

Interim Results for the 28 weeks ended 16 September 2023
Investment in value, innovation and service delivering strong volume and market share growth

We're gaining volume from all of our grocery competitors, have grown ahead of the market throughout the first half and made record market share gains. This is the result of the strategic investment we have made in our food business over the last three years, improving value, innovation and customer service. Customers are noticing and they're doing more of their grocery shopping with us, trusting us to deliver consistent value as well as the great quality and service they've always expected from Sainsbury's.

We're continuing to make balanced choices, so while we're investing to help customers and colleagues, we also expect the strength of our volume performance to result in underlying profit before tax in FY2023/24 of between £670 million and £700 million, the upper half of our previous guidance range, and retail free cash flow of at least £600 million, higher than our previous guidance of at least £500 million.

As we look to build on the success of Food First and towards our next phase of progress, we will host a Strategy Update on 7 February 2024.

Financial Highlights

- Grocery sales up 10.1%. Volume growth across both quarters driving record market share gains and consistent market outperformance
- General Merchandise sales up 1.1% despite tough weather comparatives over the Summer (up 2.5% excluding the impact of the closure of Argos in the Republic of Ireland)
- Clothing sales down 8.4%, reflecting a disciplined trading approach in a seasonally weak and promotionally-driven market
- Statutory Group sales up 3.5%, with fuel sales down 19.6% driven by lower input prices. Like-for-like Retail sales (excluding fuel) up 8.4%
- Retail operating profit £485 million, up 2%, reflecting strong volume-driven grocery profit growth and continued delivery of Save to Invest cost saving benefits, partially offset by the impact of weaker seasonal sales on General Merchandise profits
- Financial Services operating profit of £13 million versus £19 million last year. This primarily reflects net interest margin reduction, with higher funding costs not being fully passed on through higher lending costs
- Underlying profit before tax of £340 million, flat year-on-year
- Underlying earnings per share 10.5 pence, down 6% due to the higher rate of corporation tax
- Statutory profit before tax of £275 million, down 27%, predominantly reflecting non-cash movements and one-off income from legal settlements in the prior year. Statutory earnings per share 6.6 pence, down 46%
- Retail free cashflow of £520 million, driven by strong grocery sales growth and seasonal H1 benefit from timing of payments
- Net debt including leases £701 million lower at £5,643 million, reflecting strong cash generation and a £1,042 million reduction in lease debt as a result of the Highbury & Dragon property transaction. Net debt excluding leases increased by £375 million to £231 million, reflecting the £670 million cash costs of funding the consideration for the transaction
- Interim dividend of 3.9 pence, unchanged year-on-year in line with our policy of paying 30% of the prior full year dividend per share

Simon Roberts, Chief Executive of J Sainsbury plc, said: "Food is firmly back at the heart of Sainsbury's. We've never been more competitive on price and our focus on value, innovation and service is giving more customers more reasons to shop with us.

"We know people are still finding things tough and we're working harder than ever to reduce our costs, putting the money back into our customers' pockets through lower prices on the products they buy most often. I'm pleased to say food inflation is coming down and we are passing savings on to customers. We've rolled out Nectar Prices to over 6,000 products and the vast majority of customers are now shopping with Nectar, saving over £450 million since April.

"We have extended increased colleague discount and free food during shifts indefinitely and, thanks to the hard work across our entire team, we're delivering leading customer service and availability. I want to thank all of my colleagues for their fantastic efforts.

"We're ready to give customers at Sainsbury's and Argos everything they want to have a brilliant Christmas. We're helping everyone to treat themselves with fantastic value and more delicious new food than ever before. As we head into this key trading period, we are encouraged by our strong momentum and we remain fully focused on delivering for customers and shareholders."

Strategic highlights

- **Food First:** Customers want consistently good value, exciting products and great service, and our relentless focus has helped us deliver record market share gains¹
 - We're the most competitive we have ever been² and customers' perception of our value is consistently improving³, which is why we're the only full-choice supermarket gaining spend from limited choice competitors^{4,5}
 - We have invested £118 million since March in keeping prices low and our targeted investment choices are delivering. Our focus on lowering prices on centre of the plate products – those our customers buy most often – has led to more customers doing their big shop with us⁶ and we have driven volumes ahead of the market across the full basket⁷
 - We launched and rapidly rolled out Nectar Prices across all supermarkets and to Groceries Online. It is now available on over 6,000 products and has saved customers over £450 million since the launch. Customer response has exceeded our expectations, with more than three million new Digital Collectors since April. The vast majority of Sainsbury's customers regularly use Nectar Prices, saving almost £10 on a typical £80 weekly shop
 - Supporting our Good food for all of us brand promise, we continue to be bold and ambitious on innovation, launching 600 new products in the half and growing Taste the Difference volumes by 8.4 per cent in Q2, outperforming the market and all competitors in Premium Own Label volume growth⁸, driven in part by our Summer innovation
 - We have invested significantly in colleague pay and extended our increased colleague discount and free food during shifts indefinitely and our colleague engagement scores have increased 8 percentage points⁹. We believe having highly engaged colleagues delivers leading customer service and our overall customer satisfaction is consistently ahead of full-choice competitors¹⁰
- **Brands that Deliver:** We remain focused on improving the efficiency and resilience of our brands, supporting our strong customer offers and investment in our food business
 - Nectar sales participation has increased significantly and we now have 14 million Nectar Digital Collectors, driven by the rapid rollout of Nectar Prices. This will support the growth of Nectar360, which is on track to deliver £90 million of additional profit by March 2026, as will the expansion of our connected digital screen network to over 800 screens – making our 'Sainsbury's Live' network one of the largest digital retailer screen networks in the UK
 - Argos profitability has improved in recent years as we have lowered the fixed cost base, while improving our product range and expanding the number of points where customers can conveniently collect products. Lower fixed costs helped reduce the impact in the half of significantly lower seasonal sales during a colder and wetter Summer
 - Argos sales were resilient, with sales up 3.3 per cent excluding the impact of closing Argos in the Republic of Ireland, driven by continuing market share gains¹¹, strong consumer electronics sales and activity supporting Argos's 50th birthday
 - Tu maintained a disciplined trading approach, with lower sales but stable full-price sales participation protecting profitability in a seasonally weak and promotionally driven market. We now have 37 third party brands on Tu.co.uk, with nine new branded fashion destination hubs in Sainsbury's supermarkets driving higher average customer spend
 - Financial Services profits declined, with net interest margin compression as higher funding costs were not passed through to lending costs. This reflects the nature of our lending products, including buy now pay later at Argos and customers continuing to clear balances rather than incur interest costs. We now expect full year Financial Services profits to be lower than last year
- **Save to Invest:** We are on track to deliver £1.3 billion of cost savings by March 2024, future proofing our business with a structurally lower cost base and fuelling investment in our customer proposition. As we move towards the next phase of our strategy we have a strong plan and are confident of continued momentum and competitive advantage through unique cost savings opportunities
 - Delivered £1.1 billion of cost savings over the last two and a half years
 - We progressed key structural change projects, are continuing to transform and simplify our logistics operations and have begun to consolidate our data centres, which will modernise, simplify and future-proof our technology estate
- **Plan for Better:** We are making good progress on our Plan for Better, investing in sustainable supply chains and continue to make progress against targets including plastic packaging and carbon reduction
 - Our new Taste the Difference Aberdeen Angus beef range is revolutionising how we produce beef in the UK, with a 25 per cent lower carbon footprint compared to industry standard
 - We won the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year titles, recognising our commitment to sourcing from certified sustainable, responsibly managed fisheries and aquaculture

H1 Financial Summary	2023/24	2022/23	YoY
Statutory performance			
Group revenue (excl. VAT, inc. fuel)	£16,983m	£16,408m	3.5%
Profit before tax	£275m	£376m	(27)%
Profit after tax	£155m	£285m	(46)%
Basic earnings per share	6.6p	12.3p	(46)%
Business performance			
Group sales (inc. VAT)	£18,865m	£18,338m	2.9%
Retail sales (inc. VAT, excl. fuel)	£15,805m	£14,674m	7.7%
Underlying profit before tax	£340m	£340m	-
Underlying basic earnings per share	10.5p	11.2p	(6)%
Interim dividend per share	3.9p	3.9p	-
Net debt (inc. lease liabilities)	£(5,643)m	£(6,165)m	£522m
Non-lease net (debt)/funds	£(231)m	£361m	£(592)m
Return on capital employed	7.9%	7.7%	20bps

Like-for-like sales performance	2022/23				2023/24 YoY			2023/24 exc. Argos ROI		
	Q1	Q2	Q3	Q4	Q1	Q2	H1	Q1	Q2	H1
Like-for-like sales (excl. fuel)	(4.0)%	3.7%	5.9%	7.8%	9.8%	6.6%	8.4%	10.0%	6.6%	8.5%
Like-for-like sales (incl. fuel)	2.9%	7.7%	6.8%	5.9%	3.9%	2.2%	3.2%	4.0%	2.2%	3.2%

Total sales performance	2022/23				2023/24 YoY			2023/24 exc. Argos ROI		
	Q1	Q2	Q3	Q4	Q1	Q2	H1	Q1	Q2	H1
Grocery	(2.4)%	3.8%	5.6%	7.4%	11.0%	8.9%	10.1%	11.0%	8.9%	10.1%
Total General Merchandise	(11.2)%	1.2%	4.6%	7.6%	4.0%	(2.6)%	1.1%	4.9%	(0.6)%	2.5%
GM (Argos)	(10.5)%	1.6%	4.5%	9.3%	5.1%	(2.6)%	1.7%	6.1%	(0.1)%	3.3%
GM (Sainsbury's)	(14.6)%	(1.3)%	5.4%	(1.0)%	(1.2)%	(2.7)%	(1.9)%	(1.2)%	(2.7)%	(1.9)%
Clothing	(10.1)%	(0.2)%	1.3%	(1.9)%	(3.7)%	(14.6)%	(8.4)%	(3.7)%	(14.6)%	(8.4)%
Total Retail (excl. fuel)	(4.5)%	3.1%	5.2%	7.1%	9.2%	5.8%	7.7%	9.3%	6.2%	8.0%
Fuel	48.3%	29.1%	12.2%	(2.8)%	(21.4)%	(17.1)%	(19.6)%	(21.4)%	(17.1)%	(19.6)%
Total Retail (incl. fuel)	2.5%	7.2%	6.2%	5.4%	3.3%	1.5%	2.6%	3.5%	1.9%	2.8%

Outlook

Consistent investment in our customer proposition has driven strong momentum and profit growth in our grocery business and continued market share gains for Argos. This strong trading momentum has continued in recent weeks and we are confident heading into the peak trading period. Hence, despite headwinds in Financial Services and some tough comparatives ahead, we now expect to report underlying profit before tax in FY 2023/24 of between £670 million and £700 million, the upper half of our previous guidance range (£640 million to £700 million). We expect to generate Retail free cash flow of at least £600 million, higher than our previous guidance of at least £500 million.

Notes

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

A webcast presentation and live Q&A will be held at 9:00 (GMT). This will be available to view on our website at the following link: <https://sainsburys-interim-results-nov-2023.open-exchange.net/registration>

A recorded copy of the webcast and Q&A call, alongside slides and a transcript of the presentation will be available at www.about.sainsburys.co.uk/investors/results-reports-and-presentations following the event.

Sainsbury's will issue its 2023/24 Third Quarter Trading Statement at 07:00 (GMT) on 10 January 2024.

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Food First

Food is firmly back at the heart of Sainsbury's. Our relentless focus on value, innovation and service has helped us drive volumes, improve absolute value², increase value perception³ and win new customers¹². More customers are shopping their full basket with us⁷ and we are gaining volumes from every supermarket including limited-choice competitors⁴.

Value

- We have never been more competitive on price² and customers are noticing: value perception is improving consistently³, we are outperforming the market on volume growth every week of the half¹³ and we are the only full-choice supermarket winning volumes from limited choice competitors⁴, with more customers doing more of their shopping with us¹², particularly their big shops⁶
- We invested a further £118 million in lowering prices and led the industry on passing lower cost prices through to customers, so hundreds of the products they buy most often, like cheese, pasta and fish fingers, now cost less. We are consistently inflating behind key competitors¹⁴ and our biggest ever Aldi Price Match campaign now includes over 400 products
- We know that when customers are getting great value on the items they buy most often, they'll do more of their shop with us. Our focus on investing in the centre of the plate – fresh food like meat, fish and fruit and veg – is winning, we are outperforming the market across the full basket⁷ and growing our market share¹
- We launched and rolled out Nectar Prices across all supermarkets and to Groceries Online. Nectar Prices are now available on over 6,000 products across all areas of food and grocery, saving customers almost £10 on a typical £80 weekly shop. Customers know they can find market-leading offers through Nectar Prices and suppliers are providing great support for the deals. The vast majority of our customers are now regularly using Nectar and customers have saved over £450 million since launch in April, helping drive improved value perceptions³ and leading to strong customer satisfaction scores for offers¹⁵
- Groceries Online customers are already highly engaged with Nectar Prices and we anticipate this growing following this week's launch of Your Nectar Prices online, offering personalised discounts based on the items our customers buy the most often. SmartShop customers have already saved £80 million through using Your Nectar Prices¹⁶ in store
- Our new value range Stamford Street is bigger than ever at over 200 products, growing sales by almost 60 per cent year-on-year and driving Economy Own Label volume growth ahead of the market¹⁷

Innovation

- Supporting our Good food for all of us brand promise, we launched almost 600 new products in H1, with more than 70 per cent of those in Fresh. Customer favourites included our Taste the Difference Chorizo, Nduja and Mozzarella sandwich, by Sainsbury's Sweet and Sticky BBQ British Pork Skewers and Taste the Difference Lemon Cheesecake Inspired Cookies
- Driven by strong performance over the Summer and the successful refresh of our Taste the Difference £12 Dine In deal, Taste the Difference volumes grew by 8.4 per cent in Q2, outperforming the market and all competitors in Premium Own Label volume growth⁸
- With our Food to Go range now more popular than pre-pandemic, we increased the options available to customers with the launch of Kitchen Deli, a specialty selection of fresh ready-prepared sandwiches, salads, cold and heat-up ready meals, giving customers a new and convenient way to sample the best of what Sainsbury's has to offer
- We continue to be bold and ambitious on innovation, with over 360 products launching through Autumn and Winter. We are launching 170 new Taste the Difference products this Christmas and are well set up for success

Best of British

- We're committed to working with our suppliers to build sustainable, resilient supply chains which are fit for the future. Our suppliers and partners are key to delivering our promise of Good food for all of us
- We announced an additional investment of £6 million annually into supporting our dairy farmers, on top of the independently calculated Cost of Production price of milk
- We are investing in supply chain innovation, launching a new Taste the Difference Aberdeen Angus beef range which is revolutionising how we produce beef in the UK. The reinvigorated range will offer a 25 per cent lower carbon footprint compared to industry standard, making it the largest low carbon beef range ever produced in the UK and is one of the ways we're progressing towards our ambition to become Net Zero across our own operations by 2035 and our value chain by 2050
- We made changes to our chicken welfare standards in March: they now have 20 per cent more space than industry standard, helping us raise happier, healthier *by Sainsbury's* chickens. With great value for customers, often matched to the lowest market prices, this has helped to contribute towards a 3.6 per cent market share increase¹⁸ for this category

Service

- We have invested significantly in colleague pay and extended indefinitely our increased colleague discount and free food during shifts. Our colleague engagement scores have increased 8 percentage points⁹ and we have had better retention and lower absence
- We believe having engaged colleagues delivers leading customer service and our overall customer satisfaction scores are consistently ahead of full-choice competitors¹⁰. Our strong colleague availability and speed of checkout scores¹⁴ reflect changes we've made that free up colleagues to better serve customers, including colleague headset rollout and better efficiencies in stock and ordering processes
- Our focus on service and efficiency in Groceries Online has led to customer satisfaction improving and moving ahead of all competitors during Q2, with strong improvements in availability, variety, ease of checkout and delivery slot availability¹⁹
- Our Convenience performance was strong, with 11 million more Convenience transactions year-on-year. We have diversified the offer to meet customer needs, growing Taste the Difference share of sales 8 percentage points since May, while our Pocket Friendly Prices highlight our value offer to customers. Our Convenience customer satisfaction scores have improved 6 percentage points year-on-year²⁰
- On Demand sales through our partnerships with Deliveroo, Uber Eats and Just Eat and our Chop Chop service continue to grow, increasing 50 per cent. With almost 900 stores live with at least one app, we continue to have market leading coverage in all cities and further opportunities for growth

Brands that Deliver

We remain focused on improving the efficiency and resilience of our brands, supporting strong customer offers and our core food business. Argos has proved resilient, delivering strong market share gains¹¹ and benefiting from its leaner cost structure, while Tu prioritised full price clothing sales in a more promotional market.

