

17 April 2025

J Sainsbury Plc

Preliminary Results for the 52 weeks ended 1 March 2025 Next Level strategy delivering strong momentum; committed to continued outperformance

Simon Roberts, Chief Executive of J Sainsbury plc, said: "We've transformed our business over the past four years. We have created a winning combination of value, quality and service that customers love, investing £1 billion in lowering our prices. More people are choosing Sainsbury's for their main grocery shop as a result, delivering our highest market share gains in more than a decade. We are committed, above all else, to sustaining the strong competitive position we have built - consistently giving customers the great value they have come to expect from Sainsbury's - and we expect to continue to outperform the market.

"Our customer offer is the strongest it has ever been. We've expanded Aldi Price Match to more products than ever before in addition to offers on more than 9,000 products with Nectar Prices. Customer satisfaction with product availability is at record levels and we're continuing to add more new, innovative products to our ranges. Nectar is taking our ability to create personalised value and loyalty to the next level and our long-term contracts with farmers and suppliers demonstrate our commitment to resilience and sustainability across the UK food system.

"Our belief in the strength of Sainsbury's offer has driven our decision to make our largest investment in expanding our store space in over a decade as we open supermarkets in key new locations and extend food space within many of our existing stores. It's also why we continue to invest in our colleagues, whose dedication will power our Next Level plan. Working together with our suppliers we will continue to deliver for our customers, our shareholders and the communities we serve."

Financial Highlights

- Sainsbury's FY sales (excluding fuel) £26.6bn, up 4.2%, Argos FY sales £4.9bn, down (2.7)%, Fuel FY sales £4.7bn, down (8.9)%
- Strong year-end sales momentum, with growth in all our brands: Sainsbury's Q4 sales up 4.1% and Argos Q4 sales up 1.9%, reflecting continued improvement in online traffic trend
- Retail underlying operating profit £1,036m, up 7.2%, with double-digit growth at Sainsbury's partially offset by lower profits at Argos
- Statutory profit after tax £242m, up 77%. Non-underlying items of £(297)m on a post-tax basis predominantly relate to the restructuring of the Financial Services division and Retail restructuring costs
- Retail free cash flow of £531m, in line with guidance to deliver at least £500m
- £200m share buyback programme complete; full-year dividend of 13.6 pence, up 4% year-on-year

2025/26 Share Buyback and Special Dividend

- Reflecting the strength of our balance sheet, we will buy back at least £200m of shares in 2025/26 and we expect to return bank disposal proceeds of £250m via special dividend in the second half of the year. The special dividend will be accompanied by a proposed share consolidation
- Any distributable bank disposal proceeds in excess of £250m will be used to enhance the share buyback above a core £200m base

Financial Summary	2024/25	2023/24	YoY
Business performance			
Retail sales (inc. VAT, excl. fuel)	£31,555m	£30,615m	3.1%
Retail underlying operating profit	£1,036m	£966m	7.2%
Total Financial Services underlying operating profit*	£30m	£29m	3.4%
Underlying profit before tax*	£761m	£701m	8.6%
Total underlying basic earnings per share*	23.1p	22.1p	4.5%
Proposed full-year dividend per share	13.6p	13.1p	3.8%
Net debt (inc. lease liabilities)	£(5,758)m	£(5,554)m	£(204)m
Non-lease net debt	£(264)m	£(200)m	£(64)m
Return on capital employed*	9.0%	8.3%	70bps
Statutory performance			
Group revenue (excl. VAT, inc. fuel)	£32,812m	£32,238m	1.8%
Profit after tax	£242m	£137m	76.6%
o/w Continuing operations	£420m	£308m	36.4%
o/w Discontinued operations	£(178)m	£(171)m	(4.1)%
Total basic earnings per share*	10.4p	5.9p	76.3%
Net cash generated from operating activities (continuing)	£1,364m	£2,113m	£(749)m

*On a total basis inclusive of discontinued operations

2025/26 Outlook

- We have made four years of exceptional progress and investment, resetting our value proposition and strengthening the fundamentals of our business. This puts us in a strong competitive position and we are committed to sustaining this in the year ahead. We expect to continue to grow grocery volumes ahead of the market and we have started the year with good trading momentum across all our brands. We expect to deliver Retail underlying operating profit of around £1 billion and Retail free cash flow of more than £500 million

- Profit delivery will be supported by continued growth in Nectar profit contribution and industry-leading cost saving delivery and will be weighted more towards the second half versus last year, reflecting the timing of benefits from space reallocation activity and new store openings

Building on strong foundations

The first year of our Next Level Sainsbury's strategy has built on the success of our Food First strategy, delivering further grocery market share gains¹ and significant operating leverage. This reflects the investments we have made over the last four years to improve our grocery proposition. We have built resilience and sustainable competitive advantage through strengthening the fundamentals of the business across logistics, technology and the way we work with suppliers.

As a consequence, we are winning more big basket primary customers², providing us with the confidence to accelerate our plans to bring more of the Sainsbury's food range to more customers. We have acquired 14 new supermarket sites in key target locations. Together with further new supermarket openings and expanding food space in our supermarkets through space reallocation, this provides a unique opportunity to drive further market share gains.

The strength of our balance sheet and cash generation are key strategic assets, allowing us to invest capital to remain competitive, drive growth and efficiency and build competitive advantage while also delivering strong returns to shareholders. During the year we invested £825 million of capital in the business and have returned more than £500 million of our £531 million Retail free cash flow to shareholders, completing our share buyback programme of £200 million and paying ordinary dividends of £308 million. The strength of our balance sheet was recognised by S&P and Moody's giving public investment grade ratings in January 2025 and we issued £550 million of unsecured fixed income bonds, our first unsecured bond issue in 21 years.

We have further sharpened our focus on our core grocery business over the last year, through the announcements of the sale of Sainsbury's Bank's core banking and ATM businesses and the sale of the Argos Financial Services cards portfolio.

As we announced in January, we have made changes within our Operating Board to recognise the different needs of the Sainsbury's and Argos businesses and have reorganised our store support centre teams to reflect the distinction between the two. Rhian Bartlett, Chief Commercial Officer for Sainsbury's, now leads our commercial proposition across grocery, Sainsbury's general merchandise and clothing. To ensure a clear focus on delivering our More Argos, more often plan, Graham Biggart has taken on the role of Managing Director for Argos. These changes are driving faster decision making and improved performance for both Sainsbury's and Argos.

Across the business, we are focused on delivering on the eight commitments that we made in February 2024:

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

We have delivered a record-breaking year in grocery, outperforming the market every quarter for a second consecutive year³ and making our biggest market share gains in more than a decade⁴ as more customers come to Sainsbury's for their big trolley shop⁵. Our winning combination of outstanding quality, great value and leading service really resonates with customers, driving a significant increase in loyalty, with primary customer numbers 18 per cent higher than four years ago². We have consistently grown volumes across supermarkets, convenience stores and online grocery, as we show up for customers however they want to shop, with great availability and inspiring product innovation across the full basket.

With these strong foundations and our leading customer proposition now firmly re-established, we are moving forward with confidence, delivering more of our food range to more customers through allocating more space to food in our existing stores, as well as our biggest growth in new supermarket space in over a decade. We expect this to contribute to sustained volume outperformance versus the market while we will also further enhance our customer proposition and grow our personalisation capabilities.

More customers are shopping with us for their big trolley shops as we consistently deliver our winning combination

- We are building stronger customer loyalty and successfully converting Secondary to Primary customers⁶ who really trust Sainsbury's as their first choice for their big trolley shop, driving the biggest share gains in the market for the main shop mission⁷
- Our commitment to consistently delivering great value across the basket has driven a sustained improvement in our competitive value position⁸ and a significant improvement in customers' perception of the value we offer⁹. We continue to prioritise price investment in the items that matter most to customers and were the first retailer to have extended our Aldi Price Match campaign across supermarkets, convenience stores and online. We have rolled out our Nectar Prices offer to over 9,000 products and we are enhancing our capabilities in personalised value through Your Nectar Prices, delivering uniquely-targeted discounts on the products customers buy most often
- We continue to work closely with our suppliers to develop innovative and high-quality products. We launched more than 1,300 new products over the course of the year, of which more than 600 were Taste the Difference. Taste the Difference sales grew 15 per cent, with a particularly strong performance in Fresh categories
- Customers trust us to deliver outstanding quality at affordable prices as they are dining-in more at home and trading up to Taste the Difference more often, with one in three baskets now including a Taste the Difference product¹⁰. We continue to outperform the market at every key event¹¹ and Taste the Difference remains the

product. We continue to outperform the market at every key event and Taste the Difference remains the fastest growing premium own label in the market¹². In the year ahead we will celebrate Taste the Difference's 25th birthday, coinciding with our ambition to achieve more than £2 billion of sales in our biggest and best year for Taste the Difference yet

- Through strengthening our relationships with suppliers and migrating our food products to a machine learning forecasting platform, we have delivered significant improvements in availability, growing food availability levels by 190 basis points over the last four years. As a result, we have achieved the biggest improvement in customer satisfaction for availability of all major competitors over the same time period¹³
- We continue to deliver outstanding customer service, with our overall satisfaction scores consistently ahead of the other full-choice grocers¹⁴. We believe that happy, well engaged colleagues deliver great customer service and in January we announced our investment in an above inflation pay award for our colleagues, leading the industry for the third year in a row. Over the last three years, we've invested half a billion pounds in increased colleague pay and benefits

Growing food space to bring more of our range to more customers, with bold acceleration in our space growth ambitions for 2025/26

- We are building on the strength of our grocery performance and our winning combination of quality, value and service to bring more Sainsbury's food to more customers in more locations and improving ranges, customer experience and the efficiency of many of our existing stores
- During the year we acquired 14 new supermarket sites in key target locations from Homebase and Co-op, the majority of which we expect to convert and open in 2025/26. Combined with our organic store opening programme, we expect to open a total of 15 supermarkets during 2025/26 and over the next two years our new supermarket openings will add over 400,000 sq ft of new space, our most significant investment in new supermarket space for many years. We also expect to add another 25 new convenience stores in each of the next two years. This will bring over 700,000 more people within a ten-minute drive of a Sainsbury's store
- We are making good progress with our three-year 'More for More' plan, investing in our supermarkets to make more of our food range available to more customers by rebalancing space, adding around 90,000 sq ft of food space in 2024/25, weighted to the second half. We are planning to add another 90,000 sq ft of food space in 2025/26. We are seeing positive early results in invested stores with benefits expected to build through the second half of 2025/26 and beyond as we annualise periods of disruption, learning as we go to ensure we optimise our stores for customer experience, trading intensity and ROCE. We are making more of our range and proposition accessible to more customers, enabling simpler shopping missions with better digital capabilities across our supermarkets
- In January, we announced a number of propositional changes to food services in our stores in order to drive growth and availability at a reduced cost to serve, allowing us to create further space to offer more fresh food ranges. By early Summer we will have closed patisserie, hot food and pizza counters and are making the most popular items available in aisles. We have now closed all remaining Sainsbury's Cafés and we are converting our scratch bakeries to bake-off, driving improvements in quality, value and availability throughout the day. From the Autumn, we will create new On the Go hubs with flexiserve hot food offerings, delivering an improved customer experience
- Taking all of these elements of space growth: new stores, rebalancing existing store space and propositional resets, we expect to grow total food space in Sainsbury's by nearly three per cent in 2025/26

Delivering for customers online and in our convenience stores

- We have transformed our convenience stores during the year by reconfiguring space and optimising range across our entire Convenience estate, bringing more products to customers and delivering a simpler, faster shopping experience. This has helped to drive convenience sales growth of nearly four per cent in 2024/25 and market share growth of 20 basis points¹⁵. We also launched Aldi Price Match in our convenience stores in November and were the first grocer to do so, resulting in a rapid and significant improvement in value for money customer satisfaction scores¹⁶
- We are investing in developing new format stores to better serve specific customer missions, opening our first airport store, at Edinburgh airport, and four new format stores in recent months. Features in these latest stores include a higher proportion of chilled food space, digital screens and increased security features
- Groceries Online sales increased seven per cent year on year. More customers are doing their online grocery shopping with us and are benefiting from the investments we have made in improving the digital customer journey, including better showcasing our product ranges and improving the relevance of suggested basket additions. This has been a key driver of increased basket size, greater frequency of visits and improved customer satisfaction. Groceries Online delivered the highest customer satisfaction growth of all channels, with customers particularly recognising our improved availability as well as appealing promotions through personalised Your Nectar Prices¹⁷
- Growth in our OnDemand rapid delivery channel remains very strong, with sales growth of around 80 per cent in the year. We have strengthened our long-term partnerships with external providers and have now successfully rolled out the offer to over 1,200 locations. We are now able to serve more than 65 per cent of the population via this channel, a significant increase year on year
- We have a strong track record in reducing cost to serve in our online operations. Together with an increasing contribution from our fast-growing and profitable OnDemand sales, this is driving continued profit growth. In the year ahead we will be making meaningful changes to our Groceries Online app, helping us to continue to improve the way in which our customers can shop with us online

