Registered Number 01081551

Argos Limited
Annual Report and Financial Statements

For the 52 weeks ended
28 February 2026

Argos Limited
Strategic report
for the 52 weeks ended 28 February 2026

Principal activities and review of the business

Argos Limited (the "Company") is a leading UK general merchandise retailer, with one of the most visited UK retail websites, offering rapid delivery and click and collect through more than 1,100 collection points across the United Kingdom. Since being acquired by Sainsbury's in 2016, Argos has transformed from a much-loved retailer known for its iconic catalogue and high street presence into a leading digital-first brand with around 80 per cent of sales originating online and nationwide reach, with Fast Track delivery available across more than 99 per cent of UK postcodes. This has been achieved through investment in Argos' colleagues, infrastructure and technology and management team.

In line with the J Sainsbury plc Group's (the "Group") Next Level Sainsbury's plan, the Company has continued to invest in strategic initiatives to strengthen choice, availability and service for customers and to build a stronger digital position, alongside the launch of Argos Pay, the new flexible financial services offer. Improved customer satisfaction regarding value and range and brand consideration during the year helped to deliver growth in customer numbers and volumes. Over the year, a highly competitive and subdued general merchandise market played through in pricing pressure and lower sales of higher ticket items.

The Company has also taken determined action to accelerate the transformation of Argos, balancing its objective to improve the customer proposition with structural cost reduction and greater efficiency in its supply chain. It has established a dedicated Argos management team to help accelerate the pace of change for Argos' customers, improve the business and drive cost reduction, supporting investments in infrastructure and technology platforms for Argos.

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

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

Results and future developments

Revenue increased by 1% to £4,166.2 million (2025: £4,134.2 million), driven by strong seasonal volume growth over the summer, partly offset by more subdued consumer spending during the Black Friday and Christmas trading period.

The Company reported underlying earnings before interest, tax, depreciation and amortisation of £91.2 million (2025: £75.0 million) and an underlying loss before tax of £32.1 million (2025: loss of £73.2 million). Performance improved as higher sales volumes, increased customer numbers, larger basket sizes and operating cost savings more than offset lower average selling prices, higher online marketing costs, increased wage inflation and planned investment in the significant transformation of the business.

Statutory loss before tax was £27.3 million (2025: loss of £223.2 million), while loss after tax for the year was £28.6 million (2025: loss of £197.4 million). The improvement from the prior year was primarily due to significantly lower one-off costs incurred in relation to the phased withdrawal from financial services. Net assets of the Company were £503.5 million (2025: £265.1 million). The increase was primarily the result of settling intercompany balances and a capital contribution from the parent company during the financial year. The overall impact to the Company was a reduction in non-current receivables of £794 million, a reduction in current payables of £1,082 million, and an increase in retained earnings of £288 million, as detailed in Note 19(b).

The Company remains focused on enabling customers to shop bigger baskets with Argos more often, supported by continued investment in its digital capabilities and the relevance and breadth of its product ranges.

The Company has announced plans for the year ahead including the launch of a marketplace proposition, further growth of its supplier direct fulfilment offer and continued focus of its own brand offer around seven core brands. Significant changes in technology and automation underpin the ongoing transformation of the Argos operating model, and the transition of the Company's financial services proposition will also continue following the launch of a more flexible financial services offer, Argos Pay, with migrations of existing store card customers completed during the coming year.

Results and future developments (continued)
Subsequent to the year ended 28 February 2026, and as detailed in Note 23, Tumblecrest 2 Limited (the immediate parent company) announced that it had entered into an agreement with Swift Whistle Midco Limited ("Swift Partners") for the sale of the Company and associated subsidiaries (the "Transaction"). Swift Partners are a newly established company backed by experienced retail leaders and specialist retail investors. As detailed in Note 2(c), the Directors ensured adequate due diligence was undertaken, including consideration of the incoming management's business plans, the terms of the sale agreement and the commercial arrangements to be entered into between the Company and other Sainsbury's Group entities. The directors were satisfied that their obligations to the Company under the provisions of sections 171 to 177 (inclusive) under the Companies Act 2006 had been met and that the Transaction would promote the success of the Company for the members and key stakeholders as a whole.

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

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

Further details on how the Group engaged with its stakeholders, can be found on pages 24 to 30 of the 2026 Group Annual Report.

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

Set out below is how the Company has applied the Principles over the past year.

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

Principle 2 - Board composition
The Board consisted of three directors who are also members of the Group Operating Board (the 'Operating Board'). The day-to-day management and governance of the Argos business was delegated to a dedicated Argos management team.

The Operating Board concentrated on the day-to-day management of the Group, and the execution of strategy set out by the board of J Sainsbury plc (the "plc Board"). It also oversees the business of the Company, providing constructive challenge and ensuring efficient decision-making. The Company's Board size, structure and succession planning were regularly reviewed to ensure alignment with the Group's needs and the needs of its stakeholders.

Diversity and inclusion
The Group's 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 colleagues are treated fairly and with respect and were encouraged to develop their skills and fulfil their potential.

The Group's CEO and the Operating Board provided clear and committed leadership and accountability for the 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 was 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 Bláthnaid Bergin, Graham Biggart and Mark Given. Their responsibilities are detailed in their biographies on our corporate website: https://about.sainsburys.co.uk/about-us/our-management#operating-board.

Principle 4 - Opportunity and Risk
Details of the Group's business model can be found on pages 6 to 7 of the 2026 Group Annual Report. The risk management process was embedded through the Group and was supported by the bottom-up risk process within divisions and governance forums. For more information on the Group's Principal Risks and Uncertainties, see pages 40 to 45 of the 2026 Group Annual Report.

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

Principle 5 - Remuneration
Pay and benefits for colleagues across the business were 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, drive profitable sales and provide opportunities for colleagues to share in Sainsbury's success.

The plc Board determined the pay and benefits for colleagues across the business and the Group Remuneration Committee was responsible for:

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

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

Principle 6 - Stakeholders
The plc Board has always deeply engaged with the Group's purpose, vision, values and goals recognising that they underpin everything the Group does as a business and helps strengthen relationships with 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 Group and Board at each meeting.

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

Our Stakeholders and why they matter	How do we engage	Engagement outcomes
The Group	Through the Group Operating Board and other Group Committees detailed in the 2026 Group Annual Report on page 60.	
Customers Customers trust us to deliver strong choice, availability and service alongside a strong digital proposition. Engaging with customers is fundamental to everything the Group and the Company does and is crucial to its purpose.	The Group engaged with our customers through a range of channels, helping to improve products and services. Through customer satisfaction surveys, the Group collected customer feedback across Sainsbury's, Tu and Argos. To provide a view of changing behaviours, loyalty drivers and sentiment the Group used Nectar data, customer analytics and brand tracking, along with focus groups and product panels to test new initiatives. Social media monitoring highlighted emerging needs and concerns in real time to enable us to respond to customer needs quickly.	Customer insights led to the enhancement of digital and physical journeys across Argos, helping customers shop in the way that suits them best. In Argos, the Company added 13,000 new supplier direct fulfilled products to its range and now has 19.6 million active Argos customers.
Colleagues Colleagues include everyone who is employed by the Group. They bring our purpose to life and play a vital role in delivering great choice, service and availability every day. Their insight and commitment shape how we invest in our business and help us build on our strong momentum.	The Group engaged colleagues through Operating Board listening sessions, internal social platforms, large-scale surveys and targeted sentiment checks. Colleague feedback was consolidated and presented regularly to the Operating Board, alongside updates on culture, talent, succession, safety and diversity, equity and inclusion. The national Make It Better Together colleague contribution panels provided Board-level insight into frontline experiences, ensuring the voice of the workforce was embedded in decision-making.	Colleague feedback supported decisions to increase pay and enhance wellbeing support, including financial guidance and education on share plans. The Group also expanded development programmes across apprenticeship and graduate routes, including the launch of the FutureMaker graduate programmes designed to support early career professionals in developing the essential skills all future retail leaders will need. The Group celebrated the Christmas peak period by giving colleagues a £10 voucher towards their festive shopping and an uplifted colleague discount of 20 per cent in Sainsbury's for six days over the festive period.
Suppliers Partnerships with suppliers underpin the Group's ability to deliver quality, value and availability for customers. The Group can only build resilience in its supply chain and deliver on its strategic outcomes by working in partnership with suppliers. Long-term partnerships and close collaboration enable the Group to invest, innovate and build resilience together.	The Group implemented a supplier engagement programme, combining virtual updates with targeted in-person events. A Supplier Trade Briefing was held which reached over 2,000 delegates. The Group engaged directly with suppliers through site visits by the plc Board, Operating Board and senior managers. This was complemented by category-specific results briefings and face-to-face networking sessions for smaller suppliers. A senior update and dinner for key partners was held alongside ongoing engagement through category newsletters. The Group also engaged through structured feedback mechanisms, including the annual Advantage Survey, which gathered input from over 1,200 suppliers.	Supplier insight informed discussions on the Group's innovation pipeline, supported progress against sustainability priorities and contributed to improved availability for customers throughout the year. The supplier engagement events created clear, consistent communication on a large scale, strengthened senior relationships and gave suppliers greater clarity and confidence in the Group's strategy and priorities. The Group was ranked number one by suppliers for use of technology and fresh food innovation in the 2025 Advantage Survey.