Nectar

- We have rapidly rolled out Nectar Prices across the store and it's now available across all grocery categories – delivering additional value to customers. The customer response has exceeded our expectations, strengthening value perception³ and driving Nectar participation levels, with more than three million new Nectar Digital Collectors since April
- Revenues for Nectar360, our digital media and shopper marketing agency, are continuing to grow supported by Nectar's growing Digital Collector base and the business is on track to deliver at least £90 million of additional profit by March 2026. This profit will also be supported by the expansion of our connected digital screen network to over 800 screens, making our 'Sainsbury's Live' network one of the largest digital retailer screen networks in the UK
- Our off-site Digital Trading Platform revenue is growing, driven by market-leading innovation and strong returns on advertising spend

Argos and Habitat

- Argos continues to gain market share¹¹, reflecting the increasing strength and depth of the product offer, a continually-improving digital experience and the speed and convenience of our market-leading Click & Collect and Home Delivery propositions. 93% of households have access to our same day delivery service
- Sales increased 1.7%, with seasonal declines offset by strong Consumer Electronics & Technology sales and a positive customer and colleague response to the Argos 50th birthday celebrations. Excluding the impact of the planned closure of Argos in the Republic of Ireland, Argos sales were up 3.3 per cent
- Argos product availability has improved by almost 5 percentage points versus this time last year and we have made improvements to the online checkout experience across all three General Merchandise brands, adding guest check out and a new "email when back in stock" function, resulting in higher sales conversion
- To better serve the increasing number of online customers, Habitat launched a digital showroom, an online service showcasing the product offering and offering advice via video call

Tu

- Tu sales declined, reflecting weak seasonal demand as a result of poor summer weather and a warm early September. We maintained a disciplined trading approach in a highly promotional market, with stable full price sales participation and good stock control, mitigating the impact of the sales decline
- We remain focused on offering customers choice and are growing our third party brands proposition at pace. We now have 37 third party brands – including Simply Be, Sosandar, Finery and French Connection – on Tu.co.uk and launched new branded fashion destination hubs in nine Sainsbury's supermarkets in September. Through the new venture, we will create at least 50 fashion destination hubs in stores

Financial Services

- We continue to simplify our Financial Services business, completing the sale of the mortgage book during the half and further focusing on providing Financial Services for Sainsbury's and Argos customers
- Financial Services underlying operating profit reduced to £13 million in the half, down £6 million versus last year. This primarily reflected net interest margin compression. Higher funding costs on bank deposits, the result of the significant and rapid increase in Bank of England base rates, were not fully passed on to customers
- This was driven largely by the nature of our lending book. This includes buy now pay later at Argos, an important element of the Argos customer proposition, and a high proportion of both credit card and Argos card customers continuing to clear balances rather than incurring interest costs
- Impairments remain stable, with the bad debt ratio down 10 basis points year-on-year

Save to Invest

We have focused on simplifying our business, making tougher prioritisation decisions and investing capital to drive efficiencies, future proofing our business with a structurally lower cost base and providing fuel to invest in our customer proposition

- Our Save to Invest cost saving programme has delivered £1.1 billion of cost savings since March 2021 and is on track to deliver £1.3 billion of cost savings in the three years to March 2024, which is double the run rate of savings in the previous three years
- We are transforming and simplifying our logistics operations by moving to three dedicated partnerships across transport, food, General Merchandise and clothing, instead of multiple different contracts across the network. We have already transferred 12 of our depot contracts, delivered with no impact to depot performance metrics. The remaining moves are on track for completion next year
- We have further transformed the Argos store and distribution network, increasing the speed at which we can fulfil customer orders, improving product availability and contributing to customer satisfaction. More than 90 per cent of UK households are conveniently located within a 15-minute drive of Argos. Additionally, we made structural savings through the closure of Argos in the Republic of Ireland, including all 34 stores and the website, further rationalising our property estate and reducing complexity
- We are moving at pace to deliver leading automation and machine learning in our supply chain. Our new systems are driving end-to-end efficiencies, reducing manual tasks and leading to better outcomes across supply chain, commercial and retail teams

Plan for Better

We are committed to playing a leading role in offering affordable high-quality food that supports healthy and sustainable diets and helps customers reduce their impact on the planet. We know how important it is for our customers, colleagues, communities and shareholders that we deliver on our Plan for Better goals. We continue to make progress against targets, including plastic packaging and carbon reduction and are encouraging our customers to eat healthier and more sustainable diets through offering great value on healthy choices and sharing recipes to inspire a greater variety of meal choices.

Better for the Planet

- Plastic reduction initiatives launched in the first half of the year will save nearly 1,000 tonnes of plastic per year. We announced the biggest plastics reduction in our grocery business to date when we became the first UK retailer to switch from plastic to paper packaging across our entire own-brand toilet paper and kitchen towel ranges, saving 485 tonnes. We also led the market in changing our range of babywear to cardboard hangers, with the new packaging set to save 103 tonnes. Our efforts to reduce plastic in meat ranges have delivered big results, such as removing the plastic trays from steaks and whole chickens, each delivering around a 70 per cent plastic saving – or an estimated 395 tonnes
- In Q2, we announced that we will be swapping use-by dates for best-before dates across our own-brand milk range in 2024, making us the biggest UK retailer to make this change and empowering customers to make their own decisions on whether their food is good to eat, helping to prevent them from disposing of food too early
- We also donated almost 17 million meals through our partnership with Neighbourly – helping manage our back of store food donation programme and connecting our stores with local partners who will redistribute food to those in need

- We announced a 15-year investment into the Longhill Burn Wind Farm in Scotland. This will add up to 50 megawatts of electrical capacity to the grid in the form of renewable energy. The turbines are the largest and most powerful available onshore in the UK

Better for Everyone

- In recognition of our commitment to sourcing from fisheries and aquaculture that are certified as sustainable and responsibly managed, we won the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year titles – the first time a major retailer has won both awards
- To help tackle food poverty, we donated over £3 million to Comic Relief through our Nourish the Nation campaign. Running from May to July 2023, the campaign donated 50p for every Inspired to Cook range product sold. The campaign has funded initiatives designed to tackle food insecurity and ensure communities have access to balanced, nutritional and sustainable food sources
- We are passionate about playing an active role in our communities and aim to help positively impact those in need through fundraising, volunteering, donations and by raising awareness. We donated £500,000 to Oxfam and the British Red Cross, supporting those affected by the recent devastating events in Morocco and Libya
- We donated £100,000 from the proceeds of school uniform sales to Comic Relief to help support free school meals and kids' food clubs across the UK

Better for You

- We know how important it is for our customers to eat a varied and healthy diet, which is why it's our ambition to deliver good food for all of us by helping customers eat well at affordable prices
- Our Aldi Price Match campaign helps customers balance their diets and their budgets, including oily fish, wholewheat brown rice and pasta and healthy dairy alternatives, inspiring customers with healthy and sustainable recipe suggestions for all mealtimes
- The Great Fruit and Veg challenge returned to Sainsbury's for the fourth year running from August to October. Over 710,000 customers took part, the highest we have seen for a Nectar event, awarding customers nearly £1.7 million of Nectar points

¹ Nielsen Panel volume market share H1 17/18 - H1 23/24. Total FMCG (Excluding Kiosk & Tobacco), Market Universe: Total Outlets

² Value Reality. Acuity, internal modelling – H1 23/24 vs each half year period since tracking began in 2016

³ CSAT Competitor Benchmark, Sainsbury's Value Perception Score H1 23/24, 28 weeks to 16 September 2023

⁴ Nielsen Panel data, Sainsbury's to / from net volume switching – Total FMCG excl. Kiosk and Tobacco. Trended 12 week rolling for Q2 23/24

⁵ "Full-choice" supermarkets refers to Tesco, Morrisons and Asda and "Limited choice" refers to Aldi and Lidl

⁶ Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Shopper missions growth by volume. 28 weeks to 16 September 2023

⁷ Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Volume growth differential to the market by category, 28 weeks to 16 September 2023

⁸ Nielsen Panel Premium Own Label Volume Growth YoY - Total FMCG excl. Kiosk and Tobacco. 28 weeks to 16 September 2023

⁹ eSAT scores July 2023 vs. April 2021 (baseline)

¹⁰ Competitor benchmarking survey. Overall Supermarket customer satisfaction % score April 2022 - September 2023

¹¹ GfK tracked market share 6 months to September 2023

¹² Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Primary and Secondary Shoppers numbers growth YoY. 28 weeks to 16 September 2023

¹³ Nielsen EPOS data – Sainsbury's weekly volume growth differential to market. Weekly data from 5 March to 16 September 2023

¹⁴ Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Top 100 SKUs by retailer. Average Selling Price YoY growth. 52 weeks to 16 September 2023

¹⁵ Competitor benchmarking survey. Q2 23/24 supermarket CSAT scores 12 weeks to 16 September 2023

¹⁶ Since launch in September 2021

¹⁷ Nielsen Panel Economy Own Label Volume Growth YoY - Total FMCG excl. Kiosk and Tobacco. 12 weeks to 16 September 2023

¹⁸ Nielsen Panel data, volume market share % growth YoY, H1 23/24 vs H1 22/23, Chicken category

¹⁹ Competitor benchmarking survey. Q2 23/24 Online CSAT scores 12 weeks to 16 September 2023

²⁰ Lettuce know Convenience Satisfaction % score, Q2 23/24, 12 weeks to 16 September 2023, versus Q2 22/23, 12 weeks to 17 September 2022

Financial Review for the 28 weeks to 16 September 2023

In the 28 weeks to 16 September 2023, the Group generated profit before tax of £275 million (HY 2022/23: £376 million) and an underlying profit before tax of £340 million (HY 2022/23: £340 million).

A number of Alternative Performance Measures ('APMs') have been adopted by the Directors to provide additional information on the underlying performance of the Group. These measures are intended to supplement, rather than replace the measures provided under IFRS. APMs are defined and reconciled to the nearest IFRS measure on pages 54 to 60.

Summary income statement	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	Change %	52 weeks to 4 March 2023 £m
Group sales (including VAT)	18,865	18,338	2.9	35,157
Retail sales (including VAT)	18,547	18,084	2.6	34,626
Retail sales (excluding fuel, including VAT)	15,805	14,674	7.7	28,664
Group sales (excluding VAT)	16,983	16,408	3.5	31,491
Retail sales (excluding VAT)	16,665	16,154	3.2	30,960
Underlying operating profit				
Retail	485	477	2	926
Financial services	13	19	(32)	46
Total underlying operating profit	498	496	-	972
Underlying net finance costs	(158)	(156)	(1)	(282)
Underlying profit before tax	340	340	-	690
Items excluded from underlying results	(65)	36	N/A	(363)
Profit before tax	275	376	(27)	327
Income tax expense	(120)	(91)	(32)	(120)
Profit for the financial period	155	285	(46)	207
Underlying basic earnings per share	10.5p	11.2p	(6)	23.0p
Underlying diluted earnings per share	10.3p	11.1p	(7)	22.7p
Basic earnings per share	6.6p	12.3p	(46)	9.0p
Diluted earnings per share	6.5p	12.1p	(46)	8.8p
Interim Dividend per share	3.9p	3.9p	-	3.9p

We have continued to invest in our grocery business over the first half, protecting value for customers, inflating behind the market and passing cost price reductions through to customers. This has driven grocery volume growth and consistent market share gains. Our ongoing cost programme helped us mitigate the impact of rising operating cost inflation in order to deliver for customers, colleagues and shareholders. The combination of volume gains and cost reductions delivered strong grocery profit growth in the half, partially offset by the impact, year-on-year, of poor weather on general merchandise and clothing sales and lower financial services profits. Another strong retail free cash flow result further strengthened our balance sheet and supports consistent dividend payments. We continue to make balanced investment choices, supporting our customers and colleagues whilst also delivering for shareholders.

Group sales

Group sales (including VAT) increased by 2.9 per cent year-on-year as a 7.7 per cent increase in Retail sales (including VAT, excluding fuel) and a 25.2 per cent increase in Financial Services sales more than offset a 19.6 per cent decrease in Fuel sales (including VAT).

Total sales (including VAT) by category	28 weeks to 16 September 2023	28 weeks to 17 September 2022	Change
	£bn	£bn	%
Grocery	12.4	11.3	10.1
General Merchandise	2.9	2.9	1.1
Clothing	0.5	0.5	(8.4)
Retail (exc. fuel)	15.8	14.7	7.7
Fuel sales	2.7	3.4	(19.6)
Retail (inc. fuel)	18.5	18.1	2.6
Like-for-like sales growth (exc. fuel)			8.4
Like-for-like sales growth (inc. fuel)			3.2

Grocery sales increased 10.1 per cent as we continued to prioritise value for customers, inflating behind key competitors. This included the successful launch of Nectar Prices, offering lower prices for every loyalty customer alongside extra personalised prices through 'Your Nectar Prices'.

General Merchandise sales increased 1.1 per cent. Strong sales of Consumer Electronics and Technology products, driven by continued strong Argos market share gains and improved availability more than offset significantly lower seasonal sales, which were impacted by a wetter and cooler summer compared to a very warm and dry summer last year. Sales were also affected by the closure of Argos Republic of Ireland on 24 June. Stripping out the effect of the Republic of Ireland closure, General Merchandise sales increased 2.5 per cent.

Clothing sales were adversely impacted by a cooler summer and warm early autumn, reducing demand for seasonal items.

Fuel sales decreased by 19.6 per cent, driven primarily by the year-on-year reduction of average pump price.

Total sales (including VAT) performance by channel	28 weeks to 16 September 2023	28 weeks to 17 September 2022
Total Sales fulfilled by Supermarket stores	9.6%	(0.5)%
<i>Supermarkets (inc Argos stores in Sainsbury's)</i>	10.8%	2.9%
<i>Groceries Online</i>	2.3%	(17.4)%
Convenience	10.5%	10.5%

Sales fulfilled from our Supermarkets grew by 9.6 per cent, primarily driven by grocery inflation. Groceries Online sales increased by 2.3 per cent, with order numbers returning to growth in the second quarter, driven by improvements in availability and service. Convenience sales increased by 10.5 per cent, with growth strongest in 'Food on the Move' city centre stores and more urban locations.

Space

In the first half of 2023/24, Sainsbury's opened one new supermarket (HY 2022/23: one closed), and opened nine new Convenience stores, closing two (HY 2022/23: four opened and two stores closed).

During the period, we opened seven new Argos stores in Sainsbury's while 47 standalone Argos stores were closed, of which 34 were closed as a result of the cessation of Republic of Ireland operations, in line with our Argos transformation plan. The number of Argos collection points in Sainsbury's stores increased from 420 to 434. As at 16 September 2023, Argos had 669 stores including 431 stores in Sainsbury's and a total of 1,103 points of presence.

Store numbers and retailing space

	As at 4 March 2023 ¹	New stores	Disposals / closures	As at 16 September 2023
Supermarkets	595	1	-	596
Supermarkets area '000 sq. ft.	20,610	25	-	20,635
Convenience	814	9	(2)	821
Convenience area '000 sq. ft.	1,961	26	(4)	1,983
Sainsbury's total store numbers	1,409	10	(2)	1,417
Argos stores	285	-	(47)	238
Argos stores in Sainsbury's	424	7	-	431
Argos total store numbers	709	7	(47)	669
Argos collection points	420	15	(1)	434
Habitat	3	-	(3)	-

1. In H1 2023/24 there was a store re-measurement exercise resulting in changes to sales areas for 577 Supermarkets and 788 Convenience stores

In total for 2023/24, we expect to open three supermarkets, around 25 new convenience stores, with one supermarket and five to ten convenience stores to close. In addition, we expect to open around 25 Argos stores inside Sainsbury's and close around 100 Argos standalone stores, including 34 stores in the Republic of Ireland which were closed during the first half.

In the UK, we expect the standalone Argos store estate will reduce to around 180 stores by March 2024, while we expect to have 430-460 Argos stores inside Sainsbury's supermarkets as well as 450-500 collection points.

Retail underlying operating profit

	28 weeks to 16 September 2023	28 weeks to 17 September 2022	Change
Retail underlying operating profit (£m) ¹	485	477	1.7%
Retail underlying operating margin (%) ¹	2.91	2.95	(4)bps
Retail underlying EBITDA (£m) ¹	1,082	1,087	(0.5)%
Retail underlying EBITDA margin (%) ¹	6.49	6.73	(24)bps

1. Refer to the Alternative Performance Measures on pages 54 to 60 for reconciliation

Retail underlying operating profit increased by 1.7 per cent to £485 million (HY 2022/23: £477 million) and retail underlying operating margin decreased by 4 basis points year-on-year to 2.91 per cent (HY 2022/23: 2.95 per cent). Strong grocery profit growth was driven by higher volumes and cost savings, offsetting higher operating costs and value investment. This was partially offset by lower General Merchandise margins, which reflected the mix impact of lower seasonal sales and higher Consumer Electronics sales.

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

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

Financial Services

Financial Services results			
6 months to 31 August			
	2023	2022	Change
Underlying revenue (£m)	318	254	25%
Interest and fees payable (£m)	(97)	(28)	(246)%
Total income (£m)	221	226	(2)%
Underlying operating profit (£m)	13	19	(32)%
Net interest margin (%) ¹	4.7	5.2	(50)bps
Cost:income ratio (%)	70	67	300bps
Bad debt as a percentage of lending (%) ²	2.1	2.2	(10)bps
Tier 1 Capital ratio (%)	15.6	14.9	70bps
Total Capital ratio (%) ³	18.1	17.3	80bps
Customer deposits (£bn)	(4.8)	(4.6)	4%
Total customer lending (£bn) ⁴	4.8	5.1	(6)%
<i>of which Unsecured lending (£bn)</i>	4.8	4.4	8%
<i>of which Secured lending (£bn)</i>	-	0.7	(100)%
1	Net interest income divided by average interest-bearing assets		
2	Bad debt expense divided by average net lending		
3	Total capital divided by risk-weighted assets		
4	Amounts due from customers at the Balance Sheet date in respect of loans, mortgages, credit cards and store cards net of provisions		

Financial Services underlying operating profit of £13 million reduced by £6 million (HY 2022/23: £19 million), reflecting the impact of both higher funding costs and higher operating costs not being fully passed on to customers. This in part is due to a high proportion of non-interest bearing credit balances, including a high quality credit card book where many customers pay off balances every month.

Financial Services total income of £221 million reduced by two per cent and net interest margin reduced by 50 basis points. Strong underlying revenue growth of 25 per cent was driven by selective unsecured customer lending growth alongside strong growth in Travel Money. Interest and fees payable grew 246 per cent, driven by the increase in the Bank of England base rate since HY 2022/23.

The Financial Services cost:income ratio increased to 70 per cent (HY 2022/23: 67 per cent), reflecting the pressure on income from higher funding costs, and the impact of inflation on operating costs and higher depreciation costs.

Bad debt as a percentage of lending improved 10 basis points to 2.1 per cent (HY 2022/23: 2.2 per cent) as impairments remain low and stable with the normalisation of low arrears levels post COVID-19.

As previously disclosed, the Mortgage portfolio was sold to The Co-operative Bank on 15th August 2023 reflecting the earlier strategic decision to exit mortgages to simplify the business. This reduced customer lending by £449 million on sale.

Financial Services remains well capitalised, with a Total Capital ratio of 18.1 per cent, an increase of 80 basis points since prior half year and 20 basis points since full year 2022/23 (HY 2022/23: 17.3 per cent, FY 2022/23: 17.9 per cent).

Underlying net finance costs

Underlying net finance costs increased to £158 million (HY 2022/23: £156 million). These costs include £23 million of net non-lease interest (HY 2022/23: £17 million). The increase of net non-lease interest was driven by a term loan that was used to fund the acquisition of the commercial property investment pool, known as Highbury & Dragon. This was partly offset by increased interest income as we benefited from higher interest rates. Net financing costs on lease liabilities reduced to £135 million (HY 2022/23: £139 million), due primarily to the declining remaining term of the existing lease portfolio, with lower costs associated with leases as they age.

We expect underlying net finance costs in 2023/24 of between £295 million - £305 million, including around £245 million - £255 million of lease interest.

Items excluded from underlying results

In order to provide shareholders with insight into the underlying performance of the business, items recognised in reported profit before tax which, by virtue of their size and or nature, do not reflect the Group's underlying performance are excluded from the Group's underlying results and shown in the table below.