Playing a leading role in creating a more sustainable food system

- We're creating a new culture of collaboration and long-term partnership with our suppliers to deliver shared value and build resilient supply chains, which will enable us to offer good food to our customers now and in the future. Last month we announced a ten-year partnership with Cranswick to set new standards in pig welfare and to provide more stability for the 170 farmers in the Sainsbury's Pork Producer Group as they invest in farms, factories and processes to build resilience for the future. Together we plan to invest more than £60 million to implement these new higher standards. We also aim to offer Taste the Difference pork that meets net zero criteria by 2029 and by Sainsbury's fresh pork by 2030 - all whilst protecting value for our customers. This year we also launched the Sainsbury's Egg Group in collaboration with our egg farmers and became the first retailer globally to invest in Vet Vision AI technology to measure and enhance animal welfare on dairy farms
- To support and inspire our customers to make healthier choices, we launched our Healthy Choice logo on own brand products. We continue to work to make healthier choices more affordable, with more than 75 per cent of

products in Aldi Price Match a Healthy or Better For You choice. Alongside this, we launched our Good to Know campaign, to help our customers to navigate towards more sustainable choices, highlighting the ways in which we are contributing to a more sustainable future

- For the second year running we were awarded both the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year. We also delivered leading packaging innovations moving to vacuum pack all lamb mince and introducing pulp trays for fresh salmon and trout, along with cardboard packaging for our fresh breaded chicken and fish products
- We continue to help provide good food for all, raising c.£34 million for good causes this year and redistributing more than 18 million meals to communities, increasing the amount of surplus food redistributed by more than 30 per cent through our partnerships with Neighbourly and Olio, which we have now rolled out across all stores

Improving performance in the products and services that sit alongside our food offer

- Sainsbury's general merchandise and clothing delivered higher profits on sales which were in line with the prior year. Margins gained from the mix benefit of stronger clothing sales and lower household electrical and toys sales as we continue to focus ranges and reduce space allocation in some categories
 - o Clothing sales grew 2.9 per cent, with particularly strong growth of 12.3 per cent in Q4. Higher full price sales participation delivered a four per cent improvement in profitability during the year, alongside market share gains¹⁸. Our renewed focus on design and range in Womenswear resulted in particularly strong sales growth of nearly five per cent and an improvement in customer perception of our ranges. The actions we have taken to improve our availability and expand our basics range delivered growth in essentials sales of nearly four per cent
 - o Sainsbury's general merchandise sales were down 2.8 per cent, driven by space reductions as we've implemented space reallocations into food, and softer demand for categories such as household electricals and toys. Poor weather impacted seasonal sales in H1, but overall sales performance improved through the second half. We delivered a particularly good performance in our home accessories and fragrance categories and we continue to make strong progress in repositioning the Habitat brand, with a strong sales response to our design-led collaborations
- Smart Charge, our ultra-rapid electric vehicle (EV) charging network, is now established in over 75 supermarket locations with more than 600 ultra-rapid EV charging bays. The sites are maturing rapidly, delivering double-digit revenue growth month-on-month. Twenty-five per cent of all electric vehicles entering our Smart Charge Sainsbury's car parks now charge with us, up from fifteen per cent at launch. We invested £25 million in Smart Charge rollout in 2024/25, in line with guidance. Looking ahead, we are focused on building revenue in our top supermarkets

Loyalty everyone loves

Customers love our personalised and rewarding Nectar loyalty scheme. Nectar Prices have transformed the way that customers experience value at Sainsbury's, with the purple of Nectar now synonymous with value. As value perception has improved¹⁹, we have grown the size of our loyal, primary customer base and this in turn benefits our Nectar360 Retail Media offering.

Fuelled by our connection to customers, Nectar360 continues to deliver profitable growth and improved client satisfaction. We are expanding the Nectar coalition, delivering leading data and insights to brands and agencies that work with us and investing to scale our Digital Retail Media offer. In the year ahead, we will further expand our personalisation capabilities in loyalty and we are making high returning investments to accelerate the growth of Nectar360 - further digitising our stores through our connected digital screen network and launching a new industry-leading platform to better connect clients to our full suite of retail media and measurement services.

Growing customer loyalty through the 'power of purple'

- Nectar Prices remain a key driver of our improved value perception⁹, with £2 billion of savings delivered to customers over the course of this year. We have now expanded our Nectar Prices offers to more than 9,000 products and more and more customers are using Nectar when they shop with us, with participation now more than 85 per cent and reaching our highest ever levels during the Christmas period²⁰. We're going further to showcase Nectar Prices in store and within our store investment programme we are rolling out more Nectar branding, particularly in the centre aisle, as well as offering greater opportunities for brands to connect directly with customers through displays and digitised in-store media
- More than one million customers are accessing personalised savings each week through Your Nectar Prices, which is available on SmartShop and Online, delivering savings of more than £60 million to customers in the last year. Having built unique capability in this space, we will further enhance the strength of our value offer as we work towards generating up to 500 million personalised offers a week
- We are focused on driving greater engagement with the Nectar app and have achieved a 60 per cent increase in app users over the last two years²¹ by enhancing digital integration and improving user experience. We are successfully introducing more gamification to the app and reached our highest ever engagement levels in our Count up to Christmas rewards campaign this year, with over one million customers participating

Investing to accelerate growth in Nectar360

- We are ahead of our plan to deliver at least £100 million incremental profit from Nectar360 over the three years to March 2027, delivering an increase of £39 million in the first year of our plan
- Over 900 clients and media agencies now partner with Nectar360 to get the best return on their advertising spend, recognising the benefits of our enhanced retail media capabilities, leading data and insights and our commitment to exemplary client service, with overall client satisfaction improving 4 percentage points year-on-year
- We are accelerating our ambition to create a scaled and connected digital screen network in our stores. With 820 screens (in partnership with Clear Channel) now installed, we are realising the benefits of being able to connect with our customers digitally on the shop floor. We are diverting capital towards this high returning investment, committing to a further 1,600 screens to be rolled out over 2025/26 and into early 2026/27 with a cash payback on investment of less than two years. This will enable brands to communicate directly with customers through more than 2,500 connected digital screens in the future
- The Nectar coalition continues to grow and we achieved a 97 per cent Nectar partner satisfaction score. We announced exciting new partnerships in Marriott Bonvoy, Severn Trent Water and Smart Charge and extended our partnership with British Airways, with further new partnerships in discussion for the year ahead. Alongside

our partnership with British Airways, with further new partnerships in discussion for the year ahead. Alongside this, our marketing affiliate programme (Nectar eShops) has grown to 800 merchants this year, doubling the number of brands available for customers over the last 18 months and extending the offers they are able to access through the programme

More Argos, more often

Following a slow start to the financial year and a significant reduction in online traffic, Argos sales were behind our expectations in the first half of the year, particularly in the first quarter and early weeks of the second quarter. Sales strengthened into the second half as we took action to improve online customer traffic and volume and we returned to sales growth in the fourth quarter. Profits declined year on year in both H1 and H2, with actions taken during the year improving the trend in the second half.

Within a general merchandise market that remains highly competitive, our focus is on increasing customers' consideration of Argos - encouraging them to shop with us more often and with bigger baskets. To this end, we are driving change in our digital and commercial proposition, and we have made some good progress strengthening the Argos offer. We have also continued to reduce the complexity of the Argos operating model whilst still providing market-leading convenience for customers.

Focused on extending range, increasing desirability and enhancing digital capabilities

- We have reset our approach to trading events to deliver more impactful and focused value activity. We ran five of our new Big Red events during the year, delivering strong improvements in customer satisfaction scores for promotions and value²² and driving an increase in awareness of the premium brands available at Argos
- We continue to strengthen our partnerships with key supply partners, growing our share at key launch moments of the must-have new products from global brands, particularly across Gaming and Toys. Our partnership with Lego has expanded over the course of the year and for the first time this Christmas we partnered to run gamified engagement activity online for the 12 days of Christmas, attracting over 100,000 new customers to Argos
- We have taken action to improve our own labels in addition to the work over recent years on Habitat. We will focus on five primary owned brands (Habitat, Chad Valley, Bush, Home and McGregor), versus 11 previously. This year will see the range relaunch of McGregor in Garden & DIY and Chad Valley in Toys
- Through our Supplier Direct Fulfilment (SDF) model we have introduced more than 4,000 new products this year across 150 categories. This is a 43 per cent increase year-on-year, with a total of 13,500 SDF products now available. In the year ahead we plan to go further to extend the breadth of our range, with plans to add an additional 10,000 SDF products in key categories such as Household Electronics, Furniture, Computing and Gifting
- Our digital capabilities have strengthened through the year, driving more traffic to our site as we deliver a seamless online experience for customers with greater personalisation and improved complementary product recommendations. As a result, more customers are shopping with us online and more customers are making a recommended "attachment" purchase in the same transaction, driving an increase in items per basket. We will also be modernising the credit offer available on our website and are working closely on a new Argos Pay proposition with NewDay, following its acquisition of the Argos Financial Services cards portfolio. This will launch in early 2026

Improving operational efficiency and customer experience

- We continue to enhance our operating model, including rightsizing standalone stores to improve operational efficiency and customer experience
- We are rolling out more digital collection points and investing in technology across our convenience estate to make collections faster and easier. We are improving the Argos app, increasing personalisation and access to promotional activity and simplifying the collection experience available to app users
- We have made a significant improvement to our stock management processes over the year to deliver smarter, simpler stock flow, optimising working capital and availability across our network. With a 12 per cent reduction in Argos' net stockholding year-on-year, we are more able to actively manage clearance activity to prevent accumulation of stock. We have also implemented improved stock management processes and are using data driven insights to improve forecast accuracy on buying and ranging

Save and invest to win

We are making strong progress towards the ambition we laid out in February 2024 and we are confident in our plans to deliver £1 billion of cost savings by March 2027. We achieved savings of around £350 million in 2024/25, bringing total savings over the last four years to over £1.6 billion and are well underway with a programme of high-returning activity that is already delivering savings benefits as well as driving growth and improvements in customer proposition. In addition, our capital investments in efficiency, particularly in technology, will deliver cross-functional savings benefits over the longer-term, giving us clear line of sight to achieving our target.