Our Stakeholders and why they matter	How do we engage	Engagement outcomes
Communities As a responsible retailer, the Group wants to support the communities that it serves in the UK and internationally.	The Group continued to work with Comic Relief and supported local communities through the "Good food for all of us" grant scheme and store-based Community Champions. The involvement by Group in the Holiday Activities and Food programme enabled direct support for children and families at risk of food insecurity. Fundraising initiatives and redistribution partnerships further strengthened the community impact of the Group.	This year, the Group donated £8.7 million to Comic Relief to help tackle food poverty in UK communities. Through partnerships, the Group helped redistribute 26.8 million meals to communities in need. It supported 697 local good causes this year through the "Good food for all of us" community grant scheme, donating over £5.3 million to initiatives supporting local communities since 2021. With Comic Relief the Group helped to fund more than 120,000 additional Holiday Activities and Food holiday club places during school holidays across the UK.

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

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

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

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

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

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

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

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

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

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

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

The Company monitors its group receivable balances on an ongoing basis with any provision for impairments made as required. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Company does not hold any collateral as security.

The credit risk management and policies of the Group, which include those of the Company, are disclosed in note 27.2 on pages 173 and 174 of the 2026 Group Annual Report, which does not form part of this report.

a) Market risk

The Company's exposure to interest rate fluctuations is limited to amounts receivable and payable to Group companies.

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

b) Foreign currency risk

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

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

c) Interest rate risk

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

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

d) Commodity risk

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

Key performance indicators (KPIs)
The Directors of J Sainsbury plc manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, are discussed on pages 18 to 19 of the 2026 Group Annual Report, which does not form part of this report.

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

The climate-related risks and opportunities of the Group, and its arrangements for managing them (including the related time periods and potential impacts on the Group's business model and strategy), are discussed on pages 104 to 115 of the 2026 Group Annual Report, which does not form part of this report.

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

By the order of the Board

Graham R. Biggart

Graham Biggart
Director
5 October 2026

Argos Limited
Directors' report
for the 52 weeks ended 28 February 2026

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

Registered number
The registered number of the Company is 01081551.

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

Bláthnaid Bergin
Graham Biggart
Mark Given

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 (2025: £nil).

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

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

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

Employment policies
The Company values the different perspectives, experiences and abilities of all our colleagues. We ensure that those living with a disability or long-term health condition are fully and fairly considered for employment with the Company through well-developed policies for the equal treatment of all. We have a workplace adjustments process in place for our colleagues who find themselves with a disability or long-term health condition; workplace adjustments can be made at any point during a colleague's employment with us. We are committed to providing equal opportunities for all colleagues and applicants through training, development and promotion. Further information on our diversity strategy can be found on pages 20 to 23 and 81 of the 2026 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 ultimate 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 71 to 72 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 (2025: £nil).

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

Going Concern
The Directors have considered the Company's ability to continue as a going concern and have prepared the financial statements on a going concern basis. Further details, including the material uncertainty arising from the proposed sale of the Company after the reporting date, are set out in Note 2 to the financial statements.

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

Independent Auditors
In accordance with Section 485 of the Companies Act 2006, the Company passed a resolution on 8 October 2025 to appoint PricewaterhouseCoopers LLP as external auditors of the Company with effect from 2 March 2025.

By order of the Board

Graham R. Biggart

Graham Biggart
Director
5 October 2026

Argos Limited
Statement of Directors' responsibilities
for the 52 weeks ended 28 February 2026

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

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

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

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

By order of the Board



Bláthnaid Bergin (Oct 5, 2026 10:50:56 GMT+1)

Bláthnaid Bergin
Director
5 October 2026

Independent auditors' report to the members of Argos Limited

Report on the audit of the financial statements

Opinion

In our opinion, Argos Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the Statement of financial position as at 28 February 2026;
- the Income statement for the period then ended;
- the Statement of comprehensive income for the period then ended;
- the Statement of changes in equity for the period then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern.

Subsequent to the reporting date, on 31 July 2026, Tumblecrest 2 Limited announced that it had entered into an agreement with Swift Whistle Midco Limited for the sale of Argos Limited and associated subsidiaries. The transaction is expected to complete in February 2027, subject to the receipt of certain customary regulatory approvals and satisfaction of other completion conditions. Completion of the transaction is therefore expected to occur within 12 months of the date of approval of these financial statements. Following completion, the Directors will no longer control the company, or its strategy and funding which will be determined by the new ultimate parent undertaking.

These conditions, as explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a 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:

- We obtained and reviewed the directors' going concern assessment including the parent company, J Sainsbury plc's, written confirmation of its intention and ability to provide financial support to the Company, so long as it remains a part of the Group, to enable it continue to trade for at least 12 months from the date of approval of these financial statements;
- We assessed the level of support that the parent company, J Sainsbury Plc, is able to provide to the company alongside its other commitments, and read the Group's borrowing facility documentation to confirm their availability to the Group, and indirectly the company, through the going concern period, including verifying that management had appropriately identified and assessed financial covenant compliance;
- We obtained the latest Group going concern assessment including cash flow forecasts and severe but plausible downside sensitivities and evaluated and challenged the key assumptions within the forecasts and considered whether these were supported by the evidence we obtained;
- We tested the latest Group assessment, including verifying going concern model inputs against Board-approved forecasts and validating the mathematical accuracy of the model;
- We assessed whether the sensitivities modelled in the Group's severe but plausible downside scenarios were sufficiently severe, including considering the principal risks facing the business. We evaluated the amount and

timing of identified mitigating actions available to respond to a severe but plausible downside scenario and considered whether those actions are feasible and within the Group's control;

- We understood and evaluated the related controls surrounding the Group's and management's forecasting and budgeting process and considered the historical accuracy of management forecasting by comparing budgeted results with actual performance; and
- We reviewed and assessed the appropriateness of management's disclosures related to going concern.

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- understanding and evaluating the design and implementation of controls designed to prevent and detect management override of controls, including irregularities and fraud;
- discussions with management, Internal Audit and the Group's General Counsel regarding their consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

- challenging estimates and judgements made by management and assessing these for management bias;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing and
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Claire Turner

Claire Turner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 October 2026

Argos Limited
Income statement
For the 52 weeks ended 28 February 2026

		52 weeks to 28 February 2026			52 weeks to 1 March 2025		
	Note	**Underlying items £m**	**Non-underlying items (Note 5) £m**	**Total £m**	Underlying items £m	Non-underlying items (Note 5) £m	Total £m
Revenue		**4,166.2**	**-**	**4,166.2**	4,134.2	-	4,134.2
Cost of sales		**(3,964.4)**	**(1.4)**	**(3,965.8)**	(3,966.1)	(138.4)	(4,104.5)
Gross profit/(loss)		**201.8**	**(1.4)**	**200.4**	168.1	(138.4)	29.7
Administrative expenses		**(226.6)**	**(3.8)**	**(230.4)**	(231.1)	(24.0)	(255.1)
Other income		**6.9**	**2.9**	**9.8**	0.4	7.9	8.3
Operating loss	6	**(17.9)**	**(2.3)**	**(20.2)**	(62.6)	(154.5)	(217.1)
Finance income	7	**0.1**	**7.9**	**8.0**	0.5	6.0	6.5
Finance expense	7	**(14.3)**	**(0.8)**	**(15.1)**	(11.1)	(1.5)	(12.6)
(Loss)/profit before tax		**(32.1)**	**4.8**	**(27.3)**	(73.2)	(150.0)	(223.2)
Income tax credit/(expense)	9	**1.6**	**(2.9)**	**(1.3)**	4.5	21.3	25.8
(Loss)/profit for the financial year		**(30.5)**	**1.9**	**(28.6)**	(68.7)	(128.7)	(197.4)

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

	Note	**52 weeks to 28 February 2026 £m**	52 weeks to 1 March 2025 £m
Loss for the financial year		**(28.6)**	(197.4)
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	18	**(17.7)**	(13.2)
Cash flow hedges fair value movements		**-**	14.0
Tax relating to items that will not be reclassified		**2.2**	3.3
		(15.5)	4.1
Items that may be subsequently reclassified to the income statement			
Cash flow hedges fair value movements		**(5.7)**	(1.3)
Items reclassified from cash flow hedge reserve		**(0.8)**	0.6
Tax relating to items that may be reclassified		**1.3**	(2.6)
		(5.2)	(3.3)
Total other comprehensive (loss)/profit for the year (net of tax)		**(20.7)**	0.8
Total comprehensive loss for the year		**(49.3)**	(196.6)

The notes on pages 20 to 51 form an integral part of these financial statements.

