Registered Number 01081551

Argos Limited
Annual Report and Financial Statements

For the 52 weeks ended 2 March 2024

Argos Limited
Strategic report
for the 52 weeks ended 2 March 2024

Principal activities

Argos Limited (the "Company") is a retailer of general merchandise products for the home, which are available on its website www.argos.co.uk. Customers can purchase products through its network of stores, online and over the phone, with the option of picking them up from a store or having them delivered to their home. The Company is one of the main operating companies within the J Sainsbury plc group (the "Group").

A full review of the business, strategy and the business model can be found in the 2024 Annual Report and Financial Statements of J Sainsbury plc (the Group Annual Report), the parent undertaking, on the following website:www.about.sainsburys.co.uk/ar2024.

Review of the business and future developments

The Company sells general merchandise and products for the home and is recognised for choice, value and convenience. The Company is a multi-channel retailer in that it offers its customers a number of convenient ways in which they can purchase their products. The Company is taking advantage of developments in technology that have brought about a fundamental and permanent shift in the way its customers shop. The successful internet and mobile channels help make the Company a market leader in multi-channel retailing. This is supported with a national network of 1,129 stores and collection points which provide customers with local pick-up points, giving the Company both digital leadership and local presence. This provides a continued competitive advantage over the pure-play internet competitors. The results and dividends are discussed on page 5.

Revenue for the Company increased by 2% to £4,225,449,000 (2023: £4,155,979,000), which was driven by an increase in sales for Argos store in store and collection point sales, offset by a decrease in sales generated by standalone stores. The Company generated an underlying loss before tax of £13,417,000 (2023: profit of £69,802,000). This was driven by lower general merchandise margins, reflecting higher promotional sales participation in tough trading conditions and the impact of margins of lower sales in higher margin seasonal categories. Profit before tax of the Company is £37,345,000 (2023: £27,776,000) and profit after tax for the year is £29,014,000 (2023: £31,432,000).

Underlying profit before tax is an Alternative Performance Measure which is reconciled to statutory profit before tax in note 6.

Net assets of the Company were £453,728,000 (2023: £499,379,000). The decrease was predominantly as a result of a return of capital from Argos Distributors Ireland Limited, a wholly owned subsidiary of the Company which decreased investments in subsidiaries to £215,240,000 (2023: £354,506,000). The net retirement benefit surplus in the Company also decreased to £153,479,000 (2023: £232,579,000) as a result of remeasurement losses recognised within other comprehensive income.

Section 172 Statement

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 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 22 to 29 of the Group Annual Report.

Wates Corporate Governance Principles

The Company's governance and business decisions are integrated with the Group. For the year ended 2 March 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (Principles). The Company's parent Company, J Sainsbury plc, has complied in full with the Principles and Provisions of the UK Corporate Governance Code 2018.

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

Principle 1 - Purpose and leadership

The Company has adopted the Group's purpose and values which have been embedded throughout the business. Details of the strategic priorities and the Group's progress against them can be found on pages 8 to 17 of the 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 22 to 29 of the Group Annual Report.

Principle 2 - Board composition
The day-to-day management and governance of the Argos business is integrated within the Group governance structure. The Board currently consists of three directors who are also members of the Group Operating Board.

The Group Operating Board concentrates on the day-to-day management of the Group, including the business of the Company, and the execution of strategy set out by the Board of J Sainsbury plc. It also oversees the business of the Company, providing constructive challenge and ensure efficient decision making. The Company's Board size, structure and succession planning is constantly reviewed to ensure it aligns with the Group's needs 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 Operating Board provide clear and committed leadership and accountability of our inclusion agenda, with members of the Operating 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 Operating Board agenda to ensure ongoing progress and focus.

Principle 3 - Director Responsibilities
The current Directors of the Company are Blathnaid Bergin, Graham Biggart and Mark Given. Their responsibilities are detailed in their biographies on our website https://about.sainsburys.co.uk/about-us/our-management#operating-board.

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. The Committees include the Group Operating Board, Business Performance Review, Group Data Governance Committee, Group Safety Committee, Plan for Better Steering Committee and the Customer, Commercial and Channels Forum. For more information about these Group Committees, see page 74 of the Group Annual Report.

Principle 4 - Opportunity and Risk
Details of the Group's business model can be found on pages 8 and 9 of the 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 53 to 61 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 98 in the 2024 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 Argos's success.

The Group Board 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 99 to 117 of the 2024 Group Annual Report.

Principle 6 – Stakeholder relationships and engagement
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 Board at each meeting.

Argos Limited
Strategic report (continued)
for the 52 weeks ended 2 March 2024

The disclosure below provides further detail on how the Board has 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 Group Annual Report on page 74.
Customers Within Argos, we have 19 million active customers, and the website is the fourth most visited online retailer in the UK.	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 Goods For Resale (GFR) suppliers are fundamental to the quality and variety of products we sell and enable us to meet the high standards that we set ourselves. Our Goods Not For Resale (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. • 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 with suppliers.
Communities We play an active role in our communities, supporting them through charitable endeavours and generating a positive impact on our communities worldwide.	The Company's community activities are integrated within the Group's activities. Regular updates on our community strategy are provided to the Group Corporate Responsibility and Sustainability Committee and the Group Board. Customer and colleague feedback provided the Board with valuable information on how we can best support our customers and local communities, particularly in relation to household financial challenges.

Further details on how the Group engaged with its stakeholders, can be found in the Annual Report on pages 22-29.

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 2 March 2024 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 53 to 61 of the Group Annual Report, which does not form part of this report.

Financial Risk Management

The Group operates a centralised treasury function which is responsible for managing the market risk (foreign exchange and interest rate risk), credit risk and liquidity risks associated with the Group's activities. These activities include those of the Company. The Group operates a structured risk management process which identifies, evaluates and prioritises risks and uncertainties.

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).

The Group's treasury function seeks to reduce exposures to foreign exchange, interest rate and other financial risks, and to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Policies and procedures are subject to review and approval by the Group's Board of Directors as well as subject to internal audit review.

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

a. 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 is subject to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro.

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 probably future cash flows, which may be either contracted or un-contracted are hedged on a layered basis using foreign currency forward contracts and Group Treasury is responsible for managing the net position in each foreign currency.

b. Interest rate and credit risk
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.

The Company monitors its group receivable balances on an ongoing basis with any provision for impairments made as required.

The Company's treasury transactions are managed centrally by the Group treasury function. The Group's exposure to credit risk with regard to treasury transactions is managed by dealing only with major banks and financial institutions. Dealing activity is closely controlled and counterparty positions are monitored on a regular basis. Foreign exchange counterparty limits are set for each organisation on a scale based on credit rating and maturity period.

Further details of the Group cash management policy are set out in note 3.17 on page 146 of the Group Annual Report.

c. 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 uses financial derivatives to hedge diesel exposures on a layered basis using contracts for difference.

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. Cash flow forecasts are produced to assist management in identifying future liquidity requirements. The Group's liquidity policy sets a minimum funding headroom of £500 million in excess of forecast funding requirements over a rolling 12-month time horizon. The Group manages its liquidity risk by maintaining a core of long-dated borrowings, pre-funding future cash flow commitments and holding contingent committed credit facilities.

Financial Risk Management (continued)

The Group maintains a contingent committed revolving credit facility of £1 billion. The £1 billion facility is split into two facilities, a £500 million Facility (A) maturing in December 2028 and a £500 million Facility (B) has a final maturity of December 2027. As at 2 March 2024, £nil had been drawn (2023: £nil).

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 44 to 45 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 30 to 43 of the Group Annual report, which does not form part of this report.

Task Force on Climate-related Financial Disclosures (TCFD)

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 30 to 43 of the annual report.

By the order of the Board

Graham R. Biggart

Graham Biggart
Director
6 September 2024

Argos Limited
Directors' report
for the 52 weeks ended 2 March 2024

The Directors present their report and the financial statements of the Company for the 52 weeks ended 2 March 2024 ("the year") (Prior year: 52 weeks ended 4 March 2023).

Registered number

The registered number of the Company is 01081551.

Directors

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

M Given
B Bergin
P M Nickolds (resigned 10 February 2024)
G R Biggart (appointed 10 February 2024)

There were no other appointments or resignations in the year.

Secretary

Sainsbury's Corporate Secretary Limited

Dividends

The Directors do not recommend the payment of a final dividend (2023: £nil). The future developments and principal risks and uncertainties are discussed within the Strategic report on page 1.

Capital Reduction

On 28 February 2024, pursuant to section 641(1)(a) of the Companies Act 2006, the issued share capital of the Company was reduced from £624,559,930.75 to £250,000,000 (consisting of 1,000,000,000 issued ordinary shares of £0.25), by cancelling and extinguishing 1,498,239,323 of the existing issued ordinary shares. The amount by which share capital was reduced (£374,559,830,75) was credited to the Company's retained earnings.

