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Sainsbury(J) PLC
07 November 2024

7 November 2024

J Sainsbury Plc

Interim Results for the 28 weeks ended 14 September 2024
Strong grocery market share gains delivering profit leverage

Simon Roberts, Chief Executive of J Sainsbury plc, said: "Our food business is going from strength to strength and we're making the biggest market share gains in the industry, with continued strong volume growth. More and more customers are coming to us for their big food shop, recognising our winning combination of value, quality and service.

"Reflecting our leading quality, more customers are choosing Taste the Difference, with sales up 18 per cent, the strongest premium private label growth in the market. And with the biggest ever increase in customers' value perception, we're outperforming the market across the whole basket, particularly in core fresh food categories.

"Our grocery volume growth has delivered strong profit leverage at Sainsbury's, partially offset by a tough first quarter at Argos. Argos trading has improved through the second quarter and in more recent weeks, so we continue to expect to deliver strong retail underlying operating profit growth and free cash flow generation for the full year.

"With strong momentum and increasing confidence in the strength of our grocery offer, we're now investing to bring the best of Sainsbury's to more people in more locations, including the recent acquisition of eleven Homebase and two Co-op stores.

"Our brilliant colleagues and suppliers are at the heart of everything we do and I want to thank them for all their hard work as we set ourselves up to deliver a fantastic Christmas for our customers. As we head into the festive season, there is real energy and excitement at Sainsbury's and Argos and we're expecting another strong performance.

"We remain very focused on delivering for our customers, communities and shareholders."

Financial Highlights

- Sainsbury's sales (excluding fuel) up 4.6%, with Grocery sales growth of 5.0% and Sainsbury's General Merchandise & Clothing sales decline of (1.5)%. Argos sales down (5.0)% and fuel sales down (4.4)%
- Like-for-like Retail sales (excluding fuel) up 3.4% (Q1 2.7%, Q2 4.2%)
- Retail underlying operating profit of £503m, up 3.7%, with strong Sainsbury's and Nectar growth partially offset by a lower Argos contribution[1]
    - Sainsbury's contribution[1] up 8.7%, with operating leverage driven by strong grocery volume growth. Operating margin 20 basis points higher year on year
    - Argos contribution[1] lower year on year, reflecting tougher than anticipated trading conditions in the first quarter, before sales strengthened in the second quarter
- Total Financial Services underlying operating profit of £18m, up 38%
- Total underlying profit before tax of £356m, up 4.7%
- Statutory profit after tax of £76m, down (51)%. Non-underlying items of £(176)m on a post-tax basis predominantly relate to the restructuring of the Financial Services division
- Retail free cashflow of £425m. On track to deliver retail free cash flow of at least £500m in 2024/25
- £150m share buyback to date, on track to complete £200m programme in H2 2024/25
- Interim dividend of 3.9 pence

H1 Financial Summary	2024/25	2023/24	YoY
Business performance			
Retail sales (inc. VAT, excl. fuel)	**£16,297m**	£15,805m	3.1%
Retail underlying operating profit	**£503m**	£485m	3.7%
Total underlying profit before tax*	**£356m**	£340m	4.7%
Total underlying basic earnings per share*	**10.7p**	10.5p	1.9%
Interim dividend per share	**3.9p**	3.9p	-
Net debt (inc. lease liabilities)	**£(5,584)m**	£(5,643)m	£59m
Non-lease net debt	**£(152)m**	£(231)m	£79m
Return on capital employed*	**8.5%**	7.9%	60bps
Statutory performance			
Group revenue (excl. VAT, inc. fuel)	**£17,203m**	£16,813m	2.3%
Profit after tax	**£76m**	£155m	(51)%
o/w Continuing operations	**£174m**	£136m	28%
o/w Discontinued operations	**£(98)m**	£19m	n/a
Total basic earnings per share*	**3.2p**	6.6p	(52)%
Net cash generated from operating activities (continuing)	**£592m**	£1,123m	£(531)m

**On a total basis inclusive of discontinued operations*

Sales Performance (YoY)*	Q1	Q2	H1
Sainsbury's	4.2%	5.1%	4.6%
Grocery	*4.8%*	*5.3%*	*5.0%*
General Merchandise & Clothing	*(4.3)%*	*2.2%*	*(1.5)%*
Argos**	(7.7)%	(1.4)%	(5.0)%
Total Retail (exc. fuel)	**2.3%**	**4.1%**	**3.1%**
Like-for-like sales (exc. Fuel)	2.7%	4.2%	3.4%

* Revised category disclosure reflects Next Level Sainsbury's strategy choices.
** Includes the impact of closing the Argos business in the Republic of Ireland.

Outlook

- We remain confident of delivering strong profit growth in the full year, with continued leverage from Sainsbury's grocery volume growth and a stronger Argos H2 performance. Combined with continued growth in Nectar profit contribution and delivery of cost savings, we continue to expect to deliver Retail underlying operating profit of between £1,010 million and £1,060 million, growth of between five per cent and ten per cent

- We now expect total Financial Services underlying operating profit (continuing operations and discontinued operations) to be between £15 million and £25 million (previously between break even and £15 million)
- We continue to expect to generate Retail free cash flow of at least £500 million

Strategic Highlights

We have made a strong start to the Next Level Sainsbury's strategy that we set out in February, delivering food volume growth ahead of the market, profit leverage from sales growth, continued improvement in customer satisfaction and higher cash returns to shareholders. Across the business, we are focused on delivering the eight commitments that we made:

- **Food volume growth** ahead of the market
- **Customer satisfaction** higher 26/27 vs 23/24
- **Colleague engagement** higher 26/27 vs 23/24
- Deliver our **Plan for Better commitments**
- **Deliver profit leverage** from sales growth
- **£1bn of cost savings** over three years to 26/27
- **£1.6bn+ Retail free cash flow** over three years to 26/27
- **Higher return on capital employed**

Our progress against these commitments will be driven by our four strategic outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win.

First choice for food

Our winning combination of outstanding quality, great value and leading service is delivering[2]. More customers are choosing Sainsbury's for their main shop[3], driving the biggest market share gains in the industry[4] and switching gains from competitors across the whole market[5]. Continued improvement in value perception[6] is increasing our customer loyalty, with more main shop primary customers[7], and basket size growth significantly ahead of competitors[8]. We have recorded six consecutive quarters of volume growth against tough comparatives and are well set to build on our strong Grocery momentum through the peak Christmas period.

Winning more big basket shoppers by consistently delivering outstanding quality, great value and leading service

- We are outperforming the market across all categories, with core fresh categories performing particularly well as customers consistently trust us for the products they buy most often[9]. Customers are increasingly shopping with us for their big weekly shop, driving the biggest share gains in the main shop mission in the market[3]
- Customer loyalty is increasing and winning more big basket primary customers than our key competitors[7]. Of new primary shoppers at Sainsbury's, one quarter are new to Sainsbury's, with the remainder converting from secondary customers as they do more full basket grocery shopping with us[10]
- Taste the Difference products now appear in one in three baskets[11] and nearly two out of every three big shops[12], as customers treat themselves and dine in more at home. We are continuing to build on our reputation for quality and innovation, launching more than 540 new products during the half, with our Taste the Difference Summer range really resonating with customers and driving sales growth of 18 per cent in the second quarter
- Our Premium Own Label is the fastest growing in the market[13], with premium switching gains from all grocers[14] and exceptionally strong performance against the market across Fresh categories[15]
- Customers are recognising our consistent value, delivering our biggest ever improvement in value perception, up 8.5 percentage points year-on-year[6]. We have extended our Aldi Price Match campaign to over 650 products in our supermarkets and are further strengthening our Nectar Prices offers. We have continued to roll-out Nectar Prices across different promotional offers in supermarkets, including our popular multi-save wine events and dine-in meal deals and we are enhancing the Nectar offer with market-leading, exclusive value events with some of the biggest brands in the UK
- Overall supermarket customer satisfaction remains significantly ahead of key competitors, putting us in a strong position as we head into the peak Christmas period[16]

Growing our supermarket coverage and leveraging our existing space to bring more of our range to more customers

- In recent weeks we have acquired 13 new supermarkets in key target locations from Homebase and Co-op[17]. Combined with our organic store opening programme, this means we expect to open around 20 supermarkets within the next 18 months. The addition of these new stores will bring our quality and value to new customers, with the addition of around 400,000 sq ft of supermarket trading space to our footprint and brings more than 600,000 more people within a 10-minute drive of Sainsbury's supermarkets. We expect strong returns from these investments, with forecast return on capital employed in the low teens. We additionally continue to expect to open around 25 new Convenience stores per year
- We continue to expect core retail cash capital expenditure in 2024/25 of £800 million to £850 million, with an additional strategic investment in Smart Charge, our EV charging business, of £25 million (lower than the previous guidance of £70 million). Our 2024/25 Retail free cash flow guidance is unchanged, with the impact on free cash flow of lower EV charging spend offset by the lease premium paid on the acquisition of 11 Homebase stores and 2 Co-op stores
- Our 'More for More' plan builds on the strength of our grocery performance, capitalising in particular on the strength of our Fresh food proposition. We are investing in our supermarkets over the next three years to make more of our food range available for more of our customers by rebalancing space to add around 300,000 sq ft of incremental food space. As we optimise our stores for customer experience, trading intensity and ROCE, we are making more of the right range and propositions accessible to customers, creating an environment which enables simple and frictionless shopping missions and improving our digital capabilities across our supermarkets

Delivering for customers across all our channels with a focus on enhancing our Convenience store offering

- Convenience sales grew 5 per cent in H1 and we grew market share by 30 basis points[18]. Overall customer satisfaction improved by two percentage points and satisfaction with availability of products improved by four percentage points[19]
- We have transformed our Convenience estate in recent weeks, accelerating plans to address a clear opportunity to better serve our customers. In just two weeks we rebalanced space and optimised range across our entire Convenience estate, introducing more than 600 new products. These changes better align our range with relevant customer missions and the space changes improve the store environment to deliver a simpler, faster shopping experience
- This week we announced a further strengthening of our value position, as the only grocer in the market to price match to Aldi in convenience stores. The offer covers a range of up to 200 of the products that customers buy most often, across the categories where value matters most
- Groceries Online sales grew 7 per cent in H1, with an increase in basket size driven by improvements in our digital experience, focusing on greater showcasing of innovation and promotions on our homepage. These improvements are resonating with customers, with our Groceries Online customer satisfaction moving ahead of key competitors[20]
- OnDemand sales grew 86 per cent over the half as we continue to roll out our offer to more locations. We are

strengthening our long-term partnerships with external providers, have integrated our ChopChop service within our Groceries Online app and we are delivering strong profit growth, driven by operating model improvements

Taking a leading position in driving resilience and improving sustainability in the UK food system
- We have continued to focus on innovation within packaging as the first major retailer to vacuum pack all lamb mince, using 65 per cent less plastic, and the first retailer to introduce pulp trays for our fresh salmon and trout products. We have also introduced cardboard packaging for our fresh breaded chicken and fish products, saving 649 tonnes of plastic a year. New packaging across bakery will also deliver a reduction of over 560 tonnes of plastic a year
- We were also the first UK supermarket to introduce mushrooms that have been grown without peat, reducing peat usage by 20,465 tonnes per year, as well as launching Vitamin D enriched mushrooms - enabling us to deliver over 100 million portions of Vitamin D to the nation every year[21]
- We are taking a leadership position on pay for egg farmers as the first UK retailer to launch an egg farmer group to provide greater financial security for future investment and to drive continuous improvement in animal welfare through data and insight sharing across farms
- In collaboration with Woodland Trust, we have launched an agroforestry initiative to support farmers and growers with planting plans to enable new farming practices and to support a more positive environmental impact

Improving performance in the products and services that sit alongside our food offer
- Tu Clothing sales grew 1.3 per cent during the first half, benefitting from stronger Q2 sales growth of 8.3 per cent. Significant improvements in availability and style have driven market share gains[22] and a strong performance in Womenswear over the summer, with sales growth of 10 per cent in Q2. Our Autumn Winter range is benefitting from our renewed focus on design and our Christmas clothing ranges are already performing significantly ahead of last year. We have also identified additional opportunities to improve our essentials range as well as our kids and babywear offering
- Sainsbury's General Merchandise sales declined (4.4) per cent, driven by softer demand for consumer electronics and toys within the Sainsbury's channel and the early impact of space reallocation through our More for More programme. We are making strong progress in repositioning the Habitat brand, with Habitat sales ahead of last year as our focus on design-led collaborations resonates with customers
- Smart Charge, our ultra-rapid EV charging network, is now established in 62 supermarket locations with more than 500 charging bays. In June, we launched Nectar on Smart Charge and 60 per cent of Nectar Smart Charge customers are shopping with Sainsbury's whilst charging. We are shifting our focus towards optimising our existing sites, particularly on building links to fleet card providers and location service providers and continuing to enhance our customer offer. In line with this focus, we are now aiming to have rolled out to 70 locations by the end of the financial year versus an original target of 100 locations

Loyalty everyone loves
We are continuing to build a world-leading loyalty platform, focusing on a personalised and rewarding Nectar loyalty scheme alongside market-leading insights and retail media capabilities through Nectar360. We have a very strong position within the fast-growing UK retail media market and are pleased with the progress we are making in delivering profitable growth, returns for our clients, building agency partnerships, extending our coalition programme and further expanding our connected digital screen network.

Nectar Prices and personalised loyalty are central in our plan to win primary shoppers
- Nectar Prices is now fully established as a vital component of our value offering, with over five million customers shopping our offers each week. This is driving improved value perception as well as greater customer loyalty, with Nectar participation up 6 percentage points year-on-year[23] and £2 billion of savings delivered to customers since launch
- Your Nectar Prices has now been live on Groceries Online for a year, with one million customers regularly accessing personalised savings and £70 million saved by customers in the last year
- We continue to advance our personalisation capability, extending the range and reach of our offers as well as creating more individual customer engagement. Our annual Great Big Fruit and Veg Challenge performed better than ever before with more than 780,000 customers participating, an increase of 10 per cent year-on-year, and over 130 million portions of fruit and veg purchased. We expect more than one million customers to participate in our annual Collect for Christmas campaign, enabling them to collect additional points to spend over the festive period

Making strong progress in growing our Nectar360 capabilities
- We continue to grow the Nectar Coalition with two exciting new partnerships. Launching in early FY25/26, customers will be able to earn points on bookings with Marriott Bonvoy, Marriott International's travel programme, across a portfolio of more than 30 hotel brands globally and from Autumn this year our new partnership with Severn Trent Water will nudge customers towards more considered water consumption behaviours. Alongside this, we have extended our successful partnership with British Airways, and our affiliate network Nectar eShops has grown to over 800 partners, more than double the number of partners we had in November 2023
- Our agency partnerships continue to grow and we are gaining strong brand budget investment into our digital retail media services. We have strong partnerships with all the big four agency groups and have widened our relationships with independent agencies. During the half, we have deepened our partnership with two of the big four media agency groups to grant them greater access to innovations and insights, which will enable enhanced client outcomes
- We are making good progress in building the connected digital screen network across our store estate, allowing customers to engage with dynamic digital content. Our Sainsbury's Live partnership with Clear Channel is on track to reach 800 screens by year-end and we are adding an additional 200 screens as part of our store digitisation programme this year

More Argos, more often
In a highly competitive General Merchandise market, our strategic focus is on increasing the frequency of customer visits and growing basket size, alongside continuing to reduce costs and complexity within the Argos operating model. We are taking focused action to strengthen the breadth and depth of our ranges and improve our digital experience whilst at the same time reducing cost to serve. After a difficult first quarter, we are making progress in delivering our key change programmes and further strengthening capabilities and capacity to deliver transformation across Argos.