Argos Limited
Statement of financial position
As at 28 February 2026

Registered Number: 01081551

	Note	28 February 2026 £m	1 March 2025 (restated*) £m
Non-current assets			
Property, plant and equipment	10	**148.3**	157.0
Right-of-use assets	11	**264.4**	304.8
Intangible assets	12	**74.0**	56.1
Investments in subsidiaries	13	**204.9**	215.2
Trade and other receivables	15	**0.4**	796.8
Deferred income tax asset	9	**0.4**	-
Derivative financial assets		**1.1**	1.3
Retirement benefit surplus	18	**143.2**	145.1
		836.7	1,676.3
Current assets			
Inventories	14	**636.3**	618.6
Trade and other receivables	15	**502.2**	521.5
Income taxes receivable		**20.8**	39.1
Derivative financial assets		**1.6**	4.9
Cash and cash equivalents		**60.4**	83.5
		1,221.3	1,267.6
Total assets		**2,058.0**	2,943.9
Current liabilities			
Trade and other payables	16	**(1,118.7)**	(2,165.2)
Borrowings		**-**	(0.1)
Lease liabilities	11	**(52.6)**	(61.4)
Derivative financial liabilities		**(8.6)**	(4.8)
Provisions	17	**(48.6)**	(39.5)
		(1,228.5)	(2,271.0)
Net current assets/(liabilities)		**(7.2)**	(1,003.4)
Non-current liabilities			
Lease liabilities	11	**(303.3)**	(334.9)
Derivative financial liabilities		**(0.4)**	(1.2)
Deferred income tax liability	9	**-**	(20.3)
Provisions	17	**(22.3)**	(51.4)
		(326.0)	(407.8)
Total liabilities		**(1,554.5)**	(2,678.8)
Net assets		**503.5**	265.1
Equity			
Called up share capital	19	**250.0**	250.0
Share premium		**51.7**	51.7
Other reserves		**(5.3)**	0.6
Retained earnings	19	**207.1**	(37.2)
Total equity shareholders' funds		**503.5**	265.1

*Certain line items in the comparative periods have been re-presented. Refer to Note 2 for further details

The notes on pages 20 to 51 form an integral part of these financial statements.

The financial statements on pages 17 to 51 were approved by the Board of Directors and were signed on their behalf by:

Bláthnaid Bergin (Oct 5, 2026 10:50:56 GMT+1)

Bláthnaid Bergin
Director
5 October 2026

Argos Limited
Statement of changes in equity
For the 52 weeks ended 28 February 2026

	Note	**Called up share capital £m**	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total Equity £m**
At 2 March 2025		**250.0**	**51.7**	**0.6**	**(37.2)**	**265.1**
Loss for the financial year		**-**	**-**	**-**	**(28.6)**	**(28.6)**
Other comprehensive loss (pre-tax)		**-**	**-**	**(6.5)**	**(17.7)**	**(24.2)**
Tax relating to components of other comprehensive loss		**-**	**-**	**1.3**	**2.2**	**3.5**
Total comprehensive loss		**-**	**-**	**(5.2)**	**(44.1)**	**(49.3)**
Cash flow hedges gains transferred to inventory		**-**	**-**	**(0.7)**	**-**	**(0.7)**
Transactions with owners:						
Capital contribution from parent	19	**-**	**-**	**-**	**288.4**	**288.4**
At 28 February 2026		**250.0**	**51.7**	**(5.3)**	**207.1**	**503.5**

	Note	Called up share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total Equity £m
At 3 March 2024		250.0	51.7	(7.1)	159.1	453.7
Loss for the financial year		-	-	-	(197.4)	(197.4)
Other comprehensive income/(loss) (pre-tax)		-	-	13.2	(13.2)	-
Tax relating to components of other comprehensive income/(loss)		-	-	(2.6)	3.3	0.7
Total comprehensive income/(loss)		-	-	10.6	(207.3)	(196.7)
Cash flow hedges gains transferred to inventory		-	-	(2.9)	-	(2.9)
Transactions with owners:						
Share-based payment		-	-	-	10.9	10.9
Tax on items charged to equity		-	-	-	0.1	0.1
At 1 March 2025		250.0	51.7	0.6	(37.2)	265.1

The notes on pages 20 to 51 form an integral part of these financial statements.

Argos Limited
Notes to the financial statements
For the 52 weeks ended 28 February 2026

1. General information

Argos Limited (the "Company") is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. For the 52 weeks ended 28 February 2026 the Company's registered address was 33 Charterhouse Street, London, EC1M 6HA. The Company is part of the J Sainsbury plc group (the "Group").

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

2. Basis of Preparation and Accounting Policies

(a) Statement of compliance
The financial statements are prepared in accordance with United Kingdom Accounting standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

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

- IAS 1 Presentation of Financial Statements – certain comparative and reconciliation disclosures, including those relating to property, plant and equipment, right-of-use assets and intangible assets.
- IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows – the requirement to present a cash flow statement and related disclosures.
- IAS 24 Related Party Disclosures – disclosures relating to key management personnel compensation and intra-group transactions between wholly owned members of the Group.
- IFRS 7 - Financial Instruments: Disclosures.
- IFRS 13 Fair Value Measurement – paragraphs 91–99 (disclosures of valuation techniques and inputs).
- IAS 36 Impairment of assets – disclosures relating to assumptions, the effect of changes in assumptions and valuation techniques.
- IFRS 15 Revenue from contracts with customers – requirements to disclose the disaggregation of revenue.
- IFRS 2 Share-based Payment – certain disclosures relating to share-based payment arrangements.
- IAS 12 Income Taxes – Pillar Two disclosure requirements.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of J Sainsbury plc into which the Company is consolidated. These financial statements are separate financial statements. The Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 and has not prepared consolidated financial statements. The Company and its subsidiary undertakings are included within the consolidated financial statements of J Sainsbury plc, which are publicly available as outlined in note 22.

(b) Basis of preparation
The financial statements are presented in pound sterling, rounded to the nearest million, with a one decimal place rounding.

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

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

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, or no material impact on the Company's results or net assets other than disclosures.

In respect of IFRS 18: 'Presentation and Disclosure in Financial Statements' which was issued in June 2024, will first be effective for the Company for the financial year ending 2028, the impacts will be presentational only, but the Company is currently assessing the full effects which currently are not yet practicable to quantify.

2. Basis of Preparation and Accounting Policies (continued)

(c) Going concern

At the time of approving the financial statements, the Board is required to formally assess that the business has adequate resources to continue in operational existence for the foreseeable future and as such can continue to adopt the 'going concern' basis of accounting.

Subsequent to the reporting date, on 31 July 2026, the Company's parent, Tumblecrest 2 Limited announced that it had entered into an agreement with Swift Whistle Midco Limited ("Swift Partners") for the sale of Argos Limited and associated subsidiaries. The transaction is expected to complete in February 2027, subject to the receipt of certain customary regulatory approvals and satisfaction of other completion conditions. Completion of the transaction is therefore expected to occur within 12 months of the date of approval of these financial statements.

Until completion of the transaction, the Company will continue to operate within the J Sainsbury plc Group (the "Group") as it does today. The Company has received a letter of support from its ultimate parent company, J Sainsbury plc, which confirmed their intention and ability to provide financial support to the Company, so long as it remains a part of the Group, to enable it to continue to trade for at least 12 months from the date of approval of these financial statements.