Items excluded from underlying results	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m
Restructuring programmes	(32)	(33)
Income recognised in relation to legal disputes	-	30
Disposal of mortgage book	(14)	-
Net defined benefit pension scheme income	21	35
Property, finance and acquisition adjustments	(40)	4
Items excluded from underlying results	(65)	36

- Restructuring costs of £32 million (HY 2022/23: £33 million) were recognised in relation to the restructuring programmes announced in the year ended 6 March 2021. Cash costs in the period were £40 million (HY 2022/23: £33 million). We still expect to incur one off costs from these retail infrastructure and operating model changes of around £900 million to £1 billion, with cash costs of around £300 million, with the majority to be incurred in the period to March 2024. To date we have incurred costs of £778 million and cash costs of £243 million. In addition to the £40 million cash costs in the period, for 2023/24 we expect to incur a further £20 million in relation to this programme, giving total cash costs of £60 million for 2023/24.
- The 28 weeks to 17 September 2022 included £30 million of income recognised in relation to legal disputes relating to settlements for overcharges from payment card processing fees net of legal fees. No income from legal disputes has been recognised in the current period.
- During the period, the Group disposed of its mortgage portfolio for proceeds of £446 million which resulted in a non-underlying charge of £(14) million, which includes a loss on disposal including goodwill, transaction costs and the recognition of onerous contract provisions.
- Net defined benefit pension scheme income of £21 million (HY 2022/23: £35 million) comprises pension finance income of £25 million and scheme expenses of £4 million. The lower pension income in the current period is primarily driven by a settlement credit of £8 million recognised in the prior year relating to a gain on payments made to members exiting the scheme relative to the liabilities extinguished.
- Other movements of £40 million expense (HY 2022/23: £4 million income) include £6 million related to property transactions, £8 million of acquisition adjustments and £26 million of non-underlying finance and fair value adjustments. Non-underlying finance and fair value adjustments were impacted by a loss on energy derivatives of £20 million (HY 2022/23: £28 million gain) caused by decreases in electricity forward prices in the period.

Taxation

The tax charge was £120 million (HY 2022/23: £91 million). The underlying tax rate was 27.6 per cent (HY 2022/23: 23.5 per cent) and the effective tax rate was 43.6 per cent (HY 2022/23: 24.2 per cent). The 2023/24 charges are structurally higher due to an increase in the headline rate of corporation tax to 25 per cent (previously 19 per cent), effective from 1 April 2023.

The effective tax rate for the half year is significantly higher than the prior year and headline tax rates due to the discrete impact of the release of a deferred tax asset on capital losses (giving rise to a tax charge of £40 million) previously recognised against fair value gains within the Highbury & Dragon structure (against which a deferred tax liability was recognised). During the period, an £80 million credit to reserves was recognised in respect of the release of the deferred tax liability; this credit had no impact on the effective tax rate.

We expect an underlying tax rate in 2023/24 of around 29 per cent.

Earnings per share

Underlying basic earnings per share decreased to 10.5 pence (HY 2022/23: 11.2 pence), driven by the increase in corporation tax rate. Basic earnings per share decreased to 6.6 pence (HY 2022/23: 12.3 pence). Underlying diluted earnings per share decreased to 10.3 pence (HY 2022/23: 11.1 pence) and diluted earnings per share decreased to 6.5 pence (HY 2022/23: 12.1 pence).

Dividends

The Board has recommended an interim dividend of 3.9 pence per share (HY 2022/23: 3.9 pence) reflecting 30 per cent of the 2022/23 full year dividend per share. This will be paid on 15 December 2023 to shareholders on the Register of Members at the close of business on 10 November 2023. Sainsbury's has a Dividend Reinvestment Plan (DRIP), which allows shareholders to reinvest their cash dividends in our shares. The last date that shareholders can elect for the DRIP is 24 November 2023.

Net debt and retail cash flows

As at 16 September 2023, net debt was £5,643 million (4 March 2023: £6,344 million), a decrease of £701 million (HY 2022/23: £594 million decrease). Excluding the impact of lease liabilities on net debt, non-lease net debt increased by £375 million in the year, moving to a net debt position of £231 million (4 March 2023: net funds of £144 million), impacted by the £670 million net consideration relating to the Highbury & Dragon property transaction and partially offset by positive cash generation. We continue to expect to generate retail free cash flow of at least £600 million in the coming year (excluding the Highbury & Dragon property transaction).

Net debt includes lease liabilities of £5,412 million (4 March 2023: £6,488 million). Lease liabilities have decreased by £1,076 million, largely impacted by the Highbury & Dragon property transaction which resulted in a reduction of lease debt of £1,042 million.

Summary cash flow statement¹	Retail 28 weeks to 16 September 2023 £m	Retail 28 weeks to 17 September 2022 £m	Retail 52 weeks to 4 March 2023 £m
Retail underlying operating profit	485	477	926
Adjustments for:			
Retail underlying depreciation and amortisation	597	610	1,134
Share based payments and other	36	34	49
Retail exceptional operating cash flows (excluding pensions)	(40)	(33)	(23)
Adjusted retail operating cash flow before changes in working capital²	1,078	1,088	2,086
Decrease in working capital ³	284	360	174
Net interest paid ³	(166)	(161)	(307)
Cash contributions to defined benefit schemes	(23)	(23)	(44)
Corporation tax paid	(17)	(32)	(99)
Net cash generated from operating activities	1,156	1,232	1,810
Cash capital expenditure ³	(389)	(297)	(717)
Repayments of lease liabilities	(252)	(245)	(512)
Initial direct costs on right-of-use assets	(11)	(9)	(16)
Proceeds from disposal of property, plant and equipment ³	16	28	29
Dividends and distributions received ³	-	50	51
Retail free cash flow³	520	759	645
Dividends paid on ordinary shares	(215)	(229)	(319)
Net Drawdown / (Repayment) of borrowings ³	555	(22)	(40)
Net consideration paid for Highbury & Dragon property transaction	(670)	-	-
Other ³	(7)	(23)	(32)
Net increase in cash and cash equivalents	183	485	254
(Increase) / decrease in debt	(303)	267	552
Highbury & Dragon non-cash lease movements	1,042	-	-
Other non-cash and net interest movements ⁴	(221)	(158)	(391)
Movement in net debt	701	594	415
Opening net debt	(6,344)	(6,759)	(6,759)
Closing net debt	(5,643)	(6,165)	(6,344)
of which			
Lease Liabilities	(5,412)	(6,526)	(6,488)
(Net Debt) / Net Funds Excluding Lease Liabilities	(231)	361	144

1 See note 5b for a reconciliation between Retail and Group cash flow

2 Excludes working capital and pension contributions

3 Refer to the Alternative Performance Measures on pages 54 to 60 for reconciliation

4 Other non-cash includes new leases and lease modifications and fair value movements on derivatives used for hedging long-term borrowings

Adjusted retail operating cash flow before changes in working capital decreased by £10 million year-on-year to £1,078 million (HY 2022/23: £1,088 million) mainly due to lower underlying EBITDA and increased retail exceptional operating cash flows. Retail exceptional operating cash flows of £40 million (HY 2022/23: £33 million) reflect restructuring costs, including costs associated with the closure of Argos operations in Republic of Ireland. Working capital reduced by £284 million (HY 2022/23: £360 million reduction). Working capital balances typically decrease between year end and half year, driven by seasonality and the phasing of payables.

Corporation tax of £17 million was paid in the half (HY 2022/23: £32 million). Pension contributions of £23 million (HY 2022/23: £23 million) are consistent with the prior year as no funding level events have occurred. Proceeds of £16 million (HY 2022/23: £28 million) resulted from disposals of non-trading sites. No dividends and distributions were received in the period while the prior year included a £50 million dividend received from Sainsbury's Bank.

Cash capital expenditure was £389 million (HY 2022/23: £297 million). This is in line with expectations and our full year 2023/24 guidance of £750 million - £800 million.

Retail free cash flow declined by £239 million year-on-year to £520 million (HY 2022/23: £759 million), with the year-on-year movement driven by the lower working capital inflow (£76 million), increase in capital investment (£92 million) and prior year dividend received from Sainsbury's Bank (£50 million).

Dividends of £215 million were paid in the period to 16 September 2023 (HY 2022/23: £229 million). Net drawdown of borrowings includes £575 million drawdown of the three year unsecured term loan facility used to part fund the Highbury & Dragon property transaction.

On 17 March 2023, the Group completed the purchase of a commercial property investment pool, known as Highbury & Dragon, in which it already held a beneficial interest. The investment pool contained 26 supermarkets, all of which were formerly leased to Sainsbury's. Of the 26 stores acquired, 21 have been retained, four have been sold and leased back in the half and one is held for sale. The total consideration paid for the asset acquisition was £731 million, which included fully funding the £300 million bond redemptions attached to the property pool. Proceeds of £61 million were received for the four supermarkets sold and leased back.

Financial Ratios

Key financial ratios ¹	16 September 2023	17 September 2022	4 March 2023
Return on capital employed (%)	7.9	7.7	7.6
Net debt to EBITDA	2.6 times	2.9 times	3.0 times
Fixed charge cover	2.6 times	2.7 times	2.7 times

¹ Refer to the Alternative Performance Measures on pages 54 to 60 for reconciliation

Return on capital employed (ROCE) has improved primarily due to lower capital employed, driven by a decline in the average value of derivatives, right of use assets and property, plant and equipment and the impacts of the Highbury & Dragon transaction.

Sainsbury's continues to target leverage of 3.0x - 2.4x to deliver a solid investment grade balance sheet. An improvement in net debt to EBITDA to 2.6x from 3.0x at 4 March 2023 reflects the timing benefit from working capital flows and overall net debt benefit from the Highbury & Dragon property transaction. Fixed charge cover is stable.

Defined benefit pensions

At 16 September 2023, the net defined benefit surplus under IAS19 for the Group was £987 million (excluding deferred tax). The surplus remained stable over the half, with a £2 million decrease from 4 March 2023. This primarily reflected increased discount rates and updated mortality assumptions, offset by inflation and a reduction in matching assets.

There have been no changes in the half to the previously disclosed triennial valuation information.

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

Retirement benefit obligations	Sainsbury's as at 16 September 2023 £m	Argos as at 16 September 2023 £m	Group as at 16 September 2023 £m	Group as at 4 March 2023 £m
Present value of funded obligations	(4,898)	(765)	(5,663)	(5,921)
Fair value of plan assets	5,761	911	6,672	6,934
Pension surplus	863	146	1,009	1,013
Present value of unfunded obligations	(12)	(10)	(22)	(24)
Retirement benefit surplus	851	136	987	989
Deferred income tax liability	(262)	(68)	(330)	(330)
Net retirement benefit surplus	589	68	657	659

Group income statement

	28 weeks to 16 September 2023 (unaudited)			28 weeks to 17 September 2022 (unaudited)			
	Note	Underlying £m	Non- underlying (Note 3) £m	Total £m	Underlying £m	Non- underlying (Note 3) £m	Total £m
Revenue	4	16,983	-	16,983	16,408	-	16,408
Cost of sales		(15,658)	(65)	(15,723)	(15,167)	(11)	(15,178)
Impairment loss on financial assets		(52)	-	(52)	(72)	-	(72)
Gross profit/(loss)		1,273	(65)	1,208	1,169	(11)	1,158
Administrative expenses		(804)	(30)	(834)	(695)	(18)	(713)
Other income		29	11	40	22	40	62
Operating profit/(loss)		498	(84)	414	496	11	507
Finance income	7	12	25	37	5	30	35
Finance costs	7	(170)	(6)	(176)	(161)	(5)	(166)
Profit/(loss) before tax		340	(65)	275	340	36	376
Income tax expense	8	(94)	(26)	(120)	(80)	(11)	(91)
Profit/(loss) for the financial period		246	(91)	155	260	25	285
Earnings per share	9			pence			pence
Basic				6.6			12.3
Diluted				6.5			12.1

	Note	52 weeks to 4 March 2023 (audited)		
		Underlying £m	Non- underlying (Note 3) £m	Total £m
Revenue	4	31,491	-	31,491
Cost of sales		(28,996)	(413)	(29,409)
Impairment loss on financial assets		(78)	-	(78)
Gross profit/(loss)		2,417	(413)	2,004
Administrative expenses		(1,480)	(35)	(1,515)
Other income		35	38	73
Operating profit/(loss)		972	(410)	562
Finance income	7	18	56	74
Finance costs	7	(300)	(9)	(309)
Profit/(loss) before tax		690	(363)	327
Income tax (expense)/credit	8	(157)	37	(120)
Profit/(loss) for the financial period		533	(326)	207
Earnings per share	9			pence
Basic				9.0
Diluted				8.8

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

Group statement of comprehensive income/(loss)

		28 weeks to 16 September 2023 (unaudited) £m	28 weeks to 17 September 2022 (unaudited) £m	52 weeks to 4 March 2023 (audited) £m
	Note			
Profit for the financial period		155	285	207
Items that will not be reclassified subsequently to the income statement				
Remeasurement on defined benefit pension schemes	18	(46)	(886)	(1,398)
Movements on financial assets at fair value through other comprehensive income (OCI)		(1)	(6)	1
Cash flow hedges fair value movements – inventory hedges		(48)	171	123
Current tax relating to items not reclassified		1	14	25
Deferred tax relating to items not reclassified		89	208	322
		(5)	(499)	(927)
Items that may be reclassified subsequently to the income statement				
Currency translation differences		(5)	5	4
Movements on financial assets at fair value through other comprehensive income		(1)	(1)	1
Items reclassified from financial assets at fair value through other comprehensive income reserve		1	(1)	(1)
Cash flow hedges fair value movements - non-inventory hedges		(24)	31	(30)
Items reclassified from cash flow hedge reserve		1	(10)	(18)
Deferred tax on items that may be reclassified		14	(34)	14
		(14)	(10)	(30)
Total other comprehensive loss for the financial period (net of tax)		(19)	(509)	(957)
Total comprehensive income/(loss) for the financial period		136	(224)	(750)

Group balance sheet

		16 September 2023 (unaudited) £m	4 March 2023 (audited) £m	17 September 2022 (unaudited) £m
	Note			
Non-current assets				
Property, plant and equipment	11	9,148	8,201	8,272
Right-of-use assets	12	4,298	5,345	5,456
Intangible assets	13	1,009	1,024	1,021
Investments in joint ventures and associates		2	2	3
Financial assets at fair value through other comprehensive income	14a	666	515	249
Trade and other receivables		73	56	75
Amounts due from Financial Services customers and other banks	14d	1,508	1,908	2,013
Derivative financial assets	14c	89	217	434
Net retirement benefit surplus	18	987	989	1,455
		17,780	18,257	18,978
Current assets				
Inventories		2,187	1,899	1,891
Trade and other receivables		669	627	728
Amounts due from Financial Services customers and other banks	14d	3,313	3,484	3,275
Financial assets at fair value through other comprehensive income	14a	36	494	522
Derivative financial assets	14c	107	70	112
Cash and cash equivalents	17	2,067	1,319	1,580
		8,379	7,893	8,108
Assets held for sale	19	10	8	8
		8,389	7,901	8,116
Total assets		26,169	26,158	27,094
Current liabilities				
Trade and other payables		(5,278)	(4,837)	(4,966)
Amounts due to Financial Services customers and other deposits	14a	(5,436)	(4,880)	(4,719)
Borrowings	16	(64)	(53)	(52)
Lease liabilities	12	(473)	(1,533)	(1,536)
Derivative financial liabilities	14c	(30)	(16)	(4)
Taxes payable		(204)	(155)	(234)
Provisions		(109)	(140)	(88)
		(11,594)	(11,614)	(11,599)
Net current liabilities		(3,205)	(3,713)	(3,483)
Non-current liabilities				
Trade and other payables		(13)	-	(28)
Amounts due to Financial Services customers and other deposits	14a	(621)	(1,066)	(1,013)
Borrowings	16	(1,151)	(603)	(687)
Lease liabilities	12	(4,939)	(4,956)	(4,992)
Derivative financial liabilities	14c	(70)	(58)	(52)
Deferred income tax liability		(424)	(476)	(651)
Provisions		(134)	(132)	(143)
		(7,352)	(7,291)	(7,566)
Total liabilities		(18,946)	(18,905)	(19,165)
Net assets		7,223	7,253	7,929
Equity				
Called up share capital		677	672	670
Share premium		1,427	1,418	1,408
Merger reserve		568	568	568
Capital redemption and other reserves		997	954	1,117
Retained earnings		3,554	3,641	4,166
Total equity		7,223	7,253	7,929

Group statement of changes in equity

For the 28 weeks to 16 September 2023 (unaudited)

	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves £m	Retained earnings £m	Total Equity £m
At 5 March 2023	672	1,418	568	954	3,641	7,253
Profit for the period	-	-	-	-	155	155
Other comprehensive loss	-	-	-	(77)	(46)	(123)
Tax relating to other comprehensive loss	-	-	-	92	12	104
Total comprehensive income	-	-	-	15	121	136
Cash flow hedges gains transferred to inventory	-	-	-	14	-	14
Transactions with owners:						
Dividends	-	-	-	-	(215)	(215)
Share-based payment	-	-	-	-	38	38
Purchase of own shares	-	-	-	(18)	-	(18)
Allotted in respect of share option schemes	5	9	-	32	(34)	12
Tax on items charged to equity	-	-	-	-	3	3
At 16 September 2023	677	1,427	568	997	3,554	7,223

For the 28 weeks to 17 September 2022 (unaudited)

	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves* £m	Retained earnings* £m	Total equity £m
At 6 March 2022	668	1,406	568	1,021	4,760	8,423
Profit for the period	-	-	-	-	285	285
Other comprehensive income/(loss)	-	-	-	189	(886)	(697)
Tax relating to other comprehensive income/(loss)	-	-	-	(34)	222	188
Total comprehensive income/(loss)	-	-	-	155	(379)	(224)
Cash flow hedges losses transferred to inventory	-	-	-	(56)	-	(56)
Transactions with owners:						
Dividends	-	-	-	-	(229)	(229)
Share-based payment	-	-	-	-	37	37
Purchase of own shares	-	-	-	(25)	-	(25)
Allotted in respect of share option schemes	2	2	-	21	(23)	2
Other adjustments	-	-	-	1	2	3
Tax on items charged to equity	-	-	-	-	(2)	(2)
At 17 September 2022	670	1,408	568	1,117	4,166	7,929

* In order to provide better visibility of reserves, the Group presented the Own share reserve within Capital redemption and other reserves for the first time in the prior year. The Own Share Reserve of £72 million as at 17 September 2022 has subsequently been reclassified from Retained Earnings to Capital redemption and other reserves.