Sales trend stronger through the second quarter and into the early weeks of Q3
- Argos sales were below our expectations in the half, particularly in the first quarter and the early weeks of the second quarter, primarily reflecting a slow start to the Summer and a reduction in online traffic
- Profit margins were impacted by lower sales, leading to heavier promotional activity and discounting, particularly in seasonal categories. This was partially offset by operating cost reductions
- Sales strengthened during the second quarter and into the early weeks of the third quarter, reflecting strategic actions we have taken to improve customer traffic and volume trends, disciplined clearance activity and better weather against a weaker comparative

Delivering for our customers with improved range, great value events and an enhanced digital experience
- We remain focused on extending the breadth of our range and improving customer perceptions of our product selection. We continue to introduce new brands through our Supplier Direct Fulfilment model which has driven 7 per cent sales growth, with more than 1,600 new products across 25 brands launched in the first half
- We continue to strengthen partnerships with key suppliers, improving ranges and securing leading stock allocations on the most in demand items, driving strong market shares on new technology and gaming product launches in particular[24]

product launches in particular

- We've reset our approach to trading events, with more impactful and focused value activity driving improvements in customer satisfaction scores for promotions and value[25]. Our Big Red promotional events, which we launched during the first half, included more than 9,000 products across our full range of categories, covering our most popular brands
- We are taking action to grow our digital presence and traffic, ensuring Argos is top of mind for more customers. We're making progress to deliver a more personalised online experience, with homepage enhancements already driving increased click through rates and improved add-on recommendations delivering basket size growth

Driving efficiency, speed and productivity across our operating model

- More and more customers are choosing to shop Argos digitally and our stores are increasingly being used as a best-in-class collection network, with customers really valuing our consistently fast, convenient and efficient service. We are continuing to enhance our operating model, refining our approach to clustering our stores and identifying key efficiencies which can drive improved productivity. In addition to right-sizing the standalone store estate (78 fewer standalone stores since the start of last financial year), we are tailoring store operating models by cluster, reducing cost and improving service
- We are taking action to deliver smarter, simpler stock flow, optimising working capital and availability across our network, with a focus on greater forecast accuracy and improved stock management processes
- During the first half we released phase one of our new warehouse management system, an important step in our plans for building a more efficient, right-sized replenishment network. We have also completed a significant proportion of the automation build for our integrated General Merchandise warehouse and we are on track to go live in Summer 2025

Save and invest to win

We are making good progress against the ambitions we laid out in February 2024 and we are on track to deliver £1 billion of cost savings by March 2027. We are investing in high-returning activity that is driving growth as well as removing cost.

Delivering productivity benefits through end-to-end programmes

- We have now completed the main phase of migration of our Food products to machine learning forecasting, resulting in an availability improvement of 170 bps. This has additionally driven reductions in stock holdings and a significant reduction in waste. We have started design work to move Clothing on to the same forecasting platform
- We are making a number of propositional simplifications in supermarkets to reduce the need for secondary stock replenishment and to drive range optimisation. We have rolled out shelf pushers and dividers across several sub-categories in the half, driving colleague efficiencies as well as improved customer experience through better stock presentation and visibility. We are also conducting category resets in Grocery, rationalising ranges and display of products to improve the efficiency of primary and secondary replenishment
- We are making good progress with the early rollout of intelligent automation in stores, for example by trialling automated identification of on-shelf stock gaps. We are also establishing a machine learning model to optimise markdowns on near-dated products, aiming to reduce waste costs and improve colleague efficiencies. This is a key contributor to our Plan for Better target of reducing the amount of unsold food that goes to waste
- We are entering the next phase of rolling out end-to-end efficiency changes in our Pop In and Out supermarket cluster of around 90 stores. We have already delivered profit improvements in these stores over the last two years through optimising ranges and streamlining the operating model through reduced deliveries, waste and replenishment costs

High returning investments in technology and automation driving efficiencies

- We are on track to complete our three-year future front-end programme of optimising our checkouts in all of our supermarkets by the end of 2024/25, with 523 supermarkets completed by the end of the first half. On average, this has delivered an uplift in self-service participation of around 21 per cent, while also delivering significant cost savings. We are now entering the next phase of our front-end strategy, which aims to drive growth in SmartShop participation for big basket shops and improve the functionality of SmartShop handsets
- We are simplifying our technology processes and optimising costs using cloud technology. We have announced a partnership with SAP, Accenture and AWS to consolidate our core commercial systems into a single cohesive platform, using cloud-based solutions
- We are rolling out video analytics technology in stores to protect against shrink costs. We are seeing positive early results in identifying mis-scanned items and we expect to roll this technology out to up to 200 stores by year end, and further roll out at pace through the next financial year
- We remain committed to investing in sustainable technologies, having been the first UK retailer to start purchasing wind energy directly to power our business back in 2008. With the completion of Pines Burn Wind Farm in Scotland in October 2024, we are now buying 100 per cent of the energy generated from eight wind farms across the UK

Financial Services

- Financial Services underlying operating profit grew by 38 per cent in the first half to £18 million, driven by lower expenses due to improved cost management, lower bad debts due to reduced new lending and growth in commission income, partially offset by higher funding costs
- In January we announced a phased withdrawal from core Banking (loans, credit cards and deposits), moving to a model where financial services that are complementary to the retail offer will be provided by third parties. We have made good progress over recent months in implementing this plan
- We announced in June that we have entered into an agreement for the sale of Sainsbury's Bank personal loan, credit card and retail deposit portfolios to NatWest Group. The transaction is expected to complete in the first half of calendar year 2025
- In September, we announced the sale of Sainsbury's Bank ATM business, comprising around 1,370 cash machines, to NoteMachine to provide end-to-end ATM managed services. The deal provides a shared commission income stream
- At the end of October, we announced the sale of the Argos Financial Services ("AFS") cards portfolio to NewDay Group. The AFS cards support around 20 per cent of Argos sales and are held by around two million Argos customers. We additionally announced that we will be partnering with NewDay to create a new Argos-branded digital credit proposition. This will, in time, replace the current Argos credit card propositions with a wider choice of modern, flexible and more convenient ways to manage the cost of purchases. Completion is expected to occur in the first half of calendar year 2025
- Following these transactions, we will continue to benefit from financial services income streams which have a stronger connection to our retail offer. We expect the combination of commission income from insurance, travel money and ATMs alongside income from the NewDay partnership to deliver sustainable annual income from financial services of at least £40 million in the financial year to March 2028
- We continue to expect Sainsbury's Bank to return excess capital of at least £250 million to Sainsbury's, which we intend to return to shareholders. We will provide an update of the potential timing of this expected cash return with our Preliminary Results in April 2025

Like-for-like sales performance inc. Argos Republic of Ireland	**2023/24**				**2024/25**		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**H1**
Like-for-like sales (exc. fuel)	9.8%	6.6%	7.4%	4.8%	2.7%	4.2%	3.4%
Like-for-like sales (inc. fuel)	3.9%	2.2%	5.3%	2.9%	2.4%	1.9%	2.2%

Total sales performance inc. Argos Republic of Ireland	2023/24				2024/25		
	Q1	Q2	Q3	Q4	Q1	Q2	H1
Sainsbury's	9.9%	7.5%	8.4%	6.5%	4.2%	5.1%	4.6%
Grocery	*11.0%*	*8.9%*	*9.3%*	*7.3%*	*4.8%*	*5.3%*	*5.0%*
GM (Sainsbury's) & Clothing	*(2.5)%*	*(8.7)%*	*(0.3)%*	*(5.5)%*	*(4.3)%*	*2.2%*	*(1.5)%*
Argos (inc. ROI)	5.1%	(2.6)%	(0.9)%	(6.6)%	(7.7)%	(1.4)%	(5.0)%
Total Retail (exc. fuel)	**9.2%**	**5.8%**	**6.5%**	**4.3%**	**2.3%**	**4.1%**	**3.1%**
Fuel	(21.4)%	(17.1)%	(7.2)%	(7.8)%	0.4%	(10.6)%	(4.4)%
Total Retail (inc. fuel)	**3.3%**	**1.5%**	**4.4%**	**2.4%**	**2.1%**	**1.9%**	**2.0%**

Total sales performance - previously reported categorisation	2023/24				2024/25		
	Q1	Q2	Q3	Q4	Q1	Q2	H1
Total General Merchandise:	4.0%	(2.6)%	(0.6)%	(5.6)%	(7.3)%	(1.7)%	(4.9)%
GM (Sainsbury's)	*(1.2)%*	*(2.7)%*	*0.9%*	*0.4%*	*(5.3)%*	*(3.3)%*	*(4.4)%*
GM (Argos) (inc. ROI)	*5.1%*	*(2.6)%*	*(0.9)%*	*(6.6)%*	*(7.7)%*	*(1.4)%*	*(5.0)%*
Clothing	(3.7)%	(14.6)%	(1.7)%	(11.7)%	(3.3)%	8.3%	1.3%

Total sales performance exc. Argos Republic of Ireland	2023/24				2024/25		
	Q1	Q2	Q3	Q4	Q1	Q2	H1
Sainsbury's	9.9%	7.5%	8.4%	6.5%	4.2%	5.1%	4.6%
Grocery	*11.0%*	*8.9%*	*9.3%*	*7.3%*	*4.8%*	*5.3%*	*5.0%*
GM (Sainsbury's) & Clothing	*(2.5)%*	*(8.7)%*	*(0.3)%*	*(5.5)%*	*(4.3)%*	*2.2%*	*(1.5)%*
Argos (exc. ROI)	6.1%	(0.1)%	1.7%	(4.7)%	(6.2)%	(1.4)%	(4.2)%
Total Retail (exc. fuel)	**9.3%**	**6.2%**	**7.1%**	**4.7%**	**2.6%**	**4.1%**	**3.2%**
Fuel	(21.4)%	(17.1)%	(7.2)%	(7.8)%	0.4%	(10.6)%	(4.4)%
Total Retail (inc. fuel)	**3.5%**	**1.9%**	**4.9%**	**2.7%**	**2.3%**	**1.9%**	**2.1%**

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 9:15 (GMT). This will be available to view on our website at the following link: https://sainsburys-24-25-interim-results-announcement.open-exchange.net/

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 2024/25 Third Quarter Trading Statement at 07:00 (GMT) on 10 January 2025.

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1 £m Contribution - Sainsbury's / Argos operating profit before Group cost allocation
2 CSAT Supermarket Competitor Benchmarking data - H1 2024/25 scores. Quality of Items, Value for Money Spent, Overall Satisfaction
3 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Volume Share of Market by Mission - Main Shop, YoY share % change, 28 weeks to 15 September 2024
4 Kantar Panel data. Total FMCG (excl. Kiosk and Tobacco). Grocery Volume YoY market share gain. 12 weeks to 15 September 2024
5 Kantar Panel data. Total FMCG (exc. Kiosk and Tobacco). Retailer to/ from net volume switching, 28 weeks to 1 September 2024
6 YouGov Brand Index - Supermarket Value for Money Perception metric %, Largest YoY increase since FY09/10
7 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Primary shopper numbers growth YoY, 28 weeks to 15 September 2024
8 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Packs per trip (basket size), YoY % growth, 28 weeks to 15 September 2024
9 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Volume by category, YoY % growth by Retailer, 28 weeks to 15 September 2024
10 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Shoppers Primary & Secondary churn, 28 weeks to 15 September 2024
11 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), % of baskets containing Premium Own Label tier
12 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Premium Own Label trip penetration - % of Main Shop baskets containing Premium Own Label tier
13 Kantar Panel, Total FMCG (exc. Kiosk and Tobacco), Premium Own Label tier, YoY % value growth, 28 weeks to 15 September 2024
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25 Argos Customer Satisfaction - internal measure. Q2 2024/25 - Value for Money and Appealing Promotions

Financial Review for the 28 weeks to 14 September 2024

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. Underlying performance measures are reconciled to their IFRS equivalents on the face of the income statement with non-underlying items set out in more detail in note 5 to the financial statements. Other APMs are defined and reconciled to the nearest IFRS measures in notes A1.1 to A4.2. Underlying performance within this Financial Review refers to the Group's performance on a continuing operations and discontinued operations basis before non-underlying items, unless where otherwise stated.

The comparative results have been re-presented, as Core Banking, ATM operations and Mortgages have been classified as discontinued operations as part of the strategic review of financial services. AFS cards portfolio continues to be presented within continuing operations. Further details can be found in note 7.

Summary income statement	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	Change %
Group sales (excluding VAT)	**17,370**	16,983	2.3
- Continuing	**17,203**	16,813	2.3
- Discontinued	**167**	170	(1.8)
Retail sales (excluding VAT)	**17,050**	16,665	2.3
Retail sales (including VAT, excluding fuel)	**16,297**	15,805	3.1
Underlying operating profit			
Retail	**503**	485	4
Financial services	**18**	13	38
- Continuing	**(11)**	(26)	58
- Discontinued	**29**	39	(26)
Total underlying operating profit	**521**	498	5
Underlying net finance costs - continuing	**(165)**	(158)	(4)
Underlying profit before tax	**356**	340	5
Items excluded from underlying results	**(225)**	(65)	(246)
- Continuing	**(70)**	(51)	(37)
- Discontinued	**(155)**	(14)	n/a
Profit before tax	**131**	275	(52)
Income tax expense	**(55)**	(120)	54.
- Continuing	**(83)**	(114)	27
- Discontinued	**28**	(6)	n/a
Profit for the financial period	**76**	155	(51)
- Continuing	**174**	136	28
- Discontinued	**(98)**	19	n/a
Underlying basic earnings per share	**10.7p**	10.5p	1.9
Underlying diluted earnings per share	**10.6p**	10.3p	2.9
Basic earnings per share	**3.2p**	6.6p	(51.5)
Diluted earnings per share	**3.2p**	6.5p	(50.8)
Interim dividend per share	**3.9p**	3.9p	-

Retail sales

Total sales (including VAT) performance by category On a continuing basis	**28 weeks to 14 September 2024 £bn**	28 weeks to 16 September 2023 £bn	Change %
Sainsbury's	**14.0**	13.4	4.6
Grocery	**13.1**	12.4	5.0
GM (Sainsbury's) & Clothing	**0.9**	0.9	(1.5)
Argos	**2.3**	2.4	(5.0)
Total Retail Sales (exc. fuel)	**16.3**	15.8	3.1
Fuel sales	**2.6**	2.7	(4.4)
Retail (inc. fuel)	**18.9**	18.5	2.0

Retail like-for-like sales performance	**28 weeks to 14 September 2024**	28 weeks to 16 September 2023
Like-for-like sales (exc. fuel)	3.4%	8.4%
Like-for-like sales (inc. fuel)	2.2%	3.2%

Grocery sales increased 5.0 per cent, driven primarily by food volume growth. We have continued to prioritise value for customers through additional investment in Aldi Price Match as well as Your Nectar Prices. Customers' perceptions of our value continue to make significant improvement, catching up with the progress we have made on our actual value position in recent years. This has driven volume increases across all major categories as we gain more spend from existing shoppers and more customers come to Sainsbury's for their big shop. Volumes in our Taste The Difference premium private label range have grown ahead of overall grocery sales and led the market, with customers trading up for special occasions and when dining in rather than dining out.

General merchandise & Clothing sales in Sainsbury's decreased by 1.5 per cent, primarily reflecting softer demand for consumer electronics and toys, partially offset by an increase in Clothing sales as a result of improvements in availability and style, as well as Womenswear and Back To School ranges both being well received.

Argos sales were below expectations, decreasing by 5 per cent. This was particularly due to a tough first quarter primarily reflecting a slow start to summer due to the impact of the weather, weak demand for higher ticket items and slower online traffic. Stripping out the effect of the closure of Argos in the Republic of Ireland, Argos sales decreased by 4.2 per cent.

Fuel sales decreased by 4.4 per cent, reflecting declining market volumes and a lower average pump price year-on-year.

Total sales (including VAT) performance by channel On a continuing basis	**28 weeks to 14 September 2024 %**	28 weeks to 16 September 2023 %
Total Sales fulfilled by Supermarket stores	**4.7**	9.6
Supermarkets (inc. Argos stores in Sainsbury's)	**4.3**	10.8
Groceries Online	**7.3**	2.3
Convenience	**4.9**	10.5

Sales fulfilled from our supermarkets grew by 4.7 per cent, driven mainly by volume growth. Groceries online sales increased by 7.3 per cent, reflecting stronger growth in the online grocery market and market share gains, driven by improvements to the customer digital experience, availability and service. Convenience sales increased by 4.9 per cent, outperforming the wider convenience market and benefiting from strong growth of our On Demand delivery business.

Space

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Between March and September 2024, Sainsbury's opened one new supermarket and six new convenience stores and closed one convenience store.

Alongside this, we opened three new Argos stores in Sainsbury's and eight new Argos collection points within Sainsbury's. We closed six Argos standalone stores and two Argos collection points within Sainsbury's stores. The net result was an increase in total Argos points of presence to 1,118 versus 1,115 at 2 March 2024.

