Registered Company number: 04224736

Nectar 360 Limited

Annual Report and Financial Statements

For the 52 weeks ended 2 March 2024

Strategic report

The Directors present their strategic report and the audited financial statements of Nectar 360 Limited ("the Company") for the 52 weeks ended 2 March 2024. The prior year's financial statements were for the 52 weeks ended 4 March 2023.

Principal activities

The Company's principal activity during the period continued to be the management of the Nectar customer loyalty rewards programme.

Business review

The Company recorded a profit for the financial period of £20,417,000 (2023: profit of £19,196,000).

The key performance indicators used to manage the business are revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA'), calculated as operating profit with depreciation, amortisation and impairments added back.

Revenue increased during the financial period ended 2 March 2024. The EBITDA for the current period was £26,217,000 compared £22,370,000 in the prior period.

	2024	2023
	£000	£000
EBITA	**26,217**	26,145
Depreciation & amortisation	**(1,872)**	(2,324)
Profit before income tax	**24,345**	23,821

A full review of the business and market can be found in the 2024 Annual Report and Financial Statements of J Sainsbury plc (the Group's Annual Report), the ultimate parent undertaking, on the following website: www.about.sainsbury.co.uk/ar2024, which does not form part of this report.

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 53 to 61 of the Group's Annual Report, which does not form part of this report.

Financial risk management

The financial risk management and policies of the Group, which include those of the Company, are disclosed in note 28 on pages 167 to 174 of the Group's Annual Report, which does not form part of this report.

Section 172 statement and stakeholder engagement

The Board believes that it has acted in accordance with Section 172(1) of the Companies Act 2006 during the year ended 2 March 2024. This requires each Director to act in the way he or she considers, 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 governance framework of J Sainsbury plc and its subsidiaries (the 'Group'). During the year, the Directors continued to focus on engagement with the Company's stakeholders, most notably the Group, 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.

The disclosure following disclosure provides further detail on how the Directors have engaged with stakeholders.

Who are our stakeholders?	How do we engage with them?
The Group	Through the Group Operating Board and other Group Committees detailed in the 2024 Group's Annual Report on page 74.

Who are our stakeholders?	How do we engage with them?
Collectors Over two-thirds of the total retail shoppers in the UK have shopped with Sainsbury's over the last year and there were over 22.3 million active Nectar users.	The Company's customer engagement activities are integrated within the Group activities. These include: • 3.2 million responses this year across all of our Sainsbury's and Argos customer feedback programmes. • Nectar data, which helps us understand how customers are shopping. • Qualitative customer focus groups and quantitative surveys. • Social media listening. • Brand tracking, which assesses the performance and perception of our different brands. • I Care, a satisfaction survey which helps us understand the overall shopping experience for our customers.
Colleagues Our colleagues include everyone who is employed by the business.	The Company's colleague engagement activities are integrated within the Group activities. These include: • Regular Non-Executive Director, Chief Executive and Operating Board meetings with our workforce advisory panel, the National Make It Better Together group, to directly understand the views of colleagues from across the business via their elected peers. • Operating Board Director Listening Sessions to provide an opportunity to hear directly from colleagues across the business. • Continual two-way communication through internal channels, including monthly live presentations, question and answer sessions and internal social media discussions with the Operating Board. • Honest, confidential colleague feedback on what it is like to work for the business through our annual colleague engagement survey, 'We're Listening', and regular pulse surveys. • Colleague feedback through topic-specific 'temperature check' surveys throughout the year, helping us to understand colleagues' views and sentiments. • Regular updates provided to the Board and its Committees on culture, engagement, diversity, equity and inclusion, colleague pay and benefits and talent and succession.
Suppliers Our GNFR suppliers provide operational excellence and access to new technology and innovation that ensures we keep pace with the evolving and changing needs of our business.	The Company's supplier engagement activities are integrated within the Group's activities. These include: • Supplier events to bring suppliers and senior decision-makers together and share progress. • Consistent communication and updates with our supply base through online supplier portals. • Taking part in annual, independent surveys which benchmarked us against other retailers and highlighted areas for improvement; these included the Supplier Advantage survey and the Groceries Supply Code of Practice supplier survey. • Clearly communicated expectations in relation to our Plan for Better commitments through sustainability working groups for collaboration and engagement. • Publishing our Modern Slavery Statement to ensure suppliers understand the importance of preventing Modern Slavery and human trafficking to our business. • Setting up new sustainability working groups.