High returning investments in technology and automation driving efficiencies

- We are nearing completion of our three-year future front-end programme, optimising checkouts in all our supermarkets and delivering savings of around £70 million over the programme. On average, self-service participation has increased to over 70 per cent of transactions compared to around 40 per cent of transactions five years ago. While we have achieved a step up in supermarket volumes, front-end labour costs have reduced, driven by a nine per cent improvement in front-end productivity year-on-year
- We are making good early progress with the next phase of our front-end transformation, aiming to drive growth in SmartShop participation for big basket shops. We are currently in the trial phase of enabling customers to pay for their shopping on a SmartShop handset, delivering flexibility and speed for customers whilst reducing the physical infrastructure required. Work is also underway to improve the functionality of SmartShop handsets by digitising the in-store customer journey, for example enabling product finding and personalisation of offers
- As part of our longer-term investments in technology and automation, we are making strong progress in simplifying our general merchandise logistics network, driving improvements in product availability and efficiency. This will result in a transition from five depots to three network distribution centres, delivering savings of £70 million per year once fully implemented, with benefits starting to be realised in 2025/26
- We are rolling out video analytics technology in stores to protect colleagues and reduce costs, whilst minimising the impact on customer experience. The technology, which aims to reduce mis-scanned items at self-service checkouts, has been deployed in 150 stores to date and we expect to roll out to a further 250 stores over the

next financial year. Other protection technology being implemented includes weigh-scale smart-shelves that alert colleagues to bulk product removal and mirror monitors in areas with high risk of loss

- Our five-year strategic partnership with Microsoft utilising AI and machine learning capabilities is already delivering good results. Key focus areas include providing store colleagues with real-time data and insights to focus in-store processes and using machine learning capabilities to improve efficiencies
- Reflecting our commitment to invest in sustainable technologies, we are now buying 100 per cent of the energy generated from eight wind farms across the UK. Wind energy makes up over 30 per cent of our electricity sourcing, with the remainder from other 100 per cent renewable sources

Delivering productivity benefits through end-to-end programmes

- In January, we announced a number of propositional changes in our supermarkets in order to drive growth and availability at a reduced cost to serve, including closing all remaining Sainsbury's Cafés, hot food, pizza and patisserie counters and converting scratch bakeries to bake-off. These changes are driving cross-functional benefits, increasing our fresh food selling space, improving customer proposition and product quality alongside delivering cost savings
- We also announced changes to management structures in our store support centres, reducing the number of senior management roles by about 20 per cent in a number of areas to drive faster decision making and execution whilst reducing costs
- We have completed the main phase of migration of our food products to machine learning forecasting and are entering our second year of using the platform. We have delivered higher sales as a result of increased availability, improved waste metrics and higher forecasting accuracy leading to better working capital management

Financial Services

- Financial Services operating profit grew by 3.4 per cent in the year, driven by lower expenses as a result of a prior year fixed asset write-off and significant actions taken by management to reduce operational costs, partially offset by lower income from the decision to exit core Banking and higher funding costs. We have made good progress over the year in implementing our plan for a phased withdrawal from core Banking services, announcing in June 2024 the sale of Sainsbury's Bank personal loan, credit card and retail deposit portfolios to NatWest Group. We now expect this transaction to complete in May 2025
- In September 2024 we announced the sale of the 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
- In October 2024 we announced the sale of the Argos Financial Services (AFS) cards portfolio to NewDay Group. NewDay acquired beneficial title to the AFS portfolio in February 2025. 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
- Following these transactions, we will continue to benefit from financial services income streams which have a stronger connection to our retail offer, including commission income from insurance, travel money and ATMs. We expect the combination of commission income from insurance, travel money and ATMs, alongside income from the NewDay partnership, to deliver sustainable annual profit from financial services of at least £40 million in the financial year to February 2028
- In 2025/26 we expect to deliver Financial Services underlying operating profit of around £10 million on a continuing basis
- We expect to return bank disposal proceeds of £250 million via special dividend in the second half of the year, subject to regulatory approval. The special dividend will be accompanied by a proposed share consolidation. Any distributable bank disposal proceeds in excess of £250 million will be used to enhance the share buyback above a core £200 million base

Like-for-like performance	sales	2023/24				2024/25				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY
Like-for-like sales (exc. fuel)		9.8%	6.6%	7.4%	4.8%	2.7%	4.2%	2.8%	3.7%	3.2%
Like-for-like sales (inc. fuel)		3.9%	2.2%	5.3%	2.9%	2.4%	1.9%	0.0%	2.2%	1.5%

Total sales performance	2023/24				2024/25				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY
Sainsbury's	9.9%	7.5%	8.4%	6.5%	4.2%	5.1%	3.7%	4.1%	4.2%
Grocery	11.0%	8.9%	9.3%	7.3%	4.8%	5.3%	4.1%	3.9%	4.5%
GM (Sainsbury's) & Clothing	(2.5)%	(8.7)%	(0.3)%	(5.5)%	(4.3)%	2.2%	(0.1)%	6.5%	0.0%
Argos	5.1%	(2.6)%	(0.9)%	(6.6)%	(7.7)%	(1.4)%	(1.4)%	1.9%	(2.7)%
Total Retail (exc. fuel)	9.2%	5.8%	6.5%	4.3%	2.3%	4.1%	2.7%	3.8%	3.1%
Fuel	(21.4)%	(17.1)%	(7.2)%	(7.8)%	0.4%	(10.6)%	(17.4)%	(6.8)%	(8.9)%
Total Retail (inc. fuel)	3.3%	1.5%	4.4%	2.4%	2.1%	1.9%	0.0%	2.2%	1.4%

Total sales performance (£m)	2023/24				2024/25				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY
Sainsbury's	7,707	5,650	8,395	3,809	8,029	5,940	8,706	3,964	26,639
Grocery	7,177	5,263	7,676	3,583	7,521	5,544	7,988	3,724	24,777
GM (Sainsbury's) & Clothing	530	387	719	226	508	396	718	240	1,862

Argos	1,400	1,047	1,960	647	1,292	1,033	1,933	658	4,916
Total Retail (exc. fuel)	9,107	6,697	10,355	4,456	9,321	6,973	10,639	4,622	31,555
Fuel	1,543	1,200	1,624	739	1,549	1,073	1,341	690	4,653
Total Retail (inc. fuel)	10,650	7,897	11,979	5,195	10,870	8,046	11,980	5,312	36,208

Total sales performance - previously reported categorisation	2023/24				2024/25				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY
Total General Merchandise:	4.0%	(2.6)%	(0.6)%	(5.6)%	(7.3)%	(1.7)%	(1.5)%	1.9%	(2.7)%
GM (Sainsbury's)	(1.2)%	(2.7)%	0.9%	0.4%	(5.3)%	(3.3)%	(2.3)%	1.7%	(2.8)%
GM (Argos)	5.1%	(2.6)%	(0.9)%	(6.6)%	(7.7)%	(1.4)%	(1.4)%	1.9%	(2.7)%
Clothing	(3.7)%	(14.6)%	(1.7)%	(11.7)%	(3.3)%	8.3%	2.2%	12.3%	2.9%

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 (BST). This will be available to view on our website at the following link: <https://sainsburys-preliminary-results-2024-25.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 2025/26 First Quarter Trading Statement at 07:00 (BST) on 1 July 2025.

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¹ Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Grocery volume market share gains YoY - From FY22/23 to FY24/25, 52 weeks to 2 March 2025

² Kantar Panel, Total FMCG (excluding Kiosk and Tobacco), Primary shoppers number growth FY 20/21 to FY 24/25, 52 weeks to 23 February 2025

³ Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Grocery volume growth by quarter, FY23/24 and FY24/25, 52 weeks to 2 March 2025

⁴ Kantar Panel, Grocery universe, Grocery volume market share gains YoY - from FY13/14 to FY 24/25, 52 weeks to 2 March 2025

⁵ Kantar Panel, Total FMCG (excl. Kiosk & Tobacco), Primary shopper number growth FY24/25 YoY, 52w to 23 February 2025

⁶ Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Primary and Secondary shoppers churn analysis, FY24/25, 52 weeks to 2 March 2025

⁷ Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Volume Share of Market by Mission - Main Shop, YoY share % change (% pts), 52 weeks to 2 March 2025

⁸ Value Reality, March 2025 vs November 2020; Acuity, internal modelling

⁹ YouGov Brand Index - Supermarket Value for Money Perception metric, YoY %pt improvement, Q4 24/25

¹⁰ Kantar Panel, Total FMCG (excl. Kiosk & Tobacco), proportion of baskets containing Premium Own Label tier, 52 weeks to 2 March 2025

¹¹ NIQ EPOS data, Total FMCG excluding Kiosk & Tobacco, JS units growth YoY% difference to Total Market growth YoY% for key events week FY24/25 versus last year events week FY23/24

¹² Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Premium Own Label tier, YoY % value growth, 52 weeks to 2 March 2025

¹³ CSAT Supermarket Competitor Benchmarking data - Availability of Products- FY24/25 vs FY20/21

¹⁴ CSAT Supermarket Competitor Benchmarking data - Overall Supermarket Satisfaction

¹⁵ Nielsen EPOS, Convenience value market share change YoY (% pts). 52 weeks to 1 March 2025

¹⁶ CSAT Convenience Competitor Benchmarking Data - Value for Money - Q4 24/25 vs Q3 24/25

¹⁷ CSAT Groceries Online Competitor Benchmarking Data - Overall Satisfaction, Appealing Promotions, Availability of Items - FY24/25 vs FY23/24

¹⁸ Kantar Panel, Total Clothing, Footwear and Accessories. Retailer share of volume - YoY % share gains. 52 weeks to 3 March 2025

¹⁹ Brand Tracker data, Nectar Value Perception, Sainsbury's shoppers only, 'Help save everyday' measure

²⁰ Nectar participation measure across Supermarkets and Groceries Online

²¹ Definition: 8 Week Digitally Active Users

²² Argos CSAT survey - Appealing Promotions, Value for Money - FY24/25 vs FY23/24

Financial review of the year results for the 52 weeks to 1 March 2025

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 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. 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 3 to the financial statements. Other APMs are defined and reconciled to the nearest IFRS measures in notes A1 to A4.

The comparative results have been re-presented, as Core Banking, ATM operations, Argos Financial Services cards and mortgages have been classified as discontinued operations, following the respective agreement to sell and announced sale of related operations as part of the strategic review of Financial Services. Further details can be found in note 9.

Summary income statement	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m	Change %
Underlying Group sales (excluding VAT)	33,142	32,721	1.3
Continuing	32,812	32,238	1.8
Discontinued	330	483	(31.7)
Underlying operating profit			
Retail	1,036	966	7.2
Financial Services	30	29	3.4
Continuing	(7)	(18)	61.1
Discontinued	37	47	(21.3)
Total underlying operating profit	1,066	995	7.1
Underlying net finance costs	(305)	(294)	(3.7)
Underlying profit before tax	761	701	8.6
Items excluded from underlying results	(377)	(424)	11.1
Continuing	(103)	(165)	37.6
Discontinued	(274)	(259)	(5.8)
Profit before tax	384	277	38.6
Income tax expense	(142)	(140)	(1.4)
Continuing	(201)	(181)	(11.0)
Discontinued	59	41	43.9
Profit for the financial period	242	137	76.6
Continuing	420	308	36.4
Discontinued	(178)	(171)	(4.1)
Underlying basic earnings per share	23.1p	22.1p	4.5
Basic earnings per share	10.4p	5.9p	76.3
Interim dividend per share	3.9p	3.9p	-
Final dividend per share	9.7p	9.2p	5.4
Total dividend per share	13.6p	13.1p	3.8

In the 52 weeks to 1 March 2025, the Group generated total profit before tax of £384 million (2023/24: £277 million) and a total underlying profit before tax of £761 million (2023/24: £701 million).

Profit growth was driven primarily by the performance of the food business, reflecting a second year of strong volume growth and market outperformance in every quarter. Higher food profits more than offset the impact of a challenging general merchandise market on Argos, where both sales and profit declined. Our ongoing cost savings programme helped reduce the impact of inflationary headwinds and allowed us to lead the market in announcing an above inflation pay increase for colleagues.

Cash generation remained strong, supporting higher capital investment, with retail free cash flow of £531 million, most of which was returned to shareholders through dividend payments of £308 million and a share buyback of £200 million.

Group sales

Group sales (including VAT) increased by 1.0 per cent year-on-year, with a 3.1 per cent increase in retail sales (including VAT, excluding fuel) offset by an 8.9 per cent decrease in fuel sales (including VAT).

Total sales (including VAT) performance by category	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m	Change %
Sainsbury's	26,639	25,561	4.2
Grocery	24,777	23,699	4.5
General Merchandise (Sainsbury's) and Clothing	1,862	1,862	-
Argos	4,916	5,054	(2.7)
Retail (exc. fuel)	31,555	30,615	3.1
Fuel sales	4,653	5,106	(8.9)
Retail (inc. fuel)	36,208	35,721	1.4
Financial Services	512	637	(19.6)
Continuing operations	182	154	18.2
Discontinued operations	330	483	(31.7)
Group sales	36,720	36,358	1.0
Continuing operations	36,390	35,875	1.4
Discontinued operations	330	483	(31.7)

Retail like-for-like sales performance	52 weeks to 1 March 2025	52 weeks to 2 March 2024
Like-for-like sales (exc. fuel)	3.2%	7.5%
Like-for-like sales (inc. fuel)	1.5%	3.8%

Grocery sales increased by 4.5 per cent, reflecting strong volume growth ahead of the market. Customers continue to respond positively to the improvements we have made to the grocery customer proposition in recent years, including the introduction of Nectar Prices, and we are attracting and retaining more big basket primary customers, who do the majority of their shopping with Sainsbury's. General merchandise and clothing sales at Sainsbury's were in line with last year, with higher clothing sales reflecting range and availability improvements and offsetting lower general merchandise sales.