Store numbers and retailing space	As at 2 March 2024a)	New stores	Disposals / Closures	Extensions / refurbishments / reclassificationsb)	**As at 14 September 2024**
Supermarkets	597	1	-	1	**599**
Supermarkets area '000 sq. ft.	20,857	13	-	10	**20,880**
Convenience	834	6	(1)	(1)	**838**
Convenience area '000 sq. ft.	2,016	17	(2)	(10)	**2,021**
Sainsbury's total store numbers	1,431	7	(1)	-	**1,437**
Argos stores	213	-	(6)	-	**207**
Argos stores in Sainsbury's	446	3	-	-	**449**
Argos total store numbers	659	3	(6)	-	**656**
Argos collection points	456	8	(2)	-	**462**

a) Space (sq. ft.) adjusted at 2 March 2024 to include the net change of all store re-measures throughout the year including those made post- investment
b) One convenience was reclassified to Supermarket during the period

In total for 2024/25, we are expecting to open four supermarkets, one of which has already been opened, and 25 convenience stores, where six have already been opened. We are expecting to close two supermarket stores and two convenience stores.

As at 14 September 2024, we have also acquired 11 stores from Homebase and will convert these to Sainsbury's supermarkets. We aim to open the first of these stores next summer and complete the conversion of all sites by the end of December 2025. We have acquired an additional two stores from Coop since the interim date.

For the full financial year we expect to open 13 Argos stores within Sainsbury's and close nine standalone stores.

Retail underlying operating profit

On a continuing basis	Notea)	**28 weeks to 14 September 2024**	28 weeks to 16 September 2023	Change
Retail underlying operating profit (£m)	A1.2 a)	**503**	485	3.7%
Retail underlying operating margin (%)	A1.2 a)	**2.95**	2.91	4 bps
Retail underlying EBITDA (£m)	A1.2 d)	**1,119**	1,082	3.4%
Retail underlying EBITDA margin (%)	A1.2 d)	**6.56**	6.49	7 bps

a) Note references for reconciliations refer to the Alternative Performance Measures

Retail underlying operating profit was up 3.7 per cent, driven primarily by the strong performance in our grocery business, with continued market share gains and volume growth. We have continued to protect value for customers through our ongoing cost savings programme, helping to mitigate the impact of rising operating costs on our products, driving continued improvement in customers' value perception and increasing customer loyalty. The impact on profit growth of our strong grocery performance was partially offset by a lower Argos contribution versus last year due to the impact of poor weather, weaker consumer demand and a high level of promotional activity.

In 2024/25, Sainsbury's expects retail underlying operating profit of between £1,010 million and £1,060 million, growth of between five per cent and ten per cent.

Retail underlying EBITDA increased to £1,119 million (HY 2023/24: £1,082 million) and retail underlying EBITDA margin improved 7 basis points to 6.56 per cent (HY 2023/24: 6.49 per cent). In 2024/25, Sainsbury's expects a retail underlying depreciation and amortisation charge of around £1.2 billion (2023/24: £1.11 billion), including around £0.5 billion right-of-use asset depreciation.

Financial Services

Personal loans, credit cards and retail deposit portfolios (together the "Core Banking Business"), which are agreed to be sold to NatWest Group; ATM operations classified as held for sale; and the previously disposed mortgages operations have been classified as discontinued operations as they form part of the single co-ordinated plan to move to a distributed financial services model as announced in January 2024. The comparative period has been re-presented to reflect this classification.

Financial Services results 6 months to 31 August 2024	**2024 £m**	2023 £m	Change %
Sales	**320**	318	0.6
Continuing operations	**153**	148	3.4
Discontinued operations	**167**	170	(1.8)
Underlying operating profit / (loss)	**18**	13	38.5
Continuing operations	**(11)**	(26)	57.7
Discontinued operations	**29**	39	(25.6)

Underlying operating losses from continuing operations improved by £15 million in the 6 months to 31 August 2024, strong growth in Travel Money, Pet Insurance and Argos Care and lower costs following a fixed asset write off in January 2024.

Underlying profit on discontinued operations includes only costs wholly associated with the provision of the Core Banking services and ATMs. There remain a number of central and cross-product costs which are recognised within continuing operations. AFS related income and costs are presented within continuing operations as they did not meet the classification of discontinued operations at the balance sheet date. Following the announcement on 31 October 2024, these will be classified as discontinued operations at the year end, and the remaining costs will reduce as we right size the continuing business. We expect total underlying profit from Financial Services to be in the range of £15 million and £25 million.

Underlying net finance costs

Underlying net finance costs **On a continuing basis**	**28 weeks to 14 September 2024** **£m**	28 weeks to 16 September 2023 £m	Change %
Non-lease interest costs	**(41)**	(34)	(20.6)
Non-lease interest income	**14**	11	27.3
Finance costs on lease liabilities	**(138)**	(135)	(2.2)

Total underlying net finance costs	**(165)**	(158)	(4.4)

Underlying net finance costs increased to £165 million (HY 2023/24: £158 million). This includes £27 million of net non-lease interest (HY 2023/24: £23 million); the increase was driven by the £575 million term loan being fully drawn in the 28 weeks to HY 2024/25, whereas it was only partially drawn in stages in the 28 weeks to HY 2023/24. This was partly offset by increased interest income as we benefitted from higher interest rates.

Sainsbury's expects underlying net finance costs in 2024/25 of between £310 million and £320 million, including around £260 million in lease costs.

Items excluded from underlying results

To provide 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 14 September 2024 £m	28 weeks to 16 September 2023 £m
From Continuing operations:		
Financial Services phased withdrawal	**(29)**	-
Retail restructuring programme	**(37)**	(32)
Impairment of non-financial assets	**(12)**	-
IAS 19 pension income	**14**	21
Other	**(6)**	(40)
Items excluded from underlying results from continuing operations	**(70)**	(51)
From Discontinued operations:		
Financial Services loss on disposal	**(104)**	(14)
Financial Services phased withdrawal	**(51)**	-
Total items excluded from underlying results from discontinued operations	**(155)**	(14)
Total items excluded from underlying results	**(225)**	(65)

Continuing operations

Costs associated with the strategic review of financial services announced in January 2024 comprise £17 million of onerous contracts, employee costs of £8 million and consultancy fees of £4 million.

Retail restructuring programme costs of £37 million (HY 2023/24: £32 million) related to the multi-year restructuring programme announced in November 2020. Cash costs in the period were £29 million (HY 2023/24: £40 million). Most of the programme has now completed, with costs incurred to date of £878 million, and cash costs of £299 million.

IAS 19 Pension income decreased to £14 million (HY 2023/24: £21 million), driven by the lower opening surplus compared to the prior year.

Other costs relate to £9 million of acquisition adjustments and non-underlying finance costs of £5 million, offset by a £5 million gain on disposal of non-trading properties and a £3 million gain on fair value movements on fixed price power purchase arrangements (HY 2023/24: £6 million of property losses, £8 million of acquisition adjustments and £26 million of non-underlying finance and value adjustments).

Discontinued operations

The loss of £104 million primarily relates to the sale of the core banking portfolios. It is comprised of the difference between the carrying amount of the net assets to be disposed and the agreed selling price, and disposal costs including those required to migrate the portfolio to NatWest. During 2023/24, the Group disposed of its mortgage portfolio for proceeds of £446 million. This resulted in a loss on disposal of £14 million.

Costs of £51 million associated with the withdrawal primarily relate to onerous contracts, loss on derivatives no longer classified in an effective hedge relationship, and employee costs.

We expect to incur retail non-underlying cash costs of around £100 million for 2024/25, of which £29 million were incurred in H1 2024/25.

Taxation

The total tax charge was £55 million (HY 2023/24: tax charge of £120 million), comprising a tax charge of £83 million (HY 2023/24: tax charge of £114 million) relating to continuing operations and a tax credit of £28 million (HY 2023/24: tax charge of £6 million) relating to discontinued operations. The underlying tax rate was 29.2 per cent (HY 2023/24: 27.6 per cent) and the effective tax rate was 42.1 per cent (HY 2023/24: 43.6 per cent).

The effective tax rate for the half year is higher than the headline tax rate due to the effect of depreciation charged on assets which do not qualify for capital allowances. The impact of non-deductible expenses incurred on the Financial Services restructuring is reflected in the higher total effective tax rate for the period.

We expect an underlying tax rate in 2024/25 of around 30 per cent.

Earnings per share

Statutory basic EPS decreased to 3.2 pence (HY 2023/24: 6.6 pence) due to the costs associated with the Financial Services phased withdrawal. Statutory diluted EPS also decreased to 3.2 pence (HY 2023/24: 6.5 pence).

Underlying basic EPS increased to 10.7 pence (HY 2023/24: 10.5 pence), due to an increase in underlying earnings. Underlying diluted EPS increased to 10.6 pence (HY 2023/24: 10.3 pence).

Dividends

The Board has recommended an interim dividend of 3.9 pence per share (HY 2023/24: 3.9 pence). This will be paid on 20 December 2024 to shareholders on the Register of Members at the close of business on 15 November 2024.

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 29 November 2024.

For the financial year 2024/25, as per our capital allocation policy, we are committed to a progressive dividend policy. We have also announced the commencement of a share buyback programme. We will buy back £200 million of shares in 2024/25 (of which we bought back £136 million in the first half) and we will review the level of cash return to shareholders through share buybacks on an annual basis.

A DRIP is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip

Net debt and Retail cash flows

Summary Retail cash flow statement	Note a)	28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Retail underlying operating profit	4	**503**	485	966
Adjustments for:				
Retail underlying depreciation and amortisation		**616**	597	1,112
Share-based payments and other		**32**	36	78
Adjusted retail underlying operating cash flow before changes in working capital		**1,151**	1,118	2,156
Decrease in underlying working capital	b)	**179**	273	262
Retail non-underlying operating cash flows (excluding pensions)		**(29)**	(40)	(72)
Pension cash contributions		**(23)**	(23)	(44)
Retail cash generated from operations		**1,278**	1,328	2,302
Interest paid		**(182)**	(166)	(323)
Corporation tax paid		**(22)**	(17)	(58)
Retail net cash generated from operating activities		**1,074**	1,145	1,921
Cash capital expenditure		**(394)**	(389)	(814)
Repayments of lease liabilities		**(243)**	(252)	(505)
Initial direct costs on right-of-use assets		**(34)**	(11)	(6)
Proceeds from disposal of property, plant and equipment		**7**	16	16
Interest income	b)	**15**	11	27
Retail free cash flow		**425**	520	639
Dividends paid on ordinary shares		**(217)**	(215)	(306)
Share buyback		**(136)**	-	-
Net (repayment)/drawdown of borrowings		**(22)**	555	534
Net consideration paid for Highbury and Dragon property transaction		**-**	(670)	(670)
Other share related transactions		**(12)**	(7)	(3)
Financial Services Strategic Review		**(10)**	-	-
Net increase in cash and cash equivalents		**28**	183	194
Decrease/(increase) in debt		**265**	(303)	(29)
Highbury and Dragon non-cash lease movements		**-**	1,042	1,042
Other non-cash and net interest movements	c)	**(323)**	(221)	(417)
Movement in net debt	12	**(30)**	701	790
Opening net debt	12	**(5,554)**	(6,344)	(6,344)
Closing net debt	12	**(5,584)**	(5,643)	(5,554)
of which				
Lease liabilities	12	**(5,432)**	(5,412)	(5,354)
Net debt excluding lease liabilities		**(152)**	(231)	(200)

a) Note references relate to Alternative Performance Measures in Notes A2.1 and A2.2.
b) The Group cash flow statement now classifies interest received within cash flows from investing activities to provide greater clarity over the Group's cash flows whereby such cash flows had previously been included within cash generated from operations. Refer to the Group cash flow statement.
c) Other non-cash movements include new leases and lease modifications and fair value movements on derivatives used for hedging long-term borrowings

Adjusted retail underlying operating cash flow before changes in working capital increased by £33 million year-on-year to £1,151 million (HY 2023/24: £1,118 million), supported by an increase in retail underlying operating profit. Cash inflow from reduced working capital of £179 million (HY2023/24: £273 million) was £94 million lower year on year, primarily due to a lower benefit year on year of timing-related payables. Retail non-underlying operating cash flows of £29 million relate to restructuring costs. (HY 2023/24: £40 million). Pension cash contributions of £23 million remained consistent with the prior year as no funding level events occurred.

We paid corporation tax of £22 million in the period (HY 2023/24: £17 million).

Cash capital expenditure was £394 million (HY 2023/24: £389 million), broadly flat year-on-year. Sainsbury's continues to expect core retail cash capital expenditure (excluding Financial Services) in 2024/25 to be £800 million to £850 million and now expects strategic investment in our EV charging business of £25 million (previously £70 million).

The benefit to free cash flow from reduced EV investment will be offset by the increased lease premium paid on the acquisition of Homebase stores and we continue to expect to generate retail free cash flow of at least £500 million, in line with our commitment of generating at least £1.6 billion of retail free cash flow over the next three years.

Initial direct costs of right-of-use assets were £34 million (HY 2023/24: £11 million), of which £32 million were costs incurred on the acquisition of Homebase stores.

Dividends of £217 million were paid in the period, covered 1.9 times by free cash flow (HY 2023/24: 2.4 times). On 26 April 2024, the Group commenced a share buyback programme to purchase shares of a maximum aggregate market value of £150 million, of which £136 million had been purchased at the balance sheet date. The remaining £14 million was purchased subsequent to the balance sheet date, concluding Tranche One of the programme on 14 October 2024.

As of 14 September 2024, net debt was £5,584 million (2 March 2024: £5,554 million), an increase of £30 million. Excluding the impact of lease liabilities, non-lease net debt decreased by £48 million in the period to £152 million (2 March 2024: £200 million).

Net debt includes lease liabilities of £5,432 million (2 March 2023: £5,354 million). Lease liabilities have increased by £78 million, of which £27 million related to the acquisition of Homebase stores.

For the financial year ending 1 March 2025, the definition of retail free cash flow has changed. This now excludes capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. In the period to 14 September 2024, there have been £10 million of retail exceptional costs on behalf of Sainsbury's Bank relating to core banking withdrawal which have been excluded from retail free cash flow.

Financial Ratios

Key financial ratios a)	14 September 2024	16 September 2023	2 March 2024
Return on Capital Employed	**8.5%**	7.9%	8.3%
Net debt to EBITDA	**2.6x**	2.6x	2.6x
Fixed charge cover	**2.7x**	2.6x	2.7x

a) Reconciliations are set out in notes A4.1, A3.2 and A4.2 of the APMs

Return on Capital Employed (ROCE) improved, reflecting increased retail profits and lower average capital employed.

Sainsbury's continues to target leverage of 3.0x – 2.4x to deliver a solid investment grade balance sheet. Net debt to

Sainsbury's continues to target leverage of 3.0x - 2.4x to deliver a solid investment grade balance sheet. Net debt to EBITDA remains stable within the targeted leverage range. Fixed charge cover is stable.

Defined benefit pensions

As at 14 September 2024, the net defined benefit surplus under IAS19 for the Group was £751 million (excluding deferred tax). This represents a £61 million increase from the year-end date of 2 March 2024, primarily driven by an increase in the value of the assets over the period. Liabilities have increased due to a decrease in yields, and hence a lower discount rate, offset slightly by a decrease in expected future inflation.

There was no change during the year to the previously disclosed triennial valuation information. The next triennial valuation as at 30 September 2024 has now commenced; the Company will share the outcome when discussions have completed in 2025.

For 2024/25, contributions to the defined benefit pension scheme are expected to be £45 million.