Further details on how the Group engaged with its stakeholders, can be found in the Group's Annual Report on pages 22-29, which does not form part of this report.

As per Section 54(1) of the Modern Slavery Act 2015, our 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 2 March 2024 to prevent modern slavery and human trafficking in our own operations and supply chains.

On behalf of the board

Amir Rasekh
Amir Rasekh (Sep 12, 2024 16:41 GMT+1)

Amir Rasekh

Director

12 September 2024

Directors' report

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 2 March 2024. The prior year's financial statements were for the 52 weeks ended 4 March 2023.

Dividends
No interim or final dividends were declared for the 52 weeks ended 2 March 2024 (2023: £nil). No dividends have been paid or proposed by the Directors since the balance sheet date.

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

A Rasekh
H Neely
S Burston

There were no other appointments or resignations after the year end.

Company Secretary

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

Sainsbury's Corporate Secretary Limited

The Directors are indemnified to the extent permitted by the Articles of Association of the Company in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The ultimate parent company purchased and maintained Directors' and Officers' liability insurance throughout 2023/24, which was renewed for 2024/25. The insurance covers all Directors and Officers of companies in the Group. Neither the indemnities nor insurance provide cover in the event that the Director or Officer is proved to have acted fraudulently.

Future developments and financial risk management
An analysis of the future developments affecting the Company and its financial risk policies are included in the Strategic report.

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 can be found in the Strategic report in the Annual Report and Financial Statements 2024 of J Sainsbury plc ("Group Annual Report"), which does not form part of this report, for further information on our diversity strategy.

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 Ethical Supplier Policy and the Conflicts of Interest/ Relationships at Work 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 ultimate parent has developed a wide variety of projects and policies to meet the needs of stakeholders under the heading 'Corporate Responsibility and Sustainability'. Further details can be found page 82 of the Group Annual Report, which does not form part of this report.

Donations
The Company made no political donations in 2024 (2023: £nil). See page 118 of the Group Annual Report, which does not form part of this report, for details of J Sainsbury plc and its subsidiaries' (the 'Group's') political donations.

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. The ultimate parent company, J Sainsbury plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report of the Group Annual Report on pages 1 to 65, which does not form part of this report. The financial position of the Group, its cash flows and liquidity are highlighted in the Financial Review on pages 46 to 52, which does not form part of this report. The Group, including the Company, manages its financing by diversifying funding sources, structuring core borrowings with long-term maturities and maintaining sufficient levels of standby liquidity. Full details of the Group's financing arrangements can be found in note 33 on pages 182 to 183 to the Group Annual Report, which does not form part of this report.

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 of the Directors has confirmed that, so far as he/she is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors
The auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

By order of the Board

Amir Rasekh
Amir Rasekh (Sep 12, 2024 16:41 GMT+1)
Amir Rasekh
Director
12 September 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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, including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are required by law to 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, that comply with law and those regulations.

By order of the Board:

Helen Neely (Sep 12, 2024 12:08 GMT+1)
Helen Neely
Director
12 September 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NECTAR 360 LIMITED

Opinion

We have audited the financial statements of Nectar 360 Limited for the 52 week period ended 02 March 2024 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards [including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 02 March 2024 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the United Kingdom Accounting Standards including FRS 101 "Reduced disclosure framework", the Companies Act 2006 and relevant UK tax compliance regulations.
- We understood how Nectar 360 Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, internal audit reports and through consideration of results of our audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of those responsible for legal and compliance procedures, internal audit, and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and financial statements with all applicable reporting requirements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young LLP
8996C57A753B45A...