Argos sales reduced by 2.7 per cent, impacted by a subdued and highly competitive general merchandise market. In the first half of the financial year, a significant reduction in online traffic and cooler and wetter summer weather meant Argos sales were behind expectations. Whilst remaining highly promotionally driven, sales strengthened in the second half as the online traffic trend improved and Argos returned to year-on-year growth in the fourth quarter.

Fuel sales decreased by 8.9 per cent as a consequence of both reduced demand and lower forecourt prices driven by falling commodity prices in a highly competitive market.

Total sales (including VAT) performance by channel	52 weeks to 1 March 2025	52 weeks to 2 March 2024
	%	%
Total sales fulfilled by supermarket stores	4.0	10.3
Supermarkets (inc. Argos stores in Sainsbury's)	3.5	11.0
Groceries Online	7.0	5.5
Convenience	3.7	10.3

Sales in our supermarkets were up 4 per cent and we have made excellent progress in the execution of our 'More for More' strategy, with around 90,000 sq ft of space rebalanced into food during the year. In addition, throughout the second half we began implementing changes across several of our food service propositions; moving to a more efficient model, driving improved availability and choice for customers, whilst simultaneously unlocking more space to reinvest into the wider food hall.

Groceries online sales grew by 7 per cent. This was ahead of the market and driven primarily by an increase in the number of orders per week. Convenience sales also grew ahead of the market and benefited from a large-scale layout alteration across the estate - aimed at ensuring each store has a product range specifically designed to meet its customers' needs.

Retail underlying operating profit

Retail underlying operating profit	Note a)	52 weeks to 1 March 2025	52 weeks to 2 March 2024	Change
Retail underlying operating profit (£m)	A1.2 a)	1,036	966	7.2%
Retail underlying operating margin (%)	A1.2 a)	3.17	3.01	16 bps
Retail underlying EBITDA (£m)	A1.2 d)	2,192	2,078	5.5%
Retail underlying EBITDA margin (%)	A1.2 d)	6.72	6.48	24 bps

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

Retail underlying operating profit increased by 7.2 per cent to £1,036 million (2023/24: £966 million) and retail underlying operating margin increased by 16 basis points year-on-year to 3.17 per cent (2023/24: 3.01 per cent). This represents the benefit of sales leverage across our cost base, driven by volume growth in Sainsbury's and cost savings helping offset operating cost inflation, particularly in wages.

Retail underlying EBITDA increased to £2,192 million (2023/24: £2,078 million), with retail underlying EBITDA margin improving 24 basis points to 6.72 per cent (2023/24: 6.48 per cent).

In 2025/26, the Group expects a retail underlying depreciation and amortisation charge of around £1.2 billion (2024/25: £1.2 billion), including £0.5 billion right of use asset depreciation.

The Group expects to deliver retail underlying operating profit of around £1 billion in 2025/2026.

Space

During 2024/25, Sainsbury's opened four new supermarkets and closed three, and opened 25 new convenience stores, closing three.

We opened 16 new Argos stores in Sainsbury's and closed ten standalone Argos stores. As at 1 March 2025, Argos had 664 stores, including 461 stores in Sainsbury's, and a total of 1,107 points of presence.

Store numbers and retailing space	As at 2 March 2024	Remeasurement a)	New stores	Disposals / Closures	Reclassifications b)	As at 1 March 2025
Supermarkets	597	-	4	(3)	1	599
Supermarkets area '000 sq	---	---	---	---	---	---

Supermarkets area '000 sq ft	20,801	103	93	(77)	10	20,930
Convenience	834	-	25	(3)	(1)	855
Convenience area '000 sq ft	2,016	1	61	(14)	(10)	2,054
Sainsbury's total store numbers	1,431	-	29	(6)	-	1,454
Argos stores	213	-	-	(10)	-	203
Argos stores in Sainsbury's	446	-	16	(1)	-	461
Argos total store numbers	659	-	16	(11)	-	664
Argos collection points	456	-	25	(38)	-	443

- a) Remeasures and smaller projects which took place across a large number of stores
b) Desborough Harborough was reclassified as a supermarket, previously being a convenience

During the year we acquired 12 leasehold stores from Homebase and an additional two from Co-op, all of which will be converted to Sainsbury's supermarkets during 2025/26 and 2026/27, alongside our existing organic supermarket growth pipeline. These are not included in the table above as they are not yet trading.

In total for 2025/26, we plan to open 15 new supermarkets and 25 convenience stores and we anticipate a modest number of supermarket and convenience store closures. We expect a net space impact on retail sales growth of around 0.5 per cent in 2025/26.

Financial Services

During the year we announced the sale of our Core Banking services, ATM business and the Argos Financial Services cards portfolio^{a)}. These, along with the previously disposed mortgage 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.

Financial Services results

12 months to 28 February 2025	2025	2024	Change %
Underlying revenue (£m)	512	637	(19.6)
<i>Continuing</i>	182	154	18.2
<i>Discontinued</i>	330	483	(31.7)
Underlying operating profit (£m)	30	29	3.4
<i>Continuing</i>	(7)	(18)	61.1
<i>Discontinued</i>	37	47	(21.3)
Total capital ratio (%)	25.3	19.4	590bps

- a) The Core Banking Business comprising of personal loans, credit cards and retail deposit portfolios are subject to a sale agreement with NatWest Group which is expected to be completed in the first half of 2025/26. The Argos Financial Services card portfolio was sold to NewDay Group Holdings on 28 February 2025. ATM operations will be fully migrated to NoteMachine by May 2025.

Financial Services underlying revenue declined 19.6 per cent driven primarily as a result of the accounting impact of the announced sales of Core Banking portfolios. Certain elements of interest income adjustments for those discontinued operations previously recognised as revenue have now been reclassified as a fair value gain within operating costs. These adjustments have no impact on the overall reported operating profit.

On a continuing basis, revenue has increased 18.2 per cent driven primarily by improved returns on treasury assets that are not deemed directly attributable to the discontinued operations, and strong performance across the remaining commission products.

Underlying operating profit of £30 million increased by £1 million (2023/24: £29 million). During the year, performance benefitted both from a reduced depreciation charge following a fixed asset write off in the prior year and significant actions taken by management to reduce operational costs, with headcount lower by 19 per cent since February 2024. This was partly offset by lower income as balances reduced following the decision to exit Core Banking and the cessation of new lending activity.

Financial Services remains well capitalised, with a total capital ratio of 25.3 per cent, an increase of 590 basis points driven by the sale of Argos Financial Services and the rundown of the credit cards and personal loans books.

Underlying operating losses from continuing operations reduced by £11 million in the 12 months to 28 February 2025, driven by strong performances in travel money and pet insurance.

Underlying profit on discontinued operations includes costs wholly associated with assets which are to be sold, namely, the Argos Financial Services cards portfolio, the Core Banking portfolios and ATMs, together with a proportion of central and cross-product costs. The remainder of our central costs have been allocated to continuing operations, albeit we expect these costs to reduce as we right size our support functions in line with the transition to a distributed model.

In 2025/26, the Group expects Financial Services underlying operating profit on a continuing basis to be around £10 million.

Underlying net finance costs

	52 weeks to 1 March 2025	52 weeks to 2 March 2024	Change
	£m	£m	%
Underlying net finance costs			
Non-lease interest costs	(76)	(71)	(7.0)
Non-lease interest income	29	28	3.6
Finance costs on lease liabilities	(258)	(251)	(2.8)
Total underlying net finance costs	(305)	(294)	(3.7)

Underlying net finance costs increased by £11 million to £305 million (2023/24: £294 million) driven by non-lease interest. The increase in net non-lease interest was due to the £575 million term loan being fully drawn for the vast majority of 2024/25, whereas in 2023/24 £200 million was drawn in March and the remaining £375 million in July. Net financing costs on lease liabilities increased to £258 million (2023/24: £251 million), due primarily to the increased number of equipment leases added in the year.

In January, the Group issued £550 million of fixed rate bonds split into two tranches; a £250 million five-year tranche and a £300 million ten-year tranche.

The Group expects underlying net finance costs in 2025/26 of between £300 million and £310 million, including around £255 million lease interest costs.

Items excluded from underlying results

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

Items excluded from underlying results	Note	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m
Continuing operations:			
Retail restructuring programmes		(128)	(95)
Impairment of non-financial assets		(16)	-
IAS 19 pension income		28	44
Property, finance and acquisition adjustments		30	(86)
Financial Services phased withdrawal		(17)	(28)
Items excluded from underlying results - continuing operations	3	(103)	(165)
Discontinued operations:			
Financial Services loss on disposal ^{a)}	9.4	(141)	(14)
Financial Services phased withdrawal ^{b)}	9.3	(133)	(245)
Items excluded from underlying results - discontinued operations		(274)	(259)
Total items excluded from underlying results pre-tax		(377)	(424)

a) Post-tax loss on disposal of £106 million post recognition of £35 million income tax credit (2024: £11 million post recognition of £3 million income tax credit).

b) Post-tax phased withdrawal costs directly attributable to the disposal group of £103 million post recognition of £30 million income tax credit (2024: £196 million post recognition of £49 million income tax credit).

Continuing operations

Retail restructuring programme costs of £128 million (2023/24: £95 million) were recognised in the year. Of this, £66 million relates to the multi-year programme announced in November 2020. Cash costs in the period relating to this programme were £40 million (2023/24: £67 million). Most of the 2020 programme has now completed, with costs incurred to date of £907 million, and cash costs to date of £310 million.

Separately, as part of our Next Level Sainsbury's strategy implementation announced in February 2024, we have commenced a three-year restructuring programme which will update our central management structures to support faster decision-making and drive performance at both Sainsbury's and Argos, creating fewer, bigger roles with clearer accountabilities. As part of the strategy, it was also announced in the current year that we will be consulting on the closure of food counters, cafés, and the conversion of remaining scratch bakeries. In the current year, these initiatives resulted in costs of £62 million, with cash costs of £31 million. We expect this programme to incur total cash costs of around £150 million.

Overall retail restructuring programmes cash costs of £71 million were lower than the guidance of £100 million due to a change in phasing of the cash outflows in relation to the newly announced multi-year programmes. The Group expects to incur non-underlying cash costs relating to retail restructuring programmes of around £100 million in 2025/26.

The Group recognised £16 million impairment on non-trading sites, reflecting rent reviews.

IAS 19 pension income decreased to £28 million (2023/24: £44 million). The lower pension income in the current period was primarily driven by the impact of the lower opening surplus at the beginning of the financial year compared to the prior year.

Property, finance and acquisition adjustments of £30 million income (2023/24: £86 million expense) include £57 million of gains relating to property related transactions, predominantly driven by the completion of the Hendon mixed use development site, offset by £17 million of acquisition adjustment costs and £12 million of lease interest costs. The expense in the prior year included £15 million related to property transactions, a £46 million loss on energy

derivatives caused by decreases in electricity forward prices in the period (compared to a £2 million gain on energy derivatives in 2024/25), £15 million of acquisition adjustment costs and £10 million of lease interest costs.

Costs associated with the phased withdrawal from Financial Services comprise £8 million of onerous contracts, £8 million of employee costs and £1 million of consultancy costs (2023/24: £22 million of fixed asset impairments, £3 million of consultancy costs and £3 million of employee costs).

Discontinued operations

The loss of £141 million on disposal relates to the sale of Financial Services product 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 portfolios to the buyers. During 2023/24, the Group disposed of its mortgage portfolio for proceeds of £446 million, which resulted in a loss on disposal of £14 million.

Costs of £133 million associated with the withdrawal primarily relate to onerous contracts, loss on derivatives no longer classified in an effective hedge relationship and employee costs. In 2023/24, costs of £245 million associated with the withdrawal mainly comprised impairment of non-financial assets, additional allowances arising from a reassessment of the effective interest rate applied to the amortised cost of financial assets, onerous contracts relating to long-dated computer software contracts and impairment of the remaining goodwill held in the Bank.