	As at 14 September 2024			As at 2 March 2024		
	Sainsbury's £m	**Argos £m**	**Group £m**	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	**(5,270)**	**(836)**	**(6,106)**	(5,172)	(816)	(5,988)
Fair value of plan assets	**5,912**	**970**	**6,882**	5,777	925	6,702
Retirement benefit surplus	**642**	**134**	**776**	605	109	714
Present value of unfunded obligations	**(14)**	**(11)**	**(25)**	(14)	(10)	(24)
Retirement benefit surplus	**628**	**123**	**751**	591	99	690

Group income statement

		28 weeks to 14 September 2024 (unaudited)			28 weeks to 16 September 2023 (unaudited)		
	Note	**Underlying items £m**	**Non-underlying items (Note 3) £m**	**Total £m**	Underlying items £m	Non-underlying items (Note 3) £m	Total £m
Continuing operations							
Revenue	4	**17,203**	**-**	**17,203**	16,813	-	16,813
Cost of sales		**(15,965)**	**(34)**	**(15,999)**	(15,619)	(65)	(15,684)
Impairment loss on financial assets		**(23)**	**-**	**(23)**	(20)	-	(20)
Gross profit/(loss)		**1,215**	**(34)**	**1,181**	1,174	(65)	1,109
Administrative expenses		**(753)**	**(53)**	**(806)**	(744)	(16)	(760)
Other income		**30**	**5**	**35**	29	11	40
Operating profit/(loss)		**492**	**(82)**	**410**	459	(70)	389
Finance income	5	**15**	**18**	**33**	12	25	37
Finance costs	5	**(180)**	**(6)**	**(186)**	(170)	(6)	(176)
Profit/(loss) before tax - continuing operations		**327**	**(70)**	**257**	301	(51)	250
Income tax (expense)/credit	6	**(97)**	**14**	**(83)**	(85)	(29)	(114)
Profit/(loss) after tax - continuing operations		**230**	**(56)**	**174**	216	(80)	136
Profit/(loss) after tax - discontinued operations	7	**22**	**(120)**	**(98)**	30	(11)	19
Profit/(loss) for the financial period		**252**	**(176)**	**76**	246	(91)	155
Total earnings per share	8	**pence**		**pence**	pence		pence
Basic - total		**10.7**		**3.2**	10.5		6.6
Diluted - total		**10.6**		**3.2**	10.3		6.5
Earnings per share - from continuing operations							
Basic - continuing				**7.4**			5.8
Diluted - continuing				**7.3**			5.7

		52 weeks to 2 March 2024 (audited)		
	Note	Underlying items £m	Non-underlying items (Note 3) £m	Total £m
Continuing operations				
Revenue	4	32,358	-	32,358
Cost of sales		(30,007)	(139)	(30,146)
Impairment loss on financial assets		(41)	-	(41)
Gross profit/(loss)		2,310	(139)	2,171
Administrative expenses		(1,440)	(115)	(1,555)
Other income		52	6	58
Operating profit/(loss)		922	(248)	674
Finance income	5	30	51	81
Finance costs	5	(324)	(12)	(336)
Profit/(loss) before tax - continuing operations		628	(209)	419
Income tax (expense)/credit	6	(167)	4	(163)
Profit/(loss) after tax - continuing operations		461	(205)	256
Profit/(loss) after tax - discontinued operations	7	55	(174)	(119)
Profit/(loss) for the financial period		516	(379)	137
Total earnings per share	8	pence		pence
Basic - total		22.1		5.9
Diluted - total		21.6		5.7
Earnings per share - from continuing operations				
Basic - continuing				11.0
Diluted - continuing				10.7

Comparative periods have been re-presented to separately disclose discontinued operations

Group statement of comprehensive income/(loss)

	Note	**28 weeks to 14 September 2024 (unaudited) £m**	28 weeks to 16 September 2023 (unaudited) £m	52 weeks to 2 March 2024 (audited) £m
Profit for the financial period		**76**	155	137

Items that will not be reclassified subsequently to the income statement				
Remeasurement on defined benefit pension schemes	15	**24**	(46)	(389)
Movements on financial assets at fair value through other comprehensive income (OCI)		**-**	(1)	1
Cash flow hedges fair value movements - inventory hedges		**(23)**	(48)	(67)
Current tax relating to items not reclassified		**-**	1	10
Deferred tax relating to items not reclassified		**(6)**	89	177
		(5)	(5)	(268)
Items that may be reclassified subsequently to the income statement				
Currency translation differences		**-**	(5)	(3)
Movements on financial assets at fair value through other comprehensive income		**2**	(1)	-
Items reclassified from financial assets at fair value through other comprehensive income reserve		**-**	1	-
Cash flow hedges fair value movements - non-inventory hedges		**(14)**	(24)	(82)
Items reclassified from cash flow hedge reserve		**-**	1	4
Deferred tax on items that may be reclassified		**6**	14	17
		(6)	(14)	(64)
Total other comprehensive loss for the financial period (net of tax)		**(11)**	(19)	(332)
Total comprehensive income/(loss) for the financial period		**65**	136	(195)
Analysed as:				
Continuing operations		**163**	117	(76)
Discontinued operations		**(98)**	19	(119)
		65	136	(195)

Group balance sheet

	Note	**14 September 2024 (unaudited) £m**	2 March 2024 (audited) £m	16 September 2023 (unaudited) £m
Non-current assets				
Property, plant and equipment		**9,178**	9,282	9,148
Right-of-use assets		**4,389**	4,296	4,298
Intangible assets		**811**	806	1,009
Investments in joint ventures and associates		**2**	2	2
Financial assets at fair value through other comprehensive income	10	**1,030**	761	666
Trade and other receivables		**36**	108	73
Amounts due from Financial Services customers and other banks	10	**2**	1,467	1,508
Derivative financial assets	10	**16**	68	89
Net retirement benefit surplus	15	**751**	690	987
		16,215	17,480	17,780
Current assets				
Inventories		**1,926**	1,927	2,187
Trade and other receivables		**683**	582	669
Amounts due from Financial Services customers and other banks	10	**844**	3,050	3,313
Financial assets at fair value through other comprehensive income	10	**248**	17	36
Derivative financial assets	10	**43**	8	107
Cash and cash equivalents	11	**1,591**	1,987	2,067
		5,335	7,571	8,379
Assets of disposal group and non-current assets held for sale	7, 14	**3,086**	10	10
		8,421	7,581	8,389
Total assets		**24,636**	25,061	26,169
Current liabilities				
Trade and other payables		**(5,093)**	(5,091)	(5,278)
Amounts due to Financial Services customers and other deposits	10	**(1,619)**	(5,515)	(5,436)
Borrowings	13	**(75)**	(65)	(64)
Lease liabilities		**(520)**	(515)	(473)
Derivative financial liabilities	10	**(74)**	(28)	(30)
Taxes payable		**(204)**	(125)	(204)
Provisions		**(65)**	(113)	(109)
Financial liabilities	12	**(14)**	-	-
		(7,664)	(11,452)	(11,594)
Liabilities of disposal group held for sale	7, 14	**(3,655)**	-	-
		(11,319)	(11,452)	(11,594)
Net current liabilities		**(2,898)**	(3,871)	(3,205)
Non-current liabilities				
Trade and other payables		**(15)**	(11)	(13)
Amounts due to Financial Services customers and other deposits	10	**(18)**	(206)	(621)
Borrowings	13	**(1,105)**	(1,130)	(1,151)
Lease liabilities		**(4,912)**	(4,839)	(4,939)
Derivative financial liabilities	10	**(27)**	(59)	(70)
Deferred income tax liability		**(368)**	(329)	(424)
Provisions		**(259)**	(167)	(134)
		(6,704)	(6,741)	(7,352)
Total liabilities		**(18,023)**	(18,193)	(18,946)
Net assets		**6,613**	6,868	7,223
Equity				
Called up share capital		**675**	678	677
Share premium		**1,447**	1,430	1,427
Merger reserve		**568**	568	568
Capital redemption and other reserves		**(85)**	955	997
Retained earnings		**4,008**	3,237	3,554
Total equity		**6,613**	6,868	7,223

Group statement of changes in equity

28 weeks to 14 September 2024 (unaudited)	Note	**Called up share capital**	**Share premium account**	**Merger reserve**	**Capital redemption and other reserves**	**Retained earnings**	**Total Equity**

28 weeks to 14 September 2024 (unaudited)	Note	capital £m	account £m	reserve £m	reserves £m	earnings £m	Equity £m
At 3 March 2024		**678**	**1,430**	**568**	**955**	**3,237**	**6,868**
Profit for the period		**-**	**-**	**-**	**-**	**76**	**76**
Other comprehensive (loss)/income		**-**	**-**	**-**	**(35)**	**24**	**(11)**
Tax relating to components of other comprehensive income		**-**	**-**	**-**	**6**	**(6)**	**-**
Total comprehensive (loss)/income		**-**	**-**	**-**	**(29)**	**94**	**65**
Cash flow hedges gains transferred to inventory		**-**	**-**	**-**	**13**	**-**	**13**
Transfer between reserves	a), b)	**-**	**-**	**-**	**(1,029)**	**1,029**	**-**
Dividends	9	**-**	**-**	**-**	**-**	**(217)**	**(217)**
Share-based payment		**-**	**-**	**-**	**-**	**42**	**42**
Purchase of own shares for share schemes		**-**	**-**	**-**	**(32)**	**-**	**(32)**
Allotted in respect of share option schemes		**12**	**17**	**-**	**32**	**(42)**	**19**
Purchase of own shares for cancellation	12	**-**	**-**	**-**	**(150)**	**-**	**(150)**
Cancellation of own shares	c)	**(15)**	**-**	**-**	**155**	**(140)**	**-**
Tax on items charged to equity		**-**	**-**	**-**	**-**	**5**	**5**
At 14 September 2024		**675**	**1,447**	**568**	**(85)**	**4,008**	**6,613**

a) The capital redemption reserve as at 3 March 2024 amounted to £680 million and was created upon the redemption of class B shares following shareholder approval at the Company's extraordinary general meeting held on 12 July 2004 to return £680 million of share capital. The final redemption date for such class B shares was 18 July 2007 with all transactions relating to the class B shares therefore completed. Following approval by the High Court registered on 31 July 2024, £680 million has been reclassified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 2.8A and as a result has been transferred to retained earnings.
b) During the period, £349 million has been transferred from Financial asset reserves (within capital redemption and other reserves) to retained earnings. This amount represented the fair value gains and losses on the Group's financial asset relating to its beneficial interest in a commercial property investment pool, which was held at fair value through other comprehensive income. Given the financial asset relating to the property pool has been derecognised, there is no longer a legally separable reserve for these fair value gains and losses and therefore the amount has been transferred to retained earnings.
c) During the period, 51.6 million of the Company's own shares were purchased, and subsequently cancelled, for total consideration of £140 million inclusive of £4 million directly attributable costs. £140 million has been transferred from the treasury share reserve (within capital redemption and other reserves) to retained earnings and £15 million of share capital has been transferred to the capital redemption reserve owing to the cancellation.

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
Dividends	-	-	-	-	(215)	(215)
Share-based payment	-	-	-	-	38	38
Purchase of own shares for share schemes	-	-	-	(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

52 weeks to 2 March 2024 (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 5 March 2023	672	1,418	568	954	3,641	7,253
Profit for the period	-	-	-	-	137	137
Other comprehensive loss	-	-	-	(147)	(389)	(536)
Tax relating to other comprehensive loss	-	-	-	99	105	204
Total comprehensive loss	-	-	-	(48)	(147)	(195)
Cash flow hedges losses transferred to inventory	-	-	-	32	-	32
Dividends	-	-	-	-	(306)	(306)
Share-based payment	-	-	-	-	87	87
Purchase of own shares for share schemes	-	-	-	(18)	-	(18)
Allotted in respect of share option schemes	6	12	-	35	(38)	15
At 2 March 2024	678	1,430	568	955	3,237	6,868

Group cash flow statement

	Note	**28 weeks to 14 September 2024 (unaudited) £m**	28 weeks to 16 September 2023 (unaudited) £m	52 weeks to 2 March 2024 (audited) £m
Cash flows from operating activities				
Cash generated from operations - continuing operations	12	**799**	1,309	2,407
Interest paid		**(188)**	(166)	(336)
Corporation tax paid		**(19)**	(20)	(61)
Net cash generated from operating activities - continuing operations		**592**	1,123	2,010
Cash flows from investing activities				
Purchase of property, plant and equipment		**(296)**	(1,041)	(1,381)
Initial direct costs on new leases		**(34)**	(11)	(6)
Purchase of intangible assets		**(98)**	(88)	(172)
Proceeds from disposal of property, plant and equipment		**7**	77	77
Interest received		**15**	11	27
Net cash used in investing activities - continuing operations		**(406)**	(1,052)	(1,455)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		**20**	11	15
Proceeds from borrowings	12	**-**	575	575
Repayment of borrowings	12	**(22)**	(20)	(41)
Purchase of own shares for share schemes		**(32)**	(18)	(18)
Purchase of own shares for cancellation		**(136)**	-	-
Capital repayment of lease obligations	12	**(243)**	(253)	(507)
Dividends paid on ordinary shares	9	**(217)**	(215)	(306)
Net cash (used)/generated in financing activities - continuing operations		**(630)**	80	(282)
Net (decrease)/increase in cash and cash equivalents				
Continuing operations		**(444)**	151	273
Discontinued operations	7	**44**	595	395
		(400)	746	668
Opening cash and cash equivalents		**1,987**	1,319	1,319
Closing cash and cash equivalents	11	**1,587**	2,065	1,987

The Group now classifies interest received within cash flows from investing activities to provide greater clarity over the Group's cash flows whereby such cash flows had previously been included within cash generated from operations. Amounts for the 28 weeks to 16 September 2023 have therefore been re-presented whereby cash generated from operations and cash flows from investing activities were previously £1,470 million and £(618) million respectively. Comparative periods have also been re-presented to separately disclose discontinued operations.

Notes to the Condensed Group 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 2024 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 14 September 2024 (comparative financial period 28 weeks to 16 September 2023; prior financial year 52 weeks to 2 March 2024). 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 2024, which were prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Annual Report and Financial Statements 2024 have been filed with the Registrar of Companies. The Independent Auditor's report on those Financial Statements was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

Sainsbury's Bank plc and its subsidiaries have been consolidated for the six months to 31 August 2024 (16 September 2023: six months to 31 August 2023; 2 March 2024: twelve months to 29 February 2024). No significant transactions occurred in this period and therefore no adjustments have been made to reflect the difference in balance sheet dates.

The financial information has been prepared applying consistent accounting policies to those applied by the Group for the financial year ended 2 March 2024, with the addition of discontinued operations as set out below, and are expected to be applicable for the year ending 1 March 2025.

Discontinued operations

A discontinued operation is a component of the Group which represents a separate major line of business which has been disposed of or is classified as held for sale. Such classification assumes the expectation that the sale will complete within twelve months of the assessment date.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through such sale transactions. Assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Where the carrying amount of a non-current asset or disposal group held for sale exceeds its fair value less costs to sell, a loss is recognised. This is allocated firstly against any goodwill attributable to the disposal group, and then to other non-current assets in the disposal group that are in scope of IFRS 5 'Non-current assets held for sale and discontinued operations' measurement requirements. Any excess loss remaining is recognised against the remaining assets of the disposal group as a whole.

A component of the Group that is held for sale or disposed of is presented as a discontinued operation either when it is a subsidiary acquired exclusively with a view to resale or it represents, or is part of a coordinated plan to dispose of, a separate major line of business.

Operations classified as discontinued are disclosed further in note 7.

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 28 February 2026.
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 facilities. Facility A has a final maturity of December 2028 and Facility B has a final maturity of December 2027. As at 14 September 2024, 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 the financial 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.

Specific additional consideration has been given to the ongoing impacts of the strategic review of the Financial Services division, including the announcement on 20 June 2024 of the disposal of core banking operations to NatWest and subsequent announcements to dispose of the ATM estate to NoteMachine and AFS store card portfolios to NewDay on 25 September 2024 and 31 October 2024 respectively. The strategy change introduces new or amended risks in respect of liquidity and capital adequacy which arise from the move to offer financial services products by dedicated financial services providers and the phased withdrawal to a third-party distributed model. Taking into account the current and forecast levels of liquidity and capital together with the related headroom, the Directors have considered and assessed the potential impact of the strategic change and the risks arising thereon. The evaluation has included the quantification of any potentially adverse impacts of customer behaviour, the timing of repayment of external funding and costs to exit being higher than planned. Having undertaken this assessment, the Directors are satisfied that the Bank has sufficient liquidity and capital resources to withstand severe but plausible adverse scenarios stemming from the risks of the strategic change, prior to any additional mitigating actions being taken. In the event of any mitigations being required, the Directors are confident that additional liquidity could be raised through other sources of funding. Accordingly, it has been concluded that this does 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 and estimates made by management in applying the Group's accounting policies were the same as those that applied to the Consolidated Financial Statements for the year ended 2 March 2024.

2.4 New standards, interpretations and amendments adopted by the Group

New accounting standards, interpretations or amendments which became applicable during the period or have been published but are not yet effective were either not relevant or had no material impact on the Group's results or net assets other than disclosures.

The impact of IFRS 18 'Presentation and disclosure in financial statements', which will become effective in the consolidated Group financial statements for the financial year ending 26 February 2028, subject to UK endorsement, is still under assessment.

2.5 Alternative performance measures (APMs)

In the reporting of financial information, the Directors use various APMs. 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' APMs.

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 performance measures) by adjusting for non-recurring factors which affect IFRS measures, and 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.

Non-underlying items

In order to provide shareholders with additional insight into the year-on-year performance of the business, underlying profit measures are provided to supplement the reported IFRS numbers and reflects how the business measures performance internally. These adjusted measures exclude items recognised in reported profit or loss before tax which, if included, could distort comparability between periods. Underlying profit is not an IFRS measure and therefore not directly comparable to other companies.