Tom Sanders
for and on behalf of Ernst & Young LLP, Statutory auditor
Aberdeen, United Kingdom
12 September 2024

Statement of comprehensive income
For the 52 weeks ended 2 March 2024

	Note	2024 £000	2023 £000
Revenue		**46,326**	45,907
Cost of sales		**(13,720)**	(12,619)
Gross profit		**32,606**	33,288
Administrative expenses	4, 5, 6	**(8,261)**	(9,467)
Operating profit		**24,345**	23,821
Profit before income tax		**24,345**	23,821
Tax expense	8	**(3,928)**	(4,625)
Profit for the financial year		**20,417**	19,196

All of the Company's operations are continuing.

The accompanying notes on pages 12 to 18 form an integral part of these financial statements.

Statement of financial position
As at 2 March 2024

	Note	2024 £000	2023 £000
Non-current assets			
Deferred tax assets	8	**3,199**	3,534
Intangible assets	9	**2,088**	2,671
		5,287	6,205
Current assets			
Trade and other receivables	10	**336,472**	249,918
Cash and cash equivalents		**2,863**	1,660
		339,335	251,578
Total assets		**344,622**	257,783
Current liabilities			
Deferred revenue		**(276,694)**	(289,524)
Trade and other payables	11	**(93,874)**	(14,839)
Corporation tax		**(8,475)**	(8,258)
		(379,043)	(312,621)
Net current liabilities		**(39,708)**	(61,043)
Net liabilities		**(34,421)**	(54,838)
Equity			
Called up share capital	12	**82**	82
Share premium account	13	**30,632**	30,632
Capital contribution	14	**-**	1,001
Retained earnings		**(65,135)**	(86,553)
Total Equity		**(34,421)**	(54,838)

These financial statements on pages 9 to 18 were approved by the Board of Directors on 12 September 2024 and were signed on its behalf by:

Helen Neely (Sep 12, 2024 12:08 GMT+1)

Helen Neely
Director

The accompanying notes on pages 12 to 18 form an integral part of these financial statements.

Statement of changes in equity
For the 52 weeks ended 2 March 2024

	Called up Share Capital £000	Share Premium Account £000	Capital Contribution £000	Accumulated Losses £000	Total Equity £000
Balance at 5 March 2022	82	30,632	1,001	(105,749)	(74,034)
Profit for the financial year				19,196	19,196
Total comprehensive expense	82	30,632	1,001	(86,553)	(54,838)
Balance at 4 March 2023	**82**	**30,632**	**1,001**	**(86,553)**	**(54,838)**
Profit for the financial year				**20,417**	**20,417**
Capital contribution redistribution			**(1,001)**	**1,001**	**-**
Total comprehensive expense	**82**	**30,632**	**-**	**(65,135)**	**(34,421)**
Balance at 2 March 2024	**82**	**30,632**	**-**	**(65,135)**	**(34,421)**

The accompanying notes on pages 12 to 18 form an integral part of these financial statements.

Notes to the financial statements

1 General Information

Nectar 360 Limited ("the Company") is incorporated and domiciled in the UK and manages the Nectar customer loyalty rewards programme. The address of its registered office is 33 Holborn, London, United Kingdom EC1N 2HT.

The Company is wholly owned by J Sainsbury plc who is the ultimate parent company and controlling party. The immediate parent company and controlling party is Nectar EMEA Limited. The current financial period represents the 52 weeks ended 2 March 2024 while the comparative period represents the 52 weeks ended 4 March 2023.

2 Accounting Policies

Basis of preparation
The Company's financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of adopted International Financial Reporting Standards (IFRS).

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

- a cash flow statement.
- related party transactions.
- comparative information in respect of certain assets.
- valuation assumptions and techniques.
- revenue.

The financial statements are presented in sterling, rounded to the nearest thousand ('£000') unless otherwise stated. They have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

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

The accounting policies have remained unchanged from those disclosed in the Financial Statements for the year ended 4 March 2023.

Going concern
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. The ultimate parent company, J Sainsbury plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. Thus, they 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.

Revenue
The Company derives its revenue primarily from the issuance of Nectar points to collectors and programme support fees (PSF) received from partners. The consideration received from partners on the sale of Nectar points is deferred and recognised as revenue either upon the redemption of Nectar points by collectors or in accordance with the accounting policy for breakage.