However, following completion, the Company will no longer be controlled by the Group and will become part of a new Group headed by Swift Whistle Midco Limited, a newly established company backed by experienced retail leaders and specialist retail investors.

The Directors have concluded that, up to the date of the change of control, the Company has sufficient resources to continue its operations. As part of the sale process, the Directors ensured adequate due diligence was undertaken, including consideration of the incoming management's business plans, the terms of the sale agreement, and the commercial arrangements to be entered into between the Company and other Sainsbury's Group entities, to satisfy themselves that the transaction is in the best interests of the Company's employees, customers and suppliers.

As noted above, completion is expected to occur before the end of the assessment period, and therefore the Directors will no longer control the Company or its strategy and funding, which will be determined by the new ultimate parent undertaking. Accordingly, notwithstanding the directors having undertaken the due diligence noted above, the change of control indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the Company were unable to continue as a going concern.

Having considered all of the above, the Board is of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

(d) Re-presentation of comparative periods – Balance sheet items

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

- Taxes payable has been re-presented to separately disclose income taxes receivable and to present other taxation and social security payables within Trade and other payables. The impacts are shown below:

As at 1 March 2025	As previously reported £m	Taxes payable £m	As restated £m
Current assets			
Income taxes receivable	-	39.1	39.1
	1,228.5	39.1	1,267.6
Total assets	2,904.8	39.1	2,943.9
Current liabilities			
Trade and other payables	(2,102.4)	(62.8)	(2,165.2)
Income taxes payable	(23.7)	23.7	-
	(2,231.9)	(39.1)	(2,271.0)
Net current liabilities	(1,003.4)	-	(1,003.4)
Total liabilities	(2,639.7)	(39.1)	(2,678.8)
Net assets	265.1	-	265.1

3. Material Accounting Policies

3.1 Revenue

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

Sale of goods

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

Other revenue items

Other revenue items comprise income from commissions.

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

Other income

Other income generally consists of dividend income from other Group entities.

3.2 Cost of sales

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

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

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

Volume based discounts / incentives

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

Marketing and promotional income

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

Unpaid amounts relating to supplier arrangements are recognised within trade and other receivables, unless there is a legal right of offset, in which case it is recognised within trade and other payables. Amounts that have been invoiced at the balance sheet date are categorised as supplier arrangements due and those not yet invoiced are categorised as accrued supplier arrangements.

3.3 Finance income and costs

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

3. Material Accounting Policies (continued)

3.4 Taxation

Current tax

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

Deferred tax

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

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

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

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

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

3.5 Property, plant and equipment

a) Land and buildings

Land and buildings are held at historical cost less accumulated depreciation and any recognised provision for impairment as determined in accordance with note 3.8. Cost includes the original purchase price of the asset and the costs to bringing the asset to its working condition for intended use, including any directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use. This includes capitalised borrowing costs.

b) Fixtures and equipment

Fixtures and equipment are held at cost less accumulated depreciation and any recognised provision for impairment as determined in accordance with note 3.8. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and its intended use, including any directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use.

c) Work in progress

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

d) Depreciation

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line basis over their useful economic life, using the following rates:

- Freehold buildings and leasehold improvements – 50 years, or the lease term if shorter
- Plant, fixtures and equipment are depreciated over 3 - 10 years according to the estimated life of the asset
- Freehold land is not depreciated

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

3. Material Accounting Policies (continued)

3.5 Property, plant and equipment (continued)

e) Disposals and retirement

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

f) Climate change impacts

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

3.6 Leases

a) Company as lessee

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

The Company presents additions to lease liabilities and right-of-use assets in line with the disclosure requirements of IFRS 16 Leases. In doing so, additions to right-of-use assets and lease liabilities in note 11 include the net impact of new leases, terminations, modifications, and reassessments.

Right-of-use assets

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

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

Lease liabilities

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

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

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

3. Material Accounting Policies (continued)

3.6 Leases (continued)

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

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

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases 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.

b) Company as lessor

The Company leases out an owned property and sublets the leased property under a finance lease.

Subleases

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

Finance leases

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

3.7 Intangible assets

a) Goodwill

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

b) Computer software

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

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

3. Material Accounting Policies (continued)

3.7 Intangible assets (continued)

c) Amortisation

Amortisation is calculated to write down the cost of the assets to their residual values, on a straight-line basis over their useful economic life, using the following rates:

- Goodwill – not amortised
- Computer software – 5 to 10 years

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

3.8 Impairment

a) Non-financial assets

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

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is impaired to its recoverable amount.

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

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

Cash-generating unit

For the purpose of impairment testing, CGUs are determined by reference to the smallest identifiable group of assets that generate cash inflows that are largely independent from other assets or groups of assets. Within Argos, local fulfilment centres serve a defined set of sub-stores so are tested for impairment at this aggregated level.

Central assets and associated cash flows are allocated to the relevant CGUs to which they relate. These assets are attributed to the lowest level of CGU where allocation can be made on a reasonable and consistent basis, with allocation performed using an appropriate measure such as relative store sales.

Goodwill acquired is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination.

3.9 Inventories

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

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

3. Material Accounting Policies (continued)

3.10 Investments

Investments in subsidiaries are carried at cost less any impairment loss in the financial statements of the Company.

At each reporting period, the Company considers impairment of its investment in subsidiaries by estimating the recoverable amounts of the investments, which are based on either the net assets of the subsidiary, or value-in-use calculations. Where a value-in-use calculation is used, discounted cash flows have been derived from Board approved cash flow projections for four years and then extrapolated into perpetuity with an assumed growth rate of 2.0%, discounted at a pre-tax rate of 11.7%. Any impairment loss is immediately recognised in the income statement.

3.11 Trade and other receivables

Trade and other receivables are non-interest bearing and are on commercial terms. They are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach under IFRS 9, with adjustments for factors specific to each receivable.

3.12 Trade and other payables

The Company's policy on the payment of creditors is to agree the terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices.

Trade payables are initially recognised at fair value, which is typically the invoiced amount and then held at amortised cost. They are shown net of supplier arrangements due where there is a contractual right of offset.

3.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and where the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Property provisions

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

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

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

3. Material Accounting Policies (continued)

3.13 Provisions (continued)

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.

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.

Other provisions

Predominantly comprises warranty provisions.

3.14 Financial Instruments

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

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

a) Financial instruments at amortised cost

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

b) Impairment of financial assets

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

3. Material Accounting Policies (continued)

3.14 Financial Instruments (continued)

c) Financial liabilities

The Company recognises all of its financial liabilities at amortised cost, except for derivative financial liabilities which are classified as FVTPL.

Financial liability costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Interest-bearing bank loans, overdrafts and other deposits are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest method.

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

d) Fair value estimation

The fair values of financial assets and liabilities are based on prices available from the market on which the instruments are traded. Where market values are not available, the fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values of short-term deposits, trade receivables, other receivables, overdrafts and payables and lease liabilities are assumed to approximate to their book values.

e) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.15 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and commodity risks. All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Where derivatives do not qualify for hedge accounting, any changes in the fair value of the derivative financial instrument are recognised in the income statement as they arise.

To qualify for hedge accounting, the Company documents, at the inception of the hedge, the hedging risk management strategy, the relationship between the hedging instrument and the hedged item or transaction, the nature of the risks being hedged and an assessment of the effectiveness of the hedging relationship to ensure it is highly effective on an ongoing basis.

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

Cash flow hedges

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

3. Material Accounting Policies (continued)

3.15 Derivative financial instruments and hedge accounting (continued)

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

3.16 Cash and cash equivalents

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

To be classified as cash and cash equivalents, an asset must:

- Be readily convertible into cash;
- Have an insignificant risk of changes in value; and
- Have a maturity period of typically three months or less at acquisition.

3.17 Employee benefits

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 in relation to the Argos section of the Sainsbury's Pension Scheme. 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 Argos section 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. 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.

a) *Retirement benefit surplus/obligations*

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

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

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

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

3. Material Accounting Policies (continued)

3.17 Employee benefits (continued)

b) *Long service awards*
The costs of long service awards are accrued over the period the service is provided by the employee when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

Underlying profit is not an IFRS measure and therefore not directly comparable to other companies. Analysis of the composition of non-underlying items is set out in note 5.

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

Lease terms
The inclusion of a lease extension period or lease break period in the lease term is a key judgement for the Company and considers all relevant factors that create an economic incentive for it to exercise them. For leased properties, this includes the current and expected profitability of the respective site, as well as the length of time until the option can be exercised. Any changes to the Company's judgement over lease terms will impact both the right-of-use asset and lease liability.