Group statement of changes in equity continued

For the 52 weeks to 4 March 2023 (audited)

	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves £m	Retained earnings £m	Total equity £m
At 6 March 2022	668	1,406	568	1,021	4,760	8,423
Profit for the period	-	-	-	-	207	207
Other comprehensive income/(loss)	-	-	-	80	(1,398)	(1,318)
Tax relating to other comprehensive income/(loss)	-	-	-	14	347	361
Total comprehensive income/(loss)	-	-	-	94	(844)	(750)
Cash flow hedges losses transferred to inventory	-	-	-	(139)	-	(139)
Transactions with owners:						
Dividends	-	-	-	-	(319)	(319)
Share-based payment	-	-	-	-	58	58
Purchase of own shares	-	-	-	(45)	-	(45)
Allotted in respect of share option schemes	4	12	-	23	(26)	13
Other adjustments	-	-	-	-	5	5
Tax on items charged to equity	-	-	-	-	7	7
At 4 March 2023	672	1,418	568	954	3,641	7,253

Group cash flow statement

	Note	28 weeks to 16 September 2023 (unaudited) £m	28 weeks to 17 September 2022 (unaudited) £m	52 weeks to 4 March 2023 (audited) £m
Cash flows from operating activities				
Profit before tax		275	376	327
Net finance costs		139	131	235
Operating profit		414	507	562
Adjustments for:				
Depreciation expense	11,12	530	564	1,036
Amortisation expense	13	101	86	172
Net impairment charge on property, plant and equipment, right-of-use assets, and intangible assets	11,12,13	21	20	315
Non-cash adjustments arising from acquisitions		-	(1)	-
Loss/(profit) on sale of non-current assets and early termination of leases	17	2	(12)	(15)
Non-underlying fair value movements		19	(28)	29
Share-based payments expense		38	37	59
Defined benefit scheme expenses/(income)	18	4	(5)	(2)
Cash contributions to defined benefit schemes	18	(23)	(23)	(44)
Operating cash flows before changes in working capital		1,106	1,145	2,112
Changes in working capital				
Increase in inventories	17	(274)	(87)	(105)
(Increase)/decrease in financial assets at fair value through other comprehensive income	17	(60)	22	(207)
(Increase)/decrease in trade and other receivables	17	(80)	(51)	68
Decrease/(increase) in amounts due from Financial Services customers and other deposits	17	126	(135)	(231)
Increase in trade and other payables	17	570	438	280
Increase in amounts due to Financial Services customers and other deposits	17	111	472	687
Decrease in provisions and other liabilities	17	(29)	(41)	-
Cash generated from operations		1,470	1,763	2,604
Interest paid		(166)	(161)	(316)
Corporation tax paid		(20)	(34)	(103)
Net cash generated from operating activities		1,284	1,568	2,185
Cash flows from investing activities				
Purchase of property, plant and equipment ¹		(1,041)	(202)	(525)
Initial direct costs on new leases		(11)	(9)	(16)
Purchase of intangible assets		(89)	(106)	(213)
Proceeds from disposal of amounts due from Financial Services customers	3	446	-	-
Proceeds from disposal of property, plant and equipment ¹		77	28	29
Dividends and distributions received		-	-	1
Net cash used in investing activities		(618)	(289)	(724)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		11	2	13
Proceeds from borrowings	15	575	-	-
Repayment of borrowings	15	(20)	(22)	(95)
Purchase of own shares		(18)	(25)	(45)
Capital repayment of lease obligations	15	(253)	(246)	(514)
Dividends paid on ordinary shares	10	(215)	(229)	(319)
Net cash generated/(used) in financing activities		80	(520)	(960)
Net Increase in cash and cash equivalents		746	759	501
Opening cash and cash equivalents		1,319	818	818
Closing cash and cash equivalents	17	2,065	1,577	1,319

1. Amounts in the current period include cashflows in relation to the asset acquisition transaction, as detailed in note 2.4.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

1. General information

The Condensed Consolidated Interim Financial Statements are unaudited but have been reviewed by the auditors. The financial information presented herein does not amount to statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements 2023 have been filed with the Registrar of Companies. The Auditor's report on those Financial Statements was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The financial period represents the 28 weeks to 16 September 2023 (comparative financial period 28 weeks to 17 September 2022; prior financial year 52 weeks to 4 March 2023). The financial information comprises the results of the Company and its subsidiaries (the 'Group') and the Group's interests in joint ventures and associates.

The Group's principal activities are Food, General Merchandise & Clothing Retailing and Financial Services.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The Interim Results, comprising the Condensed Consolidated Interim Financial Statements and the Interim Management Report, have been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Conduct Authority and with the requirements of UK adopted IAS 34 'Interim Financial Reporting'.

The financial information contained in the Condensed Consolidated Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements 2023, which were prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Sainsbury's Bank plc and its subsidiaries have been consolidated for the six months to 31 August 2023 (17 September 2022: six months to 31 August 2022; 4 March 2023: twelve months to 28 February 2023). No significant transactions occurred in this period and therefore, no adjustments have been made to reflect the difference in balance sheet dates.

In accordance with IAS 1 Presentation of Financial Statements, Impairment loss on financial assets has been separately disclosed within the Consolidated income statement. At the previous interim reporting date, these amounts were included within Cost of sales and Administrative expenses. The interim comparative amount of Cost of sales has therefore been restated from £15,183 million to £15,167 million before non-underlying items, and from £15,194 million to £15,178 million in total. The interim comparative amount of Administrative expenses has also been restated from £751 million to £695 million before non-underlying items, and from £769 million to £713 million in total. There is no impact to Operating profit or Profit before tax. As part of this, adjustments for Financial Services impairment losses on loans and advances within the cash flow statement are now presented within changes in working capital.

2. Basis of preparation and accounting policies continued

2.2 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The assessment period for the purposes of considering going concern is the 16 months to 1 March 2025.

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's most recent corporate planning and budgeting processes. This includes an annual review which considers profitability, the Group's cash flows, committed funding and liquidity positions and forecasted future funding requirements over three years, with a further two years of indicative movements.

The Group manages its financing by diversifying funding sources, structuring core borrowings with phased maturities to manage refinancing risk and maintaining sufficient levels of standby liquidity via the Revolving Credit Facility. This seeks to minimise liquidity risk by maintaining a suitable level of undrawn additional funding capacity.

The Revolving Credit Facility of £1,000 million comprises two £500 million tranches. Tranche A has a final maturity of December 2026 and Tranche B has a final maturity of December 2027. As at 16 September 2023, the Revolving Credit Facility was undrawn.

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

In performing the above analysis, the Directors have made certain assumptions around the availability and effectiveness of the mitigating actions available to the Group. These include reducing any non-essential capital expenditure and operating expenditure on projects, bonuses and dividend payments.

The Group's most recent corporate planning and budgeting processes includes assumed cashflows to address climate change risks, including costs associated with initiatives in place as part of the Plan for Better commitment which include reducing environmental impacts and meeting customer expectations in this area, notably through reducing packaging and reducing energy usage across the estate. Climate-related risks do not result in any material uncertainties affecting the Group's ability to continue as a going concern.

As a consequence of the work performed, the Directors considered it appropriate to adopt the going concern basis in preparing the Financial Statements with no material uncertainties to disclose.

2.3 Accounting judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 4 March 2023 unless otherwise stated.

2.4 Asset Acquisition

The Group purchased Supermarket Income REIT's beneficial interest in a commercial property investment pool, in which the Group already held a beneficial interest, on 17 March 2023, through the acquisition of Hobart Property plc, Avenell Property plc, Horndrift Limited and Cornerford Limited. This investment pool consisted of 26 supermarket stores, all of which were formerly leased to Sainsbury's. Of the 26 stores acquired, 21 stores have been retained and one store has been vacated and recognised within assets held for sale. The remaining four stores have been sold and leased back to the Group.

The Group considered both the optional 'concentration test' and the 'substantive process test' set out within IFRS 3 *Business Combinations* to assess whether the assets and liabilities acquired in the transaction constituted a business. The value of investment properties represented substantially all of the fair value of the gross assets acquired and as such the transaction has been accounted for as an asset acquisition.

2.4 Asset Acquisition continued

The impact of this transaction on the Group's accounts is explained within the notes to the accounts as set out over the following pages. The Group recognised £1,021 million of property, plant and equipment for the stores acquired and derecognised £1,042 million in lease liabilities and £1,031 million in right of use assets respectively as a result of the transaction. The net difference in the lease liabilities and right-of-use assets derecognised is included within the recognition of the property, plant and equipment. The lease balances had included the payment of purchase options at the end of the lease terms, which were rescinded as part of the transaction.

The total consideration paid for the asset acquisition was £731 million, which included fully funding the bond redemptions attached to the property pool of £300 million. Proceeds of £61 million were received for the four stores sold and leased back. As the proceeds in the sale and leaseback were equal to the fair value of the assets sold, these cashflows have been presented within investing cashflows. The consideration and bond repayments are presented within the Group cashflow statement as investing activities as shown below.

	28 weeks to 16 September 2023 £m
Cash flows from investing activities	
Proceeds from property disposal	61
Purchase of property, plant and equipment	(731)

Previously the Group had held a portion of the beneficial interest in this commercial property investment pool, recognised within financial assets at fair value through other comprehensive income. This balance of £366 million was fully derecognised as part of the acquisition.

2.5 New standards, interpretations and amendments adopted by the Group

New accounting standards, interpretations or amendments which became applicable during the period were either not relevant or had no impact on the Group's results or net assets other than disclosures. This includes the adoption of IFRS 17 Insurance Contracts, which became effective in the current financial period.

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

2.6 Alternative performance measures (APMs)

In the reporting of financial information, the Directors use various APMs. These APMs are defined and reconciled to the nearest IFRS measure on pages 54 to 60, and should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs.

3. Non-underlying items

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

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

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

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

3. Non-underlying items continued

28 weeks to 16 September 2023

	Cost of sales	Administrative expenses	Other income	Net finance income/(costs)	Total adjustments before tax	Tax	Total adjustments
	£m	£m	£m	£m	£m	£m	£m
Disposal of mortgage book	-	(14)	-	-	(14)	3	(11)
Restructuring programmes	(28)	(4)	-	-	(32)	8	(24)
Property, finance, pension and acquisition adjustments							
Property related transactions	(17)	-	11	-	(6)	(1)	(7)
Non-underlying finance and fair value movements	(20)	-	-	(6)	(26)	7	(19)
Defined benefit pension scheme (expenses)/income	-	(4)	-	25	21	(5)	16
Acquisition adjustments	-	(8)	-	-	(8)	2	(6)
Total property, finance, pension and acquisition adjustments	(37)	(12)	11	19	(19)	3	(16)
Tax - Capital loss recognition	-	-	-	-	-	(40)	(40)
Total adjustments	(65)	(30)	11	19	(65)	(26)	(91)

Disposal of the mortgage book

During the period, the Group disposed of its mortgage portfolio for proceeds of £446 million which resulted in a non-underlying charge of £(14) million, which includes a loss on disposal including goodwill, transaction costs and the recognition of onerous contract provisions.

Restructuring programmes

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

The programme is a multi-year activity and has continued into the current year. Total cumulative costs to 16 September 2023 are £(778) million split between £(746) million in the prior years and £(32) million in the current period as detailed in the table below. Total costs are still expected to be in the range of £900 million to £1 billion, with the majority in the period to March 2024.

	28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023
	£m	£m	£m
Write downs of property, plant and equipment	-	(2)	(8)
Write downs of leased assets	(2)	(13)	(21)
Write down of intangible assets	-	(5)	(5)
Closure provisions (a)	(2)	(8)	1
Accelerated depreciation of assets (b)	(8)	(12)	(20)
Redundancy provisions (c)	(3)	(5)	(54)
Consultancy costs	(6)	-	(12)
Other costs (d)	(12)	-	-
Gain on lease terminations (e)	1	1	2
Profit on disposal of properties	-	11	11
Restructuring programmes	(32)	(33)	(106)

- Closure provisions relate to onerous contract costs, dilapidations and strip out costs on leased sites that have been identified for closure. Business rates on leased property where the Group no longer operates from are recognised in the period they are incurred.
- The remaining useful economic lives of corresponding sites have been reassessed to align with closure dates, resulting in an acceleration in depreciation of these assets. The existing depreciation of these assets (depreciation that would have been recognised absent of a closure decision) is recognised within underlying expenses, whereas accelerated depreciation above this is recognised within non-underlying expenses.
- Redundancy costs are recognised as the plan is announced and a valid expectation raised with the affected colleagues.

3. Non-underlying items continued

- d) Other costs predominantly consist of costs associated with moving to a single integrated supply chain and logistics network across Sainsbury's and Argos.
- e) Gains on lease terminations relate to sites impaired in a prior year for which it has been negotiated to exit the leases before the contractual end date. This includes the release of any lease liabilities, as well as any closure provisions previously recognised.

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.

Property, finance, pension and acquisition adjustments

- Property related transactions predominantly relate to the gain on disposal of non-trading properties, which comprised of £11 million in the period, and an impairment charge of £(19) million recognised as part of the asset acquisition of 21 stores. These are excluded from underlying profit as such profit/(charges) are not related to the ongoing operating activities of the Group.
- Non-underlying finance movements for the financial period comprised £(26) million for the Group. Included within cost of sales is £(20) million in relation to unfavourable movements on long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are accounted for as derivative financial instruments, however are not designated in hedging relationships, therefore gains and losses are recognised in the income statement. The fair value movements are driven by external market factors and can significantly fluctuate year-on-year, and are therefore excluded to ensure consistency between periods. The remaining movements of £(6) million within finance income and costs includes lease interest on impaired non-trading sites, including site closures, which is excluded as they do not contribute to the operating activities of the Group. These are analysed further in note 7.
- Defined benefit pension interest and expenses comprises pension finance income of £25 million, and scheme expenses of £(4) million (see note 18). The Group has chosen to exclude net retirement benefit income and costs from underlying profit as, following closure of the defined benefit scheme to future accrual, it is not part of the ongoing operating activities of the Group and its exclusion is consistent with how the Directors assess the performance of the business.
- Acquisition adjustments of £(8) million reflect the unwind of non-cash fair value adjustments arising from the Home Retail Group acquisition. The Group would not normally recognise these as assets outside of a business combination. Therefore the unwinds are classified as non-underlying and are recognised as follows:

	28 weeks to 16 September 2023			28 weeks to 17 September 2022			52 weeks to 4 March 2023		
	HRG	Nectar	Total Group	HRG	Nectar	Total Group	HRG	Nectar	Total Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost of sales	-	-	-	1	-	1	1	-	1
Depreciation	1	-	1	-	-	-	1	-	1
Amortisation	(9)	-	(9)	(9)	(3)	(12)	(18)	(4)	(22)
	(8)	-	(8)	(8)	(3)	(11)	(16)	(4)	(20)

3. Non-underlying items continued

Comparative information

28 weeks to 17 September 2022

	Cost of sales	Administrative expenses	Other income	Net finance income/(costs)	Total adjustments before tax	Tax	Total adjustments
	£m	£m	£m	£m	£m	£m	£m
Income recognised in relation to legal disputes	-	-	30	-	30	(5)	25
Restructuring programmes	(39)	(4)	10	-	(33)	5	(28)
Property, finance, pension and acquisition adjustments							
Property related transactions	-	(8)	-	-	(8)	2	(6)
Non-underlying finance and fair value movements	28	-	-	(5)	23	(5)	18
Defined benefit pension scheme (expenses)/income	-	5	-	30	35	(8)	27
Acquisition adjustments	-	(11)	-	-	(11)	2	(9)
Total property, finance, pension and acquisition adjustments	28	(14)	-	25	39	(9)	30
Tax adjustments							
Revaluation of deferred tax balances and changes in law	-	-	-	-	-	(1)	(1)
Capital loss recognition	-	-	-	-	-	(1)	(1)
Total tax adjustments	-	-	-	-	-	(2)	(2)
Total adjustments	(11)	(18)	40	25	36	(11)	25

52 weeks to 4 March 2023

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

Income recognised in relation to legal disputes

In the prior year, an agreement was reached in relation to overcharges from payment card processing fees, which largely reflect inter-bank “interchange fees”. This led to net income of £30 million being recognised.

Impairment of non-financial assets

In the prior year, a non-cash impairment charge of £(281) million was recognised on non-financial assets, driven by an increase in discount rates. Discount rates have remained largely stable since 4 March 2023, and no impairment charge or reversal of impairment has been recognised in the period to 16 September 2023.

3. Non-underlying items continued

Cash flow statement

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

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Cash flows from operating activities			
Defined benefit scheme expenses	(4)	(3)	(7)
Restructuring programmes	(40)	(33)	(50)
Net income recognised in relation to legal disputes	-	-	30
ATM Rates reimbursement	-	-	3
Property related transactions	-	-	(6)
Cash used in operating activities	(44)	(36)	(30)
Cash flows from investing activities			
Proceeds from property disposals	16	28	29
Proceeds from disposal of amounts due from Financial Services customers	446	-	-
Cash generated from investing activities	462	28	29
Net cash flows	418	(8)	(1)

4. Disaggregation of revenue

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Grocery, General Merchandise & Clothing (GM&C)	14,380	13,314	25,993
Fuel	2,285	2,840	4,967
Total retail sales	16,665	16,154	30,960
Financial Services interest receivable	264	183	394
Financial Services fees and commission	54	71	137
Total Financial Services revenue	318	254	531
Total revenue	16,983	16,408	31,491

5. Segment reporting

The Group's operating segments have been determined based on the information regularly provided to the Chief Operating Decision Maker (CODM), which has been determined to be the Group Operating Board, which is used to make optimal decisions on the allocation of resources and assess performance.

The CODM is presented information for the following operating segments:

- Retail – Food
- Retail – General Merchandise and Clothing
- Financial Services

In determining the Group's reportable segments, management have considered the economic characteristics, in particular average gross margin, similarity of products, production processes, customers, sales methods and regulatory environment of its two Retail segments. In doing so it has been concluded that they should be aggregated into one 'Retail' segment within the financial statements given the similar economic characteristics between the two. This aggregated information provides users the financial information needed to evaluate the business and the environment in which it operates.

The Group's reportable operating segments have therefore been identified as follows:

- Retail; comprising the sale of food, household, general merchandise, clothing and fuel primarily through store and online channels.
- Financial Services; comprising banking and insurance services through Sainsbury's Bank and Argos Financial Services.

The CODM uses underlying profit before tax as the key measure of segmental performance as it represents the ongoing trading performance with additional insight into year-on-year performance that is more comparable over time. The use of underlying profit before tax aims to provide parity and transparency between users of the financial statements and the CODM in assessing the core performance of the business and performance of management.