Directors' indemnities

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.

Directors liability insurance

During the year and up to the date of approval of the financial statements the Company maintained liability insurance for its directors. 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 on pages 18 to 21 and 87 of the Group Annual Report, 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 Ethical Conduct 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 under the heading 'Corporate Responsibility and Sustainability Committee Report'. Further details can be found on pages 15 to 17 of the 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 (2023: £nil).

Financial risk management

This is discussed in the Strategic Report on page 4.

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 Company has received a letter of support from its ultimate parent Company, which confirmed their intention and ability to provide financial support to enable the Company to continue to trade for 12 months from the date of approval of these financial statements. Further information is included within note 2 of the financial statements.

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 pages 137 to 138. 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 person who is a Director at the date of approval of this report confirms that:

a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
b) the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Independent Auditors

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

By order of the Board

Graham R. Biggart

Graham Biggart
Director
6 September 2024

Argos Limited
Statement of Directors' responsibilities
for the 52 weeks ended 2 March 2024

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report and Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- 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 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 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.

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

Bláthnaid Bergin (Sep 6, 2024 11:45 GMT+1)

Blathnaid Bergin
Director
6 September 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARGOS LIMITED

Opinion

We have audited the financial statements of Argos Limited for the period ended 2 March 2024 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 23, including material accounting policy information. 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 2 March 2024 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 as applied to other entities of public interest, 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included.

How we evaluated management's assessment

- We understood the process undertaken by the directors to assess going concern.
- The Company is reliant on support from its parent, J Sainsbury plc. We have obtained and inspected the letter of support issued by the directors of J Sainsbury plc to the directors of the Company confirming their support for the period of 12 months after the date of issue of these financial statements.
- We have obtained the annual report and accounts of J Sainsbury plc for the 52-week period ended 2 March 2024 and reviewed the latest market announcements, trading updates and management accounts to further corroborate the financial position of J Sainsbury plc.
- We have made inquiries of the EY audit team which audits J Sainsbury plc to assess the ability of J Sainsbury plc to provide financial support to the Company until 6 September 2025. The Group audit team have performed the following procedures in relation to management's going concern assessment of J Sainsbury plc:
    - Obtained Group management's assessment prepared in September 2024 supporting their ability to provide the ongoing financial support pledged. This included assessing the adequacy of the going concern assessment to 6 September 2025 and considering the existence of any significant events or conditions beyond this period.
    - Assessed the completeness of the risks and uncertainties identified by Group management in relation to their going concern assessment. This included considering whether any new information had become available since the April 2024 assessment that may cast doubt on the Group's ability to continue as a going concern.
    - Confirmed the stress testing scenarios, and mitigation actions performed by management were still appropriate.
    - Performed additional audit procedures in respect of the period between 24 April 2024, the date of the audit opinion on the annual report and accounts of J Sainsbury plc for the 52-week period ended 2 March 2024, and the date of approval of these financial statements to determine whether there have been any changes that would require us to reconsider the conclusions of Group management.
    - Considered the actual trading performance subsequent to the Group's period end and compared to the budget used in the year-end assessment.
- We reviewed the Company's going concern disclosures included in the financial statements, in order to assess whether the disclosures were appropriate and in conformity with reporting standards.

Our key observations

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 12 months from when the financial statements are authorised for issue, given the ability to rely on parental support.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARGOS LIMITED (continued)

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 8, 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.

- 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" and the UK Companies Act 2006.

- We understood how Argos 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, as well as consideration of the results of our audit procedures.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making an assessment of the key fraud risks to the Company and the manner in which such risks may manifest themselves in practice, based on our previous knowledge of the Company as well as an assessment of the current business environment. We identified a risk in relation to management override of controls to recognise supplier income amounts and cut-off for fixed supplier income amounts. We also identified a fraud risk of management override of controls in relation to manual adjustments to revenue. Our audit procedures included testing, on a sample basis, agreements, settlements, and underlying calculations of arrangements with suppliers and testing appropriateness of journal entries meeting pre-defined criteria and impacting revenue.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing manual journals, with a focus on journals posted to revenue and journals indicating large or unusual transactions based on our understanding of the business, enquiries of legal counsel, Internal audit and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the account with all applicable reporting requirements. If any instances of non-compliance with laws and regulations were identified, we performed sufficient and appropriate audit procedures, as necessary.

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.

Ernst + Young LLP

Amy Winepress (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
6 September 2024

Argos Limited
Income statement
For the 52 weeks ended 2 March 2024

	Note	2024 £000	2023 £000
Revenue		**4,225,449**	4,155,979
Cost of sales		**(4,055,745)**	(3,898,483)
Impairment of financial assets		**185**	-
Gross profit		**169,889**	257,496
Administrative expenses		**(247,576)**	(234,477)
Other income		**116,328**	8,611
Operating profit		**38,641**	31,630
Finance income	7	**8,459**	6,072
Finance costs	7	**(9,755)**	(9,926)
Profit before tax		**37,345**	27,776
Analysed as:			
Underlying (loss)/profit before tax		**(13,417)**	69,802
Non-underlying items	6	**50,762**	(42,026)
		37,345	27,776
Income tax (expense)/credit	8	**(8,331)**	3,656
Profit for the financial year		**29,014**	31,432

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

	Note	52 weeks to 2 March 2024 £000	52 weeks to 4 March 2023 £000
Profit for the financial year		**29,014**	31,432
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes		**(85,700)**	56,810
Cash flow hedges fair value movements – inventory hedges		**(33,789)**	6,954
Current tax relating to items not reclassified		**-**	33,423
Deferred tax relating to items not reclassified	8	**18,800**	(170,190)
		(100,689)	(73,003)
Items that may be subsequently reclassified to the income statement			
Cash flow hedges fair value movements - non-inventory hedges		**(1,920)**	(17,534)
Items reclassified from cash flow hedge reserve		**3,520**	10,643
Deferred tax on items that may be reclassified	8	**4,701**	2,319
		6,301	(4,572)
Total other comprehensive loss for the year (net of tax)		**(94,388)**	(77,575)
Total comprehensive loss for the year		**(65,374)**	(46,143)

The notes on pages 15 to 41 form an integral part of these financial statements.

Argos Limited
Statement of financial position
As at 2 March 2024

Registered Number: 01081551

	Note	2 March 2024 £000	4 March 2023 £000
Non-current assets			
Property, plant and equipment	10	**180,299**	195,609
Right-of-use assets	11	**254,611**	282,878
Intangible assets	9	**54,045**	53,361
Investments in subsidiaries	12	**215,240**	354,506
Trade and other receivables	14	**804,991**	7,412
Derivative financial assets		**121**	1,342
Net retirement benefit surplus	18	**153,479**	232,579
Deferred tax asset	8	**-**	31,965
		1,662,786	1,159,652
Current assets			
Inventories	13	**701,238**	692,301
Trade and other receivables	14	**507,514**	3,217,175
Derivative financial assets		**1,014**	28,466
Cash and cash equivalents	15	**128,517**	81,464
		1,338,283	4,019,406
Total assets		**3,001,069**	5,179,058
Current liabilities			
Trade and other payables	16	**(2,057,010)**	(4,069,588)
Borrowings		**(506)**	(733)
Lease liabilities	11	**(63,612)**	(80,454)
Derivative financial liabilities		**(12,924)**	(6,270)
Taxes payable		**(37,054)**	(67,690)
Provisions	17	**(36,366)**	(33,554)
		(2,207,472)	(4,258,289)
Net current liabilities		**(869,189)**	(238,883)
Non-current liabilities			
Trade and other payables		**(239)**	-
Lease liabilities	11	**(275,004)**	(297,723)
Derivative financial liabilities		**(1,252)**	(3,069)
Deferred tax liability	8	**(7,500)**	(57,855)
Provisions	17	**(55,874)**	(62,743)
		(339,869)	(421,390)
Total liabilities		**(2,547,341)**	(4,679,679)
Net assets		**453,728**	499,379
Equity			
Called up share capital	19	**250,000**	624,560
Share premium		**51,733**	51,733
Other reserves		**(7,100)**	6,868
Retained earnings		**159,095**	(183,782)
Total equity shareholders' funds		**453,728**	499,379

The financial statements on pages 12 to 41 were approved by the Board of Directors and were signed on their behalf by:

The notes on pages 15 to 41 form an integral part of these financial statements.