Reconciliations to IFRS measures

The income statement shows the non-underlying items excluded from reported results to determine underlying results with a more detailed analysis of the non-underlying items set out in note 3. Other APMs are detailed in notes A1, A2, A3 and A4 of this report which includes further information on the definition, purpose and reconciliation to the closest IFRS measure.

Changes to APMs

Following the Group's announcement over the sale of its Core Banking Business, the definition of the Group's Retail Free Cash Flow APM has been updated during the period to now exclude capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. This change results in more relevant information as Retail Free Cash Flow will now solely present Retail cash flows without any impacts of the phased withdrawal from core Banking, and enables management to assess solely the cash flows associated with its core Retail operations. No comparatives have been restated as exceptional cash movements with Sainsbury's Bank in the prior year were immaterial.

3. Non-underlying items

		28 weeks to 14 September 2024				28 weeks to 16 September 2023			
	Note	**Restructuring and impairment 3.1 £m**	**Pensions 3.2 £m**	**Other 3.3 £m**	**Total £m**	Restructuring and impairment 3.1 £m	Pensions 3.2 £m	Other 3.3 £m	Total £m
Revenue		-	-	-	-	-	-	-	-
Cost of sales		(38)	-	4	(34)	(28)	-	(37)	(65)
Administrative expenses		(39)	(4)	(10)	(53)	(4)	(4)	(8)	(16)
Other income		-	-	5	5	-	-	11	11
Affecting operating profit		(77)	(4)	(1)	(82)	(32)	(4)	(34)	(70)
Net finance (costs)/income		(1)	18	(5)	12	-	25	(6)	19
Affecting profit before tax - continuing operations		(78)	14	(6)	(70)	(32)	21	(40)	(51)
Income tax credit/(expense)	6				14				(29)
Affecting profit after tax - continuing operations					(56)				(80)
Loss on disposal after tax - discontinued operations	7				(81)				(11)
Restructuring and impairment costs after tax - discontinued operations	7				(39)				-
Affecting profit after tax - discontinued operations					(120)				(11)
Affecting profit for the financial period					(176)				(91)

52 weeks to 2 March 2024

	Note	52 weeks to 2 March 2024 Restructuring and impairment 3.1 £m	Pensions 3.2 £m	Other 3.3 £m	Total £m
Revenue		-	-	-	-
Cost of sales		(73)	-	(66)	(139)
Administrative expenses		(92)	(7)	(16)	(115)
Other income		-	-	6	6
Affecting operating profit		(165)	(7)	(76)	(248)
Net finance (costs)/income		(1)	51	(11)	39
Affecting profit before tax - continuing operations		(166)	44	(87)	(209)
Income tax credit	6				4
Affecting profit after tax - continuing operations					(205)
Loss on disposal after tax - discontinued operations	7				(11)
Restructuring and impairment costs after tax - discontinued operations	7				(163)
Affecting profit after tax - discontinued operations					(174)
Affecting profit for the financial period					(379)

The impact of non-underlying items on Retail cash generated from operations is presented in note A2.2.
Comparative periods have been re-presented to separately disclose discontinued operations.

3.1 Restructuring and impairment

Financial Services model
Further to the announcement in January 2024 regarding the move to a third-party distributed model, in June 2024, the Group entered into an agreement for the sale of personal loan, credit card and customer deposit portfolios (the 'Sale Portfolios') to NatWest Group (NatWest). The sale is expected to complete in the first half of calendar year 2025.
In September 2024 the Group classified ATM assets as held for sale, resulting in a reversal of previously recognised impairment £2 million.

In August 2023, the Group disposed of its mortgage portfolio which in isolation was not sufficiently material to be classified as a discontinued operation at that time but did form part of the Core Banking Business in prior periods and accordingly has now been reclassified as a discontinued operation for the 28 weeks to 16 September 2023 and the 52 weeks to 2 March 2024.

Costs associated with the strategic review of Financial Services were charged in the 52 weeks to 4 March 2024. Those associated with the Sale Portfolios and ATM operations have been reclassified to discontinued operations as set out in note 7.

Costs incurred in the 28 weeks to 14 September 2024 associated with the exit that are directly attributable to the disposal group have been classified as discontinued operations as set out in note 7.

Subsequent to the balance sheet date, the Group announced the sale of its AFS cards portfolio. As a sale was not considered to be highly probable at the balance sheet date, AFS assets have not been classified as held for sale, and AFS operations are presented within continuing operations. These will be classified as discontinued operations in the 52 weeks to 1 March 2025.

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

Impairment of non-financial assets
Separate from restructuring initiatives and property-related transactions, the Group has recognised £12 million of impairment in relation to certain non-trading sites whereby rent reviews at previously impaired sites caused an increase in the associated right-of-use assets, and sub-tenant defaults. No impairments outside of restructuring initiatives and property-related transactions were recognised in the 28 weeks to 16 September 2023 or in the 52 weeks to 2 March 2024.

In light of the lower year on year Argos contribution, reflecting tougher than anticipated trading conditions in the first quarter, it was determined that an indicator of impairment existed over the Group's Argos assets and therefore a full impairment review was undertaken over these assets. No impairments were recognised as a result of this review.

Analysis of restructuring items

			28 weeks to 14 September 2024				28 weeks to 16 September 2023		
			Financial Services model	**Retail restructuring programme**	**Impairment of non-financial assets**	**Total**	Financial Services model	Retail restructuring programme	Total
			£m	**£m**	**£m**	**£m**	£m	£m	£m
Non-financial asset impairment	- Property, plant and equipment		**-**	**-**	**-**	**-**	-	-	-
	- Right-of-use assets		**-**	**-**	**(12)**	**(12)**	-	(2)	(2)
	- Intangible assets		**-**	**-**	**-**	**-**	-	-	-
			-	**-**	**(12)**	**(12)**	-	(2)	(2)
Accelerated depreciation of assets		a)	**-**	**(25)**	**-**	**(25)**	-	(8)	(8)
Employee costs		b)	**(8)**	**(5)**	**-**	**(13)**	-	(3)	(3)
Onerous contracts		c)	**(17)**	**-**	**-**	**(17)**	-	-	-
Property closure provisions		d)	**-**	**(4)**	**-**	**(4)**	-	(2)	(2)
Other costs		e)	**(4)**	**(3)**	**-**	**(7)**	-	(17)	(17)
			(29)	**(37)**	**(12)**	**(78)**	-	(32)	(32)

		52 weeks to 2 March 2024 Financial Services model £m	Retail restructuring programme £m	Total £m
Non-financial asset impairment	- Property, plant and equipment	(3)	(1)	(4)
	- Right-of-use assets	(3)	(3)	(6)

- Intangible assets		(54)	-	(54)
		(60)	(4)	(64)
Accelerated depreciation of assets	a)	-	(19)	(19)
Employee costs	b)	(6)	(33)	(39)
Onerous contracts	c)	(2)	-	(2)
Property closure provisions	d)	-	(33)	(33)
Other costs	e)	(3)	(6)	(9)
		(71)	(95)	(166)

a) 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.
b) Comprises severance costs and for the Financial services model also includes incremental project related employee costs.
c) Comprises long dated IT contracts where anticipated early termination will result in unavoidable costs of meeting obligations under the contracts which exceed the economic benefits expected to be received under them. Costs represent the lower of the costs of fulfilling contracts and the costs of terminating.
d) Relates to onerous lease costs, dilapidations and strip out costs on sites that have been identified for closure, as well as business rates for sites the Group no longer operates from which are recognised as incurred.
e) Other costs comprise predominantly consultancy costs.

3.2 Pensions

Such amounts relate to the defined benefit pension scheme (the Scheme) and are treated as non-underlying owing to the Scheme being closed to future accrual and accordingly not forming part of ongoing operating activities.

3.3 Other

		28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Property related transactions	a)	**5**	(6)	(16)
Non-underlying finance and fair value movements	b)	**(2)**	(26)	(56)
Acquisition adjustments	c)	**(9)**	(8)	(15)
		(6)	(40)	(87)

a) Comprises gain on disposal of non-trading properties of £5 million recognised in other income (28 weeks ended 16 September 2023 and 52 weeks ended 2 March 2024: comprised an impairment charge of £19 million of property, plant and equipment recognised in cost of sales as part of an asset acquisition of 21 stores, whereby the asset base of these stores' CGUs had significantly changed as a result of the transaction and therefore were reviewed for impairment; offset by a gain on disposal of non-trading properties of £11 million and £4 million for each period respectively, recognised in other income).
b) Comprises £3 million gain (28 weeks ended 16 September 2023: £20 million loss; 52 weeks ended 2 March 2024: £46 million loss) within cost of sales relating to favourable movements on long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are classified as derivatives which are not in a hedge relationship and owing to potentially significant fluctuations in value from external market factors are treated as non-underlying to enable consistency between periods. Remaining movements of £5 million loss (28 weeks ended 16 September 2023: £6 million loss; 52 weeks ended 2 March 2024: £10 million loss) within net finance costs relate to lease interest paid on impaired non-trading sites.
c) Comprises the unwind of non-cash fair value adjustments arising from the Home Retail Group acquisition. Classification as non-underlying is because these assets would not normally be recognised outside of a business combination.

4. 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.

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. As described in note 2.5, 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.

Segment results, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities, including investments in associates and joint ventures, are not disclosed because they are not reported to, or reviewed by, the CODM.

In presenting discontinued operations, income and costs directly attributable to the discontinued operations are presented separately. A high proportion of central and multi-product costs continue to be recognised within continuing operations as they are not deemed to be directly attributable to the discontinued operation.

4.1 Income statement

				28 weeks to 14 September 2024		
	Note	**Retail £m**	**Financial services £m**	**Group - Continuing operations £m**	**Group - Discontinued operations £m**	**Group Total £m**
Revenue						
Grocery, General Merchandise & Clothing		**14,868**	**-**	**14,868**	**-**	**14,868**
Fuel		**2,182**	**-**	**2,182**	**-**	**2,182**
Interest receivable		**-**	**107**	**107**	**140**	**247**
Fees and commission		**-**	**46**	**46**	**27**	**73**
		17,050	**153**	**17,203**	**167**	**17,370**
Underlying operating profit/(loss)						
Underlying operating profit/(loss)		**503**	**(11)**	**492**	**29**	**521**
Underlying finance income		**15**	**-**	**15**	**-**	**15**
Underlying finance costs		**(180)**	**-**	**(180)**	**-**	**(180)**
Underlying profit/(loss) before tax		**338**	**(11)**	**327**	**29**	**356**
Non-underlying items	3, 7			**(70)**	**(155)**	**(225)**
Profit/(loss) before tax				**257**	**(126)**	**131**
Income tax (expense)/credit	6, 7			**(83)**	**28**	**(55)**
Profit/(loss) after tax				**174**	**(98)**	**76**

				28 weeks to 16 September 2023		
	Note	Retail £m	Financial services £m	Group - Continuing operations £m	Group - Discontinued operations £m	Group Total £m

	Note	£m	£m	£m	£m	£m
Revenue						
Grocery, General Merchandise & Clothing		14,380	-	14,380	-	14,380
Fuel		2,285	-	2,285	-	2,285
Interest receivable		-	123	123	140	263
Fees and commission		-	25	25	30	55
		16,665	148	16,813	170	16,983
Underlying operating profit/(loss)		485	(26)	459	39	498
Underlying finance income		12	-	12	-	12
Underlying finance costs		(170)	-	(170)	-	(170)
Underlying profit/(loss) before tax		327	(26)	301	39	340
Non-underlying items	3, 7			(51)	(14)	(65)
Profit before tax				250	25	275
Income tax (expense)/credit	6, 7			(114)	(6)	(120)
Profit after tax				136	19	155

					52 weeks to 2 March 2024	
	Note	Retail £m	Financial services £m	Group - Continuing operations £m	Group - Discontinued operations £m	Group Total £m
Revenue						
Grocery, General Merchandise & Clothing		27,830	-	27,830	-	27,830
Fuel		4,254	-	4,254	-	4,254
Interest receivable		-	187	187	306	493
Fees and commission		-	87	87	57	144
		32,084	274	32,358	363	32,721
Underlying operating profit/(loss)		966	(44)	922	73	995
Underlying finance income		30	-	30	-	30
Underlying finance costs		(324)	-	(324)	-	(324)
Underlying profit/(loss) before tax		672	(44)	628	73	701
Non-underlying items	3, 7			(209)	(215)	(424)
Profit/(loss) before tax				419	(142)	277
Income tax expense	6, 7			(163)	23	(140)
Profit/(loss) after tax				256	(119)	137

Comparative periods have been re-presented to separately disclose discontinued operations.

5. Finance income and finance costs

	28 weeks to 14 September 2024			28 weeks to 16 September 2023			52 weeks to 2 March 2024		
Continuing operations	**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m	Underlying £m	Non-underlying £m	Total £m
Finance income									
Interest on bank deposits and other financial assets	**14**	**-**	**14**	11	-	11	28	-	28
IAS 19 pension financing income	**-**	**18**	**18**	-	25	25	-	51	51
Finance income on net investment in leases	**1**	**-**	**1**	1	-	1	2	-	2
	15	**18**	**33**	12	25	37	30	51	81
Finance costs									
Secured borrowings	**(19)**	**-**	**(19)**	(18)	-	(18)	(38)	-	(38)
Unsecured borrowings	**(22)**	**-**	**(22)**	(16)	-	(16)	(33)	-	(33)
Lease liabilities	**(139)**	**(6)**	**(145)**	(136)	(6)	(142)	(253)	(11)	(264)
Provisions - amortisation of discount	**-**	**-**	**-**	-	-	-	-	(1)	(1)
	(180)	**(6)**	**(186)**	(170)	(6)	(176)	(324)	(12)	(336)

6. Income tax expense

Continuing operations	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Current year UK tax	**42**	64	112
Under provision in prior years	**-**	(1)	(4)
Total current tax expense	**42**	63	108
Origination and reversal of temporary differences	**42**	20	32
Under provision in prior years	**(1)**	(9)	(19)
Adjustment from change in applicable rate of deferred tax	**-**	-	2
Derecognition of capital losses	**-**	40	40
Total deferred tax expense	**41**	51	55
Total income tax expense	**83**	114	163
Analysed as:	**64**		
Underlying tax	**97**	85	167
Non-underlying tax	**(14)**	29	(4)
Total income tax expense	**83**	114	163
Underlying tax rate	**29.7%**	28.2%	26.6%
Effective tax rate	**32.3%**	45.6%	38.9%

Comparative periods have been re-presented to separately disclose discontinued operations. Tax associated with discontinued operations is presented in note 7.

Tax charged within the 28 weeks ended 14 September 2024 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ending 1 March 2025 using rates substantively enacted by 14 September 2024 as required by IAS 34 'Interim Financial Reporting'.

The effective tax rate is higher than the standard rate of corporation tax in the UK of 25% primarily due to the impact of non-qualifying depreciation and non-deductible transaction costs on the disposal of the Core Banking Business.

The Spring Budget on 21 March 2023 confirmed the introduction of Pillar Two reporting requirements for the UK, and were enacted on 18 July 2023, confirming that the rules will apply to the Group for the period ending 1 March 2025. Pillar Two reporting introduced a global minimum 15% tax rate by the end of 2023 and the Group will be required to file certain returns evidencing the payment of tax at this rate. The potential impact of this has been assessed based on the most recent tax filings, country by country reporting and financial statements for the constituent entities in the

Group, and it is not considered that there is a material top-up tax liability at this stage under the transitional safe harbour rules.

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

Deferred tax assets have not been recognised in respect of capital losses of £355 million (2 March 2024: £355 million; 16 September 2023: £357 million) for which their use against chargeable capital gains is restricted. These capital losses have no date of expiry. Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and relate to taxes levied by the same tax authority.

7. Discontinued operations

In January 2024 the Group announced it had completed its strategic review of the Financial Services division, culminating in a single co-ordinated plan to move to a third-party distributed model. Owing to the complex nature of assets and liabilities that make up the separate major line of business, this will result in a phased withdrawal with components completing at various stages.

Following the announcement on 20 June 2024 that the Group had entered into an agreement for the sale of Sainsbury's Bank plc's personal loan, credit card and retail deposit portfolios (together the "Core Banking Business") to NatWest Group ("NatWest"), the associated assets and liabilities of the disposal group were classified as held for sale. The sale is expected to complete in the first half of calendar year 2025. Despite the agreement triggering a change in business model, the financial assets of the disposal group continue to be measured at amortised cost in accordance with IFRS 9 'Financial Instruments', whilst the disposal group is measured at fair value less costs to sell in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'. Assets of the disposal group held for sale have been recognised net of associated costs of disposal.