Revenue that is recognised once the Nectar points have been redeemed in exchange for rewards is calculated based on the weighted average revenue per point from historical consideration received and applied to the number of Nectar points redeemed in a given year. The revenue arising from these transactions is presented net of the related redemption costs as the Company is considered to be an agent rather than a principal.

Breakage represents management's estimate of points issued that will never be redeemed. As points issued under the programme do not expire, such estimates are subject to uncertainty. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, and adjusted for changes to any terms and conditions that may affect members' redemption patterns.

Breakage revenue is recognised as points are redeemed by members. The breakage estimate is applied to the total consideration received on the sale of Nectar points to ascertain the amount of revenue and points to be deferred in respect of breakage. This deferred breakage revenue is then recognised by applying the number of points redeemed in a period as a percentage of those outstanding points deferred which are anticipated to redeem.

A change in the breakage estimate is accounted for prospectively within revenue.

PSF are disaggregated against individual performance obligations. These fees are recognised on a straight-line basis over the term of the agreement with the relevant party.

Contract assets
Contract assets relate to the incremental costs of obtaining and completing a contract with a customer. Under IFRS 15 these costs are capitalised and deferred over the period to which performance obligations are performed and revenue is earned. Judgement is applied by management when determining what costs qualify to be capitalised, in particular whether these costs are incremental and whether they are expected to be recoverable.

Deferred revenue
Deferred revenue represents the gross consideration received from the sale of Nectar points to its Partners, being commercial partners that purchase coalition loyalty services. As the Company acts as agent in the provision of redemption services to customers any margin earned is recognised as revenue rather than the gross amount included in deferred revenue.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation.

Intangible work in progress is held at cost less any recognised provision for impairment. Intangible work in progress is not amortised.

Internally generated computer software is capitalised and depreciated from the date of completion of the project. Amortisation is calculated on a straight line basis over the estimated useful lives of the related assets as follows:

Computer Software	3 financial periods

Impairment of non-financial assets
Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash generating units'). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets
Classification
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.

Impairment of financial assets
Loan loss impairments are accounted for using a forward-looking expected credit loss (ECL) approach in line with IFRS 9. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. For trade receivables, the Company establishes provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted on an active market.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Cash & Cash equivalents
Cash and cash equivalents comprise cash in hand, current accounts with banks, and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the financial statements.

Trade & other receivables
Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Other receivables comprise deposits and advances to suppliers.

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 under IFRS 9, with adjustments for factors specific to each receivable.

Trade & other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred taxation
Taxation provided is that chargeable on the profits, together with deferred taxation.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised in the near term.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currencies
Transactions denominated in foreign currencies are translated using the rate of exchange in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any exchange gains and losses arising are taken to the statement of comprehensive income.

3 Significant accounting judgements, estimates as assumptions

The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Those which are significant to the Company are discussed separately below:

The areas where assumptions and estimates are significant to the financial statements are as described below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

a) Breakage estimation

The estimate that has a significant risk of causing a material adjustment to the carrying amounts and liabilities within the current financial year is the breakage estimation.

Breakage represents management's estimate of points issued that will never be redeemed. As points issued under the programme do not expire, such estimates are subject to uncertainty. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, and adjusted for changes to any terms and conditions that may affect members' redemption patterns. A change in the breakage estimate is accounted for prospectively within revenue.

In the period ended 4 March 2023, the breakage estimate was reviewed once again and increased by 0.06%, resulting in a corresponding decrease in the deferred liability balance by £2.7m.

If the breakage estimate used in determining the deferred revenue for the Company had been 1% lower, the deferred points liability would have been £48 million higher. If the breakage estimate had been 1% higher, the deferred points liability would have been £45 million lower.

4 Administrative, sales and marketing expenses

	2024	2023
	£000	£000
Employee costs	**5,262**	5,801
Depreciation and amortisation	**1,872**	2,324
Professional fees, recruitment, travel and other contractor costs	**1,127**	1,342
	8,261	9,467

5 Auditor remuneration

	2024	2023
	£000	£000
Audit of the financial statements	**23**	23
	23	23

6 Employee costs

	2024	2023
	£000	£000
Wages and salaries	**4,698**	3,908
Social security costs	**371**	1,273
Pension costs - defined contribution schemes	**193**	620
	5,262	5,801

The average number of full-time employees employed by the Company during 2024 was 252 (2023: 228).