Bláthnaid Bergin
Bláthnaid Bergin (Sep 6, 2024 11:45 GMT+1)

B Bergin, Director
6 September 2024

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

	Called up share capital £000	**Share premium £000**	**Other reserves £000**	**Retained earnings £000**	**Total equity £000**
At 5 March 2023	**624,560**	**51,733**	**6,868**	**(183,782)**	**499,379**
Profit for the financial year	-	-	-	**29,014**	**29,014**
Other comprehensive loss	-	-	**(32,189)**	**(85,700)**	**(117,889)**
Tax relating to other comprehensive loss	-	-	**4,701**	**18,800**	**23,501**
Total comprehensive loss for the financial year ended 2 March 2024	-	-	**(27,488)**	**(37,886)**	**(65,374)**
Cash flow hedges gains transferred to inventory	-	-	**13,520**	-	**13,520**
Transactions with owners:					
Share-based payment	-	-	-	**6,232**	**6,232**
Share capital reduction	**(374,560)**	-	-	**374,560**	-
Tax on items charged to equity	-	-	-	**(29)**	**(29)**
At 2 March 2024	**250,000**	**51,733**	**(7,100)**	**159,095**	**453,728**

Refer to Note 19 for further details regarding the Share Capital reduction.

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 6 March 2022	624,560	51,733	20,716	(88,609)	608,400
Profit for the financial year	-	-	-	31,432	31,432
Other comprehensive income/(loss)	-	-	49,919	(170,190)	(120,271)
Tax relating to other comprehensive income/(loss)	-	-	2,319	40,377	42,696
Total comprehensive income/(loss) for the financial year end 4 March 2023	-	-	52,238	(98,381)	(46,143)
Cash flow hedges losses transferred to inventory	-	-	(66,086)	-	(1,177)
Transactions with owners:					
Share-based payment	-	-	-	1,605	1,605
Tax on items charged to equity	-	-	-	676	676
Other	-	-	-	927	927
At 4 March 2023	624,560	51,733	6,868	(183,782)	499,379

The notes on pages 15 to 41 form an integral part of these financial statements.

Argos Limited
Notes to the financial statements
For the 52 weeks ended 2 March 2024

1. GENERAL INFORMATION

Argos Limited (the Company) is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered address is 33 Holborn, London, United Kingdom EC1N 2HT, and is part of the J Sainsbury plc Group ("Group").

The financial year represents the 52 weeks to 2 March 2024 (prior financial year 52 weeks to 4 March 2023).

2. BASIS OF PREPARATION

The financial statements are presented in pound sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historic cost convention modified for the revaluation of certain financial instruments, share-based payments and post-employment benefits. The principal accounting policies applied in the preparation of these financial statements are set out in note 3. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

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).

The Company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has adopted the intermediate parent exemption under section 400 of the Companies Act 2006, whereby it is not required to prepare consolidated financial statements as the ultimate parent company prepares publicly available consolidated financial statements in accordance with IFRS.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present a cash flow statement.
- The requirements of paragraph 17 and 18A of IAS 24, Related Party Transactions, to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries.
- The requirements of IFRS 7 and IFRS 13 for disclosure of financial instruments and fair values.
- The requirement of IAS 1 to present comparative information in respect of property, plant and equipment and intangible assets.
- The requirements of IAS 36 to disclose assumptions, the effect of changes in assumptions and valuation techniques.
- The requirements of IFRS 15 to disclose the disaggregation of revenue.
- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment

Changes in accounting standards

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

In respect of IFRS 17 Insurance Contracts, which became effective for the current financial year, an assessment was made as to whether any of the Company's arrangements met the definition of an insurance contract. While some contracts may transfer an element of insurance risk, they relate to warranty agreements and therefore will continue to be accounted for under the existing revenue and provisions standards.

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

The preparation of financial statements in conformity with FRS 101 requires the use of 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. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting policies of the Company are described in further detail below.

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 parent company, J Sainsbury plc, has confirmed it will provide financial support to assist the Company for a period of at least 12 months from the date of approval to repay its liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities. 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 pages 62 to 63 and 137 to 138.

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 over three years, with a further two years of indicative movements.

In assessing going concern, scenarios in relation to the Group's principal risks have been considered in line with those disclosed in the statement of viability on page 62 of the Group Annual report, by overlaying them into the corporate plan and assessing the impact on cash flows, net debt and funding headroom. These severe but plausible scenarios included modelling inflationary pressures on both food margins and general recession-related risks, the impact of any regulatory fines, and the failure to deliver planned cost savings.

2. BASIS OF PREPARATION (continued)

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.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The resulting accounting estimates, which are based on management's best judgement at the date of the financial statements, will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods where appropriate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Sources of estimation uncertainty

Pensions and post-employment benefits

Assets
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 c.5 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. A roll-forward is therefore required to be performed for these valuations, adjusting for cash received or paid and applying the changes seen in relevant liquid indices. The valuation of these assets is sensitive to the indices used and sensitivity to these changes is set out in note 18.

Liabilities
The present value of the scheme's liabilities recognised at the balance sheet date and the net financing charge recognised in the income statement are dependent on the discount rate applied which is derived from the expected yields on high quality corporate bonds over the duration of the Company's pension scheme. High quality corporate bonds are those which at least one of the main rating agencies considers to be at least AA (or equivalent).

Other key assumptions within this calculation are based on market conditions or estimates of future events, including mortality rates, as set out in note 18. The carrying value of the retirement benefit obligations will be impacted by changes to any of the assumptions used, however is most sensitive to changes in the discount rate. Sensitivities are included in note 18.

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.

Discount rate of lease liabilities
Lease liabilities are measured at the present value of lease payments to be made over the lease term, discounted using the IBR at the lease commencement date (for additions) or at the lease modification date (for modifications).

The discount rate used to calculate the lease liability is the rate implicit in the lease if it can be readily determined, or the Group's incremental borrowing rate (IBR) if not.

The IBRs depend on the start date and term of the lease, and are determined based on a number of inputs including a reference (risk free) rate and adjustments to reflect the Group's credit risk. The reference rates are based on UK overnight swap rates and the credit risk adjustments are based on the prices of instruments issued by the Group and quoted credit default swaps ('CDS').

2. BASIS OF PREPARATION (continued)

Provisions

Provisions were previously disclosed as a significant estimate. However, following a review in the current year, the sensitivity to cash flow assumptions based on a reasonable possible change is no longer considered significant/material.
Details of provisions are set out in note 17.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Lease term
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.

Non-underlying items

In order to provide additional insight into the underlying performance of the business, certain items are excluded from the Company's underlying results and presented as 'profit before non-underlying items' on the face of the income statement. This is consistent with how the performance of the Company is reviewed by management. Determining which items are to be adjusted requires judgement, and considers both the nature and scale of the item, as well as the circumstances surrounding it. Reversals of prior non-underlying items are considered based on the same criteria.

Profit before non-underlying items is not defined by International Financial Reporting Standards and is one of the APMs used by the Company. Therefore it may not be directly comparable with adjusted measures of other companies.

Further information on non-underlying items included in the Company's income statement are included in note 6.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services to external customers, net of value added tax, rebates, discounts and expected returns. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue on goods to be delivered is recognised when the customer receives delivery of the goods. The Company operates a variety of sales promotion schemes that give rise to goods being sold at a discount to the standard retail price. Commissions receivable on the sale of services for which the Company acts as agents are included within revenue. All revenue arises in the United Kingdom.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the profit and loss account with the exception of differences on transactions that are subject to effective cash flow hedges. Translation differences on non-monetary items are reported as part of the fair value gain or loss and are included in either equity or the profit and loss account as appropriate.

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition of a business over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purposes of impairment testing, goodwill is allocated to the cash-generating unit (CGU). The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to dispose. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not subsequently reversed.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

Other intangible assets

Certain costs incurred in the developmental phase of an internal project are capitalised as intangible assets provided that a number of criteria are satisfied. These include the technical feasibility of completing the asset so that it is available for use or sale, the availability of adequate resources to complete the development and how the asset will generate probable future economic benefit.

The cost of other intangible assets with finite useful economic lives is amortised over that period. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If impaired, they are written down to the higher of fair value less costs to sell and value-in-use.

Brands
Acquired brands have a finite useful life and are initially recognised at their fair value at the date of acquisition and subsequently held at cost less accumulated amortisation. Amortisation is calculated to spread the cost of the brands over their estimated useful lives of 10 years on a straight-line basis. This amortisation method reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are held at cost and are amortised on a straight-line basis over three to five years. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to ten years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, Plant and Equipment

Property, Plant and Equipment (PPE) are held at cost being the purchase price and other costs directly attributable to bringing the asset into use less accumulated depreciation and any impairment in value. An impairment charge is recognised where the carrying value of the asset exceeds its recoverable amount, being the higher of the asset's fair value less costs to sell and its value-in-use. Value-in-use calculations are performed using cash flow projections discounted at a rate taking account of the specific risks inherent within the Company's business.