At the balance sheet date, ATM assets have been classified as held for sale as it is management's expectation that the carrying amount will be recovered principally through a sale that will complete within twelve months of the assessment date.
Following the classification of the Core Banking Business and ATMs as held for sale, and both components forming part of the single co-ordinated plan to move to a third-party distributed model, results have also been re-presented to classify the operations as discontinued.

In August 2023, the Group disposed of its mortgage portfolio which in isolation was not sufficiently material to be classified as a discontinued operation at that time but did form part of the move to a third-party distributed model in prior periods and accordingly has now been reclassified as a discontinued operation for the 28 week period to 16 September 2023 and the 52 week period to 2 March 2024.

The (loss)/profit for these operations is set out in note 7.2 with associated non-underlying items previously included in continuing operations set out in note 7.3. Further costs associated with this restructuring will be incurred in future years as further detailed plans to execute these changes are formulated and communicated. Loss on disposal is measured by reference to the fair value of portfolios at the balance sheet date as set out in note 7.4.

Subsequent to the balance sheet date, the Group announced the sale of its AFS cards portfolio. As a sale was not considered to be highly probable at the balance sheet date, AFS assets have not been classified as held for sale, and AFS operations are presented within continuing operations. These will be classified as discontinued operations in the 52 weeks to 1 March 2025.

7.1 Total (loss)/profit after tax

	Note	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
(Loss)/profit after tax excluding net loss arising from disposals	7.2	**(17)**	30	(108)
Net loss arising from disposals	7.4	**(81)**	(11)	(11)
(Loss)/profit after tax		**(98)**	19	(119)
Of which:				
Underlying items		**22**	30	55
Non-underlying items	7.3, 7.4	**(120)**	(11)	(174)
(Loss)/profit after tax		**(98)**	19	(119)

7.2 (Loss)/profit after tax excluding net loss arising from disposals

		Note	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Revenue					
Interest receivable			**140**	140	306
Fees and commission income			**27**	30	57
			167	170	363
Cost of sales			**(60)**	(39)	(120)
Impairment of financial assets			**(22)**	(32)	(57)
Administrative expenses			**(56)**	(60)	(113)
Operating profit, excluding non-underlying restructuring costs			**29**	39	73
Non-underlying restructuring and impairment costs	a)	7.3	**(51)**	-	(201)
(Loss)/profit before tax			**(22)**	39	(128)
Income tax credit/(charge)			**5**	(9)	20
(Loss)/profit after tax			**(17)**	30	(108)

a) Amounts in the 28 weeks to 14 September 2024 have been recognised in administrative expenses (52 weeks to 2 March 2024: £21 million effective interest rate adjustment to financial assets was recognised in revenue, with the remaining £180 million recognised in administrative expenses).

7.3 Non-underlying restructuring and impairment costs included in discontinued operations

		28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Impairment reversals/(charges)	a)	**2**	-	(152)
Employee costs	b)	**(2)**	-	(2)
Onerous contracts	c)	**(44)**	-	(15)
Effective interest rate adjustment to financial assets	d)	**-**	-	(21)
Other costs	e)	**(7)**	-	(11)
		(51)	-	(201)

Income tax credit	**12**	-	38
	(39)	-	(163)

a) Comprises £2 million reversal of impairment previously recognised on ATM assets now classified as held for sale (52 weeks to 2 March 2024: comprises impairment charges of property, plant and equipment, and intangible assets including goodwill).
b) Comprises severance costs and incremental project-related employee costs.
c) Comprises long dated IT contracts where early termination will result in incremental costs to exit. Costs represent the lower of the costs of fulfilling contracts and the costs of terminating.
d) The withdrawal from core banking operations has a commercial impact upon future management initiatives and potential impact on customer behaviours. This required refreshed assumptions in the calculation of the effective interest rate, reducing the amortised cost of financial assets (credit cards) shown in loans and advances to customers with the impacts being recognised in revenue.
e) Comprises loss on derivatives no longer classified in an effective hedge relationship (52 weeks to 2 March 2024: comprises consultancy costs.)

7.4 Net loss arising from disposals

		28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Fair value of consideration (payable)/receivable	a)	**(536)**	446	446
Fair value of net liabilities/(assets) disposed excluding provisions	b)	**331**	(458)	(458)
Reversal of net provisions held against assets disposed		**153**	1	1
Write down of net liabilities/loss on net assets disposed	c)	**(52)**	(11)	(11)
Costs of disposal	d)	**(52)**	(3)	(3)
Loss on disposal before tax		**(104)**	(14)	(14)
Income tax credit		**23**	3	3
Loss on disposal after tax	c)	**(81)**	(11)	(11)

a) 28 weeks to 14 September 2024: Comprises net liabilities disposed for the core banking activities net of a discount of £162 million on gross assets based on pricing mechanisms set out in the sale agreement but measured at the reporting date of 14 September 2024. The discount at expected point of completion in the first half of calendar year 2025 is £125 million (28 weeks to 16 September 2023 and 52 weeks to 2 March 2024: comprises proceeds in respect of the sale of the mortgage portfolio). For the 28 weeks to 14 September 2024 amounts are offset by £2 million related to the ATM assets.
b) 28 weeks to 14 September 2024, and 52 weeks ended 2 March 2024: comprises the fair value of the assets and liabilities of the mortgage portfolio inclusive of £7 million goodwill.
c) By the point of completion of the sale in 2025, the write down of net assets disposed is expected to be up to £40 million lower than the amount recognised as at 14 September 2024. Furthermore, the total loss on disposal by this point will also include further incremental legal and consultancy costs to be incurred.
d) Relates to disposal costs comprising legal, consultancy and migration costs directly associated with the sale.

7.5 Assets and liabilities of disposal group and non-current assets classified as held for sale

	Note	**28 weeks to 14 September 2024 £m**
Non-current assets classified as held for sale		
ATM assets		**2**
Assets of disposal group classified as held for sale		
Unsecured personal loans and credit card balances		**3,269**
Net allowance for expected credit losses and effective interest rate adjustment	a)	**(98)**
Excess loss on remeasurement of disposal group	b)	**(102)**
		3,069
Total assets of disposal group and non-current assets classified as held for sale	14	**3,071**
Liabilities of disposal group classified as held for sale		
Customer deposits		**(3,655)**
Net liabilities held for sale associated with discontinued operations		**(584)**

a) Represents expected credit losses and effective interest rate adjustments already held on the balance sheet.
b) Represents the incremental costs directly attributable to the disposal of the disposal group, and the discount applied to write down assets as set out in the pricing mechanism in the sale agreement.

7.6 Cash flow statement

	28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Net cash flows from:			
Operating activities	**44**	150	(45)
Investing activities	**-**	445	440
Financing activities	**-**	-	-
	44	595	395

8. Earnings per share

The calculations of basic and underlying basic earnings per share are based on profit after tax and underlying profit after tax for the financial year, respectively, divided by the weighted average number of Ordinary shares in issue during the year, excluding own shares held by the Employee Share Ownership Trust (ESOT).

Underlying earnings per share figures, which represent alternative performance measures as defined in note 2.5, have been calculated based on total profit after tax attributable to shareholders before non-underlying items which are set out in note 3.

Diluted and underlying diluted earnings per share are calculated on the same basis as basic and underlying basic earnings per share, but where the weighted average share numbers have also been adjusted for the weighted average effects of potentially dilutive shares. Such potentially dilutive shares comprise share options and awards granted to employees, where the scheme to date performance is deemed to have been earned.

	14 September 2024 million	16 September 2023 million	2 March 2024 million
Weighted average number of shares in issue for calculating basic earnings per share	**2,346.3**	2,332.5	2,334.8
Weighted average number of dilutive share options	**41.6**	54.4	59.2
Total number of shares for calculating diluted earnings per share	**2,387.9**	2,386.9	2,394.0

	28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Underlying profit after tax attributable to ordinary shareholders of the parent	**252**	246	516
Non-underlying items after tax	**(176)**	(91)	(379)
Profit after tax attributable to ordinary shareholders of the parent	**76**	155	137

Profit after tax attributable to ordinary shareholders of the parent	76	155	137
(Loss)/profit after tax from discontinued operations	**(98)**	19	(119)
Profit after tax attributable to ordinary shareholders of the parent - continuing operations	**174**	136	256

	Pence per share	Pence per share	Pence per share
Basic - total	**3.2**	6.6	5.9
Diluted - total	**3.2**	6.5	5.7
Basic - discontinued operations	**(4.2)**	0.8	(5.1)
Diluted - discontinued operations	**(4.1)**	0.8	(5.0)
Basic - continuing operations	**7.4**	5.8	11.0
Diluted - continuing operations	**7.3**	5.7	10.7
Basic - underlying	**10.7**	10.5	22.1
Diluted - underlying	**10.6**	10.3	21.6

Comparative periods have been re-presented to separately disclose discontinued operations.

9. Dividends

	28 weeks to 14 September 2024 pence per share	28 weeks to 16 September 2023 pence per share	52 weeks to 2 March 2024 pence per share	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Amounts recognised as distributions to ordinary shareholders						
Financial year ended 4 March 2023						
- Final dividend	**-**	9.2	9.2	**-**	215	215
Financial year ended 2 March 2024						
- Interim dividend	**-**	-	3.9	**-**	-	91
- Final dividend	**9.2**	-	-	**217**	-	-
	9.2	9.2	13.1	**217**	215	306
Proposed interim dividend	**3.9**			**91**		

The proposed interim dividend was approved by the Board on 6 November 2024 and has not been included as a liability in these financial statements.

10. Financial instruments

	14 September 2024 £m	2 March 2024 £m	16 September 2023 £m
Held at amortised cost			
Financial assets			
Cash and cash equivalents	**1,591**	1,987	2,067
Trade and other receivables	**426**	444	504
Amounts due from Financial Services customers and other banks	**846**	4,517	4,821
Financial liabilities			
Trade and other payables	**(4,744)**	(4,768)	(4,931)
Borrowings	**(1,180)**	(1,195)	(1,215)
Amounts due to Financial Services customers and other deposits	**(1,637)**	(5,721)	(6,057)
Lease liabilities	**(5,432)**	(5,354)	(5,412)
Held at fair value through other comprehensive income (OCI)			
Financial assets	**1,278**	778	702
Held at fair value through profit or loss			
Derivative financial instruments	**(42)**	(11)	96
	(8,894)	(9,323)	(9,425)

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.

10.1 Fair value estimation of amounts held at amortised cost

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 cash and cash equivalents, trade and other receivables, trade and other payables and overdrafts are assumed to approximate to their book values.

	14 September 2024		2 March 2024		16 September 2023	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets						
Amounts due from Financial Services customers and banks	**846**	**828**	4,517	4,381	4,821	4,694
Financial liabilities						
Loans due 2031	**(472)**	**(471)**	(496)	(494)	(518)	(535)
Term Loan	**(583)**	**(575)**	(581)	(575)	(580)	(575)
Tier 2 Capital	**(124)**	**(141)**	(122)	(136)	(118)	(127)
Amounts due to Financial Services customers and banks	**(1,637)**	**(1,655)**	(5,721)	(5,733)	(6,057)	(6,045)

During the period £3,121 million due from Financial Services customers and banks, and £3,655 million due to Financial Services customers and banks have been transferred to amounts held in the disposal group and subsequently measured at fair value less cost to sell, refer to note 7.5.

10.2 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 September 2024	2 March 2024

	14 September 2024				2 March 2024			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial instruments at fair value through other comprehensive income								
Other financial assets	**-**	**12**	**-**	**12**	-	17	-	17
Investment securities	**1,218**	**48**	**-**	**1,266**	761	-	-	761
Derivative financial assets	**-**	**48**	**11**	**59**	-	67	9	76
Derivative financial liabilities	**-**	**(101)**	**-**	**(101)**	-	(87)	-	(87)

	16 September 2023			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
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)

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

10.3 Level 3 Financial assets

a) Power purchase agreements
The Group has entered into several long-term fixed and CPI linked price Power Purchase agreements with independent producers and values these agreements as the net present value of the estimated future usage at the contracted fixed price less the market implied forward energy price discounted at the prevailing swap rate.

All Power Purchase Agreements are physical arrangements. Arrangements designated in hedging relationships are classified as hedging instruments, whereas those not designated in hedging relationships are not classified as hedging instruments. The credit risk exposure associated with the Power Purchase Agreements is considered immaterial.

Commodity derivative values

	14 September 2024	2 March 2024	16 September 2023
	£m	£m	£m
At the beginning of the financial period	**9**	131	131
In cost of sales in the Group income statement	**4**	(46)	(20)
In other comprehensive income	**(2)**	(76)	(29)
At the end of the financial period	**11**	9	82

b) Sensitivity of power purchase agreement derivatives
The Group makes an assumption regarding expected energy output and pricing based on the historical performance and the producer's estimate of expected electricity output. The sensitivity to a change in output volume is not significant, but the sensitivity to forward pricing is shown below:

	14 September 2024	
	Change in output volume +/-20.0%	**Change in forward pricing +/-20.0%**
	£m	**£m**
Not in a hedge relationship	**2/(2)**	**8/(8)**
Designated in a cash flow hedge relationship	**0/(0)**	**28/(28)**

10.4 Amounts due from Financial Services customers and other banks

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:

	14 September 2024			2 March 2024		
	Non-current	**Current**	**Total**	Non-current	Current	Total
	£m	**£m**	**£m**	£m	£m	£m
Loans and advances to customers	**2**	**926**	**928**	1,525	3,227	4,752
Impairment of loans and advances	**-**	**(82)**	**(82)**	(58)	(177)	(235)
	2	**844**	**846**	1,467	3,050	4,517

	16 September 2023		
	Non-current	Current	Total
	£m	£m	£m
Loans and advances to customers	1,566	3,503	5,069
Impairment of loans and advances	(58)	(190)	(248)
	1,508	3,313	4,821

10.5 Amounts due to Financial Services customers and banks

Following the strategic decision to move to offer Financial Services products through dedicated Financial Services providers and the phased withdrawal from the Core Banking Business, amounts due in respect of the Bank of England's Term Funding Scheme Small and Medium-sized enterprises (TFSME) have been classified as current liabilities. This is in line with the terms and conditions of the Term Funding Scheme with additional incentives for SMEs, although the latest repayment dates remain as August 2025 of £115 million, and September 2025 of £175 million. As of the date of approval of these financial statements, these liabilities have been fully repaid.

10.6 Credit risk

a) Sensitivity of ECL to changes in macro-economic assumptions
The ECL models utilise four scenarios including a 'basecase' scenario considered to be the most likely outcome together withan upside, downside and severe downside scenario. The base case hasbeen assigned a probability weighting of 40% with the upside, downside and severe downside scenarios weighted 30%, 25%, 5% respectively.

	14 September 2024			
	Base	**Upside**	**Downside**	**Severe Downside**
5-year average	**%**	**%**	**%**	**%**
Unemployment rate	**4.3**	**3.9**	**5.2**	**6.5**
Consumer price growth	**2.1**	**1.3**	**2.9**	**3.8**
GDP	**1.6**	**2.2**	**1.0**	**0.4**
Mortgage debt as a percentage of household income	**89.8**	**87.1**	**92.8**	**95.6**
Real household disposable income	**1.7**	**2.4**	**1.1**	**0.4**
Probability weighting	**40**	**30**	**25**	**5**
Sensitivity analysis impact on impairment of 100% weighting	**£(3)m**	**£(11)m**	**£13m**	**£39m**

b) Management overlays and post model assumptions (PMAs)
Overlays and PMAs are adjustments to ECL at either a customer or portfolio level to account for known data or model limitations and are defined consistently with the most recent recommendations of the Taskforce on Disclosures about Expected Credit Losses (DECL). Internal governance is in place to regularly monitor and reduce reliance such overlays through model recalibration or redevelopment.

Management overlays and PMAs include those arising from modelling specific economic uncertainties or operational adjustments due to model or data limitations which require a permanent remodelling solution. The effects of overlays and PMAs is not significant.