Taxation

The income tax expense was £142 million (2023/24: £140 million). The tax charge on continuing operations was £201 million (2023/24: £181 million). The underlying tax rate on continuing operations was 29.8 per cent (2023/24: 26.7 per cent) and the effective tax rate on continuing operations was 32.4 per cent (2023/24: 37.1 per cent).

The effective tax rate on continuing operations of 32.4 per cent for the year was higher than the underlying rate because of a change in estimate with regards to the treatment of dilapidations. It was significantly lower than the prior year which included the release of a deferred tax asset on capital losses as a result of the Highbury and Dragon property transaction in that year.

The Group expects an underlying tax rate in 2025/26 of around 30 per cent.

Earnings per share

Statutory basic EPS increased to 10.4 pence (2023/24: 5.9 pence) due to an increase in statutory earnings. Statutory diluted EPS also increased to 10.2 pence (2023/24: 5.7 pence).

Underlying basic EPS increased to 23.1 pence (2023/24: 22.1 pence), due to an increase in underlying earnings. Underlying diluted EPS increased to 22.7 pence (2023/24: 21.6 pence).

Dividends

The Board has recommended a final dividend of 9.7 pence per share (2023/24: 9.2 pence). This will be paid on 11 July 2025 to shareholders on the Register of Members at the close of business on 6 June 2025. In line with the Group's new policy to pay a progressive dividend, the total full-year dividend was 13.6 pence per share, an increase of 3.8 per cent (2023/24: 13.1 pence).

Sainsbury's has a Dividend Reinvestment Plan (DRIP). This allows shareholders to reinvest their cash dividends in our shares. The last date that shareholders can elect for the DRIP is 20 June 2025.

For the financial year 2025/26, as per our capital allocation policy, we are committed to a progressive dividend policy. Reflecting the strength of our balance sheet, we will buy back at least £200 million of shares in 2025/26. We expect to return bank disposal proceeds of £250 million via special dividend in the second half of the year. The special dividend will be accompanied by a proposed share consolidation. We will continue to review the level of cash return to shareholders through buybacks on an annual basis.

Net debt and retail cash flows

Summary retail cash flow statement	Note ^{a)}	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m
Retail underlying operating profit	4	1,036	966
Adjustments for:			
Retail underlying depreciation and amortisation		1,156	1,112
Share-based payments and other		67	78
Adjusted retail underlying operating cash flow before changes in working capital		2,259	2,156
Decrease in underlying working capital		98	262
Retail non-underlying operating cash flows (excluding pensions)		(71)	(72)
Pension cash contributions		(45)	(44)
Retail cash generated from operations		2,241	2,302
Interest paid		(347)	(323)
Corporation tax paid		(89)	(58)
Retail net cash generated from operating activities		1,805	1,921
Cash capital expenditure		(825)	(814)
Repayments of lease liabilities		(487)	(505)
Initial direct costs on right-of-use assets		(34)	(6)

Proceeds from disposal of property, plant and equipment	45	16
Interest income	27	27
Retail free cash flow	531	639
Dividends paid on ordinary shares	(308)	(306)
Purchase of own shares - share buyback	(200)	-
Net (repayment)/drawdown of borrowings	(79)	534
Net consideration paid for Highbury and Dragon property transaction	-	(670)
Other share-related transactions	(43)	(3)
Financial Services strategic review	(52)	-
Net (decrease)/increase in cash and cash equivalents	(151)	194
Decrease/(increase) in debt	566	(29)
Highbury and Dragon non-cash lease movements	-	1,042
Other non-cash and net interest movements	b)	(417)
Movement in net debt	18	(204)
Opening net debt	18	(5,554)
Closing net debt	18	(5,758)
Of which:		
Lease liabilities	18	(5,494)
Net debt excluding lease liabilities	(264)	(200)

a) Note references relate to Alternative Performance Measures in notes A2.1 and A2.2

b) 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 £103 million year-on-year to £2,259 million (2023/24: £2,156 million), primarily due to an increase in retail underlying operating profit.

Cash inflow from reduced working capital of £98 million (2023/24: £262 million working capital reduction), was driven by an increase in payables while maintaining a flat inventory position. Year-on-year working capital generation reduced by £164 million, primarily due to timing within payables and receivables.

Retail non-underlying operating cash flows of £71 million relate to retail restructuring programme costs, of which £40 million relates to the multi-year programme announced in November 2020 and £31 million relates to the implementation of the Next Level Sainsbury's strategy.

Pension cash contributions of £45 million remained consistent with the prior year as no funding level events occurred. The Group expects pension cash contributions in 2025/26 to be £26 million.

We paid corporation tax of £89 million in the year (2023/24: £58 million). The £31 million increase in tax payable year on year is predominantly attributable to an increase in retail profitability and the annualisation of tax rate changes.

Cash capital expenditure was £825 million (2023/24: £814 million). The year-on-year increase was primarily driven by increased investment in technology, supply chain and logistics. Strategic investment in electric vehicles (EV) charging infrastructure was £25 million (2023/24: £63 million). The Group expects core retail cash capital expenditure (excluding Financial Services) in 2025/26 to be between £800 million to £850 million.

Initial direct costs of right-of-use assets were £34 million (2023/24: £6 million), relating to costs incurred on the acquisition of Homebase stores.

Proceeds from the disposal of property, plant and equipment were £45 million (2023/24: £16 million) of which £22 million was received in relation to the Hendon mixed use development site completion in the year. The remaining proceeds resulted from disposals in line with our property strategy.

Retail free cash flow declined by £108 million year-on-year to £531 million (2023/24: £639 million), driven by the reduction in working capital inflow and higher capital expenditure, but remains in line with our commitment to generate at least £1.6 billion of retail free cash flow over three years to 2026/27. In 2025/26 the Group expects to generate retail free cash flow of more than £500 million.

Dividends of £308 million were paid in the year, covered 1.7 times by free cash flow (2023/24: 2.1 times).

On 26 April 2024 the Group announced the commencement of a £200 million share buyback programme, which was completed on 17 December 2024.

Net drawdown of borrowings includes the repayment in full of the £575 million unsecured term loan facility drawn down in 2023/24 to part fund the Highbury and Dragon property transaction. The Group received £544 million net of fees from the issuance of Investment Grade Corporate Bonds, split into two tranches, a £250 million tranche maturing in June 2030 and a £300 million tranche maturing in January 2035.

As at 1 March 2025, net debt was £5,758 million (2 March 2024: £5,554 million), an increase of £204 million. Excluding the impact of lease liabilities, non-lease net debt increased by £64 million in the year, to £264 million (2 March 2024: £200 million), impacted by increased costs in relation to the Financial Services strategic review and costs incurred in relation to other share-related transactions.

Net debt includes lease liabilities of £5,494 million (2 March 2024: £5,354 million). Lease liabilities increased by £140 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 (as stated on page 52 of the 2024 Annual Report and Financial Statements). 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. As at 1 March 2025, there have been £52 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)}	As at 1 March 2025	As at 2 March 2024
Return on capital employed	9.0%	8.3%
Net debt to EBITDA	2.6x	2.6x
Fixed charge cover	2.8x	2.7x

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

Return on capital employed (ROCE) improved 70 basis points, primarily driven by improved underlying retail operating profit.

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

At 1 March 2025, the net defined benefit surplus under IAS 19 for the Group was £731 million (excluding deferred tax). This marks an increase of £41 million from the prior year-end date of 2 March 2024. The primary driver of this increase was changes in financial assumptions, specifically an increase in the discount rate from 5.00 per cent per annum to 5.45 per cent per annum, which led to a decrease in scheme liabilities. This decrease in scheme liabilities was broadly offset by a reduction in the value of matching assets used to hedge against movements in gilt yields and inflation.

An updated triennial funding valuation of the Scheme is currently being carried out with an effective date of 30 September 2024.

For 2025/26, the total defined benefit pension scheme contributions are expected to be £26 million (2024/25: £45 million).

Retirement benefit obligations	Sainsbury's as at 1 March 2025 £m	Argos as at 1 March 2025 £m	Group as at 1 March 2025 £m	Group as at 2 March 2024 £m
Present value of funded obligations	(4,820)	(755)	(5,575)	(5,988)
Fair value of plan assets	5,418	911	6,329	6,702
Pension surplus	598	156	754	714
Present value of unfunded obligations	(13)	(10)	(23)	(24)
Retirement benefit surplus	585	146	731	690
Deferred income tax liability	(179)	(39)	(218)	(244)
Net retirement benefit surplus	406	107	513	446

Consolidated income statement

52 weeks to 1 March 2025					52 weeks to 2 March 2024 (restated*)		
	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	32,812	-	32,812	32,238	-	32,238
Cost of sales		(30,513)	(78)	(30,591)	(30,009)	(139)	(30,148)
Gross profit/(loss)		2,299	(78)	2,221	2,229	(139)	2,090
Administrative expenses		(1,325)	(100)	(1,425)	(1,333)	(71)	(1,404)
Other income		55	53	108	52	6	58
Operating profit/(loss)		1,029	(125)	904	948	(204)	744
Finance income	6	31	36	67	30	51	81
Finance costs	6	(336)	(14)	(350)	(324)	(12)	(336)
Profit/(loss) before tax - continuing operations		724	(103)	621	654	(165)	489
Income tax (expense)/credit	7	(216)	15	(201)	(174)	(7)	(181)
Profit/(loss) after tax - continuing operations		508	(88)	420	480	(172)	308
Profit/(loss) after tax - discontinued operations	9	31	(209)	(178)	36	(207)	(171)
Profit/(loss) for the financial period		539	(297)	242	516	(379)	137

Total earnings per share	8	pence	pence	pence	pence
Basic - total		23.1	10.4	22.1	5.9
Diluted - total		22.7	10.2	21.6	5.7
Earnings per share - from continuing operations					
Basic - continuing			18.0		13.2
Diluted - continuing			17.7		12.9

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

Consolidated statement of comprehensive income/(loss)

	Note	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 (restated*) £m
Profit for the financial year		242	137
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	20	(33)	(389)
Movements on financial assets at fair value through other comprehensive income		-	1
Cash flow hedges fair value movements - inventory hedges		1	(67)
Current tax relating to items not reclassified		(1)	10
Deferred tax relating to items not reclassified		9	177
		(24)	(268)
Items that may be subsequently reclassified to the income statement			
Currency translation differences		-	(3)
Movements on financial assets at fair value through other comprehensive income		1	-
Cash flow hedges fair value movements - non-inventory hedges		13	(82)
Items reclassified from cash flow hedge reserve		2	4
Deferred tax on items that may be reclassified		(4)	17
		12	(64)
Total other comprehensive loss for the year (net of tax)		(12)	(332)
Total comprehensive income / (loss) for the year		230	(195)
Continuing operations		408	(24)
Discontinued operations	9	(178)	(171)
Total comprehensive income / (loss) for the year		230	(195)

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

Consolidated balance sheet

	Note	1 March 2025 £m	2 March 2024 £m
Non-current assets			
Property, plant and equipment	11	9,358	9,282
Right-of-use assets	12	4,455	4,296
Intangible assets	13	807	806
Investments in joint ventures and associates		2	2
Other financial assets		769	761
Trade and other receivables		42	108
Amounts due from Financial Services customers and other banks		-	1,467
Derivative financial assets		35	68
Net retirement benefit surplus	20	731	690
		16,199	17,480
Current assets			
Inventories		1,946	1,927
Trade and other receivables		572	582
Amounts due from Financial Services customers and other banks		-	3,050
Other financial assets		612	17
Derivative financial assets		15	8
Cash and cash equivalents	17	2,777	1,987
		5,922	7,571
Assets of disposal group and non-current assets held for sale	15	2,527	10
		8,449	7,581
Total assets		24,648	25,061
Current liabilities			
Trade and other payables		(5,278)	(5,091)
Amounts due to Financial Services customers and other deposits		(1,955)	(5,515)
Borrowings	19	(72)	(65)
Lease liabilities	12	(590)	(515)