Depreciation is charged on a straight-line basis as follows:

- Freehold properties are depreciated over 50 years;
- Leasehold premises are depreciated over the period of the lease;
- Plant and equipment are depreciated over 2 - 10 years according to the estimated life of the asset;
- Land is not depreciated; and
- Assets under the course of construction are not depreciated.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments

Investments are included in the balance sheet at cost. Where appropriate, a provision is made for any impairment in their value.

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.

Right-of-use assets

Right-of use-assets are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any subsequent remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial costs incurred, and lease payments made at or before the commencement date less any incentives received.

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. Right-of-use assets are subject to impairment.

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 majority of the Company's leases are discounted using the IBR.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 reference rates are based on UK overnight swap rates and the credit risk adjustments are based on the prices of instruments issued by the Company and quoted credit default swaps ("CDS"). IBRs are determined quarterly.

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.

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.

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 increased to reflect the accretion of interest and reduced for the lease payments made. In addition, 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, 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 short-term lease recognition exemption to those leases that have lease a 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, that are considered uniformly low value (i.e. below £5,000). Lease payments on short-term leases and leases of low value assets are expensed to the income statement, as well as costs relating to variable lease payments, dependent on performance of usage and 'out of contract' payments.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the balance sheet, with the cost of unrecoverable trade receivables recognised in the profit and loss account immediately.

Inventory

Inventory is stated at the lower of cost and net realisable value. The cost basis in use within the Company are general retail goods valued on a standard cost or weighted average basis which approximates to actual cost. Commercial income received in respect of specific inventory is treated as a reduction in the cost of this inventory. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost includes all direct expenditure and other appropriate costs incurred in bringing inventory to its present location and condition. The costs also include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to their purchase.

Cash and Cash Equivalents

Cash and Cash Equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year. They are recognised initially at fair value and subsequently remeasured at amortised cost.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that temporary differences can be utilised either through future profits generated by the Company or through being made available via group relief.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions

Provisions are recognised when:
- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments

of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain.

Provisions are made for property provisions, including onerous lease contracts for stores that have closed or where a decision to close has been announced, and for those stores where the projected future trading income is insufficient to cover the lower of exit cost or value-in-use. Provisions for other costs and income on store closures are recognised where such an outflow or inflow is likely.

Provisions are also made for the estimated cost of insurance claims incurred by the Company but not settled at the balance sheet date, restructuring costs and other liabilities.

Pensions and post-employment benefits

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income.

The Company also contributes to the defined contribution Home Retail Group Personal Pension Plan. The scheme is funded by contributions partly from the employee and partly from the Company at rates determined in accordance with the scheme rules. The cost of these are charged to the profit and loss account during the year in which contributions are payable.

Financial instruments

The Company classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment and are included in current assets. Loans and receivables comprise trade and other receivables, cash and cash equivalents and current asset investments in the balance sheet.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

Accounting for derivative financial instruments and hedging activities

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as cash flow hedges.

The Company documents the relationship between hedging instruments and hedged items at the hedge inception, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. Movements on the hedging reserve in equity are shown in the Company's statement of comprehensive income.

Cash flow hedges
The cash flow hedges are intended to hedge the foreign currency exposures of the future purchases of inventory. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. Any gain or loss relating to the ineffective portion would be recognised immediately in the profit and loss account. The hedged cash flow is expected to occur up to 12 months into the future and will be transferred to the profit and loss account via stock carrying value as applicable.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the profit and loss account over the period to maturity.

Fair value estimation

The fair value of financial instruments traded in organised active financial markets is based on quoted market prices at the close of business on the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price. The fair value of financial instruments for which there is no quoted market price is determined by a variety of methods incorporating assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Share-based payments

The Company operates a number of equity-settled, share-based compensation plans. The fair value of the shares granted is recognised as an expense after taking into account the best estimate of the number of awards expected to vest. The vesting estimate is revisited at each balance sheet date. Non-market performance conditions are included in the vesting estimate. Expenses are incurred over the vesting period. Fair value is measured at the date of grant using whichever of the Black-Scholes or Monte Carlo models, or closing market price is most appropriate to the award. Market-based performance conditions are included in the fair value measurement on grant date and are not revisited for actual performance.

Profit before non-underlying items

In order to provide shareholders with additional insight into the underlying performance of the business, certain items are excluded from the Company's underlying results and presented as 'profit before non-underlying items' on the face of the income statement. This is consistent with how the performance of the Company is reviewed by management. Determining which items are to be adjusted requires judgement, and considers both the nature and scale of the item, as well as the circumstances surrounding it. Reversals of prior non-underlying items are considered based on the same criteria.

Profit before non-underlying items is not defined by International Financial Reporting Standards. Therefore it may not be directly comparable with adjusted measures of other companies.

Refer to note 6 which highlights the grouping in which non-underlying items have been allocated and provides further detail on why such items have been recognised within non-underlying items.

Argos Limited
Notes to the financial statements (continued)
For the 52 weeks ended 2 March 2024

4. OPERATING PROFIT

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

	Note	2024 £000	2023 £000
Employee costs	5	**490,624**	401,361
Depreciation expense	10,11	**107,228**	119,709
Amortisation expense	9	**22,391**	23,109
Foreign exchange (gains)/losses		**(10,848)**	15,417
Impairment charges	9, 10, 11	**4,901**	25,869

Fees payable to the Company's auditor for the audit of the Company are £44,250 (2023: £44,250).

5. EMPLOYEE COSTS AND EMPLOYEE NUMBERS

	2024 £000	2023 £000
Wages and salaries, including bonus and termination benefits	**452,405**	372,432
Social security costs	**22,412**	18,887
Pension costs – defined contribution schemes	**9,575**	8,437
Share-based payments expense	**6,232**	1,605
	490,624	401,361

The monthly average number of persons employed by the Company during the year including Directors and those employed on a part-time basis, was made up as follows:

Average number of employees, including Directors:	2024 Number	2023 Number
Full-time	**4,590**	3,939
Part-time	**7,387**	5,664
	11,977	9,603
Full-time equivalent	**7,731**	7,045

Argos Limited also employed three (2023: 10) full-time and two (2023: 16) full time equivalent employees, whose related employee costs are borne directly by Habitat Retail Limited.

All of the Directors are also employees of the ultimate parent company, J Sainsbury plc or other Group companies. The Directors' emoluments are borne by Sainsbury's Supermarkets Ltd, a Group company that makes no recharge to the Company. It is not possible to make an accurate apportionment of the Directors' emoluments as they serve as Directors to a number of Group companies. Accordingly, the income statement does not include emoluments in respect of the Directors.

6. NON-UNDERLYING ITEMS

		2024 £000	2023 £000
Restructuring programmes	a)	**(70,320)**	(20,244)
Impairment on non-financial assets		**-**	(25,869)
Non-underlying finance movements		**(278)**	(184)
IAS 19 pension income		**5,700**	4,271
Dividend income		**115,660**	-
Total non-underlying items		**50,762**	(42,026)

a) Included within Restructuring programmes in the current year are charges of £4,901,000 (2023: nil) relating to the impairment of non-financial assets which have arisen as part of Restructuring programmes.

6. NON-UNDERLYING ITEMS (continued)

Restructuring programmes

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

Impairment of non-financial assets

In line with IAS 36 'Impairment of Non-financial Assets', the Company is required to assess whether there are any indicators of impairment or reversals of impairment. No indicators were present in the current financial year which therefore resulted in no non-restructuring related impairments or reversals of impairment. In the prior financial year, the level of uncertainty within the wider macroeconomic environment, including sustained increases in the Bank of England gilt rate, represented an indicator of impairment. It was determined that the increase in discount rates was a significant impairment indicator and therefore a full impairment review was undertaken.

Non-underlying finance movements

Non-underlying finance movements include lease interest on impaired non-trading sites, including site closures. Lease interest on impaired, non-trading sites is excluded as they do not contribute to the operating activities of Argos.

Pensions

Defined benefit pension interest and expenses comprises pension finance income of £7.3 million and scheme expenses of £(1.6) million (see note 18). Although a recurring item, the Company has chosen to exclude net retirement benefit income and costs from underlying profit as, following closure of the defined benefit scheme to future accrual, it is not part of the ongoing operating activities of the Company and its exclusion is consistent with how the Directors assess the performance of the business.

Dividend Income

Intercompany dividends are excluded from underlying items as they are not considered part of the day-to-day activities of the business.