5. Segment reporting continued

a. Income statement and balance sheet

28 weeks to 16 September 2023	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	16,665	-	16,665
Financial Services to external customers	-	318	318
Revenue	16,665	318	16,983
Underlying operating profit	485	13	498
Underlying finance income	12	-	12
Underlying finance costs	(170)	-	(170)
Underlying profit before tax	327	13	340
Non-underlying expense (note 3)			(65)
Profit before tax			275
Income tax expense (note 8)			(120)
Profit for the financial period			155
Assets	18,859	7,308	26,167
Investment in joint ventures and associates	2	-	2
Segment assets	18,861	7,308	26,169
Segment liabilities	(12,548)	(6,398)	(18,946)

28 weeks to 17 September 2022	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	16,154	-	16,514
Financial Services to external customers	-	254	254
Revenue	16,154	254	16,408
Underlying operating profit	477	19	496
Underlying finance income	5	-	5
Underlying finance costs	(161)	-	(161)
Underlying profit before tax	321	19	340
Non-underlying income (note 3)			36
Profit before tax			376
Income tax expense (note 8)			(91)
Profit for the financial period			285
Assets	20,078	7,013	27,091
Investment in joint ventures and associates	3	-	3
Segment assets	20,081	7,013	27,094
Segment liabilities	(13,042)	(6,123)	(19,165)

52 weeks to 4 March 2023	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	30,960	-	30,960
Financial Services to external customers	-	531	531
Revenue	30,960	531	31,491
Underlying operating profit	926	46	972
Underlying finance income	18	-	18
Underlying finance costs	(300)	-	(300)
Underlying profit before tax	644	46	690
Non-underlying expense (note 3)			(363)
Profit before tax			327
Income tax expense (note 8)			(120)
Profit for the financial period			207
Assets	18,925	7,231	26,156
Investment in joint ventures and associates	2	-	2
Segment assets	18,927	7,231	26,158
Segment liabilities	(12,584)	(6,321)	(18,905)

5. Segment reporting continued

b. Segmented cash flow statement

	APM reference ¹	28 weeks to 16 September 2023			28 weeks to 17 September 2022		
		Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Profit/(loss) before tax		277	(2)	275	357	19	376
Net finance costs		139	-	139	131	-	131
Operating profit/(loss)		416	(2)	414	488	19	507
Adjustments for:							
Depreciation and amortisation expense		613	18	631	634	16	650
Net impairment charge on property, plant and equipment, right-of-use assets, and intangible assets		21	-	21	20	-	20
Non-cash adjustments arising from acquisitions		-	-	-	(1)	-	(1)
(Profit)/loss on sale of non-current assets and early termination of leases		(12)	14	2	(12)	-	(12)
Non-underlying fair value movements		19	-	19	(28)	-	(28)
Share-based payments expense		36	2	38	34	3	37
Defined benefit scheme expenses/(income)		4	-	4	(5)	-	(5)
Cash contributions to defined benefit schemes		(23)	-	(23)	(23)	-	(23)
Operating cash flows before changes in working capital		1,074	32	1,106	1,107	38	1,145
Movements in working capital		265	99	364	318	300	618
Cash generated from operations		1,339	131	1,470	1,425	338	1,763
Interest paid	a	(166)	-	(166)	(161)	-	(161)
Corporation tax paid		(17)	(3)	(20)	(32)	(2)	(34)
Net cash generated from operating activities		1,156	128	1,284	1,232	336	1,568
Cash flows from investing activities							
Purchase of property, plant and equipment ²		(1,040)	(1)	(1,041)	(201)	(1)	(202)
Initial direct costs on new leases		(11)	-	(11)	(9)	-	(9)
Purchase of intangible assets		(80)	(9)	(89)	(96)	(10)	(106)
Proceeds from disposal of property, plant and equipment ²		77	-	77	28	-	28
Proceeds from disposal of amounts due from Financial Services customers		-	446	446	-	-	-
Dividends and distributions received/(paid)	e	-	-	-	50	(50)	-
Net cash (used in)/generated from investing activities		(1,054)	436	(618)	(228)	(61)	(289)
Cash flows from financing activities							
Proceeds from issuance of ordinary shares	d	11	-	11	2	-	2
Proceeds from borrowings	c	575	-	575	-	-	-
Repayment of borrowings	c	(20)	-	(20)	(22)	-	(22)
Purchase of own shares	d	(18)	-	(18)	(25)	-	(25)
Capital repayment of lease obligations	b	(252)	(1)	(253)	(245)	(1)	(246)
Dividends paid on ordinary shares		(215)	-	(215)	(229)	-	(229)
Net cash generated from/(used in) financing activities		81	(1)	80	(519)	(1)	(520)
Net increase in cash and cash equivalents		183	563	746	485	274	759

1. Refer to the Retail Cash flow items in Financial Review APM for reconciliation.

2. Amounts in the current period include cashflows in relation to the asset acquisition transaction, as detailed in note 2.4.

5. Segment reporting continued

b. Segmented cash flow statement continued

	APM Reference ¹	52 weeks to 4 March 2023		Group £m
		Retail £m	Financial Services £m	
Profit before tax		284	43	327
Net finance costs		235	-	235
Operating profit		519	43	562
Adjustments for:				
Depreciation and amortisation expense		1,175	33	1,208
Net impairment charge on property, plant and equipment, right-of-use assets, and intangible assets		315	-	315
Profit on sale of properties and early termination of leases		(15)	-	(15)
Non-underlying fair value movements		29	-	29
Share-based payments expense		54	5	59
Defined benefit scheme (income)/expenses		(2)	-	(2)
Cash contributions to defined benefit schemes		(44)	-	(44)
Operating cash flows before changes in working capital		2,031	81	2,112
Changes in working capital				
Movements in working capital		185	307	492
Cash generated from operations		2,216	388	2,604
Interest paid	a	(307)	(9)	(316)
Corporation tax paid		(99)	(4)	(103)
Net cash generated from operating activities		1,810	375	2,185
Cash flows from investing activities				
Purchase of property, plant and equipment		(523)	(2)	(525)
Initial direct costs on new leases		(16)	-	(16)
Purchase of intangible assets		(194)	(19)	(213)
Proceeds from disposal of property, plant and equipment		29	-	29
Dividends and distributions received/(paid)	e	51	(50)	1
Net cash used in investing activities		(653)	(71)	(724)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	d	13	-	13
Repayment of borrowings	c	(40)	(55)	(95)
Purchase of own shares	d	(45)	-	(45)
Capital repayment of lease obligations	b	(512)	(2)	(514)
Dividends paid on ordinary shares		(319)	-	(319)
Net cash used in financing activities		(903)	(57)	(960)
Net increase in cash and cash equivalents		254	247	501

1. Refer to the Retail Cash flow items in Financial Review APM for reconciliation.

6. Supplier arrangements

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

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

- Discounts and supplier incentives – these represent the majority of all supplier arrangements and are linked to individual unit sales. The incentive is typically based on an agreed sum per item sold on promotion for a period and therefore is considered part of the purchase price of that product.
- Fixed amounts – these are agreed with suppliers primarily to support in-store activity including promotions, such as utilising specific space.
- Supplier rebates – these are typically agreed on an annual basis, aligned with the Group's financial year. The rebate amount is linked to pre-agreed targets such as sales volumes.
- Marketing and advertising income – advertising income from suppliers through online marketing and advertising campaigns.

6. Supplier arrangements continued

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

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Fixed amounts	115	81	192
Supplier rebates	29	47	94
Marketing and advertising income	59	41	97
Total supplier arrangements	203	169	383

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

	16 September 2023 £m	4 March 2023 £m	17 September 2022 £m
Within inventory	(4)	(4)	(4)
Within current trade receivables			
Supplier arrangements due	29	45	33
Accrued supplier arrangements	58	43	47
Within current trade payables			
Supplier arrangements due	30	49	25
Accrued supplier arrangements	-	2	1
Deferred income	(2)	-	(1)
Total supplier arrangements	111	135	101

7. Finance income and finance costs

	28 weeks to 16 September 2023			28 weeks to 17 September 2022			52 weeks to 4 March 2023		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Interest on bank deposits and other financial assets	11	-	11	4	-	4	16	-	16
IAS 19 pension financing income	-	25	25	-	30	30	-	56	56
Finance income from sub-leasing of right-of-use assets	1	-	1	1	-	1	2	-	2
Finance Income	12	25	37	5	30	35	18	56	74
Secured borrowings	(19)	-	(19)	(20)	-	(20)	(41)	-	(41)
Unsecured borrowings	(16)	-	(16)	(1)	-	(1)	(2)	-	(2)
Lease liabilities	(136)	(6)	(142)	(140)	(5)	(145)	(258)	(9)	(267)
Interest capitalised - qualifying assets	1	-	1	-	-	-	1	-	1
Finance costs	(170)	(6)	(176)	(161)	(5)	(166)	(300)	(9)	(309)

8. Income tax expense

Tax charged within the 28 weeks ended 16 September 2023 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ending 2 March 2024 using rates substantively enacted by 16 September 2023 as required by IAS 34 'Interim Financial Reporting'.

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Current year UK tax	70	72	105
Current year overseas tax	-	2	3
(Under)/over provision in prior years	(1)	(1)	2
Total current tax expense	69	73	110
Origination and reversal of temporary differences	20	16	9
(Under)/over provision in prior years	(9)	-	3
Adjustment from change in applicable rate of deferred tax	-	1	(2)
Derecognition of capital losses	40	1	-
Total deferred tax expense	51	18	10
Total income tax expense in income statement	120	91	120
Analysed as:			
Underlying tax	94	80	157
Non-underlying tax	26	11	(37)
Total income tax expense in income statement	120	91	120
Underlying tax rate	27.6%	23.5%	22.8%
Effective tax rate	43.6%	24.2%	36.7%

The effective tax rate is significantly higher than the standard rate of corporation tax in the UK of 25% primarily due to the impact of a release of a deferred tax asset held against the fair value gains on the Group's beneficial interest in the commercial property investment pool (refer to note 2). The gains were extinguished on the acquisition of the entities which held the remainder of the beneficial interest, and therefore the asset could no longer be carried.

Finance Act 2020 included legislation restricting the amount of chargeable gains that a company can relieve with its carried-forward capital losses from previous accounting periods. Broadly, from 1 April 2020 a company is only able to offset up to 50 per cent of chargeable gains using carried forward capital losses. The Group has considered the expected impact of the tax law in respect of the utilisation of carried-forward tax losses. Accordingly, approximately £357 million of the Group's carried forward unrestricted capital losses (4 March 2023: £194 million) have not been recognised as at 16 September 2023.

Finance (No.2) Act 2023 was substantively enacted in the UK on 20 June 2023, introducing a global minimum effective tax rate of 15%. The legislation will implement a domestic and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. Initial work undertaken by the group indicates that the impact of this legislation is not expected to be material. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

9. Earnings per share

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

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

In addition, underlying basic earnings per share and underlying diluted earnings per share are presented to reflect the underlying profit attributable to ordinary shareholders of J Sainsbury plc and the underlying trading performance of the Group. In calculating the APMs, the profit attributable is adjusted for items considered non-underlying as defined in note 3. No adjustments have been made to the weighted average number of Ordinary or potentially dilutive shares which continue to be determined in accordance with IAS.

9. Earnings per share continued

All operations are continuing for the periods presented.

	16 September 2023	17 September 2022	4 March 2023
	million	million	million
Weighted average number of shares in issue for calculating basic earnings per share	2,332.5	2,314.3	2,312.6
Weighted average number of dilutive share options	54.4	35.9	39.6
Total number of shares for calculating diluted earnings per share	2,386.9	2,350.2	2,352.2
	£m	£m	£m
Profit for the financial period attributable to ordinary shareholders	155	285	207
Profit for the financial period attributable to ordinary shareholders of the parent	155	285	207
Adjusted for non-underlying items (note 3)	65	(36)	363
Tax on non-underlying items	26	11	(37)
Underlying profit after tax attributable to ordinary shareholders of the parent	246	260	533
	Pence per share	Pence per share	Pence per share
Basic earnings	6.6	12.3	9.0
Diluted earnings	6.5	12.1	8.8
Underlying basic earnings	10.5	11.2	23.0
Underlying diluted earnings	10.3	11.1	22.7

10. Dividends

	28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023
	£m	£m	£m
Amounts recognised as distributions to ordinary shareholders in the year:			
Final dividend for the year ended 5 March 2022 of 9.9p	-	229	229
Interim dividend for the year ended 4 March 2023 of 3.9p	-	-	90
Final dividend for the year ended 4 March 2023 of 9.2p	215	-	-
	215	229	319

An interim dividend of 3.9 pence per share has been approved by the Board of Directors for the financial year ending 2 March 2024, resulting in an interim dividend of £91 million. The interim dividend was approved by the Board on 1 November 2023 and as such has not been included as a liability at 16 September 2023.

11. Property, plant and equipment

	28 weeks to 16 September 2023	52 weeks to 4 March 2023	28 weeks to 17 September 2022
	£m	£m	£m
Net book value			
At the beginning of the period	8,201	8,402	8,402
Additions	1,263	534	199
Disposals	-	(15)	(14)
Depreciation expense for the period	(292)	(566)	(310)
Impairment loss for the period	(19)	(149)	(2)
Transfer to assets held for sale	(5)	(5)	(3)
At the end of the period	9,148	8,201	8,272
Comprising			
Land and buildings	7,706	6,712	6,794
Fixtures and fittings	1,442	1,489	1,478
	9,148	8,201	8,272
Capital commitments contracts, but not provided for	251	159	159

As part of the asset acquisition detailed in note 2, the Group has recognised £1,021 million of property, plant and equipment. This is presented within additions in Land and Buildings.

Transfer to assets held for sale include £3 million of assets no longer classified as held for sale during the period (4 March 2023: £nil; 17 September 2022: £nil).

11. Property, plant and equipment continued

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. As a result of the recognition of property, plant and equipment as part of the asset acquisition, all 21 stores acquired were reviewed for impairment, as the asset base of these stores' cash-generating units (CGUs) has significantly changed. This review resulted in the recognition of £19 million of impairment.

12. Leases

	28 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	28 weeks to 17 September 2022 £m
Right-of-use-assets			
At the beginning of the period	5,345	5,560	5,560
New leases and modifications ¹	224	398	163
Derecognised as part of asset acquisition	(1,031)	-	-
Depreciation charge	(238)	(470)	(254)
Impairment charge	(2)	(143)	(13)
At the end of the period	4,298	5,345	5,456
Comprising			
Land and buildings	4,006	5,032	5,164
Equipment	292	313	292
	4,298	5,345	5,456

1. Includes new leases, terminations, modifications and reassessments.

	28 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	28 weeks to 17 September 2022 £m
Lease liabilities			
At beginning of the period	6,489	6,621	6,621
New leases and modifications ¹	218	382	153
Derecognised as part of asset acquisition	(1,042)	-	-
Interest expense	142	267	145
Payments	(395)	(781)	(391)
At the end of the period	5,412	6,489	6,528
Comprising			
Current	473	1,533	1,536
Non-current	4,939	4,956	4,992
	5,412	6,489	6,528

1. Includes new leases, terminations, modifications and reassessments.

The 26 occupied stores in a commercial property investment pool (refer note 2) were previously leased to the Group, and as such were recognised within lease liabilities and right-of-use assets. Consequently, these balances have been derecognised as part of the asset acquisition. Four of these stores have been sold and leased back in the current period as part of the transaction; these balances have been presented within new leases and modifications.

Income statement disclosures

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Depreciation of right-of-use assets	(238)	(254)	(470)
Impairment of right-of-use assets	(2)	(13)	(143)
Interest on lease liabilities	(142)	(145)	(267)
Variable lease payments not included in the measurement of lease liabilities	-	(1)	(1)
Finance income from sub-leasing of right-of-use assets	1	1	2
Operating sublet income	26	32	48
Expenses relating to short-term leases	(14)	(14)	(26)
Expenses relating to leases of low-value assets	(2)	(1)	(2)
Total amount recognised in profit or loss	(371)	(395)	(859)
Total cash outflow for leases (excluding sublet income)	(411)	(407)	(810)

12. Leases continued

Maturity analysis

	28 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	28 weeks to 17 September 2022 £m
Contractual undiscounted cash flows			
Less than one year	722	1,798	1,775
One to two years	675	680	707
Two to three years	637	632	655
Three to four years	590	591	611
Four to five years	554	541	570
Total less than five years	3,178	4,242	4,318
Five to ten years	2,569	2,473	2,533
Ten to fifteen years	1,983	1,981	2,016
More than fifteen years	3,005	3,505	3,215
Total undiscounted lease liability	10,735	12,201	12,082
Lease liabilities included in the balance sheet	5,412	6,489	6,528
Current	473	1,533	1,536
Non-current	4,939	4,956	4,992

13. Intangible assets

	28 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	28 weeks to 17 September 2022 £m
Net book value			
At the beginning of the period	1,024	1,006	1,006
Additions	93	213	106
Disposals	(7)	-	-
Amortisation expense for the period	(101)	(172)	(86)
Impairment loss for the period	-	(23)	(5)
At the end of the period	1,009	1,024	1,021
Comprising			
Goodwill	345	352	366
Software	612	610	584
Acquired brands	52	62	70
Customer relationships	-	-	1
	1,009	1,024	1,021

14. Financial instruments

a. Financial assets and liabilities by category

	Amortised cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Total £m
At 16 September 2023				
Cash and cash equivalents	2,067	-	-	2,067
Trade and other receivables	504	-	-	504
Amounts due from Financial Services customers and other banks	4,821	-	-	4,821
Financial assets at fair value through other comprehensive income	-	702	-	702
Trade and other payables	(4,931)	-	-	(4,931)
Borrowings	(1,215)	-	-	(1,215)
Amounts due to Financial Services customers and other deposits	(6,057)	-	-	(6,057)
Derivative financial instruments	-	-	96	96
Lease liabilities	(5,412)	-	-	(5,412)
	(10,223)	702	96	(9,425)

	Amortised cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Total £m
At 4 March 2023				
Cash and cash equivalents	1,319	-	-	1,319
Trade and other receivables	477	-	-	477
Amounts due from Financial Services customers and other banks	5,392	-	-	5,392
Financial assets at fair value through other comprehensive income	-	1,009	-	1,009
Trade and other payables	(4,495)	-	-	(4,495)
Borrowings	(656)	-	-	(656)
Amounts due to Financial Services customers and other deposits	(5,946)	-	-	(5,946)
Derivative financial instruments	-	-	213	213
Lease liabilities	(6,489)	-	-	(6,489)
	(10,398)	1,009	213	(9,176)

	Amortised cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Total £m
At 17 September 2022				
Cash and cash equivalents	1,580	-	-	1,580
Trade and other receivables	592	-	-	592
Amounts due from Financial Services customers and other banks	5,288	-	-	5,288
Financial assets at fair value through other comprehensive income	-	771	-	771
Trade and other payables	(4,626)	-	-	(4,626)
Borrowings	(739)	-	-	(739)
Amounts due to Financial Services customers and other deposits	(5,732)	-	-	(5,732)
Derivative financial instruments	-	-	490	490
Lease liabilities	(6,528)	-	-	(6,528)
	(10,165)	771	490	(8,904)

Trade and other receivables excludes prepayments and accrued income. Trade and other payables excludes deferred income, other taxes and social security costs payable, and other accruals.

b. Carrying amount versus fair value

Set out below is a comparison of the carrying amount and the fair value of financial instruments that are carried in the financial statements at a value other than fair value. The fair value 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, overdrafts and payables are assumed to approximate to their book values.