11. Cash and cash equivalents

11.1 Balance sheet

	14 September 2024 £m	2 March 2024 £m	16 September 2023 £m
Cash in hand and bank balances	**638**	606	680
Money market funds	**499**	263	250
Money market deposits	**-**	232	210
Deposits at central banks	**454**	886	927
Cash and bank balances as reported in the Group balance sheet	**1,591**	1,987	2,067
Bank overdrafts (within current borrowings)	**(4)**	-	(2)
Net cash and cash equivalents as reported in the Group cash flow statement	**1,587**	1,987	2,065
Restricted amounts included above			
Held as a reserve deposit with the Bank of England	**-**	14	15
For insurance purposes	**8**	7	7
Held within the Group's Employee Share Ownership Trust	**5**	-	-
	13	21	22

11.2 Cash flow statement

Trade and other payables
Cash flows differ from the movement in the balance sheet owing mainly to reclassifications to other lines in the cash flow statement of £89 million (52 weeks to 2 March 2024: £92 million; 28 weeks to 16 September 2023: £119 million).

Provisions
Cash flows differ from the movement in the balance sheet owing mainly to the presentation of cash flows as discontinued operations of £41 million (52 weeks to 2 March 2024: £nil million; 28 weeks to 16 September 2023: £nil million).

Financial assets at fair value through OCI
Cash flows differ from the movement in the balance sheet owing mainly to the derecognition of beneficial interest in property pool of £nil million (52 weeks to 2 March 2024: £366 million; 28 weeks to 16 September 2023: £366 million).

Amounts due from Financial Services customers
Cash flows differ from the movement in the balance sheet owing mainly to the reclassification of these amounts to Assets of disposal group and non-current assets held for sale on the Balance Sheet of £3,708 million and proceeds of amounts due from Financial Service customers of £nil (52 weeks to 2 March 2024: £446 million; 28 weeks to 16 September 2023: £446 million) presented within cash flows from investing activities.

Amounts due to Financial Services Customers
Cash flows differ from the movement in the balance sheet owing mainly to the reclassification of these amounts to Liabilities of disposal group held for sale on the Balance Sheet of £4,164 million (52 weeks to 2 March 2024: £nil, 28 weeks to 16 September 2023: £nil).

12. Notes to the cash flow statement

12.1 Reconciliation of operating profit to net cash generated from operations

	28 weeks to 14 September 2024 £m	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Operating profit - continuing operations	**410**	389	674
Depreciation expense	**557**	530	988
Amortisation expense	**93**	94	177
Net impairment charge on non-financial assets	**12**	21	83
Profit on sale of non-current assets and early termination of leases	**(11)**	(12)	(16)
Non-underlying fair value movements	**(4)**	19	46
Share-based payments expense	**42**	38	89
Defined benefit scheme expenses	**4**	4	7
Cash contributions to defined benefit schemes	**(23)**	(23)	(44)
Operating cash flows before changes in working capital	**1,080**	1,060	2,004
Decrease/(increase) in inventories	**13**	(274)	5
Increase in financial assets at fair value through OCI	**(499)**	(60)	(135)
Increase in trade and other receivables	**(36)**	(91)	(5)
(Increase)/decrease in amounts due from Financial Services customers and other deposits	**(37)**	144	35
Increase in trade and other payables	**195**	565	163
Increase in amounts due to Financial Services customers and other deposits	**80**	1	345
Increase/(decrease) in provisions and other liabilities	**3**	(36)	(5)
Cash generated from operations - continuing operations	**799**	1,309	2,407

12.2 Analysis of net debt

		Cash Movements		Non-Cash Movements		
	3 March 2024 £m	**Cash flows excluding interest £m**	**Net interest (received) / paid £m**	**Accrued Interest £m**	**Other non-cash movements £m**	**14 September 2024 £m**
Retail						
Net derivative financial instruments	**-**	**-**	**(1)**	**1**	**(2)**	**(2)**
Borrowings (excluding overdrafts)	**(1,077)**	**22**	**38**	**(38)**	**-**	**(1,055)**
Lease liabilities	**(5,354)**	**243**	**145**	**(145)**	**(321)**	**(5,432)**
Purchase of own shares for cancellation	**-**	**136**	**-**	**-**	**(150)**	**(14)**
Arising from financing activities	**(6,431)**	**401**	**182**	**(182)**	**(473)**	**(6,503)**
Cash and cash equivalents	**877**	**32**	**-**	**-**	**-**	**909**

Cash and cash equivalents	**877**	**92**				**[illegible]**
Bank overdrafts	**-**	**(4)**	**-**	**-**	**-**	**(4)**
Less: Purchase of own shares for cancellation	**-**	**(136)**	**-**	**-**	**150**	**14**
Retail net debt	**(5,554)**	**293**	**182**	**(182)**	**(323)**	**(5,584)**
Financial Services						
Net derivative financial instruments	**-**	**-**	**-**	**-**	**1**	**1**
Borrowings (excluding overdrafts)	**(122)**	**-**	**6**	**(6)**	**(2)**	**(124)**
Lease liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Arising from financing activities	**(122)**	**-**	**6**	**(6)**	**(1)**	**(123)**
Financial assets at fair value through other comprehensive income	**761**	**505**	**-**	**-**	**-**	**1,266**
Cash and cash equivalents	**1,110**	**(428)**	**-**	**-**	**-**	**682**
Financial services net funds	**1,749**	**77**	**6**	**(6)**	**(1)**	**1,825**
Group						
Net derivative financial instruments	**-**	**-**	**(1)**	**1**	**(1)**	**(1)**
Borrowings (excluding overdrafts)	**(1,199)**	**22**	**44**	**(44)**	**(2)**	**(1,179)**
Lease liabilities	**(5,354)**	**243**	**145**	**(145)**	**(321)**	**(5,432)**
Purchase of own shares for cancellation	**-**	**136**	**-**	**-**	**(150)**	**(14)**
Arising from financing activities	**(6,553)**	**401**	**188**	**(188)**	**(474)**	**(6,626)**
Financial assets at fair value through other comprehensive income	**761**	**505**	**-**	**-**	**-**	**1,266**
Cash and cash equivalents	**1,987**	**(396)**	**-**	**-**	**-**	**1,591**
Bank overdrafts	**-**	**(4)**	**-**	**-**	**-**	**(4)**
Less: Purchase of own shares for cancellation	**-**	**(136)**	**-**	**-**	**150**	**14**
Group net debt	**(3,805)**	**370**	**188**	**(188)**	**(324)**	**(3,759)**

		Cash Movements		Non-Cash Movements		
	5 March 2023 £m	Cash flows excluding interest £m	Net interest (received) / paid £m	Accrued Interest £m	Other non-cash movements £m	2 March 2024 £m
Retail						
Net derivative financial instruments	-	-	(1)	1	-	-
Borrowings (excluding overdrafts)	(539)	(534)	60	(64)	-	(1,077)
Lease liabilities	(6,488)	505	264	(264)	629	(5,354)
Arising from financing activities	(7,027)	(29)	323	(327)	629	(6,431)
Cash and cash equivalents	683	194	-	-	-	877
Retail net debt	(6,344)	165	323	(327)	629	(5,554)
Financial Services						
Net derivative financial instruments	-	-	-	-	-	-
Borrowings (excluding overdrafts)	(122)	-	13	(13)	-	(122)
Lease liabilities	(1)	2	-	-	(1)	-
Arising from financing activities	(123)	2	13	(13)	(1)	(122)
Financial assets at fair value through other comprehensive income	626	135	-	-	-	761
Cash and cash equivalents	636	474	-	-	-	1,110
Financial services net funds	1,139	611	13	(13)	(1)	1,749
Group						
Net derivative financial instruments	-	-	(1)	1	-	-
Borrowings (excluding overdrafts)	(661)	(534)	73	(77)	-	(1,199)
Lease liabilities	(6,489)	507	264	(264)	628	(5,354)
Arising from financing activities	(7,150)	(27)	336	(340)	628	(6,553)
Financial assets at fair value through other comprehensive income	626	135	-	-	-	761
Cash and cash equivalents	1,319	668	-	-	-	1,987
Group net debt	(5,205)	776	336	(340)	628	(3,805)

		Cash Movements		Non-Cash Movements		
	5 March 2023 £m	Cash flows excluding interest £m	Net interest (received) / paid £m	Accrued Interest £m	Other non-cash movements £m	16 September 2023 £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)	825	(6,509)
Cash and cash equivalents	683	185	-	-	-	868
Bank overdrafts	-	(2)	-	-	-	(2)
Retail net debt	(6,344)	(120)	166	(170)	825	(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)	825	(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)	825	(3,880)

Net derivatives comprise only those used to hedge borrowings. Non-cash movements include changes in fair value of £(2) million which arises in Retail and £(1) million arising in Financial Services (52 weeks to 2 March 2024: £nil; 28 weeks ended 16 September 2023: £1 million and £nil, which arises in Retail and Financial Services, respectively) on net derivative financial instruments, borrowings (excluding overdrafts) and financial assets through OCI. Amounts for these individual components was not significant.

12.3 Reconciliation of own shares purchased for cancellation

The table below presents the reconciliation of own shares purchased for cancellation between the Group statement of changes in equity and the Group cash flow statement:

	14 September 2024 £m	2 March 2024 £m	16 September 2024 £m
Included in the Group statement of changes in equity	**(150)**	-	-
Outstanding amount recognised as financial liabilities	**14**	-	-
Included in the Group cash flow statement	**(136)**	-	-

13. Borrowings

	14 September 2024			2 March 2024		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Loan due 2031	**58**	**414**	**472**	54	442	496
Term loan	**8**	**575**	**583**	6	575	581
Bank overdrafts	**4**	**-**	**4**	-	-	-
Sainsbury's Bank Tier 2 Capital	**6**	**118**	**124**	6	116	122
	76	**1,107**	**1,183**	66	1,133	1,199
Transaction costs	**(1)**	**(2)**	**(3)**	(1)	(3)	(4)
	75	**1,105**	**1,180**	65	1,130	1,195

	16 September 2023		
	Current £m	Non-current £m	Total £m
Loan due 2031	51	467	518
Term loan	5	575	580
Bank overdrafts	2	-	2
Sainsbury's Bank Tier 2 Capital	6	112	118
	64	1,154	1,218
Transaction costs	-	(3)	(3)
	64	1,151	1,215

Undrawn facilities

The Group's 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 2028 and Facility B has a maturity of December 2027.

14. Assets and liabilities of disposal group and non-current assets held for sale

As described in note 7, in the period the Group announced the sale of its Core Banking Business and ATM estate, which are due to complete in the first half of the calendar year 2025. Consequently, assets of the disposal group of £3,069 million and non-current assets of £2 million have been classified as held for sale during this period. Assets of the disposal group and non-current assets held for sale are disclosed in note 7.5.

For other assets, 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.

14.1 Assets of disposal group and non-current assets held for sale

	28 weeks to 14 September 2024 £m	52 weeks to 2 March 2024 £m	28 weeks to 16 September 2023 £m
Opening balance	**10**	8	8
Acquisition	**-**	63	63
Classified as held for sale in the period	**3,078**	15	8
No longer classified as held for sale	**-**	(10)	(3)
Sold in the period	**(2)**	(66)	(66)
Closing balance	**3,086**	10	10
Of which			
Assets of disposal group held for sale	**3,069**	-	-
Non-current assets classified as held for sale	**17**	10	10
	3,086	10	10

14.2 Liabilities of disposal group and non-current assets held for sale

	28 weeks to 14 September 2024 £m	52 weeks to 2 March 2024 £m	28 weeks to 16 September 2023 £m
Opening balance	**-**	-	-
Classified as held for sale in the period	**(3,655)**	-	-
Closing balance	**(3,655)**	-	-

15. 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 most recent triennial valuation was carried out as at 30 September 2021 resulting in resulting in an actuarial surplus of £130 million (comprising a surplus of £231 million in the Sainsbury's section and a £101 million deficit in the Argos section) on a technical provisions basis. The next triennial valuation as at 30 September 2024 has now commenced; the Company will share the outcome when discussions have completed in 2025.

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.

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

Based on a review of the changes made to the Scheme during this period, the Group does not consider any adjustments to the interim financial statements are required in respect of this matter. Both the Trustee and the Company have taken legal advice and are following any developments closely.

15.1 Balance sheet

	14 September 2024			2 March 2024		
	Sainsbury's £m	**Argos £m**	**Group £m**	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	**(5,270)**	**(836)**	**(6,106)**	(5,172)	(816)	(5,988)
Fair value of plan assets	**5,912**	**970**	**6,882**	5,777	925	6,702
Retirement benefit surplus	**642**	**134**	**776**	605	109	714
Present value of unfunded obligations	**(14)**	**(11)**	**(25)**	(14)	(10)	(24)
Net retirement benefit surplus	**628**	**123**	**751**	591	99	690

	16 September 2023		
	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(4,898)	(765)	(5,663)
Fair value of plan assets	5,761	911	6,672
Retirement benefit surplus	863	146	1,009
Present value of unfunded obligations	(12)	(10)	(22)
Net retirement benefit surplus	851	136	987

15.2 Movements in net surplus

	28 weeks to 14 September 2024 £m	52 weeks to 2 March 2024 £m	28 weeks to 16 September 2023 £m
At the beginning of the financial period	**690**	989	989
Net interest income	**18**	51	25
Remeasurement gains/(losses)	**24**	(389)	(46)
Pension scheme expenses	**(4)**	(7)	(4)
Contributions by employer	**23**	44	23
Benefits paid	**-**	2	-
At the end of the period	**751**	690	987

15.3 Valuation of plan assets

The Pension Scheme has circa £1,220 million of private market assets, split between private debt, private equity and property. The valuation of these assets was as at 31 March 2024 and a roll-forward to 14 September 2024 has been performed (adjusting for cash received or paid and applying the changes seen in relevant liquid indices) which increased the valuation of these assets by £21 million. A 1% change in the indices used would have caused a £10 million change in the adjustment.

15.4 Actuarial assumptions for measuring funded obligations

	14 September 2024 %	2 March 2024 %	16 September 2023 %
Discount rate	**4.80**	5.00	5.40
Inflation rate - RPI	**3.10**	3.20	3.35
Inflation rate - CPI	**2.50**	2.55	2.70
Future pension increases	**1.90 - 2.90**	1.95 - 3.00	1.90 - 3.00

15.5 Sensitivities

The obligations are sensitive to the above assumptions as well as demographic factors whereby the main impacts of such changes are:

Change in present value of funded obligations - increase / (decrease)

		£m	**£m**
Financial sensitivities			
Discount rate	+/- 0.1%	**(89)**	**91**
Discount rate	+/- 1.0%	**(811)**	**1,003**
Inflation rate	+/- 0.1%	**51**	**(47)**
Inflation rate	+/- 1.0%	**525**	**(496)**
Inflation rate for future pension increases	+/- 0.1%	**26**	**(23)**
Inflation rate for future pension increases	+/- 1.0%	**255**	**(271)**
Life expectancy	+/- 1 year	**200**	**(199)**

Any impact on the obligations at a future balance sheet date due to a change in the discount rate and/or inflation assumptions would be expected to be at least partially offset by a change in the value of hedged assets, and so any impact on the Scheme's surplus would be smaller than indicated above.

16. Contingent liabilities

The Group has a number of contingent liabilities in respect of disposed or exited businesses and guarantees in relation to disposed assets, which may expose the Group to a material liability. For disposed property assets, this could be if the current tenant and their ultimate parents become insolvent. No historical guarantees are 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 17,000 equal pay claims from circa 11,900 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 pay claims of this nature and the claimants will need to succeed in all three. The first stage is whether store claimants have the legal right to make the comparison with depot workers. Following European and Supreme Court decisions in other similar litigation, Sainsbury's has conceded this point. The second stage is the lengthy process to determine whether any of the claimants' roles are of equal value to their chosen comparators. 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.

17. Post balance sheet events

17. Post balance sheet events

Share buyback programme
As part of the Group's share buyback programme entered into on 26 April 2024, 3,196,657 shares were purchased, and subsequently cancelled after the balance sheet date. The financial liability of £14 million recognised at the balance sheet date has subsequently been derecognised following this share acquisition and settlement of directly attributable costs. Tranche One of the share buyback programme concluded on 14 October 2024.

Financial Services withdrawal
ATM assets
On 25 September 2024 the Group announced the sale of its ATM estate assets to NoteMachine and entered into a partnership for the ongoing provision of ATM services. The transfer of assets is expected to be completed by May 2025. Following the transfer, the Group will cease manufactured ATM operations. The associated assets were classified as held for sale and operations re-presented as discontinued at the balance sheet date, as disclosed in note 7.

AFS cards portfolio
The Group announced on 31 October 2024 the sale of its AFS cards portfolio to NewDay Group for total consideration expected to be around £720 million, comprising £660 million of cash and £60 million of corporate loan notes due three years after the issue date, and the creation of a partnership for the ongoing provision of credit through a new Argos-branded digital credit proposition. The purchase price at completion will be measured in accordance with the pricing mechanism by reference to the gross loan balance at the point of beneficial title transfer. This is expected to occur at the end of Q1 of calendar year 2025.