Derivative financial liabilities		(15)	(28)
Taxes payable		(141)	(125)
Provisions	16	(230)	(113)
		(8,281)	(11,452)
Liabilities of disposal group held for sale	15	(3,136)	-
		(11,417)	(11,452)
Net current liabilities		(2,968)	(3,871)
Non-current liabilities			
Trade and other payables		(24)	(11)
Amounts due to Financial Services customers and other deposits		(13)	(206)
Borrowings	19	(1,042)	(1,130)
Lease liabilities	12	(4,904)	(4,839)
Derivative financial liabilities		(11)	(59)
Deferred income tax liability		(429)	(329)
Provisions	16	(157)	(167)
		(6,580)	(6,741)
Total liabilities		(17,997)	(18,193)
Net assets		6,651	6,868
Equity			
Called up share capital		669	678
Share premium		1,448	1,430
Merger reserve		173	568
Capital redemption and other reserves		(54)	955
Retained earnings		4,415	3,237
Total equity shareholders' funds		6,651	6,868

Consolidated statement of changes in equity

	Note	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 3 March 2024		678	1,430	568	955	3,237	6,868
Profit for the financial year		-	-	-	-	242	242
Other comprehensive income / (loss)		-	-	-	17	(33)	(16)
Tax relating to other comprehensive income / (loss)		-	-	-	(4)	8	4
Total comprehensive income		-	-	-	13	217	230
Cash flow hedges losses transferred to inventory		-	-	-	18	-	18
Transactions with owners:							
Transfer between reserves	a), b), c)	-	-	(395)	(1,035)	1,430	-
Dividends	10	-	-	-	-	(308)	(308)
Share-based payment		-	-	-	-	80	80
Purchase of own shares for share schemes		-	-	-	(63)	-	(63)
Allotted in respect of share schemes		12	18	-	37	(44)	23
Purchase of own shares for cancellation	d)	-	-	-	(200)	-	(200)
Cancellation of own shares	d)	(21)	-	-	221	(200)	-
Tax on items charged to equity		-	-	-	-	3	3
At 1 March 2025		669	1,448	173	(54)	4,415	6,651
	Note	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
Transactions with owners:							
Dividends	10	-	-	-	-	(306)	(306)
Share-based payment		-	-	-	-	87	87
Purchase of own shares for share schemes		-	-	-	(18)	-	(18)
Allotted in respect of share schemes		6	12	-	35	(38)	15
At 2 March 2024		678	1,430	568	955	3,237	6,868

- a) The capital redemption reserve as at 3 March 2024 amounted to £680 million. This balance arose through a return of share capital resulting in the return and cancellation of shares, by way of a B share scheme, approved at an Extraordinary General Meeting on 12 July 2004. The final redemption date for B shares was 18 July 2007 with all transactions completed in 2007. Following approval by the High Court registered on 31 July 2024, this £680 million was reclassified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 2.8A and as a result was transferred to retained earnings.
- b) In the prior period, the Group derecognised its financial asset relating to its beneficial interest in a commercial property investment pool. On derecognition, the cumulative gain or loss previously recognised in the financial asset reserve did not result in a profit or loss in the income statement, as gains or losses on equity instruments are never recycled to the income statement. Following this, during the current period, £355 million was transferred from financial asset reserves to retained earnings. This amount represented the cumulative gains and losses on this financial asset, and therefore as it has been derecognised, there is no longer a legally separable reserve for these fair value gains and losses and as such the amount has been transferred to retained earnings.
- c) The merger reserve as at 3 March 2024 amounted to £568 million and was created following the issuance of 261 million shares in 2016 as part consideration for the acquisition of Home Retail Group plc. During the year, £395 million has been transferred to retained earnings and classified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 3.9 following an impairment being recognised in J Sainsbury's plc over its subsidiary's investment in the Acquisition holding company. The related impairment has no impact on Group results.
- d) During the period, 73.6 million of the Company's own shares, representing 3.14% of the called up share capital as at 1 March 2025, were purchased, and subsequently cancelled, for total consideration of £200 million inclusive of £6 million directly attributable costs. £200 million has been transferred from the investment in own shares reserve to retained earnings and £21 million of share capital has been transferred to the capital redemption reserve owing to the cancellation.

Consolidated cash flow statement

	Note	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 (restated*) £m
Cash flows from operating activities			
Cash generated from operations - continuing operations	17	1,776	2,510
Interest paid		(359)	(336)
Corporation tax paid		(53)	(61)
Net cash generated from operating activities - continuing operations		1,364	2,113
Cash flows from investing activities			
Purchase of property, plant and equipment		(617)	(1,381)
Initial direct costs on new leases		(34)	(6)
Purchase of intangible assets		(208)	(178)
Proceeds from disposal of property, plant and equipment		45	77
Interest received		27	27
Net cash used in investing activities - continuing operations		(787)	(1,461)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		20	15
Proceeds from borrowings		544	575
Repayment of borrowings		(623)	(41)
Purchase of own shares for share schemes		(63)	(18)
Purchase of own shares for cancellation		(200)	-
Capital repayment of lease obligations		(487)	(507)
Dividends paid on ordinary shares	10	(308)	(306)
Net cash used in financing activities - continuing operations		(1,117)	(282)
Net increase in cash and cash equivalents			
Continuing operations		(540)	370
Discontinued operations		1,329	298
Total increase in cash and cash equivalents		789	668
Opening cash and cash equivalents		1,987	1,319
Closing cash and cash equivalents	17	2,776	1,987

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

Notes to the consolidated financial statements

1 General information

The financial information, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of changes in equity and related notes, is derived from the full Consolidated financial statements for the 52 weeks to 1 March 2025 (prior financial year: 52 weeks to 2 March 2024) and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006.

The Annual Report and Financial Statements 2025 on which the auditors have given an unqualified report and which does not contain a statement under section 498 (2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders in June 2025.

J Sainsbury plc is a public limited company (the 'Company') incorporated in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 33 Holborn, London EC1N 2HT, United Kingdom.

The consolidated financial statements for the 52 weeks to 1 March 2025 comprise the financial statements of the Company and its subsidiaries (the 'Group') and the Group's share of the post-tax results of its joint ventures and associates.

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

2 Basis of preparation

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards.

They have been prepared under the historical cost convention, except for certain financial instruments, defined benefit pension scheme assets and share based payments.

Sainsbury's Bank plc and its subsidiaries have been consolidated for the twelve months to 28 February 2025 being the Bank's year-end date (2024: 29 February 2024). Adjustments are made for the effects of significant transactions or events that occur between this date and the Group's balance sheet date.

Unless otherwise stated, material accounting policies have been applied consistently to all periods presented in the financial statements although certain presentational changes have been made with the objective of simplification and to assist in and aid the users' understanding.

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 9.

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 agreement triggered a change in business model as the objective is now to sell financial assets and no longer to hold for the collection of contractual cash flows. The underlying portfolios have therefore been reclassified from being measured at amortised cost to being measured at fair value through profit and loss by reference to the pricing mechanism within the sale agreement and reflects the market conditions prevailing at the balance sheet date. Provisions for expected credit loss and effective interest rate adjustments have been derecognised as a result. The adjustment has been made prospectively from 15 September 2024, being the first day of the reporting period following the change in business model. Prior to the reclassification, the financial assets were classified and subsequently measured at amortised cost using the effective interest method, net of any loss allowance.

Amounts have been recognised within discontinued operations.

2.1 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 12 months to 16 April 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 year of indicative movements.

The Group manages its financing by diversifying funding sources, for example through the Investment Grade Corporate Bond markets and structuring core borrowings with phased maturities to manage refinancing risk, evidenced by the issuance in January 2025 of £550 million of Investment Grade Corporate Bonds, split into two tranches, a £250 million tranche maturing in June 2030 and a £300 million tranche maturing in January 2035. In addition, the Group has in place an inflation-linked amortising loan with a principal of £438 million outstanding at the reporting date. As at 1 March 2025, both facilities were fully drawn.

The Group also seeks to minimise liquidity risk and maintain sufficient levels of standby liquidity and a suitable level of undrawn additional funding capacity via the Revolving Credit Facility. The Revolving Credit Facility of £1,000 million

comprises two £500 million facilities which were both extended by a further 12 months during the year. This is the second extension resulting in revised maturity dates of December 2029 for Facility A and December 2028 for Facility B. As at 1 March 2025, the Revolving Credit Facility was undrawn. No additional forms of financing are assumed in the assessment of the Group as a going concern.

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

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 suspending 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 sustainability initiatives such as 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 phased withdrawal from financial services as we transition to a distributed model, with assets and operations being transferred to NatWest, NewDay, and NoteMachine. 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 phased withdrawal and the risks arising thereon. The evaluation has included costs to exit being higher than planned and the ability to withstand unforeseen scenarios such as planned divestments not concluding as expected. 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 phased withdrawal, prior to any additional mitigating actions being taken. 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.

2.2 New accounting pronouncements

a) New accounting standards adopted by the Group

The Group has applied the following new standards and interpretations which became effective in the 52 weeks to 1 March 2025:

- Amendments to IFRS 16: Lease liability in a sale and leaseback
- Amendments to IAS 1: Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IAS 7 and IFRS 7: Supplier finance arrangements

The new accounting standards, interpretations and amendments to standards and IFRIC interpretations which became applicable during the year were either not relevant or had no impact, or no material impact, on the Group's results or net assets. Therefore, the adoption of the new standards and interpretations listed above did not require any changes to be made to the Group accounting policies and the policies have remained unchanged from those disclosed in the Annual Report for the financial year ended 2 March 2024.

b) New accounting standards in issue but not yet effective

The following standards and interpretations were in issue at the date of approval of these financial statements but not yet effective and therefore have not been applied for the 52 weeks to 1 March 2025:

- Amendments to IAS 21: Lack of exchangeability
- Amendments to IFRS 9 and IFRS 7: Classification and measurement of financial instruments
- IFRS 18: Presentation and disclosure in financial statements
- IFRS 19: Subsidiaries without public accountability
- Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations, with the exception of the adoption of IFRS 18, is not expected to lead to any changes to the Group's accounting policies nor to have any impact, or any material impact, on the Group's results or net assets.

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.

2.3 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.

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 phased withdrawal from financial services, 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 financial services, 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

	2025				2024 (restated*)			
	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
Cost of sales	(80)	-	2	(78)	(73)	-	(66)	(139)
Administrative expenses	(75)	(8)	(17)	(100)	(49)	(7)	(15)	(71)
Other income	(4)	-	57	53	-	-	6	6
Affecting operating profit	(159)	(8)	42	(125)	(122)	(7)	(75)	(204)
Net finance (costs)/income	(2)	36	(12)	22	(1)	51	(11)	39
Affecting profit before tax - continuing operations	(161)	28	30	(103)	(123)	44	(86)	(165)
Income tax credit/(charge)				15				(7)
Affecting profit after tax - continuing operations				(88)				(172)
Loss on disposal after tax - discontinued operations				(106)				(11)
Restructuring and impairment costs after tax - discontinued operations				(103)				(196)
Affecting profit after tax - discontinued operations				(209)				(207)
Affecting profit for the financial period				(297)				(379)

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

The impact of non-underlying items on Retail cash generated from operations is presented in note A2.2.

3.1 Restructuring and impairment

a) Restructuring

Financial Services model

As part of the phased withdrawal from financial services, costs incurred associated with the exit that are directly attributable to the disposal group have been classified as discontinued operations as set out in note 9.

Costs which are not directly attributable to the disposal group, but have specifically been incurred as part of the phased withdrawal, have been recognised within non-underlying items within continuing operations.

Retail restructuring programmes

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

Separately, as part of our Next Level Sainsbury's strategy implementation, launched in the current year, we have commenced a multi-year restructuring programme which will update our central management structures to support faster decision making and drive performance at both Sainsbury's and Argos, creating fewer, bigger roles with clearer accountabilities. In addition, it was announced in the current year that we will be closing food counters, converting cafes to expert partners, and converting remaining scratch bakeries.

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

b) Non-Restructuring items

Impairments of non-financial assets

Separate from restructuring initiatives, the Group has recognised £16 million of impairment (2024: £nil) in relation to non-trading sites, reflecting rent reviews.