14. Financial instruments continued

	Carrying amount £m	Fair value £m
At 16 September 2023		
Financial assets		
Amounts due from Financial Services customers and banks	4,821	4,694
Financial liabilities		
Loans due 2031	(518)	(535)
Term Loan	(580)	(575)
Tier 2 Capital	(118)	(127)
Amounts due to Financial Services customers and banks	(6,057)	(6,045)
<hr/>		
	Carrying amount £m	Fair value £m
At 4 March 2023		
Financial assets		
Amounts due from Financial Services customers and banks	5,392	5,340
Financial liabilities		
Loans due 2031	(539)	(639)
Tier 2 Capital	(122)	(131)
Amounts due to Financial Services customers and banks	(5,946)	(5,954)
<hr/>		
	Carrying amount £m	Fair value £m
At 17 September 2022		
Financial assets		
Amounts due from Financial Services customers and banks	5,288	5,252
Financial liabilities		
Loans due 2031	(558)	(594)
Tier 2 Capital	(178)	(177)
Amounts due to Financial Services customers and banks	(5,732)	(5,729)

c. Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are recognised at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities at the balance sheet date. This level includes listed equity securities and debt instrument on public exchanges;
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments is determined by discounting expected cash flows at prevailing interest rates; and
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

14. Financial instruments continued

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 16 September 2023				
Financial instruments at fair value through other comprehensive income				
Other financial assets	-	16	-	16
Investment securities	686	-	-	686
Derivative financial assets	-	114	82	196
Derivative financial liabilities	-	(100)	-	(100)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 4 March 2023				
Financial instruments at fair value through other comprehensive income				
Other financial assets	-	383	-	383
Investment securities	626	-	-	626
Derivative financial assets	-	156	131	287
Derivative financial liabilities	-	(74)	-	(74)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 17 September 2022				
Financial instruments at fair value through other comprehensive income				
Other financial assets	-	376	-	376
Investment securities	395	-	-	395
Derivative financial assets	-	314	232	546
Derivative financial liabilities	-	(56)	-	(56)

During the period, the Group derecognised its financial asset at fair value through other comprehensive income of £366 million, which was previously presented within Other financial assets. This amount represented the Group's beneficial interest in a property investment pool, and was derecognised as part of the asset acquisition. Refer to note 2 for further details.

There have been no transfers of assets between Levels 1, 2 or 3 during the period.

Level 3 Financial assets

A reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy is set out below:

	Commodity derivatives £m	Total £m
At 5 March 2023		
In cost of sales in the Group income statement	(20)	(20)
In other comprehensive income	(29)	(29)
At 16 September 2023	82	82

	Commodity derivatives £m	Total £m
At 6 March 2022		
In cost of sales in the Group income statement	180	180
In other comprehensive income	(30)	(30)
At 4 March 2023	131	131

	Commodity derivatives £m	Total £m
At 6 March 2022		
In finance income in the Group income statement	28	28
In other comprehensive income	24	24
At 17 September 2022	232	232

	16 September 2023 £m	4 March 2023 £m	17 September 2022 £m
Commodity derivative financial assets			
Designated in a cash flow hedge relationship	48	79	123
Not in a hedge relationship	34	52	109
	82	131	232

14. Financial instruments continued

Level 3 derivative financial assets – power purchase agreement

The Group has entered into several long-term fixed-price power purchase agreements with independent producers. Included within derivative financial instruments is a net asset of £82 million relating to these agreements at 16 September 2023 (at 17 September 2022: £232 million; at 4 March 2023: £131 million). The Group values its power purchase agreements as the net present value of the estimated future usage at the contracted fixed price less the market implied forward energy price discounted back at the prevailing swap rate. The Group also makes an assumption regarding expected energy output based on the historical performance and the producer's estimate of expected electricity output, which are unobservable (Level 3) inputs. The sensitivity of this balance to changes of 20 per cent in the assumed rate of energy output and 20 per cent in the implied forward energy prices holding other assumptions constant is shown below:

Not in a hedge relationship				
	16 September 2023		4 March 2023	
	Change in volume	Change in	Change in volume	Change in
	+/-20.0%	electricity forward	+/-20.0%	electricity
	£m	pricing	£m	forward pricing
		+/-20.0%		+/-20.0%
		£m		£m
Derivative financial instruments	7/(7)	15/(15)	20/(20)	11/(11)
<hr/>				
			17 September 2022	
			Change in volume	Change in
			+/- 20.0%	electricity
			£m	forward price
				+/- 20.0%
				£m
Derivative financial instruments			29/(29)	22/(22)
<hr/>				
Designated in a cash flow hedge relationship				
	16 September 2023		4 March 2023	
	Change in volume	Change in	Change in volume	Change in
	+/-20.0%	electricity forward	+/-20.0%	electricity
	£m	pricing	£m	forward pricing
		+/-20.0%		+/-20.0%
		£m		£m
Derivative financial instruments	10/(10)	37/(37)	43/(44)	15/(16)
<hr/>				
			17 September 2022	
			Change in volume	Change in
			+/- 20.0%	electricity
			£m	forward price
				+/- 20.0%
				£m
Derivative financial instruments			35/(35)	24/(24)

14. Financial instruments continued

d. Financial Services expected credit loss (ECL)

Loans and advances are initially recognised at fair value and subsequently held at amortised cost, using the effective interest method, less provision for impairment and recognised on the balance sheet when cash is advanced:

	16 September 2023 £m	4 March 2023 £m	17 September 2022 £m
Non-current			
Loans and advances to customers	1,566	1,959	2,065
Impairment of loans and advances	(58)	(51)	(52)
	1,508	1,908	2,013
Current			
Loans and advances to customers	3,503	3,573	3,329
Loans and advances to banks	-	100	120
Impairment of loans and advances	(190)	(189)	(174)
	3,313	3,484	3,275
Loan commitment provisions	(14)	(19)	(19)
Total impairment provisions for loans and advances to customers and loan commitments	(262)	(259)	(245)
Impairment provisions as a percentage of loans and advances to customers	5.2%	4.7%	4.5%

The ECL models utilise four scenarios including a 'base case' scenario considered to be the most likely outcome together with an upside, downside and severe downside scenario. The base case has been assigned a probability weighting of 40% with the upside, downside and severe downside scenarios weighted 30%, 25%, 5% respectively.

	16 September 2023			
	Base	Upside	Downside	Severe Downside
5-year average	%	%	%	%
Unemployment rate	4.2	3.8	5.3	7.0
Consumer price growth	2.7	2.0	3.8	5.0
GDP	1.2	1.8	0.4	(0.6)
Mortgage debt as a percentage of household income	93.2	91.0	96.5	99.6
Real household disposable income	1.4	2.0	0.6	(0.4)
Probability weighting	40	30	25	5

	At 4 March 2023			
	Base	Upside	Downside	Severe Downside
5-year average	%	%	%	%
Unemployment rate	5.3	4.5	6.2	7.6
Consumer price growth	3.4	2.9	3.8	4.3
GDP	0.8	1.4	0.3	(0.3)
Mortgage debt as a percentage of household income	99.9	97.6	102.0	104.5
Real household disposable income	0.8	1.2	0.2	(0.3)
Probability weighting	40	30	25	5

	At 17 September 2022			
	Base	Upside	Downside	Severe Downside
5-year average	%	%	%	%
Unemployment rate	4.9	4.1	5.8	7.4
Consumer price growth	5.4	5.0	5.8	6.4
GDP	1.2	1.6	0.8	0.3
Mortgage debt as a percentage of household income	98.9	96.5	101.5	104.8
Real household disposable income	0.5	1.1	(0.2)	(1.0)
Probability weighting	45	35	15	5

14. Financial instruments continued

Like many other banks, the Group's ECL models were developed under a more benign interest rate and inflationary environment, and the current volatility in these measures requires additional post model adjustments (PMAs) to be held. The aggregate amount of economic PMA now held at 16 September 2023 is £3.3 million.

ECL sensitivity

The economic conditions impact the probability of default of the customers. The impact of 100% weighting of each of the economic scenarios is outlined as follows:

<i>ECL Sensitivity</i>	Impact on the loss allowance		
	16 September 2023 £m	4 March 2023 £m	17 September 2022 £m
Closing ECL Allowance	262	259	245
Base scenario	(5)	(3)	-
Upside scenario	(13)	(13)	(9)
Downside scenario	16	13	12
Severe Downside scenario	57	45	38

15. Analysis of net (debt)/funds

The Group's definition of net debt includes lease liabilities as recognised under IFRS 16 and the capital injections to Sainsbury's Bank, but excludes derivatives that are not used to hedge borrowings and the net debt of Sainsbury's Bank and its subsidiaries (Financial Services). Financial Services' net debt balances are excluded because they are required as part of the business as usual operations of a bank, as opposed to specific forms of financing for the Group.

Financial assets at fair value through other comprehensive income exclude equity related financial assets which predominantly relate to the Group's beneficial interest in a commercial property investment pool. Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately.

15. Analysis of net (debt)/funds continued

	Cash Movements			Non-Cash Movements			16 September 2023
	5 March 2023	Cash flows excluding interest	Net interest (received) / paid	Accrued Interest	Other non-cash movements	Changes in fair value	
	£m	£m	£m	£m	£m	£m	£m
Retail							
Net derivative financial instruments	-	-	(2)	1	-	1	-
Borrowings (excluding overdrafts)	(539)	(555)	26	(29)	-	-	(1,097)
Lease liabilities	(6,488)	252	142	(142)	824	-	(5,412)
Arising from financing activities	(7,027)	(303)	166	(170)	824	1	(6,509)
Cash and cash equivalents	683	185	-	-	-	-	868
Bank overdrafts	-	(2)	-	-	-	-	(2)
Retail net debt	(6,344)	(120)	166	(170)	824	1	(5,643)
Financial Services							
Net derivative financial instruments	-	-	-	-	-	(4)	(4)
Borrowings (excluding overdrafts)	(122)	-	6	(6)	-	4	(118)
Lease liabilities	(1)	1	-	-	-	-	-
Arising from financing activities	(123)	1	6	(6)	-	-	(122)
Financial assets at fair value through other comprehensive income	626	60	-	-	-	-	686
Cash and cash equivalents	636	563	-	-	-	-	1,199
Financial Services net funds	1,139	624	6	(6)	-	-	1,763
Group							
Net derivative financial instruments	-	-	(2)	1	-	(3)	(4)
Borrowings (excluding overdrafts)	(661)	(555)	32	(35)	-	4	(1,215)
Lease liabilities	(6,489)	253	142	(142)	824	-	(5,412)
Arising from financing activities	(7,150)	(302)	172	(176)	824	1	(6,631)
Financial assets at fair value through other comprehensive income	626	60	-	-	-	-	686
Cash and cash equivalents	1,319	748	-	-	-	-	2,067
Bank overdrafts	-	(2)	-	-	-	-	(2)
Group net debt	(5,205)	504	172	(176)	824	1	(3,880)
Retail net debt	(6,344)	(120)	166	(170)	824	1	(5,643)
Of which:							
Leases	(6,488)						(5,412)
Net funds/(debt) excluding lease liabilities	144						(231)

Other non-cash movements predominantly comprise new leases and lease modifications.

Overdraft balances are included within borrowings in the Group balance sheet, and within cash and cash equivalents in the Group cash flow statement.

15. Analysis of net (debt)/funds continued

	Cash Movements			Non-Cash Movements			
	6 March 2022	Cash flows excluding interest	Net interest (received) / paid	Accrued Interest	Other non- cash movements	Changes in fair value	17 September 2022
	£m	£m	£m	£m	£m	£m	£m
Retail							
Net derivative financial instruments	5	-	-	1	-	(1)	5
Borrowings (excluding overdrafts)	(575)	22	16	(21)	-	-	(558)
Lease liabilities	(6,618)	245	145	(145)	(153)	-	(6,526)
Arising from financing activities	(7,188)	267	161	(165)	(153)	(1)	(7,079)
Cash and cash equivalents	436	481	-	-	-	-	917
Bank overdrafts	(7)	4	-	-	-	-	(3)
Retail net debt	(6,759)	752	161	(165)	(153)	(1)	(6,165)
Financial Services							
Net derivative financial instruments	4	-	-	-	-	(3)	1
Borrowings (excluding overdrafts)	(179)	-	-	-	1	-	(178)
Lease liabilities	(3)	1	-	-	-	-	(2)
Arising from financing activities	(178)	1	-	-	1	(3)	(179)
Financial assets at fair value through other comprehensive income	418	(22)	-	-	-	(1)	395
Cash and cash equivalents	389	274	-	-	-	-	663
Financial Services net funds	629	253	-	-	1	(4)	879
Group							
Net derivative financial instruments	9	-	-	1	-	(4)	6
Borrowings (excluding overdrafts)	(754)	22	16	(21)	1	-	(736)
Lease liabilities	(6,621)	246	145	(145)	(153)	-	(6,528)
Arising from financing activities	(7,366)	268	161	(165)	(152)	(4)	(7,258)
Financial assets at fair value through other comprehensive income	418	(22)	-	-	-	(1)	395
Cash and cash equivalents	825	755	-	-	-	-	1,580
Bank overdrafts	(7)	4	-	-	-	-	(3)
Group net debt	(6,130)	1,005	161	(165)	(152)	(5)	(5,286)
Retail net debt	(6,759)	752	161	(165)	(153)	(1)	(6,165)
Of which:							
Leases	(6,618)						(6,526)
Net (debt)/funds excluding lease liabilities	(141)						361

15. Analysis of net (debt)/funds continued

	Cash Movements			Non-Cash Movements			4 March 2023 £m
	6 March 2022 £m	Cash flows excluding interest £m	Net interest (received) / paid £m	Accrued Interest £m	Other non-cash movements £m	Changes in fair value £m	
Retail							
Net derivative financial instruments	5	-	(5)	5	(5)	-	-
Borrowings (excluding overdrafts)	(575)	40	45	(40)	(9)	-	(539)
Lease liabilities	(6,618)	512	267	(267)	(382)	-	(6,488)
Arising from financing activities	(7,188)	552	307	(302)	(396)	-	(7,027)
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
Cash and cash equivalents	436	247	-	-	-	-	683
Bank overdrafts	(7)	7	-	-	-	-	-
Retail net debt	(6,759)	806	307	(302)	(396)	-	(6,344)
Financial Services							
Net derivative financial instruments	4	-	-	-	-	(4)	-
Borrowings (excluding overdrafts)	(179)	55	9	(12)	-	5	(122)
Lease liabilities	(3)	2	-	-	-	-	(1)
Arising from financing activities	(178)	57	9	(12)	-	1	(123)
Financial assets at fair value through other comprehensive income	418	207	-	-	-	1	626
Cash and cash equivalents	389	247	-	-	-	-	636
Financial Services net funds	629	511	9	(12)	-	2	1,139
Group							
Net derivative financial instruments	9	-	(5)	5	(5)	(4)	-
Borrowings (excluding overdrafts)	(754)	95	54	(52)	(9)	5	(661)
Lease liabilities	(6,621)	514	267	(267)	(382)	-	(6,489)
Arising from financing activities	(7,366)	609	316	(314)	(396)	1	(7,150)
Financial assets at fair value through other comprehensive income	418	207	-	-	-	1	626
Cash and cash equivalents	825	494	-	-	-	-	1,319
Bank overdrafts	(7)	7	-	-	-	-	-
Group net debt	(6,130)	1,317	316	(314)	(396)	2	(5,205)
Retail net debt	(6,759)	806	307	(302)	(396)	-	(6,344)
Of which:							
Leases	(6,618)						(6,488)
Net (debt)/funds excluding lease liabilities	(141)						144

15. Analysis of net (debt)/funds continued

Reconciliation of net cash flow to movement in Retail net debt

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Opening net debt	(6,344)	(6,759)	(6,759)
Cash flow movements			
Net increase in cash and cash equivalents (including overdrafts)	746	759	501
Elimination of Financial Services movement in cash and cash equivalents	(563)	(274)	(247)
(Increase)/decrease in retail borrowings	(555)	22	40
Decrease in retail lease obligations	252	245	512
Net interest paid on components of Retail net debt	166	161	307
Changes in net debt resulting from cash flow	46	913	1,113
Non-cash movements			
Accrued interest	(170)	(165)	(302)
Retail fair value and other non-cash movements	825	(154)	(396)
Changes in net debt resulting from non-cash movements	655	(319)	(698)
Movement in net debt	701	594	415
Closing net debt	(5,643)	(6,165)	(6,344)

16. Borrowings

	16 September 2023			4 March 2023		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Loan due 2031	51	467	518	48	491	539
Term loan	5	575	580	-	-	-
Bank overdrafts	2	-	2	-	-	-
Transaction costs	-	(3)	(3)	(1)	(4)	(5)
Sainsbury's Bank Tier 2 Capital	6	112	118	6	116	122
Total borrowings	64	1,151	1,215	53	603	656

	17 September 2022		
	Current £m	Non-current £m	Total £m
Loan due 2031	46	512	558
Bank overdrafts	3	-	3
Sainsbury's Bank Tier 2 Capital	3	175	178
Total borrowings	52	687	739

Available facilities

The Group refinanced its Revolving Credit Facility in December 2022. The Revolving Credit Facility is split into two Facilities, a £500 million Facility (A) and a £500 million Facility (B). Facility A has a maturity of December 2027 and Facility B has a maturity of December 2026. As at 16 September 2023, the Revolving Credit Facility was undrawn (4 March 2023: £nil; 17 September 2022: £nil).

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

The Group maintains uncommitted facilities to provide additional capacity to fund short-term working capital requirements. Drawdowns on these uncommitted facilities bear interest at a margin. Uncommitted facilities of £2 million were drawn at 16 September 2023 (4 March 2023: £nil; 17 September 2022: £3 million).

The Group entered into a £575 million unsecured term loan in December 2022, with maturity of March 2026. As at 16 September 2023, the term loan was fully drawn (4 March 2023: £nil; 17 September 2022: £nil). Included within the current term loan balance is £5 million of interest accrued.