7. FINANCE INCOME/(COSTS)

	2024 **£000**	2023 £000
Fair value measurements	**-**	401
IAS 19 pension financing income	**7,300**	5,671
Finance income on net investment in leases	**299**	-
Interest on bank deposits	**860**	-
Finance Income	**8,459**	6,072
Borrowing costs:		
Provisions - amortisation of discount	**(4)**	(73)
Lease liabilities	**(9,751)**	(9,853)
Finance costs	**(9,755)**	(9,926)

Argos Limited
Notes to the financial statements (continued)
For the 52 weeks ended 2 March 2024

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Income statement

	52 weeks to 2 March 2024 £000	52 weeks to 4 March 2023 £000
Current year UK tax expense	**(184)**	(7,333)
(Under)/over provision in prior years	**(3,247)**	12,574
Total current tax (expense)/credit	**(3,431)**	5,241
Deferred tax credit:		
Origination and reversal of temporary differences credit	**(4,747)**	(451)
Under provision in prior years	**(66)**	(3,158)
Adjustment from changes in tax rates	**(87)**	2,024
Total deferred tax expense	**(4,900)**	(1,585)
Total income tax (expense)/credit in income statement	**(8,331)**	3,656

Factors affecting the tax charge
The effective tax rate for the year is lower (2023: lower) than the standard rate of corporation tax in the UK of 24.6% (2023: 19.0%). The differences are set out below:

	2024 £000	2023 £000
Profit before tax	**37,345**	27,776
Income tax at UK corporation tax rate of 24.6% (2023: 19.0%)	**(9,168)**	(5,277)
Effect of:		
Expenses not deductible for taxation purposes	**(1,198)**	3,083
Adjustments in respect of prior years	**(3,313)**	9,416
Non-taxable income	**28,394**	1,463
Revaluation of deferred tax balances	**(87)**	2,024
Profit on disposal of properties	**-**	3,797
Restructuring programmes	**-**	(2,563)
Group relief surrendered for nil consideration	**(33,142)**	(6,448)
Other	**10,183**	(1,839)
		-
Total income tax (expense)/credit in income statement	**(8,331)**	3,656

The Spring Budget on 21 March 2023 confirmed the introduction of Pillar Two reporting requirements for the UK, and were enacted on 18 July 2023, confirming that the rules will apply to the Sainsburys Group the period ending 1 March 2025. Pillar Two reporting introduced a global minimum 15 per cent tax rate by the end of 2023 and the Sainsbury's Group will be required to file certain returns evidencing the payment of tax at this rate. The potential impact of this has been assessed and the Sainsbury's Group does not consider that there is a material top-up tax liability at this stage, under the transitional safe harbour rules. Following this assessment, the Sainsburys Group does not consider there to be a significant impact on its subsidiary undertakings.

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

Argos Limited
Notes to the financial statements (continued)
For the 52 weeks ended 2 March 2024

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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

	Share based payment reserve £000	**Actuarial reserve £000**	**Fair value movements £000**	**Total £000**
52 weeks to 2 March 2024				
Current tax recognised in equity or other comprehensive income	**(184)**	**-**	**-**	**(184)**
Deferred tax recognised in equity or other comprehensive income	**209**	**(18,800)**	**(4,701)**	**(23,292)**
Revaluation of deferred tax balances in equity or other comprehensive income	**4**	**-**	**-**	**4**
	29	**(18,800)**	**(4,701)**	**(23,472)**
52 weeks to 4 March 2023				
Current tax recognised in equity or other comprehensive income	(380)	(6,954)	-	(7,334)
Deferred tax recognised in equity or other comprehensive income	(226)	(35,620)	(2,319)	(38,165)
Revaluation of deferred tax balances in equity or other comprehensive income	(70)	2197	-	2,127
	(676)	(40,377)	(2,319)	(43,372)

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

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

c) Movements in deferred tax (prior to offsetting balances in same tax jurisdiction)

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 have been offset where there is a legally enforceable right to offset and the deferred tax income assets and deferred income tax liability relates to income taxes levied by the same taxation authority.

Closing deferred tax has been calculated at the enacted rate of 25% (2023: 25%), which differs from the UK corporation tax rate applied to the current year adjusted profits at 24.6% (2023: 19%).

	Accelerated capital allowances	Other	Share options	Fair Value movements	Post employment benefit obligations	Total
	£000	£000	£000	£000	£000	£000
Balance at 4 March 2023	**18,842**	**11,778**	**1,345**	**(2,335)**	**(55,520)**	**(25,890)**
Credit/(charge) to income statement	**(1,154)**	**(1,959)**	**(12)**	**-**	**(1,620)**	**(4,745)**
(Charge)/credit to equity or other comprehensive income	**-**	**-**	**(209)**	**4,701**	**-**	**4,492**
Prior year adjustment to income statement	**(66)**	**-**	**-**	**-**	**-**	**(66)**
Prior year adjustment to other comprehensive income	**-**	**-**	**-**	**-**	**(2,625)**	**(2,625)**
Revaluation adjustment to income statement	**(21)**	**(36)**	**-**	**-**	**21,425**	**21,368**
Revaluation adjustment to equity or other comprehensive income	**-**	**-**	**(4)**	**-**	**(30)**	**(34)**
At 2 March 2024	**17,601**	**9,783**	**1,120**	**2,366**	**(38,370)**	**(7,500)**
At 5 March 2022	17,754	17,263	626	(4,654)	(90,091)	(59,102)
Credit/(charge) to income statement	3,970	(3,930)	321	-	(812)	(451)
Prior year adjustment to income statement	(2,895)	(314)	-	-	52	(3,157)
Deferred tax credited to equity statement of comprehensive income	-	-	226	2,319	35,620	38,165
Rate change impact to equity or other comprehensive income	-	-	70	-	(2,197)	(2,127)
Rate change impact to income statement	1,254	(1,241)	102	-	1,909	2,024
At 4 March 2023	18,842	11,778	1,345	(2,335)	(55,520)	(25,890)

9. INTANGIBLE ASSETS

	Goodwill £000	Computer software £000	Acquired brands £000	Total £000
Cost				
At 5 March 2023	**38,498**	**147,265**	**22,500**	**208,263**
Additions	**-**	**23,106**	**-**	**23,106**
Disposals	**-**	**(32,404)**	**-**	**(32,404)**
At 2 March 2024	**38,498**	**137,967**	**22,500**	**198,965**
Accumulated amortisation and impairment				
At 5 March 2023	**36,987**	**95,414**	**22,500**	**154,901**
Amortisation expense	**-**	**22,391**	**-**	**22,391**
Impairment loss	**-**	**31**	**-**	**31**
Disposals	**-**	**(32,403)**	**-**	**(32,403)**
At 2 March 2024	**36,987**	**85,433**	**22,500**	**144,920**
Net book value at 2 March 2024	**1,511**	**52,534**	**-**	**54,045**

The goodwill balance above relates to the Company's acquisition of the Index business and a number of its stores. The goodwill represents the excess of the fair value of the consideration paid to acquire new businesses over the fair value of the separately identifiable and separable net assets at the date of the acquisition. The CGU is deemed to be the chain of stores acquired.

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to dispose. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The calculation of the Retail CGUs value in use is calculated on the cash flows expected to be generated by the stores using the latest budget data. This was then discounted at a pre-tax rate of seven per cent over the lease length of the stores. The discount rate is based on the Company's pre-tax weighted average cost of capital. Impairment losses recognised for goodwill are not subsequently reversed.

Based on the operating performance of the CGU, an impairment of £nil was identified in the current financial year (2023: £nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £000	Fixtures and equipment £000	Total £000
Cost			
At 4 March 2023	**152,484**	**351,355**	**503,839**
Additions	**22,977**	**4,752**	**27,729**
Disposals	**(1,710)**	**(42,078)**	**(43,788)**
At 2 March 2024	**173,751**	**314,029**	**487,780**
Accumulated depreciation and impairment			
At 4 March 2023	**90,408**	**217,822**	**308,230**
Depreciation expense	**7,984**	**31,699**	**39,683**
Impairment loss	**1,399**	**1,957**	**3,356**
Disposals	**(1,485)**	**(42,303)**	**(43,788)**
At 2 March 2024	**98,306**	**209,175**	**307,481**
Net book value	**75,445**	**104,854**	**180,299**
Capital work-in-progress included above	**-**	**8,746**	**8,746**

11. RIGHT-OF-USE ASSET AND LEASE LIABILITY

a) **Right-of-use asset**

Net book value	**Land and buildings £000**	**Equipment £000**	**Total £000**
At 4 March 2023	**218,123**	**64,755**	**282,878**
New leases and modifications	**36,391**	**4,401**	**40,792**
Impairment charge	**(1,514)**	**-**	**(1,514)**
Depreciation charge	**(53,362)**	**(14,183)**	**(67,545)**
At 2 March 2024	**199,638**	**54,973**	**254,611**

Net book value	Land and buildings £000	Equipment £000	Total £000
At 5 March 2022	227,602	68,881	296,483
New leases and modifications	60,831	9,362	70,193
Depreciation charge	(52,117)	(13,488)	(65,605)
Impairment charge	(18,193)	-	(18,193)
At 4 March 2023	218,123	64,755	282,878

11. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

b) Lease Liability

	2024 £000	2023 £000
At 4 March 2023	**378,177**	396,915
New leases and modifications	**41,515**	63,462
Interest expense	**9,751**	9,853
Payments	**(90,827)**	(92,053)
At 2 March 2024	**338,616**	378,177

c) Maturity Analysis

	2024 £000	2023 £000
Contractual undiscounted cash flows		
Less than 1 year	**69,953**	83,434
1 to 2 years	**53,708**	64,912
2 to 3 years	**46,176**	47,992
3 to 4 years	**37,731**	41,466
4 to 5 years	**26,270**	34,135
Total less than 5 years	**233,838**	271,939
5 to 10 years	**72,967**	101,773
10 to 15 years	**12,193**	22,677
More than 15 years	**36,554**	37,590
Total undiscounted lease liability	**355,552**	433,979
Lease liability in the balance sheet	**338,616**	378,177
Analysed as:		
Current	**63,612**	80,454
Non-current	**275,004**	297,723

d) Impact on income statement

	2024 £000	2023 £000
Depreciation of right-of-use assets	**(67,545)**	(65,605)
Impairment charge	**(1,514)**	(18,193)
Interest on lease liabilities	**(9,751)**	(9,853)
Total amount recognised in profit or loss	**(78,810)**	(93,651)
Total cash outflow for leases	**(81,076)**	(92,053)

e) Sensitivity to changes in discount rate

	2024 **Increase/(decrease) in lease liability** **£000**
Increase in IBR of 3%	**(3,220)**
Decrease in IBR of 3%	**1,218**

12. INVESTMENTS IN OTHER COMPANIES

	Subsidiaries £000
Cost	
At 4 March 2023	**379,325**
Return of capital	**(139,266)**
At 2 March 2024	**240,059**
Impairment	
At 2 March 2024 and 4 March 2023	**(24,819)**
Net book value at 2 March 2024	**215,240**

In the financial year, Argos Limited received a dividend from its wholly owned subsidiary, Argos Distributors (Ireland) Limited of £174,920,200. The dividend was classed as a return of capital and written down against the Company's investment in Argos Distributors (Ireland) Limited, resulting in the £139,266,000 reduction in the value of the Company's Investments in year.

The investments in other companies above are stated at cost and include the following trading companies:

Entity	Country of registration or incorporation	Share of ordinary allotted capital and voting rights	Holding	Address
Home Retail Group Holdings (Overseas) Limited	UK	100.00%	Direct	33 Holborn, London, England, EC1N 2HT
Argos Distributors (Ireland) Limited	ROI	100.00%	Direct	6th Floor, South Bank House, Barrow Street, Dublin 4, D04 TR29
Argos Business Solutions Limited	UK	100.00%	Direct	33 Holborn, London, England, EC1N 2HT
Argos SURBS Investment Limited	UK	100.00%	Direct	33 Holborn, London, England, EC1N 2HT
Home Retail Group (Finance) LLP	UK	99.90%	Direct	33 Holborn, London, England, EC1N 2HT

The Company considers impairment of its investment in subsidiaries by estimating the recoverable amounts of the investments, which are based on the net assets of the subsidiary.

During the year, a provision of £nil (2023: £nil) was made against investments in subsidiaries where the carrying value exceeded the recoverable amount.

A full list of the Company's subsidiaries is detailed in note 23.

13. INVENTORY

	2024 £000	2023 £000
Gross finished goods	**765,194**	772,275
Inventory provision	**(63,956)**	(79,974)
	701,238	692,301

The amount of inventories recognised as an expense and charged to cost of sales for the 52 weeks to 2 March 2024 was £3,876 m (2023: £3,344m).

14. TRADE AND OTHER RECEIVEABLES

	2024 £000	2023 £000
Non-current		
Other receivables	**4,774**	7,412
Amounts owed by Group entities	**798,407**	-
Prepayments	**1,810**	-
	804,991	7,412
Current		
Trade receivables	**17,415**	22,496
Less: provision for expected credit losses	**(1,788)**	(2,831)
Amounts owed by Group entities	**408,631**	3,117,421
Other receivables	**7,471**	8,031
Prepayments	**75,785**	72,058
	507,514	3,217,175

The non-trading balances owed by group undertakings are unsecured, repayable on demand and bear no interest.

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.

15. CASH AND CASH EQUIVALENTS

	2024 £000	2023 £000
Cash and cash equivalents	**128,517**	81,464

16. TRADE AND OTHER PAYABLES

	2024 £000	2023 £000
Non Current		
Trade payables	**239**	-
	239	-
Current		
Trade payables	**503,065**	611,192
Amounts owed to other Group entities	**1,417,978**	3,280,605
Other payables	**20,484**	23,192
Accruals and deferred income	**115,483**	154,599
	2,057,010	4,069,588

~~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 undertakings at the year-end are unsecured, repayable on demand at amortised cost using the effective interest rate method.

17. PROVISIONS FOR LIABILITIES

	Property provisions a) £000	Insurance provisions b) £000	Restructuring Provisions c) £000	Other provisions £000	Total £000
At 5 March 2023	**53,024**	**6,100**	**29,918**	**7,255**	**96,297**
Additional provisions	**11,449**	**3,736**	**11,226**	**-**	**26,411**
Unused amounts released	**(4,521)**	**(766)**	**(2,477)**	**(3,690)**	**(11,454)**
Utilisation of provision	**(8,530)**	**(3,300)**	**(7,769)**	**-**	**(19,599)**
Amortisation of discount	**4**	**-**	**581**	**-**	**585**
At 2 March 2024	**51,426**	**5,770**	**31,479**	**3,565**	**92,240**
Current	**24,480**	**1,166**	**7,517**	**3,203**	**36,366**
Non-current	**26,946**	**4,604**	**23,962**	**362**	**55,874**

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 where 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 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 believes 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.

a) Property provisions
Property Provisions include provisions for onerous contracts which are recognised where expected cash outflows exceed the anticipated future benefits. The amounts provided are based on the Company's best estimate of the likely committed outflow, net of anticipated future benefits. These provisions do not include rent in accordance with IFRS 16, however do include unavoidable costs related to the lease, such as service charges and business rates. The charge for the year is as a result of the store and depot closures which form part of the restructuring programmes announced during the year, as detailed in note 6.

Property provisions also include provisions for dilapidations which are recognised where the Company has the obligation to make-good its leased properties. These provisions are recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. Any difference between amount expected to be settled and the actual cash outflow will be accounted for in the period when such determination is made.

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

c) Restructuring provisions
A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring 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.

The charge for the year mostly comprises redundancy payments as part of the store and depot closures announced during the year as detailed in note 6.

Other provisions include warranty provisions.

18. POST-EMPLOYMENT BENEFITS

During the year, the Company operated both defined benefit and defined contribution schemes. A defined benefit scheme is a pension scheme that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution scheme is a pension scheme under which both the Company and employees pay contributions into an independently administered fund. The cost of providing these benefits, recognised in the profit and loss statement, comprises the amount of contributions payable to the schemes in respect of the year.

All retirement benefit obligations are related to the Argos section of the Sainsbury's Pension Scheme plus unfunded pension liabilities relating to former senior employees of Home Retail Group. The retirement benefit obligations at the year-end have been calculated by ISIO, the actuarial advisers to the Company, using the projected unit credit method and based on adjusting the position at the date of the previous triennial valuations (see below) for known events and changes in market conditions as allowed under IAS 19 'Employee Benefits'.

Defined benefit scheme

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 and so these assumptions therefore place a relatively high value on the Scheme's liabilities. By contrast, IAS 19 'Employee Benefits' requires companies to value the liabilities on a 'best estimate' basis which places a lower value on the liabilities and therefore a more favourable financial position. As such, the accounting value is different to the result obtained using the Trustee's triennial valuation basis.

The Trustee completed a triennial valuation as at 30 September 2021, resulting in an actuarial deficit of £101 million on a technical provisions basis, from a deficit of £538 million in 2018. The asset backed contributions structure (ABC) established by Sainsbury's in July 2019 continues to deliver as planned.

Under the ABC, properties with a valuation of £1,350 million were transferred into a newly formed property holding company - Sainsbury's Property Holdings Limited ("Propco") from the Sainsbury's Property Scottish Partnership and other Sainsbury's Company Companies. The Propco is a wholly owned subsidiary of the J Sainsbury's Group of which Argos Limited is a member and leases the transferred properties to other Company companies. Rental receipts 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 the same ultimate parent as Argos Limited and its results are consolidated by the Group of which Argos Limited is a member. The Scheme's investment in the Partnership does not qualify as a plan asset for the purposes of the Company's consolidated financial statements and is therefore not included within the fair value of plan assets.

