a long-term rate of improvement of 1 per cent p.a. Future mortality improvements for the 2025 year-end were CMI 2023 projections with a long-term rate of improvement of 1 per cent p.a.

All IAS 19 calculations use the CMI model which measures potential changes to future mortality trends. The *Company*'s policy is to use the available version as at the year-end which is CMI 2024 which was released in June 2025.

The CMI have made two main changes to the CMI 2024 model, compared with the 2023 version of the model:

- The CMI 2024 core model has been extended to have five period terms considered separately during the fitting process rather than one period term. Having multiple period terms allows the model to better reflect the changing mortality trends at different age groups observed in the data. Each of the five age groups is smoothed separately to achieve an overall adjusted target smoothing factor.
- Modelling the impact of the Covid-19 pandemic using a 'fitted overlay' rather than using weights as in earlier models. A new half-life parameter has been introduced which controls this overlay within the model.

A half-life assumption of 0.5 has been adopted for 2026. This is consistent with the 100% weights parameter which was adopted under CMI 2023 for 2025, as both approaches place greater weight on observed post-pandemic mortality experience than the core CMI parameters.

Life expectancy at age 65

	2026		2025	
	Sainsbury's section Main Scheme	**Sainsbury's section Executive Scheme**	Sainsbury's section Main Scheme	Sainsbury's section Executive Scheme
	Years	**Years**	Years	Years
Members aged 65 at balance sheet date				
Male pensioner	**20.2**	**22.6**	18.9	22.2
Female pensioner	**22.5**	**24.0**	22.8	23.5
Members aged 45 at balance sheet date				
Male pensioner	**21.2**	**23.5**	19.9	23.1
Female pensioner	**23.7**	**25.1**	24.0	24.6

Sensitivity analysis of significant actuarial assumptions
The present value of the Scheme's liabilities and the net financing charge are dependent on the discount rate. Other key assumptions are based on market conditions or estimates of future events, including mortality rates. The carrying value of the retirement benefit obligations is impacted by changes to any of the assumptions used.

The sensitivities are calculated using the same methodology used to calculate the retirement benefit obligation, by considering the impact for a given change in an assumption while holding all others constant, thus meaning that interdependencies between the assumptions have not been taken into account in the analysis. The sensitivities reflect the upper ends of a range of reasonably possible changes in the principal assumptions.

Change in present value of funded obligations – Increase/(decrease) effect

Financial sensitivities:		**£m**	**£m**
Discount rate	+/-0.1%	**61**	**63**
Discount rate	+/-1.0%	**565**	**682**
Inflation rate	+/-0.1%	**36**	**36**
Inflation rate	+/-1.0%	**366**	**369**
Inflation rate for future pension increases	+/-0.1%	**20**	**20**
Inflation rate for future pension increases	+/-1.0%	**186**	**215**
Demographic sensitivities:			
Life expectancy	+/-1 year	**153**	**163**

19. Retirement benefit obligations (continued)

g) Future benefit payments

The duration of liabilities is around 14 years for the Sainsbury's section.

Timing of benefit payments (undiscounted)

	2026	2025
	£m	£m
Within the next 12 months (next annual reporting period)	**256**	232
Between 2 and 5 years	**1,163**	1,069
Between 6 and 15 years	**3,624**	3,396
Between 16 and 25 years	**3,384**	3,235
Beyond 25 years	**4,117**	3,755
	12,544	11,687

20. Share capital

	2026	2025	**2026**	2025
	million	million	**£m**	£m
Called up share capital				
Allotted and fully paid ordinary shares £100	**29**	29	**2,900**	2,900

21. Share-based payments

During the year, employees and Directors of the Company participated in a number of equity-settled share plans operated by J Sainsbury plc, the Company's ultimate parent undertaking.

The cost of the awards is recharged to the Company. The fair value of employee services received is measured by reference to the grant date fair value of the awards and is recognised as an expense over the vesting period, with a corresponding credit recognised directly in equity as a capital contribution.

a) Savings-Related Share Option Schemes (Sharesave)
Under the Sharesave scheme, eligible UK employees may save over a three-year period and use their savings to purchase shares in J Sainsbury plc at a pre-stated exercise price, subject to remaining in employment at the end of the savings period.

b) Long-Term Incentive Plan
Under the Long-Term Incentive Plan, awards are granted to senior leaders. Vesting is subject to continued employment and the achievement of performance conditions over a three-year performance period. Awards are structured as nil-cost options.

c) Nil-Cost Share Award
Nil-cost share awards include deferred bonus share awards and other conditional awards made to senior leaders as part of the wider reward strategy. Awards typically vest between one and three years, subject to participants remaining in employment at the vesting date.