7 Directors emoluments

The Directors of the Company did not receive any remuneration for services to the Company for the financial period ended 2 March 2024 (2023: £nil) as these are borne by other J Sainsbury plc group companies.

8 Income tax

	2024	2023
	£000	£000
Current tax		
Current tax charge for the year	**4,948**	4,276
Adjustment in respect of previous years	**(1,355)**	-
	3,593	4,276
Deferred tax		
Origination and reversal of temporary differences	**333**	251
Adjustment in respect of previous years	**2**	19
Impact of change in tax rate on opening balance	**-**	79
	335	349
Income tax charge	**3,928**	4,625

The effective tax rate is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2024	2023
	£000	£000
Profit before income tax	**24,345**	23,821
Tax calculated at applicable UK tax rate of 24.6% (2023: 19%)	**5,977**	4,526
Effects of underlying items:		
Adjustments in respect of prior years	**(1,353)**	19
Impact of change in tax rate on opening balance		79
Transfer pricing	**(696)**	-
	3,928	4,624

Deferred tax

The analysis of the deferred tax asset is as follows:

	Accelerated capital allowances	**Leases**	**Total**
At 5 March 2022	3,868	15	3,883
Prior year adjustment to statement of comprehensive income	(19)	-	(19)
Charge to statement of comprehensive income	(251)	-	(251)
Rate change adjustment to statement of comprehensive income	(79)	-	(79)
At 4 March 2023	**3,519**	**15**	**3,534**
Prior year adjustment to statement of comprehensive income	(2)	-	(2)
Charge to statement of comprehensive income	(333)	-	(333)
As 2 March 2024	**3,184**	**15**	**3,199**

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

9 Intangible assets

	Computer software
Cost	**£000**
At 4 March 2023	28,344
Additions	1,288
At 2 March 2024	**29,632**
Accumulated Amortisation	
At 4 March 2023	25,672
Charge for the period	1,872
At 2 March 2024	**27,544**
Net Book Value	
At 4 March 2023	2,672
At 2 March 2024	**2,088**

	2024	2023
	£000	£000
Capital work-in-progress included above	**-**	54

10 Trade and other receivables

	2024	2023
	£000	£000
Trade receivables	**8,447**	17,697
Other receivables	**2,595**	5,058
Prepayments and accrued income	**505**	-
Contract costs	**109**	465
Amounts owed by ultimate Parent Company	**-**	300
Amounts owed by Group entities	**324,816**	226,398
	336,472	249,918

The amounts owed by the ultimate Parent Company and Group Entities are unsecured, repayable on demand and non-interest bearing. The carrying value is denominated in sterling and is consistent with the fair value. Amounts owed by Group companies are not considered overdue or impaired.

Contract costs are recognised after amortisation of £1,375,000 (2023: £1,000,000).

11 Trade and other payables

	2024	2023
	£000	£000
Trade payables	**4,578**	4,038
Other payables	**151**	73
Accruals	**10,450**	10,191
Amounts due to Group entities	**8,898**	537
Amounts owed to ultimate Parent Company	**69,797**	-
	93,874	14,839

The amounts owed to group entities are unsecured, repayable on demand and are non-interest bearing. The carrying value is denominated in sterling and is consistent with the fair value.

12 Called up share capital

	2024	2023
	£000	£000
Authorised, allotted and full paid:		
8,158,060 (2023: 8,158,060) Ordinary shares of £0.01 each	**82**	82

Share capital relates to the nominal value of issued share capital. During the financial period the company has not issued any share capital (2023: nil).

13 Share premium account

	2024	2023
	£000	£000
Share premium	**30,632**	30,632

Share premium relates to the consideration received for share capital in excess of the nominal value of shares.

14 Capital contribution

	2024	2023
	£000	£000
Capital contribution	**-**	1,001

Capital contributions represent the capital contributed to the Company in respect of its employees participating in share based compensation schemes.

The capital contribution has been transferred to retained earnings during the period.