Following the announcement, associated assets of the AFS disposal group will be classified as held for sale, including any goodwill associated with the AFS component recognised as part of the Home Retail Group acquisition in 2016. Measuring the disposal group as held for sale will result in the recognition of migration and advisory costs directly attributable to the sale, and restructuring and advisory costs as a consequence of the exit. Owing to the classification as held for sale, and the transaction representing the latest phase in the single co-ordinated plan to move to a third-party distributed model, the results of the AFS component will be classified and presented as a discontinued operation.

At the balance sheet date, the AFS cards portfolio continued to be measured at amortised cost and was not classified as held for sale, nor were operations re-presented as discontinued operations, as a sale was not considered to be highly probable at the balance sheet date.

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 Social Sustainability
- Financial and treasury
- Safety and Security
- Political and regulatory environment
- Product safety and sourcing
- Sainsbury's Bank
- Trading environment and customer expectations

The Principal Risks and uncertainties remain those reported in detail in the Group's Annual Report and Financial Statements 2024. For more information on these risks, please refer to pages 53 to 61 of the J Sainsbury plc Annual Report and Financial Statements 2024, a copy of which is available on the Group's corporate website www.sainsburys.co.uk.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, 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 28 weeks of the financial year; and
· that the report contains a fair review of any material related party transactions.

At the date of this statement, the directors are those listed in the J Sainsbury plc Annual Report 2024. 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	Bláthnaid Bergin
Chief Executive	Chief Financial Officer
6 November 2024	6 November 2024

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 14 September 2024 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 14 September 2024 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
6 November 2024

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.

A1 Income statement measures

A1.1 Revenue

a) Retail like-for-like sales (Closest IFRS equivalent: none)
Definition and purpose
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 sector.

Reconciliation

	28 weeks to 14 September 2024	28 weeks to 16 September 2023	52 weeks to 2 March 2024
Retail like-for-like (exc. Fuel, inc. VAT)	**3.4%**	8.4%	7.5%
Underlying net new space impact	**(0.3)%**	(0.7)%	(0.7)%
Retail sales growth/(decline) (exc. Fuel, inc. VAT)	**3.1%**	7.7%	6.8%
Fuel impact	**(1.1)%**	(5.1)%	(3.6)%
Total retail sales growth (inc. Fuel, inc. VAT)	**2.0%**	2.6%	3.2%
VAT impact	**0.3%**	0.6%	0.4%
Total retail sales growth	**2.3%**	3.2%	3.6%

A1.2 Profit

a) Retail underlying operating profit and margin (Closest IFRS equivalent: Profit before tax**)**
Definition and purpose
Profit before interest and tax for the retail segment excluding non-underlying items.
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.

Reconciliation

	Note	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Retail underlying operating profit	4	**503**	485	966
Retail sales	4	**17,050**	16,665	32,084
Retail underlying operating margin		**2.95%**	2.91%	3.01%

b) Underlying profit before tax (Closest IFRS equivalent: Profit before tax)

Definition and purpose
Profit before tax excluding non-underlying items.
Provides shareholders with additional insight into the year-on-year performance.

Reconciliation
Face of the income statement.
Non-underlying items as set out in note 3 to the consolidated condensed interim financial statements.

c) Underlying basic and diluted earnings per share (Closest IFRS equivalent: Basic and diluted earnings per share)
Definition and purpose
Earnings per share using underlying profit as described above.
A key measure to evaluate the performance of the business and returns generated for investors.

Reconciliation
Note 8 to the consolidated condensed interim financial statements.

d) Retail underlying EBITDA (Closest IFRS equivalent: None)
Definition and purpose
Retail underlying operating profit as above, before underlying depreciation, and amortisation.
Used to review the retail segment's profit generation and the sustainability of ongoing capital reinvestment and finance costs.

Reconciliation

	Note	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Retail underlying operating profit	4	**503**	485	966
Add: Retail depreciation and amortisation expense	A2.1	**616**	597	1,112
Retail underlying EBITDA		**1,119**	1,082	2,078
Retail sales	4	**17,050**	16,665	32,084
Retail underlying EBITDA margin		**6.56%**	6.49%	6.48%

e) Underlying net finance costs (Closest IFRS equivalent: Finance income less finance costs)
Definition and purpose
Net finance costs before any non-underlying items that are recognised within finance income / expenses.
Provides shareholders with additional insight into the underlying net finance costs.

Reconciliation
Note 5 to the consolidated condensed interim financial statements.

f) Underlying tax rate (Closest IFRS equivalent: Effective tax rate)
Definition and purpose
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.

Reconciliation
Non-underlying tax for continuing operations is analysed in note 6 to the consolidated condensed interim financial statements. Tax associated with discontinued operations is presented in note 7.

A2 Cash flows and borrowings

A2.1 Retail cash flows (Closest IFRS equivalent: Group cash flows)

Definition and purpose
Retail cash flows identified as a separate component of Group cash flows.
Retail free cash flow: Net cash generated from retail operations, after cash capital expenditure and including payments of lease obligations, and cash flows from joint ventures and associates. Excludes capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. This measures cash generation, working capital efficiency and capital expenditure of the retail business.
Other retail cash flows: Individual cash flow line items segregated from Group cash flows to allow individual Retail cash flows to be identified. This enables management to assess the cash generated from its core retail operations, and to assess core retail capital expenditure in the financial year in order to review the strategic business performance.

Reconciliation

			28 weeks to 14 September 2024			28 weeks to 16 September 2023		
			Retail £m	**Financial Services £m**	**Group £m**	Retail £m	Financial Services £m	Group £m
Operating profit/(loss) - continuing			**436**	**(26)**	**410**	421	(32)	389
Depreciation and amortisation	- Underlying		**616**	**-**	**616**	597	11	608
	- Non-underlying		**34**	**-**	**34**	16	-	16
			650	**-**	**650**	613	11	624
Net impairment charge on non-financial assets			**12**	**-**	**12**	21	-	21
Profit on sale of non-current assets and early termination of leases	- Underlying	b)	**(4)**	**-**	**(4)**	-	-	-
	- Non-underlying		**(7)**	**-**	**(7)**	(12)	-	(12)
			(11)	**-**	**(11)**	(12)	-	(12)
Non-underlying fair value movements			**(4)**	**-**	**(4)**	19	-	19
Share-based payments expense		b)	**36**	**6**	**42**	36	2	38
Non-cash defined benefit scheme expenses			**4**	**-**	**4**	4	-	4
Cash contributions to defined benefit scheme			**(23)**	**-**	**(23)**	(23)	-	(23)
Operating cash flows before changes in working capital			**1,100**	**(20)**	**1,080**	1,079	(19)	1,060
Movements in working capital	- Underlying		**179**	**(453)**	**(274)**	273	-	273
	- Non-underlying		**(1)**	**(6)**	**(7)**	(24)	-	(24)
			178	**(459)**	**(281)**	249	-	249
Cash generated from operations - continuing		a)	**1,278**	**(479)**	**799**	1,328	(19)	1,309
Interest paid		a)	**(182)**	**(6)**	**(188)**	(166)	-	(166)
Corporation tax paid		a)	**(22)**	**3**	**(19)**	(17)	(3)	(20)
			1,074	**(482)**	**592**	1,145	(22)	1,123
Cash flows from investing activities - continuing								
Purchase of property, plant and equipment	- Additions	a)	**(296)**	**-**	**(296)**	(309)	(1)	(310)
	- Acquisitions	c)	**-**	**-**	**-**	(731)	-	(731)
Purchase of intangible assets		a)	**(98)**	**-**	**(98)**	(80)	(8)	(88)
Capital expenditure			**(394)**		**(394)**	(1,120)	(9)	(1,129)

Capital expenditure			**(394)**	**-**	**(394)**	(1,120)	(9)	(1,129)
Initial direct costs on new leases		a)	**(34)**	**-**	**(34)**	(11)	-	(11)
Proceeds from disposal of property, plant and equipment	- Core disposals	a)	**7**	**-**	**7**	16	-	16
	- Acquisition related	c)	**-**	**-**	**-**	61	-	61
Proceeds from disposal of Financial Services customers			**-**	**-**	**-**	-	-	-
Interest received		a)	**15**	**-**	**15**	11	-	11
			(406)	**-**	**(406)**	(1,043)	(9)	(1,052)
Cash flows from financing activities - continuing								
Proceeds from issuance of ordinary shares			**20**	**-**	**20**	11	-	11
Purchase of own shares for share schemes			**(32)**	**-**	**(32)**	(18)	-	(18)
Other share related transactions			**(12)**	**-**	**(12)**	(7)	-	(7)
Purchase of own shares for cancellation			**(136)**	**-**	**(136)**	-	-	-
Proceeds from borrowings			**-**	**-**	**-**	575	-	575
Repayment of borrowings			**(22)**	**-**	**(22)**	(20)	-	(20)
Net (repayment)/drawdown of borrowings			**(22)**	**-**	**(22)**	555	-	555
Capital repayment of lease obligations		a)	**(243)**	**-**	**(243)**	(252)	(1)	(253)
Dividends paid on ordinary shares			**(217)**	**-**	**(217)**	(215)	-	(215)
			(630)	**-**	**(630)**	81	(1)	80
Net increase/(decrease) in cash and cash equivalents - continuing			**38**	**(482)**	**(444)**	183	(32)	151
Net (decrease)/increase in cash and cash equivalents - discontinued operations			**(10)**	**54**	**44**	-	595	595
			28	**(428)**	**(400)**	183	563	746
Capital expenditure			**(394)**			(1,120)		
Less amounts paid for asset acquisition			**-**			731		
Core Retail capital expenditure			**(394)**			(389)		

Items in the retail cash flow marked a) to c) reconcile to the summary cash flow statement in the financial review as outlined in note A2.2.

As set out in the Group cash flow statement the Group now classifies Interest received within Cash flows from investing activities whereby the previous treatment was within Cash flows from operations. Amounts for the 28 weeks ended 16 September 2023 have therefore been re-presented whereby Retail Cash generated from operations and Retail Cash flows from investing activities were previously £1,339 million and £(1,054) million respectively. There has been no impact on cash flows within the Financial Services segment.

			52 weeks to 2 March 2024		
			Retail £m	Financial Services £m	Group £m
Operating profit/(loss) - continuing			790	(116)	674
Depreciation and amortisation	- Underlying		1,112	19	1,131
	- Non-underlying		34	-	34
			1,146	19	1,165
Net impairment charge on non-financial assets			23	60	83
Profit on sale of non-current assets and early termination of leases	- Underlying	b)	(5)	-	(5)
	- Non-underlying		(11)	-	(11)
			(16)	-	(16)
Non-underlying fair value movements			46	-	46
Share-based payments expense		b)	83	6	89
Non-cash defined benefit scheme expenses			7	-	7
Cash contributions to defined benefit scheme			(44)	-	(44)
Operating cash flows before changes in working capital			2,035	(31)	2,004
Movements in working capital	- Underlying		262	135	397
	- Non-underlying		6	-	6
			268	135	403
Cash generated from operations - continuing		a)	2,303	104	2,407
Interest paid		a)	(323)	(13)	(336)
Corporation tax paid		a)	(58)	(3)	(61)
			1,922	88	2,010
Cash flows from investing activities - continuing					
Purchase of property, plant and equipment	- Additions	a)	(649)	(1)	(650)
	- Acquisitions	c)	(731)	-	(731)
Purchase of intangible assets		a)	(165)	(7)	(172)
Capital expenditure			(1,545)	(8)	(1,553)
Initial direct costs on new leases		a)	(6)	-	(6)
Proceeds from disposal of property, plant and equipment	- Core disposals	a)	16	-	16
	- Acquisition related	c)	61	-	61
Proceeds from disposal of Financial Services receivables			-	-	-
Dividends and distributions received		a)	-	-	-
Interest received		a)	27	-	27
			(1,447)	(8)	(1,455)
Cash flows from financing activities - continuing					
Proceeds from issuance of ordinary shares			15	-	15
Purchase of own shares			(18)	-	(18)
Other share related transactions			(3)	-	(3)
Proceeds from borrowings			575	-	575
Repayment of borrowings			(41)	-	(41)
Net drawdown of borrowings			534	-	534
Capital repayment of lease obligations		a)	(505)	(2)	(507)
Dividends paid on ordinary shares			(306)	-	(306)
			(280)	(2)	(282)
Net increase in cash and cash equivalents - continuing			195	78	273
Net (decrease)/increase in cash and cash equivalents - discontinued operations		a)	(1)	396	395
			194	474	668
Capital expenditure			(1,545)		
Less amounts paid for asset acquisition			731		
Core Retail capital expenditure			(814)		

Comparative periods have also been re-presented to separately disclose discontinued operations.

A2.2 Underlying retail cash flow movements (Closest IFRS equivalent: None)

Definition and purpose

Definition and purpose
Identifies cash movements in respect of Retail non-underlying items and also sets out a breakdown of items included in the summary cash flow statement set out in the Financial Review.

Reconciliation

	Note	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Cash contribution to defined benefit scheme	A2.1	**(23)**	(23)	(44)
Non-underlying cash movements:				
Financial Services model		**-**	-	(5)
Retail restructuring programme		**(29)**	(40)	(67)
Operating cash flows		**(29)**	(40)	(72)
Effect on Retail cash generated from operations		**(52)**	(63)	(116)

Sum of items marked a), b), and c) in note A2.1 as they appear in the Financial Review

	Reference	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Retail free cash flow	a)	**425**	520	639
Share based payments and other	b)	**32**	36	78
Net consideration paid for Highbury & Dragon property transaction	c)	**-**	(670)	(670)

A3 Borrowings
A3.1 Net debt (Closest IFRS equivalent: Borrowings, cash, derivatives, financial assets at FVTOCI, lease liabilities)
Definition and purpose
Net debt includes the capital injections into Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries. 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. Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately. Hence net debt is re-presented as Retail net debt.

This metric shows the liquidity and indebtedness of the Group and whether the Group can cover its debt commitments.

Reconciliation
Note 12.2 to the consolidated condensed interim financial statements.

A3.2 Net debt / underlying EBITDA (Closest IFRS equivalent: none)
Definition and purpose
Net debt divided by Group underlying EBITDA based on a 52 week rolling basis.
Helps management measure the ratio of the business's debt to operational cash flow.

Reconciliation

	Note	**28 weeks to 14 September 2024 £m**	28 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Retail net debt	12, A3.1	**5,584**	5,643	5,554
Group underlying EBITDA	A4.2	**2,163**	2,130	2,139
Net debt/underlying EBITDA		**2.6x**	2.6x	2.6x

Group underlying EBITDA is reconciled within the fixed charge cover analysis in note A4.2.

A4 Other measures
A4.1 Return on capital employed (Closest IFRS equivalent: none)
Definition and purpose
Return divided by average capital employed.
Return is defined as 52 week rolling underlying operating profit.
Capital employed is defined as Group net assets excluding pension surplus, less net debt. The average is calculated on a 14-point basis which uses the average of 14 data points.
Represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business.

Reconciliation
Net debt as set out in note 12 to the consolidated condensed interim financial statements.

	Note	**52 weeks to 14 September 2024 £m**	52 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Return (Group underlying operating profit)		**1,019**	974	995
Group net assets	Balance sheet	**6,613**	7,223	6,868
Less: Pension surplus	Balance sheet	**(751)**	(987)	(690)
Deferred tax on pension surplus		**253**	330	244
Less: net debt	12, A3.1	**5,584**	5,643	5,554
Effect of in-year averaging		**262**	121	42
Capital employed		**11,961**	12,330	12,018
Return on capital employed		**8.5%**	7.9%	8.3%

A4.2 Fixed charge cover (Closest IFRS equivalent: none)
Definition and purpose
Group underlying EBITDA divided by rent (representing capital and interest repayments on leases) and underlying net finance costs.

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.

Reconciliation

52 weeks to 52 weeks to

	52 weeks to 14 September 2024 £m	52 weeks to 16 September 2023 £m	52 weeks to 2 March 2024 £m
Group underlying operating profit	**1,019**	974	995
Add: Underlying depreciation and amortisation expense	**1,144**	1,156	1,144
Group underlying EBITDA	**2,163**	2,130	2,139
Repayment of capital element of lease obligations	**(496)**	(521)	(507)
Underlying finance income	**33**	25	30
Underlying finance costs	**(333)**	(309)	(324)
Fixed charges	**(796)**	(805)	(801)
Fixed charge cover	**2.7x**	2.6x	2.7x

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