Equivalent disclosures in respect of share-based payments are included in the consolidated financial statements of J Sainsbury plc.

22. Related party transactions

Key management personnel
A loan of £0.5 million (2025: £nil) was made, and fully repaid, to one key management personnel in the year.

Joint Ventures and other related parties
Balances arising from transactions (all at arm's length) with joint ventures and associates

	2026	2025
	£m	£m
Other payables	**(2)**	(2)

23. Capital commitments

	2026	2025
	£m	£m
Capital commitments contracted, but not provided for	**97**	133

24. Parent and Ultimate Controlling Entity

The Company's immediate parent and controlling entity is Sainsbury's Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent is J Sainsbury plc, which is registered in England and Wales and forms the only group into which the financial statements of the Company are consolidated. Copies of the ultimate parent company's financial statements may be obtained from the J Sainsbury plc website corporate.sainsburys.co.uk.

25. Contingent liabilities

The Company through the size, nature and scope of its operations and people is exposed to a wide range of applicable laws and regulation including: employment related legislation such as the Equality Act 2010 and the Health and Safety at Work Act 1974; business conduct legislation such as the Competition Act 1998, the Modern Slavery Act 2015 and the Bribery Act 2010; product or sales related legislation such as the Food Safety Act 1990 and the Digital Markets Competition and Consumer Act 2024, and is also exposed to risks relating to past corporate transactions such as guarantees made in relation to disposed assets. These expose the Company to potential material liabilities which may crystallise following events such as civil legal action, regulatory enforcement action, or under property disposal guarantees in the event of insolvency of current tenants and their ultimate parents. In assessing the required disclosure or recognition of potential liabilities, the Company considers factors including probability, materiality and quantifiability of any claims received.

Along with other retailers, the Company 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 21,100 equal pay claims from circa 15,200 claimants, in which 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 centres, and the equalisation of wages and terms and conditions on an ongoing basis. The Company believes further claims will be served.

There are three stages in the tribunal procedure for equal pay 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 similar 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. Whilst there is at present no definitive timetable for the litigation, the Company anticipates judgment from the Tribunal in respect of the second stage will be given in the course of 2028. This judgment is very likely to be subject to appeal proceedings.

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 material factor defences relating to non-discriminatory reasons for any pay differential. Both outstanding stages will involve contested hearings and appeals. It is not possible to predict a final date with any certainty.

If the Company 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.

Given that the outcome of the second and third stages in the litigation remains highly uncertain at this stage, the Company cannot make any assessment of the likelihood or quantum of any outcome. No provision has therefore been recognised on the Company's balance sheet. There are substantial factual and legal defences to these claims and the Company intends to continue to defend them vigorously.

26. Non-adjusting post balance sheet events

On 8 May 2026, Sainsbury's Supermarkets Limited entered into a Deed of Amendment, Discharge and Flexible Apportionment Agreement in relation to the Home Retail Group section of the Sainsbury's Pension Scheme with an effective date of 31 May 2026. As a result of the transfer, the pension surplus and associated deferred tax balance recognised by Argos Limited at the reporting date transferred to Sainsbury's Supermarkets Limited on the effective date. At 28 February 2026, the carrying value of the pension surplus recognised by the Company was £143.2 million, with a corresponding deferred tax liability of £35.8 million. The transfer was completed at carrying value and accordingly will not result in the recognition of a gain or loss.

On 31 July 2026, the Sainsbury's Group announced that it had reached an agreement with Swift Partners for the sale of Argos and a number of long-term commercial agreements, including rental income for Argos stores inside Sainsbury's and property leases. In readying the agreed perimeter for targeted completion in February 2027, the Company will undertake a series of transfers during the forthcoming financial year, including; property, plant and equipment, right-of-use assets and associated lease liabilities and provisions associated with sites subject to transfer. The related transfers are expected to execute for nil gain nil loss thereby having no impact to the Company's net asset position. Any assets or liabilities recognised as a result of the transfer will be subject to the recognition and measurement criteria as outlined in the Company's accounting policies in note 3.

The agreed sale has also been identified as an indicator of impairment over leased property assets where the recoverable amount will now be measured by reference to rental income using the income approach. Management will quantify any impact at completion upon finalisation of commercial agreements. It is expected the Company along with other subsidiary companies will also incur separation costs in the region of £120 million.