Analysis of restructuring and non-restructuring impairment items

2025					2024 (restated*)		
Note	Financial Services model £m	Retail restructuring programmes £m	Impairment of non-financial assets £m	Total £m	Financial Services model £m	Retail restructuring programmes £m	Total £m
Non-financial asset impairments							
Property, plant and equipment	17	-	(4)	(4)	(3)	(1)	(4)
Right-of-use assets	17	-	(16)	(16)	(3)	(3)	(6)
Intangible assets	17	-	-	-	(16)	-	(16)
		(4)	(16)	(20)	(22)	(4)	(26)
Accelerated depreciation of assets	a)	-	(42)	(42)	-	(19)	(19)
Employee costs	b)	(8)	(43)	(51)	(3)	(33)	(36)
Onerous contracts	c)	(8)	-	(8)	-	-	-
Property closure provisions	d)	-	(12)	(12)	-	(33)	(33)
Other (costs)/gains	e)	(1)	(27)	(28)	(3)	(6)	(9)
		(17)	(128)	(161)	(28)	(95)	(123)

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

- 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. Such amounts are reflected in provisions as set out in note 25.
- 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. Upon initial recognition of such provisions, management uses its best estimates of the relevant costs to be incurred as well as expected closure dates. Such amounts are reflected in provisions as set out in note 25.
- 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

2025		2024 (restated*)
£m		£m
Property related transactions	a)	(15)
Non-underlying finance and fair value movements	b)	(56)
Acquisition adjustments	c)	(15)
		(86)

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

- a) Predominantly relates to the profit on completion of the disposal of land associated with the Hendon Mixed Used Development Scheme, which included the closure of the existing supermarket and the recognition of a new supermarket asset within property, plant and equipment. (2024: an impairment charge of £19 million of property, plant and equipment was recognised in cost of sales as part of the asset acquisition of 21 stores, whereby the asset base of these stores' OGLs 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 £4 million recognised in other income.)
- b) Comprises £12 million (2024: £10 million) finance costs relating to lease interest paid on impaired non-trading sites, and £2 million gain (2024: £46 million loss) within cost of sales relating to favourable (2024: unfavourable) 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.
- c) Comprises the unwind of non-cash fair value adjustments arising from the Home Retail Group. Classification as non-underlying is because these assets would not normally be recognised outside of a business combination.

4 Segment reporting

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 the regulatory environment of its two Retail operating segments. In doing so it has been concluded that they should be aggregated into one 'Retail' reportable segment within the financial statements given the similar economic characteristics between the two. This aggregated information provides users the financial information needed to evaluate the business and the environment in which it operates.

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

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

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

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

2025						
	Note	Retail £m	Financial Services £m	Group - Continuing operations £m	Group - Discontinued operations Note 9 £m	Group Total £m
Revenue						
Grocery, General Merchandise & Clothing		28,762	-	28,762	-	28,762
Fuel		3,868	-	3,868	-	3,868
Interest receivable		-	103	103	273	376
Fees and commission		-	79	79	57	136
		32,630	182	32,812	330	33,142
Underlying operating profit/(loss)						
Underlying operating profit/(loss)		1,036	(7)	1,029	37	1,066
Underlying finance income		31	-	31	-	31
Underlying finance costs		(336)	-	(336)	-	(336)
Underlying profit/(loss) before tax		731	(7)	724	37	761
Non-underlying items	3			(103)	(274)	(377)
Profit/(loss) before tax				621	(237)	384
Income tax (expense)/credit	7			(201)	59	(142)
Profit/(loss) for the financial year				420	(178)	242

2024						
	Note	Retail £m	Financial Services (restated*) £m	Group - Continuing operations (restated*) £m	Group - Discontinued operations (restated*) Note 9 £m	Group Total £m
Revenue						
Grocery, General Merchandise & Clothing		27,830	-	27,830	-	27,830
Fuel		4,254	-	4,254	-	4,254
Interest receivable		-	79	79	414	493
Fees and commission		-	75	75	69	144
		32,084	154	32,238	483	32,721
Underlying operating profit/(loss)						
Underlying operating profit/(loss)		966	(18)	948	47	995
Underlying finance income		30	-	30	-	30
Underlying finance costs		(324)	-	(324)	-	(324)
Underlying profit/(loss) before tax		672	(18)	654	47	701
Non-underlying items	3			(165)	(259)	(424)
Profit/(loss) before tax				489	(212)	277
Income tax (expense)/credit	7			(181)	41	(140)
Profit/(loss) for the financial year				308	(171)	137

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

4.2 Balance sheet

	2025			2024		
	Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Assets	18,423	6,223	24,646	18,288	6,771	25,059
Investments in joint ventures and associates	2	-	2	2	-	2
Segment assets	18,425	6,223	24,648	18,290	6,771	25,061
Segment liabilities	(12,446)	(5,551)	(17,997)	(12,171)	(6,022)	(18,193)

4.3 Other segment items

		2025				
	Note	Retail £m	Financial Services £m	Group - Continuing operations £m	Group - Discontinued operations £m	Group Total £m
Depreciation expense						
Property, plant and equipment	11	532	-	532	-	532
Right-of-use assets	12	501	-	501	-	501
Amortisation expense						
Intangible assets	13	182	-	182	-	182
Impairment of non-financial assets	14	22	-	22	-	22
Impairment loss on financial assets		-	2	2	61	63
Share based payments		71	4	75	5	80

		2024				
	Note	Retail £m	Financial Services (restated*) £m	Group - Continuing operations (restated*) £m	Group - Discontinued operations (restated*) £m	Group Total £m
Depreciation expense						
Property, plant and equipment	11	538	-	538	1	539
Right-of-use assets	12	449	1	450	-	450
Amortisation expense						
Intangible assets	13	159	13	172	17	189
Impairment of non-financial assets	14	23	22	45	152	197
Impairment of goodwill	14	-	-	-	38	38
Impairment loss/(reversal) on financial assets		(4)	2	(2)	100	98
Share based payments		83	2	85	4	89

		2025			2024		
	Note	Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Additions to non-current assets							
Property, plant and equipment	11	629	-	629	1,654	1	1,655
Intangible assets	13	208	-	208	165	13	178
Right-of-use assets	12	676	-	676	435	3	438

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

4.4 Geographical segments

In the current year, the Group traded in the UK and consequently the majority of revenues, capital expenditure and segment net assets arise there. The assets of the businesses in the Republic of Ireland and Asia, where the Group does not trade but maintains an operational presence, are not material.

5 Supplier arrangements

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

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

Recognised in income statement

	2025 £m	2024 £m
Fixed amounts	293	271

Supplier rebates	40	76
Marketing and advertising income	174	134
	507	481

Discounts and supplier incentives are not shown as they are deemed to be part of the cost price of inventory.

Held on the balance sheet

	2025 £m	2024 £m
Within inventory	(2)	(3)
Within current trade receivables		
Supplier arrangements due	54	47
Accrued supplier arrangements	65	48
Within current trade payables		
Supplier arrangements due	37	39
Accrued supplier arrangements	-	1
Total supplier arrangements	154	132

Additionally, £18 million (2024: £nil) of supplier arrangements contractually agreed but not yet earned is held on the balance sheet within deferred income.

6 Finance income and finance costs

	2025			2024		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Continuing operations						
Interest on bank deposits and other financial assets	29	-	29	28	-	28
IAS 19 pension financing income	-	36	36	-	51	51
Finance income on net investment in leases	2	-	2	2	-	2
Finance income	31	36	67	30	51	81
Secured borrowings	(35)	-	(35)	(38)	-	(38)
Unsecured borrowings	(41)	-	(41)	(33)	-	(33)
Lease liabilities	(260)	(12)	(272)	(253)	(11)	(264)
Provisions - amortisation of discount	-	(2)	(2)	-	(1)	(1)
Finance costs	(336)	(14)	(350)	(324)	(12)	(336)

7 Taxation

	2025 £m	2024 (restated*) £m
Continuing operations		
Current tax		
Corporation tax	124	129
Over provision in prior years	(34)	(4)
	90	125
Deferred Tax		
Origination and reversal of temporary differences	61	36
Under/(over) provision in prior years	54	(19)
Adjustment from change in applicable rate of deferred tax	-	(1)
(Recognition)/derecognition of capital losses	(4)	40
	111	56
Total income tax expense	201	181
Analysed as:		
Underlying tax	216	174
Non-underlying tax	(15)	7
Total income tax expense	201	181
Underlying tax rate	29.8%	26.7%
Effective tax rate	32.4%	37.1%

*Comparative periods have been re-presented to separately disclose discontinued operations. Tax associated with discontinued operations is presented in note 9.

The Group is within the scope of global minimum tax ('GMT') under the OECD Pillar Two rules ('Pillar Two'). Pillar Two reporting requirements were enacted for the UK on 18 July 2023 and apply to the Group from the period ended 1 March 2025. Under these requirements, the Group is liable to pay a top up tax for any deficit between the minimum tax rate of 15% and the effective tax rate per jurisdiction. As a primarily UK focussed Group, we do not anticipate the impact of any GMT being material, and anticipate being able to benefit from the transitional safe harbour rules for the majority of the Group's overseas subsidiaries.

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

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.

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, 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.

	Note	2025 million	2024 (restated*) million
Weighted average number of shares in issue for calculating basic earnings per share		2,330.6	2,334.8
Weighted average number of dilutive share options		43.5	59.2
Weighted average number of shares in issue for calculating diluted earnings per share		2,374.1	2,394.0
		£m	£m
Underlying profit after tax attributable to ordinary shareholders of the parent		539	516
Adjustment for non-underlying items net of tax	3	(297)	(379)
Profit after tax attributable to ordinary shareholders of the parent - continuing operations		420	308
Loss after tax from discontinued operations	9	(178)	(171)
Profit after tax attributable to ordinary shareholders of the parent		242	137
		Pence per share	Pence per share (restated*)
Earnings per share			
Basic		10.4	5.9
Diluted		10.2	5.7
Basic - discontinued operations		(7.6)	(7.3)
Diluted - discontinued operations		(7.5)	(7.2)
Basic - continuing operations		18.0	13.2
Diluted - continuing operations		17.7	12.9
Basic - underlying		23.1	22.1
Diluted - underlying		22.7	21.6

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

9 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. The announced agreement subsequently triggered a change in business model in accordance with IFRS 9 'Financial Instruments' as the objective is to sell financial assets and no longer to hold for the collection of contractual cash flows. The underlying portfolios within the disposal group have therefore been reclassified from being measured at amortised cost to being measured at fair value through profit and loss by reference to the pricing mechanism within sale agreement and reflects the market conditions prevailing at the balance sheet date. The adjustment has been made prospectively from 15 September, being the first day of the reporting period following the change in business mode. Prior to the reclassification the financial assets were classified and subsequently measured at amortised cost using the effective interest method, net of any loss allowance, whilst the disposal group was measured at fair value less costs to sell in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

On 25 September 2024, the Group announced the sale of its ATM estate to NoteMachine, with transfer of assets expected to be completed by May 2025. Following the transfer, the Group will cease manufactured ATM operations. At the balance sheet date, remaining ATM assets are classified as held for sale. 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.

On 31 October 2024 the Group announced it had entered into an agreement for the sale of AFS cards to NewDay Group representing the next phase of the single co-ordinated plan to move to a third-party distributed model. As a result, results have been re-presented to classify the operations as discontinued. The sale subsequently completed on 28 February 2025 with associated assets being derecognised as a result.

on 20 February 2020 with associated assets being derecognised as a result.

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 52 week period to 2 March 2024.

The loss for these operations is set out in note 9.2 with associated non-underlying items previously included in continuing operations set out in note 9.3. 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, or in the case of AFS cards by reference to the fair value of consideration received, as set out in note 9.4.

9.1 Discontinued operations total loss after tax

	Note	2025 £m	2024 £m
Loss after tax	9.2	(72)	(160)
Net loss arising from disposals	9.4	(106)	(11)
Loss after tax		(178)	(171)
Of which:			
Underlying items		31	36
Non-underlying items	9.3, 9.4	(209)	(207)
Loss after tax		(178)	(171)

9.2 Discontinued operations loss after tax excluding net loss arising from disposals

	Note	2025 £m	2024 £m
Revenue			
Interest receivable		273	414
Fees and commission income		57	69
		330	483
Operating costs		(293)	(436)
Operating profit, excluding non-underlying restructuring costs		37	47
Non-underlying restructuring and impairment costs	a) 9.3	(133)	(245)
Loss before tax		(96)	(198)
Income tax credit		24	38
Loss after tax		(72)	(160)

a) Amounts for 2025 have been recognised in administrative expenses (2024: £21 million effective interest rate adjustment to financial assets was recognised in revenue, with the remaining £224 million recognised in administrative expenses).