4.2 Key sources of estimation uncertainty

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

a) 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.

b) 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.

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.

c) Lease liabilities
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").

5. Non-underlying items

Continuing operations	Financial services model 5.1 £m	Restructuring programmes 5.2 £m	Impairment of non-financial assets 5.3 £m	Pensions 5.4 £m	Other 5.5 £m	2026 Total £m
Cost of sales	**5.0**	**(4.8)**	**(1.6)**	**-**	**-**	**(1.4)**
Administrative expenses	**-**	**(3.1)**	**-**	**(2.1)**	**1.4**	**(3.8)**
Other income	**-**	**-**	**-**	**-**	**2.9**	**2.9**
Affecting operating profit/(loss)	**5.0**	**(7.9)**	**(1.6)**	**(2.1)**	**4.3**	**(2.3)**
Net finance (costs)/income	**-**	**(0.8)**	**-**	**7.9**	**-**	**7.1**
Affecting profit/(loss) before tax	**5.0**	**(8.7)**	**(1.6)**	**5.8**	**4.3**	**4.8**
Being:						
Non-financial asset impairments	**-**	**-**	**(1.6)**	**-**	**-**	**(1.6)**
Accelerated depreciation of assets and acquisition adjustments	**-**	**(5.5)**	**-**	**-**	**-**	**(5.5)**
Property closure provisions	**-**	**2.7**	**-**	**-**	**-**	**2.7**
Employee costs	**-**	**(3.5)**	**-**	**-**	**-**	**(3.5)**
Non-underlying finance (costs)/income	**-**	**(0.8)**	**-**	**7.9**	**-**	**7.1**
Other net gains/(costs)	**5.0**	**(1.6)**	**-**	**(2.1)**	**4.3**	**5.6**
Affecting profit/(loss) before tax	**5.0**	**(8.7)**	**(1.6)**	**5.8**	**4.3**	**4.8**

Continuing operations	Financial services model 5.1 £m	Restructuring programmes 5.2 £m	Impairment of non-financial assets 5.3 £m	Pensions 5.4 £m	Other 5.5 £m	2025 Total £m
Cost of sales	(105.0)	(32.6)	(0.8)	-	-	(138.4)
Administrative expenses	-	(22.4)	-	(1.6)	-	(24.0)
Other (expense)/income	-	-	-	-	7.9	7.9
Affecting operating profit/(loss)	(105.0)	(55.0)	(0.8)	(1.6)	7.9	(154.5)
Net finance (costs)/income	-	-	-	6.0	(1.5)	4.5
Affecting profit/(loss) before tax	(105.0)	(55.0)	(0.8)	4.4	6.4	(150.0)
Being:						
Non-financial asset impairments	-	-	(0.8)	-	-	(0.8)
Accelerated depreciation of assets and acquisition adjustments	-	(25.2)	-	-	-	(25.2)
Property closure provisions	-	(5.5)	-	-	-	(5.5)
Employee costs	-	(18.8)	-	-	-	(18.8)
Onerous contracts	-	0.9	-	-	-	0.9
Non-underlying finance income/(costs)	-	-	-	6.0	(1.5)	4.5
Phased withdrawal costs	(110.8)	-	-	-	-	(110.8)
Income from subsidiary entities	-	-	-	-	7.9	7.9
Other net gains/(costs)	5.8	(6.4)	-	(1.6)	-	(2.2)
Affecting profit/(loss) before tax	(105.0)	(55.0)	(0.8)	4.4	6.4	(150.0)

5.1 Financial Services

As part of the phased withdrawal from Financial Services, costs which are not directly attributable to the disposal group but have specifically been incurred as part of the phased withdrawal have been recognised within non-underlying items.

5. Non-underlying items (continued)

5.2 Restructuring Programmes
In the period ended 6 March 2021, the Group announced a restructuring programme to accelerate the structural integration of Sainsbury's and Argos and further simplify the Argos business; create a new supply chain and logistics operating model; and further rationalise/repurpose the Group's supermarkets and convenience estate. The programme also considered the Group's store support centre ways of working.

Separately, as part of our Next Level Sainsbury's strategy implementation, we commenced a multi-year restructuring programme in the prior financial year which will update our central management structures to support faster decision making and drive performance in the Company, creating fewer, bigger roles with clear accountabilities. Costs incurred in the current year relate to restructuring local delivery hubs, where colleagues' shifts will change.

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

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

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

Other net costs comprise predominantly consultancy costs.

5.3 Impairment of non-financial assets
Separate from restructuring initiatives and property-related transactions, the Group has recognised impairment in relation to certain non-trading sites whereby rent reviews at previously impaired sites caused an increase in the associated right-of-use assets, and, in prior periods, sub-tenant defaults.

5.4 Pensions
Such amounts relate to the Argos section of the Sainsbury's Pension Scheme, the defined benefit pension scheme (the "Scheme") and are treated as non-underlying owing to the Scheme being closed to future accrual and accordingly not forming part of ongoing operating activities. More detailed analysis is included in note 18.

5.5 Other
Comprises:
- Income recognised in relation to the settlement of a legal case involving European truck manufacturers.
- Intercompany dividends which are excluded from underlying items as they are not considered part of the day-to-day activities of the business.
- Non-underlying finance movements in relation to the amortisation of discount on restructuring provisions and lease-related interest charges associated with impaired non-trading sites, including store closures. Further detail on the provisions is provided in note 17.

6. Operating profit/(loss)

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

		Note	**2026 £m**	2025 £m
Employee costs		8	**425.5**	484.9
Inventories recognised as an expense within cost of sales			**3,934.3**	3,894.1
Write-down of inventories			**47.5**	51.4
Depreciation and amortisation	- Property, plant and equipment	10	**27.4**	42.4
	- Right-of-use assets	11	**60.1**	74.2
	- Intangible assets	12	**21.6**	21.0
Impairment of non-financial assets			**4.2**	2.6
(Profit)/loss on disposal	- Property, plant and equipment		**(2.4)**	2.3
Foreign exchange gain			**(4.2)**	(8.6)

Fees payable to the Company's auditors for the audit of the Company are £46,000 (2025: £44,250).

7. Finance income and costs

			2026			2025
Continuing operations	**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
IAS 19 pension financing income	**-**	**7.9**	**7.9**	-	6.0	6.0
Interest on bank deposits and other financial assets	**-**	**-**	**-**	0.2	-	0.2
Finance income on net investment in leases	**0.1**	**-**	**0.1**	0.3	-	0.3
Finance income	**0.1**	**7.9**	**8.0**	0.5	6.0	6.5
Lease liabilities	**(14.3)**	**(0.1)**	**(14.4)**	(11.1)	(0.1)	(11.2)
Provisions - amortisation of discount	**-**	**(0.7)**	**(0.7)**	-	(1.4)	(1.4)
Interest on unsecured borrowings	-	-	**-**	-	-	-
Finance costs	**(14.3)**	**(0.8)**	**(15.1)**	(11.1)	(1.5)	(12.6)

8. Employee costs

	2026 £m	2025 £m
Wages and salaries, including bonus and termination benefits	**362.8**	437.5
Social security costs	**32.2**	24.9
Other pension costs	**17.4**	11.6
Share-based payments expense	**13.1**	10.9
	425.5	484.9

Employee numbers

Average number of employees:	2026 '000	2025 '000
Full time	**2.6**	3.4
Part time	**5.7**	6.4
	8.3	9.8
Full-time equivalent	**5.1**	6.1

All of the Directors are 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.