17. Cash and cash equivalents

	16 September 2023 £m	4 March 2023 £m	17 September 2022 £m
Cash in hand and bank balances	680	569	586
Money market funds	250	255	372
Money market deposits	210	150	230
Deposits at central banks	927	345	392
Cash and bank balances as reported in the Group balance sheet	2,067	1,319	1,580
Bank overdrafts (within current borrowings)	(2)	-	(3)
Net cash and cash equivalents as reported in the Group cash flow statement	2,065	1,319	1,577
Restricted amounts included above:			
Held as a reserve deposit with the Bank of England	15	15	15
For insurance purposes	7	3	1
Held within the Group's Employee Share Ownership Trust	-	10	-
	22	28	16

Restricted amounts with the Bank of England are not available for use in day-to-day operations.

Reconciliation of cash flow items

Working capital

	Inventories £m	Financial assets at fair value through OCI £m	Trade and other receivables £m	Amounts due from Financial Services customers £m	Trade and other payables £m	Amounts due to Financial Services customers £m	Provisions £m
At 16 September 2023	2,187	702	742	4,821	(5,291)	(6,057)	(243)
At 4 March 2023	1,899	1,009	683	5,392	(4,837)	(5,946)	(272)
Balance sheet movement	(288)	307	(59)	571	454	111	(29)
Fair value movements	-	(1)	-	-	-	-	-
Hedge adjustment to inventory	14	-	-	-	-	-	-
Reclassification to other lines in the cash flow statement	-	-	(23)	-	119	-	-
Movement in capital accruals	-	-	(2)	-	9	-	-
Derecognition of beneficial interest in property pool	-	(366)	-	-	(19)	-	-
Proceeds from disposal of mortgage book	-	-	-	(446)	-	-	-
Other	-	-	4	1	7	-	-
Movement shown in cash flow statement	(274)	(60)	(80)	126	570	111	(29)

	Inventories £m	Financial assets at fair value through OCI £m	Trade and other receivables £m	Amounts due from Financial Services customers £m	Trade and other payables £m	Amounts due to Financial Services customers £m	Provisions £m
At 17 September 2022	1,891	771	803	5,288	(4,994)	(5,732)	(231)
At 5 March 2022	1,797	800	748	5,189	(4,570)	(5,259)	(271)
Balance sheet movement	(94)	29	(55)	(99)	424	473	(40)
Fair value movements	-	(7)	-	(35)	-	-	-
Hedge adjustment to inventory	7	-	-	-	-	-	-
Reclassification to other lines in the cash flow statement	-	-	4	-	24	-	-
Movement in capital accruals	-	-	-	-	3	-	-
Other	-	-	-	(1)	(13)	(1)	(1)
Movement shown in cash flow statement	(87)	22	(51)	(135)	438	472	(41)

17. Cash and cash equivalents continued

	Inventories £m	Financial assets at fair value through OCI £m	Trade and other receivables £m	Amounts due from Financial Services customers £m	Trade and other payables £m	Amounts due to Financial Services customers £m	Provisions £m
At 4 March 2023	1,899	1,009	683	5,392	(4,837)	(5,946)	(272)
At 5 March 2022	1,797	800	748	5,189	(4,570)	(5,259)	(271)
Balance sheet movement	(102)	(209)	65	(203)	267	687	1
Fair value movements	-	2	-	(27)	-	-	-
Hedge adjustment to inventory	(3)	-	-	-	(2)	-	-
Interest in working capital	-	-	-	-	9	-	-
Reclassification to other lines in the cash flow statement	-	-	3	-	11	-	-
Movement in capital accruals	-	-	-	-	(8)	-	-
Other	-	-	-	(1)	3	-	(1)
Movement shown in cash flow statement	(105)	(207)	68	(231)	280	687	-

Loss/(profit) on the sale of non-current assets and early termination of leases in the cash flow statement is reconciled as follows:

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
(Profit)/loss on disposal of properties (note 3)	(11)	-	3
Non underlying gain on early termination of leases (note 3)	(1)	(1)	(2)
Profit on disposal of properties within restructuring programmes (note 3)	-	(11)	(11)
Underlying gain on early termination of leases	-	-	(4)
Profit on disposal of intangible assets	-	-	(1)
Loss on disposal of amounts due from Financial Services customers	14	-	-
Loss/(profit) on sale of non-current assets and early termination of leases	2	(12)	(15)

18. Retirement benefit obligations

All retirement benefit obligations relate to the Sainsbury's Pension Scheme plus three unfunded pension liabilities relating to former senior employees of Sainsbury's and Home Retail Group.

The Sainsbury's Pension Scheme has two segregated sections: the Sainsbury's Section and the Argos Section.

The unfunded pension liabilities are unwound when each employee reaches retirement and takes their pension from the Group payroll or is crystallised in the event of an employee retiring and choosing to take the provision as a one-off cash payment.

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. There have been no changes to the previously disclosed triennial valuation information, which can be found in note 35 of the Group's Annual Report and Financial Statements 2023.

	16 September 2023			4 March 2023		
	Sainsbury's £m	Argos £m	Group £m	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(4,898)	(765)	(5,663)	(5,128)	(793)	(5,921)
Fair value of plan assets	5,761	911	6,672	6,007	927	6,934
Retirement benefit surplus	863	146	1,009	879	134	1,013
Present value of unfunded obligations	(12)	(10)	(22)	(12)	(12)	(24)
Retirement benefit surplus	851	136	987	867	122	989

	17 September 2022		
	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(5,836)	(922)	(6,758)
Fair value of plan assets	7,176	1,064	8,240
Retirement benefit surplus	1,340	142	1,482
Present value of unfunded obligations	(15)	(12)	(27)
Retirement benefit surplus	1,325	130	1,455

18. Retirement benefit obligations continued

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

	16 September 2023 %	4 March 2023 %	17 September 2022 %
Discount rate	5.40	5.00	4.45
Inflation rate - RPI	3.35	3.25	3.45
Inflation rate - CPI	2.70	2.55	2.75
Future pension increases	1.90 – 3.00	1.90 – 2.95	2.30 – 3.35

The amounts recognised in the income statement in respect of the IAS 19 charges for the defined benefit schemes are as follows:

	28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m
Excluded from underlying profit before tax:			
Interest cost on pension liabilities	(145)	(119)	(221)
Interest income on plan assets	170	149	277
Total included in finance income	25	30	56
Defined benefit pension scheme expenses	(4)	(3)	(6)
Settlement gains	-	8	8
Total excluded from underlying profit before tax	21	35	58
Total income statement credit	21	35	58

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

	28 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	28 weeks to 17 September 2022 £m
At the beginning of the period	989	2,283	2,283
Net interest income	25	56	30
Remeasurement losses	(46)	(1,398)	(886)
Pension scheme expenses	(4)	(6)	(3)
Contributions by employer	23	44	23
Benefits paid	-	2	-
Settlement gains	-	8	8
At the end of the period	987	989	1,455

Cash contributions

Cash contributions for the full year are expected to be approximately £45 million.

Valuation of pension assets

The Pension Scheme has circa £2 billion of private market assets, split between private debt, private equity and property. These assets are held as they are expected to deliver a greater risk/return profile vs public market equivalents over the long term. The assets are illiquid (likely to be realised over 5+ years) but the Pension Scheme holds sufficient liquid assets (cash, gilts and other liquid securities) to be confident that it can meet its pension and collateral obligations over time.

The valuation of these assets is based on the audited accounts of the funds, where available, and net asset value statements from the investment managers where recent accounts are not available. For many of the investments the valuations provided are at 31 March. The Group therefore performs a roll-forward for these valuations to 16 September 2023, adjusting for cash received or paid and applying the changes seen in relevant liquid indices as follows:

Asset Class	Returns
Global equity USD return	6.94%
Global High Yield Debt USD return	3.41%
US loans USD return	6.71%
UK REITS GBP return	(3.64)%

The roll-forward has increased the valuation of illiquid assets by £55.7 million. A 1% increase/decrease in the indices used would have caused a £14.4 million increase/decrease in the adjustment.

18. Retirement benefit obligations continued

Sensitivities

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

	Sainsbury's £m	Argos £m	Total £m
An increase of 0.5% in the discount rate would decrease the present value of funded obligations by	321	57	378
A decrease of 0.5% in the discount rate would increase the present value of funded obligations by	356	64	420
An increase of 0.5% in the inflation rate would increase the present value of funded obligations by	174	42	216
A decrease of 0.5% in the inflation rate would decrease the present value of funded obligations by	170	39	209
An increase of 0.5% in the inflation rate for future pension increases in payment only would increase the present value of funded obligations by	81	21	102
A decrease of 0.5% in the inflation rate for future pension increases in payment only would reduce the present value of funded obligations by	85	20	105
Demographic sensitivities			
An increase of one year to the life expectancy would increase the present value of funded obligations by	154	22	176
Changing the 2020, 2021 and 2022 weighting parameters in CMI 2022 to 0% would increase the present value of funded obligations by	37	6	43
Changing the 2020, 2021 and 2022 weighting parameters in CMI 2022 to 25% would decrease the present value of funded obligations by	31	5	36

19. Assets held for sale

	28 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	28 weeks to 17 September 2022 £m
Opening balance	8	8	8
Classified as held for sale in the period	8	5	3
Acquisitions	63	-	-
No longer classified as held for sale	(3)	-	-
Sold in the period	(66)	(5)	(3)
Closing balance	10	8	8

As part of the asset acquisition detailed in note 2, £63 million of assets held for sale were acquired by the Group, of which £61 million had been sold to third parties by 16 September 2023. For the remaining assets, the sale is still considered probable in the next 12 months and so they remain classified as held for sale. The fair value of assets held for sale is based on independent market valuations of the assets. Proceeds from disposals of assets held for sale have been presented within proceeds from disposal of property, plant and equipment in the Group's cash flow statement.

20. Contingent liabilities

The Group has a number of contingent liabilities in respect of historical guarantees, particularly in relation to disposed assets, which if the current tenant and their ultimate parents become insolvent, may expose the Group to a material liability. This is not expected to materialise.

Along with other retailers, the Group is currently subject to claims from current and ex-employees in the Employment Tribunal for equal pay under the Equality Act 2010 and/or the Equal Pay Act 1970. There are currently circa 14,300 equal pay claims from circa 10,200 claimants, in which the claimants are alleging that their work within Sainsbury's stores is or was, of equal value to that of colleagues working in Sainsbury's distribution centres, and that differences in terms and conditions relating to pay are not objectively justifiable. The claimants are seeking the differential back pay based on the higher wages in distribution centres, and the equalisation of wages and terms and conditions on an ongoing basis. The Group believes further claims will be served.

There are three stages in the tribunal procedure for equal value claims of this nature and the claimants will need to succeed in all three. The first stage is whether store claimants have the legal right to make the comparison with depot workers. Following European and Supreme Court decisions in other similar litigation, Sainsbury's has conceded this point. The second stage is the lengthy process to determine whether any of the claimants' roles are of equal value to their chosen comparators. This process is likely to continue for several more years. In the event that any of the claimants succeed at the second stage there will be further hearings, in the years following, to consider whether any pay differential is justified.

Given that the outcome of the second and third stages in the litigation remains highly uncertain at this stage, the Group cannot make any assessment of the likelihood nor quantum of any outcome. No provision has therefore been recognised on the Group's balance sheet. There are substantial factual and legal defences to these claims and the Group intends to defend them vigorously.

Principal risks and uncertainties

Risk is an inherent part of doing business. The J Sainsbury plc Board has overall responsibility for the identification and management of the principal risks, emerging risks and internal control of the Company. The Board has identified the following principal potential risks to the successful operation of the business. These risks, along with the events in the financial markets and their potential impacts on the wider economy, remain those most likely to affect the Group in the second half of the year.

- Business continuity, operational resilience and major incidents response
- Business strategy and change
- Colleague engagement, retention and capability
- Customer
- Data security
- Environment and sustainability
- Financial and treasury
- Health and safety
- Political and regulatory environment
- Product safety and sourcing
- Sainsbury's Bank
- Trading environment and competitive landscape

All Principal Risks remain unchanged from those reported in the Group's Annual Report and Financial Statements 2023. For more information on these risks, please refer to pages 44 to 57 of the J Sainsbury plc Annual Report and Financial Statements 2023, a copy of which is available on the Group's corporate website www.sainsburys.co.uk.

Statement of Directors' responsibilities

The Directors confirm that this set of Condensed Consolidated Interim Financial Statements has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, and that the Interim Management Report herein includes a true and fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- that the report contains a fair review of important events that have occurred during the first 28 weeks of the financial year, and their impact on the condensed set of financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year; and
- that the report contains a fair review of material related party transactions.

The Directors of J Sainsbury plc are listed in the J Sainsbury plc Annual Report and Financial Statements 2023.

A list of current directors is maintained on the Group's website: www.about.sainsburys.co.uk/about-us/our-management.

By order of the Board

Simon Roberts
Chief Executive
1 November 2023

Bláthnaid Bergin
Chief Financial Officer
1 November 2023

INDEPENDENT REVIEW REPORT TO J SAINSBURY PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the 28 week period ended 16 September 2023 which comprises the Group income statement, the Group statement of comprehensive income/(loss), the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 28 week period ended 16 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Auditor's Responsibilities for the review of the financial information

In reviewing the interim report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the interim financial report. Our conclusions, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
1 November 2023

Alternative performance measures (APMs)

In the reporting of financial information, the Directors use various APMs which they believe provide additional useful information for understanding the financial performance and financial health of the Group. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies who use similar measures.

The Directors believe that these APMs provide additional useful information for understanding the financial performance and health of the Group. They are also used to enhance the comparability of information between reporting periods (such as like-for-like sales and underlying profit) by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes.

Adjusted net cash generated from retail operations is no longer used as an APM as there were no adjusting items to cash generated from retail operations in the current or comparative periods.

All of the following APMs relate to the current period's results and comparative periods.

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation																								
Income statement - Revenue																												
<i>Retail sales</i>	Revenue	Group sales less Financial Services revenue.	Shows the annual rate of growth in the Group's Retail business sales.	A reconciliation of the measure is provided in note 4 of the financial statements.																								
<i>Like-for-like sales</i>	No direct equivalent	Year-on-year growth in sales including VAT, excluding fuel and Financial Services, for stores that have been open for more than one year. The relocation of Argos stores into Sainsbury's supermarkets are classified as new space, while the host supermarket is classified like-for-like.	The measure is used widely in the retail industry as an indicator of current trading performance and is useful when comparing growth between retailers that have different profiles of expansion, disposals and closures.	<table border="1"> <thead> <tr> <th></th> <th>28 weeks to 16 September 2023</th> <th>28 weeks to 17 September 2022</th> </tr> </thead> <tbody> <tr> <td>Retail like-for-like (exc. Fuel, inc. VAT)</td> <td>8.4%</td> <td>(0.8)%</td> </tr> <tr> <td>Underlying net new space impact</td> <td>(0.7)%</td> <td>(0.5)%</td> </tr> <tr> <td>Retail sales growth/(decline) (exc. Fuel, inc. VAT)</td> <td>7.7%</td> <td>(1.3)%</td> </tr> <tr> <td>Fuel impact</td> <td>(5.1)%</td> <td>5.7%</td> </tr> <tr> <td>Total retail sales growth (inc. Fuel, inc. VAT)</td> <td>2.6%</td> <td>4.4%</td> </tr> <tr> <td>VAT impact</td> <td>0.6%</td> <td>(0.3)%</td> </tr> <tr> <td>Total retail sales growth</td> <td>3.2%</td> <td>4.1%</td> </tr> </tbody> </table>		28 weeks to 16 September 2023	28 weeks to 17 September 2022	Retail like-for-like (exc. Fuel, inc. VAT)	8.4%	(0.8)%	Underlying net new space impact	(0.7)%	(0.5)%	Retail sales growth/(decline) (exc. Fuel, inc. VAT)	7.7%	(1.3)%	Fuel impact	(5.1)%	5.7%	Total retail sales growth (inc. Fuel, inc. VAT)	2.6%	4.4%	VAT impact	0.6%	(0.3)%	Total retail sales growth	3.2%	4.1%
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Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation																																												
Income statement – Profit																																																
<i>Retail underlying operating profit</i>	Profit before tax	Underlying earnings before interest, tax, Financial Services operating profit and Sainsbury's underlying share of post-tax profit from joint ventures and associates.	This is the lowest level at which the retail segment can be viewed from a management perspective, with finance costs managed for the Group as a whole.	<table border="1"> <thead> <tr> <th></th> <th>28 weeks to 16 September 2023</th> <th>28 weeks to 17 September 2022</th> <th>52 weeks to 4 March 2023</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Group PBT (note 5a)</td> <td>275</td> <td>376</td> <td>327</td> </tr> <tr> <td>Less Group non-underlying items (note 3)</td> <td>65</td> <td>(36)</td> <td>363</td> </tr> <tr> <td>Group UPBT</td> <td>340</td> <td>340</td> <td>690</td> </tr> <tr> <td>Financial Services underlying operating profit</td> <td>(13)</td> <td>(19)</td> <td>(46)</td> </tr> <tr> <td>Retail underlying profit before tax</td> <td>327</td> <td>321</td> <td>644</td> </tr> <tr> <td>Net underlying finance costs</td> <td>158</td> <td>156</td> <td>282</td> </tr> <tr> <td>Retail underlying operating profit</td> <td>485</td> <td>477</td> <td>926</td> </tr> <tr> <td>Retail sales (note 5a)</td> <td>16,665</td> <td>16,154</td> <td>30,960</td> </tr> <tr> <td>Retail underlying operating margin</td> <td>2.91%</td> <td>2.95%</td> <td>2.99%</td> </tr> </tbody> </table>		28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023		£m	£m	£m	Group PBT (note 5a)	275	376	327	Less Group non-underlying items (note 3)	65	(36)	363	Group UPBT	340	340	690	Financial Services underlying operating profit	(13)	(19)	(46)	Retail underlying profit before tax	327	321	644	Net underlying finance costs	158	156	282	Retail underlying operating profit	485	477	926	Retail sales (note 5a)	16,665	16,154	30,960	Retail underlying operating margin	2.91%	2.95%	2.99%
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<i>Underlying profit before tax</i>	Profit before tax	Underlying results exclude items recognised in reported profit or loss before tax which, if included, could distort comparability between periods. In determining which items to exclude from underlying profit, the Group considers items which are significant either by virtue of their size and/or nature, or that are non-recurring.	In order to provide shareholders with additional insight into the underlying performance of the business, this adjusted measure of profit is provided to supplement the reported IFRS numbers, and reflects how the business measures performance internally.	<p>Underlying profit before tax is bridged to statutory profit before tax in the income statement and note 3 of the financial statements.</p> <p>The adjusted items are as described in note 3 of the financial statements.</p>																																												
<i>Underlying basic earnings per share</i>	Basic earnings per share	Earnings per share using underlying profit as described above.	This is a key measure to evaluate the performance of the business and returns generated for investors.	A reconciliation of the measure is provided in note 9 of the financial statements.																																												
<i>Underlying diluted earnings per share</i>	Diluted earnings per share	Diluted earnings per share using underlying profit as described above.	This is a key measure to evaluate the performance of the business and returns generated for investors.	A reconciliation of the measure is provided in note 9 of the financial statements.																																												
<i>Retail underlying EBITDA</i>	No direct equivalent	Retail underlying operating profit as above, before underlying depreciation, and amortisation.	EBITDA is used to review the retail segment's profit generation and the sustainability of ongoing capital reinvestment and finance costs.	<table border="1"> <thead> <tr> <th></th> <th>28 weeks to 16 September 2023</th> <th>28 weeks to 17 September 2022</th> <th>52 weeks to 4 March 2023</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Retail underlying operating profit</td> <td>485</td> <td>477</td> <td>926</td> </tr> <tr> <td>Add: Retail depreciation and amortisation expense</td> <td>613</td> <td>634</td> <td>1,175</td> </tr> <tr> <td>Less: Non-underlying depreciation and amortisation</td> <td>(16)</td> <td>(24)</td> <td>(41)</td> </tr> <tr> <td>Retail underlying EBITDA</td> <td>1,082</td> <td>1,087</td> <td>2,060</td> </tr> <tr> <td>Retail sales (note 5a)</td> <td>16,665</td> <td>16,154</td> <td>30,960</td> </tr> <tr> <td>Retail underlying EBITDA margin</td> <td>6.49%</td> <td>6.73%</td> <td>6.65%</td> </tr> </tbody> </table>		28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023		£m	£m	£m	Retail underlying operating profit	485	477	926	Add: Retail depreciation and amortisation expense	613	634	1,175	Less: Non-underlying depreciation and amortisation	(16)	(24)	(41)	Retail underlying EBITDA	1,082	1,087	2,060	Retail sales (note 5a)	16,665	16,154	30,960	Retail underlying EBITDA margin	6.49%	6.73%	6.65%												
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Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation
<i>Underlying net finance costs</i>	Finance income less finance costs	Net finance costs before any non-underlying items as defined above that are recognised within finance income / expenses.	This provides shareholders with additional insight into the underlying net finance costs of the Group by excluding non-recurring one-off items.	<p>A reconciliation of this measure is included in note 7 of the financial statements.</p> <p>The adjusted items are as follows:</p> <ul style="list-style-type: none"> • Non-underlying finance and fair value movements – these include fair value remeasurements on derivatives not in a hedging relationship and lease interest on impaired non-trading sites, including site closures. The fair value movements are driven by external market factors and can significantly fluctuate year-on-year. They are therefore excluded to ensure consistency between periods. Lease interest on impaired, non-trading sites is excluded as they do not contribute to the operating activities of the Group. • Defined benefit pension interest. The Group has chosen to exclude net retirement benefit income and costs from underlying profit as, following closure of the defined benefit scheme to future accrual, it is not part of the ongoing operating activities of the Group and its exclusion is consistent with how the Directors assess the performance of the business.
<i>Underlying tax rate</i>	Effective tax rate	Tax on underlying items, divided by underlying profit before tax.	Provides an indication of the tax rate across the Group before the impact of non-underlying items.	The tax on non-underlying items is included in note 3 of the financial statements