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

The Scheme's interest in the Partnership entitled 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)
3) Switching payment stream, paid to either the Sainsbury's section or Argos section (initially £23 million per year, increasing to £33 million by 2038)

No other cash contributions were paid during the year (2023: nil).

The payments to the Sainsbury's and Argos sections (streams 1 and 2) would stop in 2030, or when the relevant section reached its funding target, if earlier. The Sainsbury's section reached its funding target on 31 December 2021 and so the first payment stream was permanently switched off, even though the subsequent updating of assumptions under the 2021 triennial valuation resulted in a small deficit on this funding basis.

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

The level of property in the Propco reduces as the Scheme reaches the funding targets. The level of security was designed to reduce as the Scheme's funding level improves, as the risk of a Company insolvency to the Scheme reduces. Once a section reaches a specific funding target for three consecutive quarters, the level of security that the Scheme can access reduces at the following 31 March in line with the Residual Security Amount (RSA) caps set out in the ABC framework. The security is currently provided by properties in the ABC which are valued annually. If the value of the security is outside a corridor either side of the RSA, the Company must top up if the value is less, or can chose 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.

The Home Retail Company Pension Scheme closed to future accrual with effect from 31 January 2013. Because of the closure, all previously active members of the scheme are now treated as deferred members. The effect of the closure is that these members are no longer entitled to pension benefits linked to future salary increases.

18. POST-EMPLOYMENT BENEFITS (continued)

IFRIC 14
Under IFRIC 14, a company is required to measure any economic benefits available to it in the form of refunds or reductions to future contributions at the maximum amount that is consistent with the terms and conditions of the pension scheme. These are regarded as available to a company if it has an unconditional right to realise them at some point during the life of the pension scheme or when all benefits are finally settled. Such an unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the company's control.

Management is of the view that it has an unconditional right to a refund of surplus under IFRIC 14. As such no adjustment has been made for potential additional liabilities.

In forming this conclusion management has considered whether the Company can control the run-off of the Scheme until there are no liabilities left, consistent with IFRIC 14. For example, if the Trustee has a unilateral power to wind up the Scheme while there are liabilities remaining, then it is viewed that the Company cannot access surplus through this route. For both sections, management have assessed that the Company can control run-off until no liabilities remain by complying with its obligations under the Scheme rules and pensions legislation, and there will therefore be a gradual settlement of the planned liabilities over the life of each section.

The Scheme rules list certain situations under which the Trustee can wind up the Scheme; however, whilst there is gradual settlement of the Scheme's liabilities, these are concluded to be within the control of the Company. As a result, it is concluded that the Trustee does not have a unilateral power to wind up the Scheme nor augment benefits while the Scheme is ongoing.

Unfunded pension liabilities
The unfunded pension liabilities are unwound when each employee reaches retirement and takes their pension from the Company payroll or is crystallised in the event of an employee leaving or retiring and choosing to take the provision as a one-off cash payment. The Company's unfunded defined benefit arrangement closed to future accrual with effect from 30 April 2013.

The Scheme rules list certain situations under which the Trustee can wind up the Scheme, however whilst there is gradual settlement of the Scheme's liabilities as determined above, these are concluded to be within the control of the Company. As a result, it is concluded that the Trustee does not have a unilateral power to wind up the Scheme nor augment benefits while the Scheme is ongoing.

Unfunded defined benefit scheme
The Company has in place arrangements which secure unfunded pension benefit arrangements for certain Directors and senior managers by granting charges to an independent trustee over an independently managed portfolio of marketable securities owned by Argos SURBS Investment Limited, a wholly owned subsidiary of the Company.

IAS 19 valuations
The valuations used for IAS 19 have been based on the most recent actuarial funding valuations and have been updated by ISIO to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes at the year-end. As required by IAS19, the value of the defined benefit obligations at the year-end has been measured using the projected unit method.

a) Income Statement

		2024	2023
		£000	£000
Excluded from underlying profit before tax:			
Interest cost on pension liabilities	a)	**(39,300)**	(31,397)
Interest income on plan assets		**46,600**	37,068
Total included in finance income		**7,300**	5,671
Defined benefit pension scheme expenses		**-**	(1,400)
Total (excluded from underlying profit before tax)		**7,300**	4,271

[a] Includes interest of £0.5m (2023: £0.4m) for the unfunded pension scheme.

Contributions to the Company's defined contribution pension arrangements are in addition to those set out in this note and are charged directly to the profit and loss account.

18. POST-EMPLOYMENT BENEFITS (continued)

b) Remeasurements included in other comprehensive income

		2024 £000	2023 £000
Return on plan assets, excluding amounts included in interest		**(70,300)**	(687,786)
Actuarial (losses)/gains arising from changes in			
Finance assumptions	a)	**(1,985)**	553,702
Demographic assumptions	b)	**16,041**	6,093
Experience	c)	**(29,456)**	(42,199)
Total actuarial (losses)/ gains		**(15,400)**	517,596
Total remeasurements		**(85,700)**	(170,190)

a) Includes £0.2m loss for the unfunded pension scheme (2023: £6m gain).
b) Includes £0.3m gain for the unfunded pension scheme (2023: £0.4m gain).
c) Includes £0.2m loss for the unfunded pension scheme (2023: £0.3m loss).

c) Balance Sheet

	Assets £000	Obligations £000	2024 Net £000	Assets £000	Obligations £000	2023 Net £000
As at the beginning of the financial year	**1,036,179**	**(803,600)**	**232,579**	1,727,349	(1,329,249)	398,100
Interest income/(cost)	**46,600**	**(39,300)**	**7,300**	37,068	(31,397)	5,671
Remeasurement (losses)/gains	**(70,300)**	**(15,400)**	**(85,700)**	(687,786)	517,596	(170,190)
Pension scheme expenses	**-**	**(1,600)**	**(1,600)**	(1,400)	-	(1,400)
Employer contributions	**-**	**-**	**-**	-	-	-
Benefits (paid)/received	**(32,800)**	**33,700**	**900**	(39,052)	39,450	398
Settlement (losses)/gains	**-**	**-**	**-**		-	-
As at the end of the financial year	**979,679**	**(826,200)**	**153,479**	1,036,179	(803,600)	232,579

Investment strategy and risks associated with the Company's 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% p.a. basis, while limiting the downside risk associated with investment policy wherever possible. The investment objectives target a 50% or better chance of being fully funded on this basis by the end of 2024 for the Argos section and the end of 2028 for the Sainsbury's section.

In July 2024 the UK Court of Appeal (Virgin Media Ltd v NTL Pension Trustees II Ltd & ors) upheld the UK High Court's original ruling that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The Trustee and the Company, like many trustees of potentially affected schemes, will continue to consider and assess the implications of the ruling, any new regulations that the Government may issue in response and what steps, if any, might need to be taken.

18. POST-EMPLOYMENT BENEFITS (continued)

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, ESG and climate risks which exist across the activities of the entities in which the Scheme ultimately invests. Investment managers may not have appropriate policies and procedures in place to address ESG risks. Poor execution, attention to regulation or underperformance in applying the strategy could lead to lower funding levels.	Using an FCA regulated investment advisor, a liability-driven investment (LDI) framework has been adopted to generate excess asset returns aligned to liabilities by largely removing interest and inflation uncertainties. ESG and related risks are incorporated into the Statement of Investment Principles (SIP), and an annual TCFD report and Implementation Statement are published covering 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 consistent.
Investment Liquidity	Insufficient liquidity to meet cashflow 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. 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 whereby a higher long-term inflation rate leads to higher liabilities.	The Scheme's LDI portfolio and inflation-linked investments reduce inflation risk by aligning assets 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 and gilt yields for accounting and funding purposes, respectively. 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 help to provide an additional hedge.
Sustainability, including ESG and climate	Investment managers do not have appropriate policies and procedures in place to identify such 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 details how climate risks are managed. Day to day management of ESG risks is delegated to investment managers who are requested to confirm that they operate in line with the Trustee's policies. A Net Zero carbon emission goal by 2050 has been adopted and follows new climate governance and reporting standards. The Scheme's investment managers have signed up to the UN Principles of Responsible Investment and have Net Zero targets.
Longevity	The Scheme pays benefits longer than expected due to members living longer than assumed.	Longevity risk is monitored with the aim of achieving sufficient funding levels which take account of the potential for increased life expectancy.

Since 2023, no new risks have been identified; however, some have been either combined or set out differently for presentational purposes.