9. Income tax expense

Continuing operations	2026 £m	2025 £m
Current tax		
Current year UK tax	**15.7**	(39.2)
Under provision in prior years	**2.8**	-
Total current tax expense	**18.5**	(39.2)
Deferred tax		
Origination and reversal of temporary differences	**(7.6)**	1.2
(Over)/under provision in prior years	**(9.6)**	12.2
Total deferred tax (credit)/expense	**(17.2)**	13.4
Total income tax expense/(credit)	**1.3**	(25.8)
Analysed as:		
Underlying tax credit	**(1.6)**	(4.5)
Non-underlying tax expense/(credit)	**2.9**	(21.3)
Total income tax expense/(credit)	**1.3**	(25.8)
Underlying tax rate	**4.3%**	6.1%
Effective tax rate	**(4.8)%**	11.6%

9. Income tax expense (continued)

The effective tax rate of (4.8)% (2025: 11.6%) is lower than (2025: lower than) the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are set out below:

		2026			2025		
Continuing operations		**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
(Loss)/profit before tax		**(32.1)**	**4.8**	**(27.3)**	(73.2)	(150.0)	(223.2)
Income tax at UK corporation tax rate of 25% (2025: 25%):		**(8.0)**	**1.2**	**(6.8)**	(18.3)	(37.5)	(55.8)
Expenses not deductible for taxation purposes		**0.4**	-	**0.4**	1.0	0.6	1.6
Non-taxable dividends received		**-**	**-**	**-**	-	(2.0)	(2.0)
Transfer pricing adjustment		**11.0**	**-**	**11.0**	(9.3)	-	(9.3)
Other	a)	**2.9**	**0.5**	**3.4**	3.1	24.4	27.5
(Over)/under provision in prior years		**(7.9)**	**1.2**	**(6.7)**	19.0	(6.8)	12.2
Total income tax expense/(credit)		**(1.6)**	**2.9**	**1.3**	(4.5)	(21.3)	(25.8)

(a) During the prior period, the Argos section of the Sainsbury's Pension scheme reached its funding target and has been permanently switched off (see note 18). The switch off triggers a taxable clawback in Argos in relation to the initial capital contribution to the scheme which has not been paid over, as the funding target has been met. The net taxable non-trade loan relationship credit from the switch off is £24.4 million.

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

	2026			2025		
Continuing operations	**Current tax £m**	**Deferred tax £m**	**Total £m**	Current tax £m	Deferred tax £m	Total £m
Share-based payment reserve	**-**	**(0.2)**	**(0.2)**	(0.1)	0.1	-
Actuarial reserve	**-**	**(2.0)**	**(2.0)**	-	(3.3)	(3.3)
Cash flow hedge	**-**	**(1.3)**	**(1.3)**	-	2.6	2.6
	-	**(3.5)**	**(3.5)**	(0.1)	(0.6)	(0.7)

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

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

	Accelerated capital allowances £m	**Fair value £m**	**Retirement benefit obligations £m**	**Share-based payments £m**	**Other £m**	**Total £m**
2 March 2025	**14.5**	**(0.2)**	**(36.3)**	**0.6**	**1.1**	**(20.3)**
Credit/(charge) to income statement	**8.1**	**-**	**(1.5)**	**-**	**1.0**	**7.6**
Credit to equity or other comprehensive income	**-**	**1.3**	**2.0**	**0.2**	**-**	**3.5**
Prior year adjustment to income statement	**4.4**	**-**	**-**	**-**	**5.2**	**9.6**
28 February 2026	**27.0**	**1.1**	**(35.8)**	**0.8**	**7.3**	**0.4**
3 March 2024	17.6	2.4	(38.4)	1.1	9.8	(7.5)
Credit/(charge) to income statement	0.9	-	(1.2)	(0.4)	(0.5)	(1.2)
(Charge)/credit to equity or other comprehensive income	-	(2.6)	3.3	(0.1)	-	0.6
Prior year adjustment to income statement	(4.0)	-	-	-	(8.2)	(12.2)
1 March 2025	14.5	(0.2)	(36.3)	0.6	1.1	(20.3)

10. Property, plant and equipment

			2026
	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At beginning of financial year	**173.9**	**283.8**	**457.7**
Additions	**2.1**	**17.3**	**19.4**
Disposals	**(19.7)**	**(47.6)**	**(67.3)**
Transfers from assets held for sale	**2.1**	**6.0**	**8.1**
At end of financial year	**158.4**	**259.5**	**417.9**
Accumulated depreciation and impairment			
At beginning of financial year	**107.7**	**193.0**	**300.7**
Depreciation expense	**7.7**	**19.7**	**27.4**
Impairment loss	**1.0**	**-**	**1.0**
Disposals	**(19.7)**	**(47.9)**	**(67.6)**
Transfers from assets held for sale	**2.1**	**6.0**	**8.1**
At end of financial year	**98.8**	**170.8**	**269.6**
Net book value at beginning of financial year	**66.2**	**90.8**	**157.0**
Net book value at end of financial year	**59.6**	**88.7**	**148.3**
Capital work-in-progress included above	**-**	**8.8**	**8.8**

11. Leases

a) Right-of-use assets

			2026
Net book value	Land and buildings £m	Equipment £m	Total £m
At beginning of financial year	**264.3**	**40.5**	**304.8**
New leases and modifications	**21.4**	**1.0**	**22.4**
Impairment loss	**(2.7)**	**-**	**(2.7)**
Depreciation expense	**(47.7)**	**(12.4)**	**(60.1)**
At end of financial year	**235.3**	**29.1**	**264.4**

11. Leases (continued)

b) Lease liabilities

	2026 £m	2025 £m
At beginning of financial year	**396.3**	338.6
New leases and modifications	**19.6**	129.0
Interest expense	**14.4**	11.2
Payments	**(74.4)**	(82.5)
At end of financial year	**355.9**	396.3

c) Maturity analysis

	2026 £m	2025 £m
Contractual undiscounted cash flows		
Less than 1 year	**68.9**	68.9
1 to 2 years	**58.0**	61.0
2 to 3 years	**49.6**	50.5
3 to 4 years	**40.2**	43.8
4 to 5 years	**33.1**	36.3
Total less than 5 years	**249.8**	260.5
5 to 10 years	**114.0**	105.7
10 to 15 years	**53.5**	43.9
More than 15 years	**69.8**	75.1
Total undiscounted lease liability	**487.1**	485.2
Lease liability in the balance sheet	**355.9**	396.3
Current	**52.6**	61.4
Non-current	**303.3**	334.9

12. Intangible assets

	Goodwill £m	Computer software £m	Acquired brands £m	Total £m
Cost				
At beginning of financial year	**38.5**	**146.3**	**22.5**	**207.3**
Additions	**-**	**40.0**	**-**	**40.0**
Disposals	**-**	**(41.9)**	**-**	**(41.9)**
At end of financial year	**38.5**	**144.4**	**22.5**	**205.4**
Accumulated amortisation and impairment				
At beginning of financial year	**37.0**	**91.7**	**22.5**	**151.2**
Amortisation expense	**-**	**21.6**	**-**	**21.6**
Impairment loss	-	**0.5**	-	**0.5**
Disposals	**-**	**(41.9)**	**-**	**(41.9)**
At end of financial year	**37.0**	**71.9**	**22.5**	**131.4**
Net book value at beginning of financial year	1.5	54.6	-	56.1
Net book value at end of financial year	**1.5**	**72.5**	**-**	**74.0**
Capital work-in-progress included above	**-**	**10.0**	**-**	**10.0**

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.

13. Investments in subsidiaries

	2026 £m	2025 £m
Cost		
At the beginning of the financial year	**240.0**	240.0
Disposals	**(10.3)**	-
At the end of the financial year	**229.7**	240.0
Impairment		
At the beginning and end of the financial year	**(24.8)**	(24.8)
	204.9	215.2

During the period, Argos Limited transferred the investments of Home Retail Group Holdings (Overseas) Limited and Argos Surbs Investments Limited to Sainsbury's Supermarkets Ltd and Argos Distributors (Ireland) Limited to Sainsbury's Holdings Limited. The cost associated with these investments has subsequently been derecognised and transferred at book value for nil-gain nil-loss.

The direct and indirect subsidiaries of the Company are:

Entity	**Country of incorporation**	**Holding**	**Interest**	**Registered office address**
First Stop Stores Limited	UK	Direct	100%	A
Tumblecrest 1 Limited*	UK	Direct	100%	A
Argos Business Solutions Limited	UK	Direct	100%	A
Home Retail Group (Finance) LLP	UK	Direct	99.9%	A
Jungle.com Holdings Limited	UK	Direct	100%	A
Argos (N.I.) Limited	UK	Direct	100%	Forestside Shopping Centre, Upper Galwally, Belfast, BT8 6FX, United Kingdom
Home Retail Group (Guernsey) LP	Guernsey	Indirect	99.9%	Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT, Channel Islands
Jungle.com Limited	UK	Indirect	100%	A
Software Warehouse Holdings Limited	UK	Indirect	100%	A
Jungle Online	UK	Indirect	50%	A

*As of 29 April 2026, Argos Card Transactions Limited changed its name to Tumblecrest 1 Limited.

Address:
A: 33 Charterhouse Street, London, United Kingdom, EC1M 6HA.