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation																																																								
Cash flows and net debt																																																												
<i>Retail cash flow items in Financial Review</i>	No direct equivalent	N/A	To help the reader understand cash flows of the business a summarised cash flow statement is included within the Financial Review. As part of this a number of line items have been combined. The cash flow in note 5 of the financial statements includes a reference to show what has been combined in these line items.	<table border="1"> <thead> <tr> <th></th> <th>28 weeks to 16 September 2023</th> <th>28 weeks to 17 September 2022</th> <th>52 weeks to 4 March 2023</th> </tr> <tr> <th>Ref</th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Net interest paid</td> <td>(166)</td> <td>(161)</td> <td>(307)</td> </tr> <tr> <td>Repayment of lease liabilities</td> <td>(252)</td> <td>(245)</td> <td>(512)</td> </tr> <tr> <td>Proceeds from/(repayment of) borrowings</td> <td>555</td> <td>(22)</td> <td>(40)</td> </tr> <tr> <td>Other</td> <td>(7)</td> <td>(23)</td> <td>(32)</td> </tr> <tr> <td>Dividends and distributions received</td> <td>-</td> <td>50</td> <td>51</td> </tr> </tbody> </table>		28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023	Ref	£m	£m	£m	Net interest paid	(166)	(161)	(307)	Repayment of lease liabilities	(252)	(245)	(512)	Proceeds from/(repayment of) borrowings	555	(22)	(40)	Other	(7)	(23)	(32)	Dividends and distributions received	-	50	51																												
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<i>Retail free cash flow</i>	Net cash generated from operating activities	Net cash generated from retail operations, after cash capital expenditure but before strategic capital expenditure, and including payments of lease obligations, cash flows from joint ventures and associates and Sainsbury's Bank capital injections.	This measures cash generation, working capital efficiency and capital expenditure of the retail business	<table border="1"> <thead> <tr> <th></th> <th>28 weeks to 16 September 2023</th> <th>28 weeks to 17 September 2022</th> <th>52 weeks to 4 March 2023</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Cash generated from retail operations</td> <td>1,339</td> <td>1,425</td> <td>2,216</td> </tr> <tr> <td>Net interest paid (ref (a) above)</td> <td>(166)</td> <td>(161)</td> <td>(307)</td> </tr> <tr> <td>Corporation Tax</td> <td>(17)</td> <td>(32)</td> <td>(99)</td> </tr> <tr> <td>Retail purchase of property, plant and equipment</td> <td>(1,040)</td> <td>(201)</td> <td>(523)</td> </tr> <tr> <td>Less: amounts paid for asset acquisition</td> <td>731</td> <td>-</td> <td>-</td> </tr> <tr> <td>Retail purchase of intangibles assets</td> <td>(80)</td> <td>(96)</td> <td>(194)</td> </tr> <tr> <td>Retail proceeds from disposal of property, plant and equipment</td> <td>77</td> <td>28</td> <td>29</td> </tr> <tr> <td>Less: amounts received from asset acquisition</td> <td>(61)</td> <td>-</td> <td>-</td> </tr> <tr> <td>Initial direct costs on right-of-use assets</td> <td>(11)</td> <td>(9)</td> <td>(16)</td> </tr> <tr> <td>Repayments of obligations under leases</td> <td>(252)</td> <td>(245)</td> <td>(512)</td> </tr> <tr> <td>Dividends and distributions received</td> <td>-</td> <td>50</td> <td>51</td> </tr> <tr> <td>Retail free cash flow</td> <td>520</td> <td>759</td> <td>645</td> </tr> </tbody> </table>		28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023		£m	£m	£m	Cash generated from retail operations	1,339	1,425	2,216	Net interest paid (ref (a) above)	(166)	(161)	(307)	Corporation Tax	(17)	(32)	(99)	Retail purchase of property, plant and equipment	(1,040)	(201)	(523)	Less: amounts paid for asset acquisition	731	-	-	Retail purchase of intangibles assets	(80)	(96)	(194)	Retail proceeds from disposal of property, plant and equipment	77	28	29	Less: amounts received from asset acquisition	(61)	-	-	Initial direct costs on right-of-use assets	(11)	(9)	(16)	Repayments of obligations under leases	(252)	(245)	(512)	Dividends and distributions received	-	50	51	Retail free cash flow	520	759	645
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Initial direct costs on right-of-use assets	(11)	(9)	(16)																																																									
Repayments of obligations under leases	(252)	(245)	(512)																																																									
Dividends and distributions received	-	50	51																																																									
Retail free cash flow	520	759	645																																																									

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation																																																																																				
Cash flows and net debt																																																																																								
<i>Underlying working capital movements</i>	No direct equivalent	Removes working capital and cash movements relating to non-underlying items.	To provide a reconciliation of the working capital movement in the financial statements to the underlying working capital movement in the financial review.	<table border="1"> <thead> <tr> <th></th> <th>28 weeks to 16 September 2023 £m</th> <th>28 weeks to 17 September 2022 £m</th> <th>52 weeks to 4 March 2023 £m</th> </tr> </thead> <tbody> <tr> <td>Retail working capital movements per cash flow (note 5)</td> <td>265</td> <td>318</td> <td>185</td> </tr> <tr> <td>Adjustments for:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Retail non-underlying impairment charges (note 3)</td> <td>21</td> <td>20</td> <td>315</td> </tr> <tr> <td>Non-underlying restructuring and impairment charges (note 3)</td> <td>(32)</td> <td>(33)</td> <td>(387)</td> </tr> <tr> <td>Accelerated depreciation (note 3)</td> <td>8</td> <td>12</td> <td>20</td> </tr> <tr> <td>Gains on early termination of leases (note 3)</td> <td>(1)</td> <td>(1)</td> <td>(2)</td> </tr> <tr> <td>Profit on disposal of properties within restructuring programme (note 3)</td> <td>-</td> <td>(11)</td> <td>(11)</td> </tr> <tr> <td>ATM income (note 3)</td> <td>-</td> <td>-</td> <td>3</td> </tr> <tr> <td>Income recognised in relation to legal disputes (note 3)</td> <td>-</td> <td>30</td> <td>30</td> </tr> <tr> <td>Property related transactions (note 3)</td> <td>(17)</td> <td>(8)</td> <td>(9)</td> </tr> <tr> <td>Other</td> <td>-</td> <td>-</td> <td>7</td> </tr> <tr> <td>Non-underlying working capital movements before cash movements</td> <td>(21)</td> <td>9</td> <td>(34)</td> </tr> <tr> <td>Non-underlying cash movements (note 3):</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Restructuring</td> <td>40</td> <td>33</td> <td>50</td> </tr> <tr> <td>ATM income</td> <td>-</td> <td>-</td> <td>(3)</td> </tr> <tr> <td>Income recognised in relation to legal disputes</td> <td>-</td> <td>-</td> <td>(30)</td> </tr> <tr> <td>Property related transactions</td> <td>-</td> <td>-</td> <td>6</td> </tr> <tr> <td>Retail non-underlying operating cash flows (excluding pensions)</td> <td>40</td> <td>33</td> <td>23</td> </tr> <tr> <td>Total adjustments for non-underlying working capital</td> <td>19</td> <td>42</td> <td>(11)</td> </tr> <tr> <td>Underlying working capital movements</td> <td>284</td> <td>360</td> <td>174</td> </tr> </tbody> </table>		28 weeks to 16 September 2023 £m	28 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m	Retail working capital movements per cash flow (note 5)	265	318	185	Adjustments for:				Retail non-underlying impairment charges (note 3)	21	20	315	Non-underlying restructuring and impairment charges (note 3)	(32)	(33)	(387)	Accelerated depreciation (note 3)	8	12	20	Gains on early termination of leases (note 3)	(1)	(1)	(2)	Profit on disposal of properties within restructuring programme (note 3)	-	(11)	(11)	ATM income (note 3)	-	-	3	Income recognised in relation to legal disputes (note 3)	-	30	30	Property related transactions (note 3)	(17)	(8)	(9)	Other	-	-	7	Non-underlying working capital movements before cash movements	(21)	9	(34)	Non-underlying cash movements (note 3):				Restructuring	40	33	50	ATM income	-	-	(3)	Income recognised in relation to legal disputes	-	-	(30)	Property related transactions	-	-	6	Retail non-underlying operating cash flows (excluding pensions)	40	33	23	Total adjustments for non-underlying working capital	19	42	(11)	Underlying working capital movements	284	360	174
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Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation			
<i>Core retail capital expenditure</i>	No direct equivalent	Capital expenditure excluding Sainsbury's Bank.	This allows management to assess core retail capital expenditure in the period in order to review the strategic business performance.	28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023	
				£m	£m	£m	
				Purchase of property, plant and equipment	(1,040)	(201)	(523)
				Purchase of intangibles	(80)	(96)	(194)
				Less: amounts paid for asset acquisition transaction reported outside of Retail free cashflow	731	-	-
				Cash capital expenditure	(389)	(297)	(717)
<i>Net debt</i>	Borrowings, cash, derivatives, financial assets at FVTOCI, lease liabilities	Net debt includes the capital injections into Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries. It is calculated as: financial assets at fair value through other comprehensive income (excluding equity investments) + net derivatives to hedge borrowings + net cash and cash equivalents + loans + lease obligations.	This shows the overall strength of the balance sheet alongside the liquidity and its indebtedness and whether the Group can cover its debt commitments.	A reconciliation of the measure is provided in note 15 of the financial statements. In addition, to aid comparison to the balance sheet, reconciliations between financial assets at FVTOCI and derivatives per the balance sheet and Group net debt (i.e. including Financial Services) is included below:			
				28 weeks to 16 September 2023	28 weeks to 17 September 2022	52 weeks to 4 March 2023	
				£m	£m	£m	
				Financial instruments at FVTOCI per balance sheet	702	771	1,009
				Less: equity related securities	(16)	(376)	(383)
				Financial instruments at FVTOCI included in net debt	686	395	626
Net derivatives per balance sheet	96	490	213				
Less: derivatives not used to hedge borrowings	(100)	(484)	(213)				
Derivatives included in net debt	(4)	6	-				

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition	Purpose	Reconciliation																																																		
Other																																																						
<i>Net debt/ underlying EBITDA</i>	No direct equivalent	Net debt divided by Group underlying EBITDA where EBITDA is calculated on a 52 week rolling basis.	This helps management measure the ratio of the business's debt to operational cash flow.	Net debt as provided in note 15. Group underlying EBITDA is reconciled within the fixed charge cover analysis below.																																																		
<i>Return on capital employed</i>	No direct equivalent	Return on capital employed is calculated as return divided by average capital employed. Return is defined as 52 week rolling underlying profit before interest and tax. Capital employed is defined as Group net assets excluding pension surplus, less net debt. The average is calculated on a 14 point basis. The 14-point basis uses the average of 14 datapoints – the prior year closing capital employed, the current year closing capital employed and 12 intra-year periods as this more closely aligns to the recognition of amounts in the income statement.	This represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business.	<table border="1"> <thead> <tr> <th></th> <th>52 weeks to 16 September 2023 £m</th> <th>52 weeks to 17 September 2022 £m</th> <th>52 weeks to 4 March 2023 £m</th> </tr> </thead> <tbody> <tr> <td>Underlying profit before tax</td> <td>690</td> <td>699</td> <td>690</td> </tr> <tr> <td>Add: Underlying net interest</td> <td>284</td> <td>294</td> <td>282</td> </tr> <tr> <td>Return</td> <td>974</td> <td>993</td> <td>972</td> </tr> <tr> <td colspan="4">Capital employed is reconciled as follows:</td> </tr> <tr> <td>Group net assets</td> <td>7,221</td> <td>7,929</td> <td>7,253</td> </tr> <tr> <td>Less: Pension surplus (note 18)</td> <td>(987)</td> <td>(1,455)</td> <td>(989)</td> </tr> <tr> <td>Deferred tax on pension surplus</td> <td>330</td> <td>454</td> <td>330</td> </tr> <tr> <td>Less: net debt (note 15)</td> <td>5,643</td> <td>6,165</td> <td>6,344</td> </tr> <tr> <td>Effect of in-year averaging</td> <td>121</td> <td>(228)</td> <td>(101)</td> </tr> <tr> <td>Capital employed</td> <td>12,328</td> <td>12,865</td> <td>12,837</td> </tr> <tr> <td>Return on capital employed</td> <td>7.9%</td> <td>7.7%</td> <td>7.6%</td> </tr> </tbody> </table>		52 weeks to 16 September 2023 £m	52 weeks to 17 September 2022 £m	52 weeks to 4 March 2023 £m	Underlying profit before tax	690	699	690	Add: Underlying net interest	284	294	282	Return	974	993	972	Capital employed is reconciled as follows:				Group net assets	7,221	7,929	7,253	Less: Pension surplus (note 18)	(987)	(1,455)	(989)	Deferred tax on pension surplus	330	454	330	Less: net debt (note 15)	5,643	6,165	6,344	Effect of in-year averaging	121	(228)	(101)	Capital employed	12,328	12,865	12,837	Return on capital employed	7.9%	7.7%	7.6%		
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<i>Fixed charge cover</i>	No direct equivalent	Group underlying EBITDA divided by rent (representing capital and interest repayments on leases). All items are calculated on a 52 week rolling basis.	This helps assess the Group's ability to satisfy fixed financing expenses from performance of the business.	<table border="1"> <thead> <tr> <th></th> <th>24 weeks to 4 March 2023 £m</th> <th>28 weeks to 16 September 2023 £m</th> <th>52 weeks to 16 September 2023 £m</th> <th>52 weeks to 4 March 2023 £m</th> </tr> </thead> <tbody> <tr> <td>Group underlying operating profit</td> <td>476</td> <td>498</td> <td>974</td> <td>972</td> </tr> <tr> <td>Add: Group depreciation and amortisation expense</td> <td>558</td> <td>631</td> <td>1,189</td> <td>1,208</td> </tr> <tr> <td>Less: Non-underlying depreciation and amortisation expense</td> <td>(17)</td> <td>(16)</td> <td>(33)</td> <td>(41)</td> </tr> <tr> <td>Group underlying EBITDA</td> <td>1,017</td> <td>1,113</td> <td>2,130</td> <td>2,139</td> </tr> <tr> <td>Repayment of capital element of lease obligations</td> <td>(268)</td> <td>(253)</td> <td>(521)</td> <td>(514)</td> </tr> <tr> <td>Underlying finance income</td> <td>13</td> <td>12</td> <td>25</td> <td>18</td> </tr> <tr> <td>Underlying finance costs</td> <td>(139)</td> <td>(170)</td> <td>(309)</td> <td>(300)</td> </tr> <tr> <td>Fixed charges</td> <td>(394)</td> <td>(411)</td> <td>(805)</td> <td>(796)</td> </tr> <tr> <td>Fixed charge cover</td> <td>2.6</td> <td>2.7</td> <td>2.6</td> <td>2.7</td> </tr> </tbody> </table>		24 weeks to 4 March 2023 £m	28 weeks to 16 September 2023 £m	52 weeks to 16 September 2023 £m	52 weeks to 4 March 2023 £m	Group underlying operating profit	476	498	974	972	Add: Group depreciation and amortisation expense	558	631	1,189	1,208	Less: Non-underlying depreciation and amortisation expense	(17)	(16)	(33)	(41)	Group underlying EBITDA	1,017	1,113	2,130	2,139	Repayment of capital element of lease obligations	(268)	(253)	(521)	(514)	Underlying finance income	13	12	25	18	Underlying finance costs	(139)	(170)	(309)	(300)	Fixed charges	(394)	(411)	(805)	(796)	Fixed charge cover	2.6	2.7	2.6	2.7
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