18. POST-EMPLOYMENT BENEFITS (continued)

The major categories of plan assets of total plan assets are as follows:

	Quoted	2024 Unquoted a)	Quoted	2023 Unquoted
	£m	£m	£m	£m
Liability matching assets	**647**	**88**	564	122
Growth assets				
Equity				
Derivatives	**-**	**-**	-	4
Growth assets				
Alternatives				
Real Estate	**-**	**77**	-	169
Private Debt	**-**	**108**	-	119
Diversified Growth	**-**	**39**	-	38
Cash and Cash equivalents	**21**	**-**	20	-
	668	**312**	584	452

The Argos Pension Scheme 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 Scheme's assets changes in the 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, £692 million are denominated in sterling and £288 million are denominated in foreign currencies.

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 the investments, the valuations provided are at 30 September. The Company therefore performs a roll-forward for these valuations, adjusting for cash received or paid and applying the changes seen in relevant liquid indices as follows:

Index returns from 30 September 2023 to 2 March 2024

Asset Class	**Returns**
Global equity USD return	18.5%
Global High Yield Debt USD return	7.3%
US loans USD return	4.5%
UK REITS GBP return	9.6%

The roll-forward has decreased the valuation of illiquid assets by £2 million. A 1 per cent increase/decrease in the indices used would have caused a £1.6 million increase/decrease in the adjustment.

d) Assumptions

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

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

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 Group has assumed that RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 1.00% p.a. up to 2030 (2023: 0.70% p.a.).

18. POST-EMPLOYMENT BENEFITS (continued)

Mortality

The base mortality assumptions are based on the SAPS S2 tables, with adjustments to reflect the Scheme's population.

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

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

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

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

Life expectancy at age 65

	2024	2023
Members aged 65 at balance sheet date		
Male pensioner	**19.7**	20.3
Female pensioner	**22.8**	23.4
Members aged 45 at balance sheet date		
Male pensioner	**20.7**	21.6
Female pensioner	**24.0**	24.8

e) Sensitivities

The present value of the Scheme's liabilities recognised at the balance sheet date and the net financing charge recognised in the income statement are dependent on the discount rate. Other key assumptions within this calculation 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, however is most sensitive to changes in the discount rate.

The sensitivities are calculated using the same methodology used to calculate the retirement benefit obligation, by considering the impact for a given change in assumption. The net retirement benefit obligation is the difference between the retirement benefit obligation and the fair value of plan assets. Changes in the assumptions may occur at the same time as changes in the fair value of plan assets. There has been no change in the calculation methodology since the prior period.

18. POST-EMPLOYMENT BENEFITS (continued)

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

Sensitivity analysis		£m	£m
Financial sensitivities			
Discount Rate	+/ - 0.1%	(13)	13
Discount Rate	+/ - 1.0%	(118)	149
Inflation Rate	+/ - 0.1%	8	(12)
Inflation Rate	+/ - 1.0%	96	(92)
Inflation rate for future pension increases	+/ - 0.1%	4	(7)
Inflation rate for future pension increases	+/ - 1.0%	47	(53)
Demographic sensitivities			
Life expectancy	+/ - 1 year	24	(26)
Change 2020, 2021 and 2022 weighting parameters in CMI 2022	-10%/+ 15%	6	(5)

f) Timing of benefit payments

The duration of the Scheme's liabilities is around 17 years for the Argos section.

Maturity analysis of benefits expected to be paid (undiscounted)

	2024 £m
Within the next 12 months (next annual reporting period)	**27**
Between 2 and 5 years	**134**
Between 6 and 15 years	**496**
Between 16 and 25 years	**567**
Beyond 25 years	**927**
Total expected payments	**2,151**

19. CALLED UP SHARE CAPITAL

	2024 000s	2023 000s	**2024 £000**	2023 £000
Called up share capital				
Allotted, called up and fully paid ordinary shares - 25p each	**1,000,000**	2,498,239	**250,000**	624,560

In addition, the company has 400 (2023:400) deferred shares of 25p each all of which are authorised and fully paid and have the same rights as the ordinary shares.

On 28 February 2024, pursuant to section 641(1)(a) of the Companies Act 2006, the issued share capital of the Company was reduced from £624,559,930.75 to £250,000,000 (consisting of 1,000,000,000 issued ordinary shares of £0.25), by cancelling and extinguishing 1,498,239,323 of the existing issued ordinary shares. The amount by which share capital was reduced (£374,559,830,75) was credited to the Company's retained earnings.

20. SHARE BASED PAYMENT ARRANGEMENTS

a) Savings-Related Share Option Schemes (Sharesave)

J Sainsbury plc operates a number of Sharesave schemes which allows participants, employees of the Company with more than three months continued service, to save up to £250 per month for a period of three years (historically five years). Participants remaining within the Company's employment at the end of the elected savings period are entitled to use their savings to purchase shares in Sainsburys plc at a discounted price determined at the commencement of the scheme.

20. SHARE BASED PAYMENT ARRANGEMENTS (continued)

b) Long-Term Incentive Plan

J Sainsbury plc offers discretionary awards under share option schemes which allows nil-priced options to be awarded to Senior Managers of the Company. Core awards are calculated as a percentage of the participants' salary and scaled according to grades.
Performance is measured at the end of the three-year performance period. If the required performance conditions, which are financial and non-financial non-market conditions, have been met, the awards vest and the participants are able to exercise 100% of the awards received. Dividends accrue on the shares that vest in the form of additional shares.
For 2020 awards and prior, participants receive 50% of their vested awards after the three-year performance period and 50% of their awards after four-years. Awards issued in 2021 and onwards are received after the three-year performance period. All options granted expire five years from the grant date.
For Executive Directors, all awards are subject to a two-year holding period following the end of the performing period and expire six years from the date of grant.
Core awards issued can grow by up to four times, dependent on the level of performance and will vest on a straight-line basis where performance falls between two points. All awards are structured as nil cost options.

c) Bonus Share Award

Senior Managers receive 60 per cent of their bonus in cash and 40 per cent in shares. Director level managers receive 50 per cent of their bonus in cash and 50 per cent of the award in shares. Bonus share Awards issued prior to 2021 vested after three years while awards granted from 2021 vest after two years. These awards are not subject to performance conditions and dividends accrue on these shares and are released at vesting.

All share option plans are granted to employees of the Company by J Sainsbury plc.

1,592,848 share options (2023: 1,270,331) were exercised during the year, with a weighted average share price at exercise of £2.69 per share (2023: £2.51).

Details for share options outstanding at the period end are as follows:

	Year ended 2 March 2024	Year ended 4 March 2023
Weighted average remaining contractual life for options outstanding	**2.9 years**	2.4 years
Range of exercise prices for options outstanding	**£nil - £2.60**	£nil - £2.60

21. CAPITAL COMMITMENTS

Capital expenditure for which contracts have been placed:

	2024	2023
	£000	£000
Commitments	**(1,087)**	(6,124)

22. ULTIMATE PARENT UNDERTAKINGS

The Company's immediate parent undertaking is Argos Holdings Limited, a company registered in England and Wales, by its 100% shareholding in the Company.

The Company's ultimate parent and controlling party is J Sainsbury plc, a company registered in England and Wales. The largest and smallest group of undertakings for which group financial statements have been prepared was that of J Sainsbury plc. Copies of these financial statements are available from its registered office at 33 Holborn, London, EC1N 2HT.

23. SUBSIDIARIES AND RELATED UNDERTAKINGS

Undertaking	Address of the undertaking	Direct/ indirect holding	Interest
Chad Valley Limited	A	Direct	100
First Stop Stores Limited	A	Direct	100
Argos SURBS Investment Limited	A	Direct	100
Home Retail Group Holdings (Overseas) Limited	A	Direct	100
Argos Card Transactions Limited	A	Direct	100
Argos Business Solutions Limited	A	Direct	100
Argos Distributors (Ireland) Limited	6th Floor, South Bank House, Barrow Street, Dublin 4, D04 TR29	Direct	100
Home Retail Group (Finance) LLP	A	Direct	99.9
Jungle.com Holdings Limited	A	Direct	100
Sainsbury's Argos Asia Technical Limited	B	Indirect	37.5
Sainsbury's Argos Asia Commercial Limited	B	Indirect	37.5
Sainsbury's Argos Asia Sourcing Limited	B	Indirect	37.5
Sainsbury's Argos Asia Limited	B	Indirect	37.5
Sainsbury's Argos Commercial Consultancy (Shanghai) Limited	C	Indirect	37.5
Jungle.com Limited	A	Indirect	100
Software Warehouse Holdings Limited	A	Indirect	100
Jungle Online	A	Indirect	50

Addresses:

A: 33 Holborn, London, United Kingdom, EC1N 2HT

B: Unit 904 9/F Tower 2, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong

C: 26/F., Tower 1, Kerry Everybright City Phase III – Enterprise Centre, No 128 West Tian Mu Road, Ahzbei, Shanghai, 200070, Shanghai, People's Republic of China