14. Inventory

	2026 £m	2025 £m
Gross finished goods	**678.7**	663.9
Inventory provision	**(42.4)**	(45.3)
	636.3	618.6

15. Trade and other receivables

	2026			2025		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade receivables	**-**	**13.3**	**13.3**	-	21.0	21.0
Less provision for expected credit losses	**-**	**(0.7)**	**(0.7)**	-	(0.9)	(0.9)
Amounts owed by Parent entity	**-**	**-**	**-**	794.0	-	794.0
Amounts owed by other Group entities	**-**	**406.4**	**406.4**	-	419.7	419.7
Other receivables	**-**	**6.8**	**6.8**	2.3	7.7	10.0
Prepayments and accrued income	**0.4**	**76.4**	**76.8**	0.5	74.0	74.5
	0.4	**502.2**	**502.6**	796.8	521.5	1,318.3

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.

During the period Argos Limited and its parent Tumblecrest 2 Limited (formerly Argos Holdings Limited) net settled their gross intercompany receivable of £794 million against its payable balance, leaving a net intercompany payable by Argos Limited to Tumblecrest 2 Limited of £288 million which was formally released. Refer to note 19(b) for further details.

16. Trade and other payables

	2026			2025 (restated*)		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade payables	**-**	**522.6**	**522.6**	-	509.0	509.0
Amounts owed to other Group entities	**-**	**373.7**	**373.7**	-	1,441.5	1,441.5
Other payables	**-**	**15.5**	**15.5**	-	18.2	18.2
Accruals and deferred income	**-**	**141.5**	**141.5**	-	133.7	133.7
Other taxes and social security	**-**	**65.4**	**65.4**	-	62.8	62.8
	-	**1,118.7**	**1,118.7**	-	2,165.2	2,165.2

*Certain line items in the comparative periods have been re-presented. Refer to note 2 for further details

Trade and other payables are non-interest bearing and the fair values are not considered to differ materially from the recognised book values. Other amounts owed to other Group entities at the year-end are unsecured, repayable on demand and held at amortised cost using the effective interest rate method.

During the period the amount owed by Argos Limited to Home Retail Group (Jersey) Limited of £1,082 million was swapped to Tumblecrest 2 Limited. This amount was then net settled against the receivable owed by the Parent entity, leaving a net intercompany payable of £288 million which was formally released. Refer to note 19(b) for further details.

17. Provisions

	Property provisions £m	Insurance provisions £m	Restructuring programmes £m	Other provisions £m	Total £m
At 2 March 2025	**43.9**	**5.3**	**38.9**	**2.8**	**90.9**
Additional provisions	**5.0**	**4.1**	**6.1**	**0.1**	**15.3**
Unused amounts released	**(9.2)**	**-**	**(2.9)**	**(0.1)**	**(12.2)**
Utilisation of provision	**(4.2)**	**(3.5)**	**(16.2)**	**-**	**(23.9)**
Amortisation of discount	**0.2**	**-**	**0.6**	**-**	**0.8**
At 28 February 2026	**35.7**	**5.9**	**26.5**	**2.8**	**70.9**
Current					**48.6**
Non-current					**22.3**
At 3 March 2024	51.4	5.8	31.5	3.6	92.3
Additional provisions	10.8	3.8	18.6	-	33.2
Unused amounts released	(10.3)	(0.4)	(1.3)	(0.8)	(12.8)
Utilisation of provision	(8.2)	(3.9)	(11.1)	-	(23.2)
Amortisation of discount	0.2	-	1.2	-	1.4
At 1 March 2025	43.9	5.3	38.9	2.8	90.9
Current					39.5
Non-current					51.4

18. Retirement benefit obligations

Retirement benefit obligations relate to the Argos section of the Sainsbury's Pension scheme. The unfunded liabilities relating to former employees of the Home Retail Group were transferred to Sainsbury's Supermarkets Limited during the current period.

This section holds the assets and liabilities of the former Home Retail Group Pension Scheme. The section's assets are segregated by deed and ring-fenced for the benefit of the members of that section. The Scheme is run by a corporate trustee.

The section was closed to new employees in 2009 and to future accrual in January 2013. Pension benefits are based on service and final salary when leaving.

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

The most recent triennial valuation was as at 30 September 2024, resulting in an actuarial surplus of £78 million in the Argos section on a technical provisions basis, including the benefit of the Asset Backed Contribution ("ABC") arrangement provided by the Company (£34 million surplus excluding the benefit of the ABC).

18. Retirement benefit obligations (continued)

Triennial valuation (continued)
The asset-backed contributions structure (ABC) established by Sainsbury's in July 2019 continues to deliver as planned. Under the ABC structure, properties with a valuation of £1,350 million were transferred into a newly formed property holding company – Sainsbury's Property Holdings Limited (Propco) from the Sainsbury's Property Scottish Partnership and other Sainsbury's Group Companies. The Propco is a wholly owned subsidiary of the Group and leases the transferred properties to other Group 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 Sainsbury's, and its results are consolidated by the Group. The Scheme's investment in the Partnership does not qualify as a plan asset for the purposes of the Group's 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 in the 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) which stopped from December 2024
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)

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

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

The level of security 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 Group 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 choose to remove property from the Propco if the value is higher; however, if a default event were to occur, the Scheme would only have rights over the security to the value of the RSA – any excess value would remain in the Propco and revert to the Company.

18. Retirement benefit obligations (continued)

a) Income Statement

		2026 £m	2025 £m
Excluded from underlying profit before tax:			
Interest cost on pension liabilities	a)	**(40.6)**	(40.5)
Interest income on plan assets		**48.5**	46.5
Total included in finance income		**7.9**	6.0
Defined benefit pension scheme expenses		**(2.1)**	(1.6)
Total (excluded from underlying profit before tax)		**5.8**	4.4

a) Includes interest of £0.3 million (2025: £0.5 million) for the unfunded pension scheme.

b) Remeasurements included in other comprehensive income/(loss)

		2026 £m	2025 £m
Return on plan assets, excluding amounts included in interest		**(4.0)**	(80.0)
Actuarial gains/(losses) arising from changes in:			
Finance assumptions		**20.6**	66.0
Demographic assumptions		**(11.1)**	0.4
Experience		**(23.2)**	0.4
Total actuarial (losses)/gains	a)	**(13.7)**	66.8
Total remeasurements		**(17.7)**	(13.2)

a) Includes £nil remeasurement on the unfunded pension scheme (2025: £0.4 million gain).

c) Balance sheet

	Assets £m	Obligations £m	2026 Net £m	Assets £m	Obligations £m	2025 Net £m
As at the beginning of the financial year	**910.8**	**(765.7)**	**145.1**	979.7	(826.2)	153.5
Interest income/(cost)	**48.5**	**(40.6)**	**7.9**	46.5	(40.5)	6.0
Remeasurement (losses)/gains	**(4.0)**	**(13.7)**	**(17.7)**	(80.0)	66.8	(13.2)
Pension scheme expenses	**(2.1)**	**-**	**(2.1)**	(1.6)	-	(1.6)
Transfer from Argos scheme	**-**	**9.6**	**9.6**	-	-	-
Benefits paid	**(36.0)**	**36.4**	**0.4**	(33.8)	34.2	0.4
As at the end of the financial year	**917.2**	**(774.0)**	**143.2**	910.8	(765.7)	145.1

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

The investment strategy of the Scheme is determined by the Trustee. The Trustee considers that its primary responsibility in respect of investments is to ensure, for the duration of the Scheme, that funds will be available to meet the benefit payment obligations as they fall due.

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

18. Retirement benefit obligations (continued)

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

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

The risks associated with achieving the above strategy are as follows:

Risk	Description	Mitigation
Investment Strategy and implementation	Misalignment of the investment strategy relative to changes in liabilities reduces the future resources available to meet pension obligations. The strategy also includes addressing sustainability and ESG-related risks for the Scheme. 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 consistently underperforming mandates and reallocate capital.
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 and imposes limits on short-term maturing repurchase contracts. The Investment Adviser liaises with the Scheme Actuary and Pensions Department to determine current and future cash flow requirements.
Investment Counterparty	Financial losses may be incurred due to failure of counterparties or inability to roll-over derivative positions.	Asset Managers manage credit limits for all their derivative counterparty exposures and monitor positions over derivative roll dates.
Inflation	Scheme obligations are linked to inflation 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.

18. Retirement benefit obligations (continued)

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

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 alignment with the Trustee's policies. A net zero carbon emission goal by 2050 has been adopted by the Trustee and follows new climate governance and reporting standards. The Scheme's investment managers have signed up to the UN Principles of Responsible Investment 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.
Cyber risk	The increasing threat of cyber-attack leads to data breaches and financial losses.	Robust cybersecurity measures have been implemented by the Trustee's custodian and administrators, including regular security assessments, employee training, and advanced IT systems. These measures aim to protect sensitive data and ensure the integrity and confidentiality of member information.

e) Analysis of plan assets

	2026		2025	
	Quoted £m	**Unquoted £m**	Quoted £m	Unquoted £m
Liability matching assets	**639**	**183**	577	182
Growth assets				
Alternatives				
Real Estate	**-**	**9**	-	19
Private Debt	**-**	**39**	-	82
Diversified Growth	**-**	**27**	-	35
Cash and Cash equivalents	**20**	**-**	16	-
	659	**258**	593	318

Included within liability matching assets are government bonds totalling £770 million (2025: £784 million), corporate bonds totalling £332 million (2025: £318 million), and fixed income derivatives totalling -£1 million (2025: £5 million), offset by repurchase agreements totalling £279 million (2025: £348 million). Circa 96 per cent of the Scheme's corporate bonds are invested in investment grade credit. The remainder are either unrated or below investment grade.

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

Of the above assets, £916 million are denominated in pound sterling and £1 million are denominated in overseas 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.

18. Retirement benefit obligations (continued)

e) Analysis of plan assets (continued)

For 2026 the valuation of private market assets is based on the latest available manager statements, adjusted for cash contributed or remitted. The assets have been assessed for impairment, from the date of the most recent statement date through manager enquiry and analysis of similar public market indices. This approach differs from the approach taken in 2025 where, in addition to the cash adjustment detailed above, asset values were rolled-forward, from the date of the last statement to the balance sheet date, using the returns on related public market indices. The value of the roll-forward adjustment in 2025 was £1.3 million. Based on historical analysis it was concluded that the updated approach provided a better estimate of the asset value for private market assets at the balance sheet date.

f) Assumptions

Principal actuarial assumptions

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

Assumptions are on a weighted average blended basis

Discount rate
The discount rate for the Scheme is derived from the expected yields on high quality corporate bonds over the duration of the Company's pension scheme and extrapolated in line with gilts with no theoretical growth assumptions. High quality corporate bonds are those for which at least one of the main ratings agencies considers to be at least AA (or equivalent).

Inflation
The Government's intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) takes effect from 2030. As a result, the Group has assumed that RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 0.55% p.a. up to 2030 (2025: 0.60% p.a.).

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

Mortality
The base mortality assumptions use the SAPS S4 tables for the Sainsbury's and Argos sections, respectively, with adjustments to reflect the Scheme's population.

Following the completion of the 2024 triennial valuation and consideration of the previous three years of mortality experience both in the Scheme and the UK as a whole, the Company updated the actuarial mortality base tables that determine the life expectancy assumptions to reflect a best estimate adjustment derived from analysis carried out for the valuation. Future mortality improvements for the 2026 year-end are CMI 2024 projections with a long-term rate of improvement of 1 per cent p.a. Future mortality improvements for the 2025 year-end were CMI 2023 projections with a long-term rate of improvement of 1 per cent p.a.

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

18. Retirement benefit obligations (continued)

f) Assumptions (continued)

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

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

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

Life expectancy at age 65

	2026	2025
	Years	Years
Members aged 65 at balance sheet date		
Male pensioner	**20.7**	19.8
Female pensioner	**23.2**	22.9
Members aged 45 at balance sheet date		
Male pensioner	**21.7**	20.7
Female pensioner	**24.4**	24.0

Sensitivities

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

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

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

		£m	**£m**
Financial sensitivities:			
Discount rate	+/-0.1%	**(11)**	**11**
Discount rate	+/-1.0%	**(96)**	**118**
Inflation rate	+/-0.1%	**10**	**(7)**
Inflation rate	+/-1.0%	**87**	**(76)**
Inflation rate for future pension increases	+/-0.1%	**7**	**(4)**
Inflation rate for future pension increases	+/-1.0%	**50**	**(46)**
Demographic sensitivities:			
Life expectancy	+/-1 year	**(22)**	**23**

18. Retirement benefit obligations (continued)

g) Future benefit payments

The duration of liabilities is around 15 years for the Argos section.

	2026	2025
	£m	£m
Within the next 12 months (next annual reporting period)	**32**	30
Between 2 and 5 years	**158**	140
Between 6 and 15 years	**532**	501
Between 16 and 25 years	**566**	550
Beyond 25 years	**848**	843
	2,136	2,064

h) Post balance sheet event

Subsequent to year end, the Home Retail Group section of the Sainsbury's Pension Scheme has been transferred to Sainsbury's Supermarkets Limited. Refer Note 23 for further details.

19. Share capital

a) Share capital

	2026	2025	**2026**	2025
	million	million	**£m**	£m
Called up share capital				
Allotted, called up and fully paid ordinary shares at 25p each	**1,000**	1,000	**250**	250

In addition, the Company has 400 (2025: 400) deferred shares of 25p each all of which are authorised and fully paid and have the same rights as the ordinary shares.

b) Retained Earnings

During the period, the following intercompany transactions occurred:

- The amount owed by Argos Limited to Home Retail Group (Jersey) Limited of £1,082 million was swapped to Tumblecrest 2 Limited (the immediate parent of the company).
- Argos Limited and Tumblecrest 2 Limited net settled their gross intercompany receivable of £794 million, leaving a net intercompany payable from Argos Limited to Tumblecrest 2 Limited of £288 million.
- Tumblecrest 2 Limited formally released Argos Limited from its intercompany payable.

The overall impact to Argos Limited as a result of these transactions was a reduction in non-current receivables of £794 million, a reduction in current payables of £1,082 million, and an increase in retained earnings of £288 million.

20. Share-based payments

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

The cost of the awards is recharged to the Company. The fair value of employee services received is measured by reference to the grant date fair value of the awards and is recognised as an expense over the vesting period.

a) Savings-Related Share Option Schemes (Sharesave)

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

20. Share-based payments (continued)

b) Long-Term Incentive Plan

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

c) Nil-Cost Share Award

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

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

21. Capital commitments

	2026	2025
	£m	£m
Capital commitments contracted, but not provided for	**3**	3

22. Parent and Ultimate Controlling Entity

The Company's immediate parent and controlling entity is Tumblecrest 2 Limited (formerly Argos Holdings Limited).

The ultimate parent is J Sainsbury plc, which is registered in England and Wales and forms the only group into which the financial statements of the Company are consolidated. Copies of the ultimate parent company's financial statements may be obtained from the J Sainsbury plc website at corporate.sainsburys.co.uk. The address of the ultimate parent's registered office is 33 Charterhouse Street, London, EC1M 6HA, United Kingdom.

23. Non-adjusting post balance sheet events

On 13 May 2026, Argos Limited entered into a Deed of Amendment, Discharge and Flexible Apportionment Agreement in relation to the Home Retail Group section of the Sainsbury's Pension Scheme with an effective date of 31 May 2026. As a result of the transfer, the pension surplus and associated deferred tax balance recognised by Argos Limited at the reporting date transferred to Sainsbury's Supermarkets Limited on the effective date. At 28 February 2026, the carrying value of the pension surplus recognised by the Company was £143.2 million, with a corresponding deferred tax liability of £35.8 million. The transfer was completed at carrying value and accordingly will not result in the recognition of a gain or loss.

In July 2026, the Company disposed and subsequently leased back a depot with a fellow Group Company. The transaction occurred at carrying value.

On 31 July 2026, Tumblecrest 2 Limited announced that it had entered into an agreement with Swift Partners for the sale of Argos Limited and associated subsidiaries, and to enter into a number of long-term commercial agreements. In readying the agreed perimeter for targeted completion in February 2027, the Company will undertake a series of transfers during the forthcoming financial year, including; property, plant and equipment, right-of-use assets and associated lease liabilities and provisions associated with sites subject to transfer. The related transfers are expected to execute for nil-gain nil-loss thereby having no impact to the Company's net asset position. As the transaction was entered into after the reporting date, it has been treated as a non-adjusting post balance sheet event.

The above transactions may impact the recognition of the Company's deferred tax balances, which is a non-adjusting post balance sheet event for which the financial impact has not yet been assessed.