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

		2025 £m	2024 £m
Impairment charges	a)	-	(190)
Employee costs	b)	(43)	(6)
Onerous contracts	c)	(75)	(17)
Effective interest rate adjustment to financial assets	d)	-	(21)
Other costs	e)	(15)	(11)
		(133)	(245)
Income tax credit		30	49
		(103)	(196)

- a) 2024: comprises impairment charges of property, plant and equipment, and intangible assets including goodwill.
- b) Comprises severance costs and incremental 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) 2024: 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 with the impacts being recognised in revenue.
- e) Comprises loss on derivatives no longer classified in an effective hedge relationship, and consultancy costs (2024: comprises consultancy costs).

9.4 Discontinued operations net loss arising from disposals

		2025 £m	2024 £m
Fair value of consideration received/(payable)	a)	149	446
Fair value of net assets disposed	b)	(218)	(457)
Write down of net liabilities/loss on net assets disposed	c)	(69)	(11)
Costs of disposal	d)	(72)	(3)
Loss on disposal before tax		(141)	(14)
Income tax credit		35	3
Loss on disposal after tax		(106)	(11)

- a) Comprises amounts payable in relation to the core banking activities with net liabilities inclusive of a £132 million discount on gross assets based on pricing mechanisms set out in the sale agreement but measured at the reporting date. The discount at expected point of completion in 2025 is £125 million (2024: comprises proceeds in respect of the sale of the mortgage portfolio). Amounts are offset by £749 million related to AFS cards and the debt instrument notes derecognised, and £2 million related to the ATM assets.
- b) Comprises the fair value of assets and liabilities of the core banking portfolios held for sale, AFS cards assets disposed inclusive of £24 million goodwill previously allocated to the Home Retail Group CGU, and ATM related assets (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 core banking sale in the first half of calendar year 2025, the write down of net assets disposed is expected to be up to £7 million lower than the amount recognised as at 1 March 2025. 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.

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

	Note	2025 £m
Non-current assets classified as held for sale		
ATM assets		1
Assets of disposal group classified as held for sale		
Unsecured balances		2,512
Intangible assets	a)	-
		2,512
Total assets of disposal group and non-current assets classified as held for sale	15	2,513
Liabilities of disposal group classified as held for sale		
Customer deposits		(3,109)
Provisions for costs of disposal		(27)
Total liabilities of disposal group classified as held for sale		(3,136)
Net liabilities held for sale associated with discontinued operations		(623)

- a) Represents the cost and associated accumulated amortisation and impairment of £38 million for goodwill and £39 million for acquired intangibles deemed directly attributable to the disposal group.

9.6 Discontinued operations cash flow statement

	2025 £m	2024 £m
Net cash flows from:		
Operating activities	579	(148)
Investing activities	750	446
	1,329	298

- a) Net cash flows generated from investing activities primarily relate to proceeds received from the disposal of AFS cards and cash receipts from the sale of a debt instrument that formed part consideration under the arrangement. Inflows of £446 million in 2024 relate to the disposal of the mortgage portfolio.

10 Dividends

	2025 pence per share	2024 pence per share	2025 £m	2024 £m
Amounts recognised as distributions to ordinary shareholders				
Final dividend for financial year ended 4 March 2023	-	9.2	-	215
Interim dividend for financial year ended 2 March 2024	-	3.9	-	91
Final dividend for financial year ended 2 March 2024	9.2	-	217	-
Interim dividend for financial year ended 1 March 2025	3.9	-	91	-
	13.1	13.1	308	306
Proposed final dividend at financial year-end	9.7		223	

The proposed final dividend was approved by the Board on 16 April 2025 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 11 July 2025 to shareholders on the register as at 6 June 2025. No amount for the proposed final dividend has been recognised at the balance sheet date.

11 Property, plant and equipment

		2025			2024		
	Note	Land and buildings £m	Fixtures and equipment £m	Total £m	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost							
At beginning of financial year		11,154	4,919	16,073	9,865	5,029	14,894
Acquisition		-	-	-	1,021	-	1,021
Additions		280	349	629	274	360	634
Disposals		(26)	(730)	(756)	(1)	(470)	(471)
Transfer to assets held for sale	15	(27)	(33)	(60)	(5)	-	(5)
At end of financial year		11,381	4,505	15,886	11,154	4,919	16,073
Accumulated depreciation and impairment							
At beginning of financial year		3,347	3,444	6,791	3,153	3,540	6,693
Depreciation expense		203	329	532	186	353	539
Impairment loss	14	1	5	6	8	21	29

Disposals		(22)	(727)	(749)	-	(470)	(470)
Transfer to assets held for sale	15	(21)	(31)	(52)	-	-	-
At end of financial year		3,508	3,020	6,528	3,347	3,444	6,791
Net book value		7,873	1,485	9,358	7,807	1,475	9,282
Capital work-in-progress included above		202	56	258	115	56	171

Transfers to assets held from sale in the year relate to Retail non-current assets held for sale and do not form part of the disposal group.

12 Leases

Group as a lessee

a) Right-of-use assets

		2025			2024		
	Note	Land and buildings £m	Equipment £m	Total £m	Land and buildings £m	Equipment £m	Total £m
Net book value							
At beginning of financial year		3,976	320	4,296	5,032	313	5,345
New leases and modifications		487	189	676	334	104	438
Impairment loss	14	(16)	-	(16)	(6)	-	(6)
Depreciation expense		(392)	(109)	(501)	(353)	(97)	(450)
Derecognised as part of asset acquisition		-	-	-	(1,031)	-	(1,031)
At end of financial year		4,055	400	4,455	3,976	320	4,296

b) Lease liabilities

	Note	2025 £m	2024 £m
At beginning of financial year		5,354	6,489
New leases and modifications		627	414
Derecognised as part of asset acquisition		-	(1,042)
Interest expense	6	272	264
Payments		(759)	(771)
At end of financial year		5,494	5,354

13 Intangible assets

	Note	Goodwill £m	Computer software £m	Acquired brands £m	Customer relationships £m	Total £m
Cost						
At 3 March 2024		384	1,235	229	32	1,880
Additions		-	208	-	-	208
Disposals		(24)	(93)	-	-	(117)
Transfer to assets held for sale	15	(38)	-	(39)	-	(77)
At 1 March 2025		322	1,350	190	32	1,894
Accumulated amortisation and impairment						
At 3 March 2024		77	780	185	32	1,074
Amortisation expense		-	164	18	-	182
Disposals		-	(92)	-	-	(92)
Transfer to assets held for sale	15	(38)	-	(39)	-	(77)
At 1 March 2025		39	852	164	32	1,087
Net book value at 1 March 2025		283	498	26	-	807
Capital work-in-progress included above		-	63	-	-	63
Cost						
At 5 March 2023		391	1,105	229	32	1,757
Additions		-	178	-	-	178
Disposals		(7)	(48)	-	-	(55)
At 2 March 2024		384	1,235	229	32	1,880
Accumulated amortisation and impairment						
At 5 March 2023		39	495	167	32	733
Amortisation expense		-	171	18	-	189

Impairment loss	14	38	162	-	-	200
Disposals		-	(48)	-	-	(48)
At 2 March 2024		77	780	185	32	1,074
Net book value at 2 March 2024		307	455	44	-	806
Capital work-in-progress included above		-	44	-	-	44

Following the agreement to sell core banking portfolios announced during the year, the cost and associated accumulated amortisation and impairment of £38 million for goodwill and £39 million for acquired brands has been transferred to the disposal group classified as held for sale. A further £24 million of goodwill previously allocated to the Home Retail Group CGU has been derecognised following the disposal of AFS cards.

Disposal of goodwill in 2024 relates to the disposal of the mortgage book.

14 Impairment of non-financial assets

14.1 Impairment testing

Cash Generating Units

For the purpose of impairment testing, cash generating units are determined by reference to the smallest identifiable group of assets that generates cash flows independent from other assets or group of assets. These have been assessed as:

- **Individual assets**
- **Individual stores** representing the collective assets directly attributable to each respective store
- **Group of stores** representing local fulfilment centres and hub-stores within Argos where each site serves a defined set of hub-stores
- **Corporate level** covering the principal brands of the Group: Sainsbury's, Argos, Nectar and Sainsbury's Bank.

Central assets and associated cash flows are allocated to the respective Corporate level CGU to which they relate and are attributed to the lowest level CGU to the extent that they are reasonably and consistently allocable, estimated by reference to store sales.

For the purpose of impairment, goodwill acquired is allocated to the CGU that is expected to benefit from the synergies of the combination.

Recoverable amount

The recoverable amount of individual assets, stores and group of store CGUs is measured as the higher of fair value less cost to dispose and the value-in-use of cash flows expected to be independently generated. The recoverable amount for Corporate level CGUs is measured as the value-in-use.

In measuring the value-in-use, cash flow projections are based on the latest management approved forecast covering a four-year period and beyond four years the final year forecast is extrapolated based on the estimated average long-term growth rate. Long-term sales and cost projections consider the outlook for addressable markets, competitor behaviour, estimation on inflation and market rates, the prevailing macro and microeconomic climate and committed initiatives. In forming these projections, management draws on past experience as a basis of forecasting future performance. Cash flows are then adjusted to remove the impact of estimated future cash flows expected to arise from strategic capital expenditure not yet incurred. For the purpose of store-level and group of store-level CGUs, base cash flows are derived from the relative current year performance and extrapolated by reference to the adjusted operating profit growth approved by management.

Key assumptions

- Long-term growth rate: measured by reference to average historical GDP growth;
- Discount rates: Representing the weighted average cost of capital (WACC), calculated using the capital asset pricing model, the inputs of which include a 20-year average risk-free rate for the UK, a UK equity risk premium, levered debt premium and risk adjustment and an average beta for the Group ; and
- Cash flow length: where the useful economic life exceeds management's cash flow projects, the final year is extrapolated out to the sooner of perpetuity using a terminal value and contractually committed tenure. Properties identified for closure will be assessed by reference to the committed exit date.

The value attributed to each assumption in measuring the recoverable amount of components with attributed goodwill are as follows:

	2025			2024		
	Pre-tax discount rate	Post-tax discount rate	Long-term growth rate	Pre-tax discount rate	Post-tax discount rate	Long-term growth rate
Home Retail Group	11.0%	8.3%	2%	8.9%	6.6%	2%
Nectar UK	9.1%	6.8%	2%	8.9%	6.6%	2%
Jacksons Stores Limited	9.1%	6.8%	2%	8.9%	6.6%	2%
Bells Stores Limited	9.1%	6.8%	2%	8.9%	6.6%	2%
Other	9.1%	6.8%	2%	8.9%	6.6%	2%
Sainsbury's Bank ^{a)}	-	-	-	14.7%	11.0%	2%

- a) Following the announced restructuring of the Financial Services business in January 2024, a full impairment review was undertaken in the prior year resulting in a £212 million impairment being recognised over non-financial assets, inclusive of £38 million goodwill as further disclosed in note 9. For Financial Services products not directly impacted by the phased withdrawal, the assumed growth rate of 2% was applied to extrapolate future cash flows beyond management's four-year forecast.

14.2 Non-financial assets

a) Impairment charges

a) Impairment charges

In line with the assumptions noted above, the Group assessed whether an indicator of impairment existed at the reporting date. Given Argos trading performance was below expectations, it was determined that an indicator of impairment existed over the Group's Argos assets and therefore a full impairment review was undertaken. £2 million of impairment was recognised as a result of this review.

Separate to the indicator of impairment assessment, the Group recognised £4 million of impairment as part of retail restructuring programmes, and £16 million of impairment in relation to non-trading sites reflecting rent reviews.

		2025			2024		
	Note	Retail £m	Financial Services £m	Total £m	Retail £m	Financial Services £m	Total £m
Balance sheet							
Property, plant and equipment		6	-	6	20	9	29
Right-of-use assets		16	-	16	3	3	6
Intangible assets		-	-	-	-	200	200
Total impairment loss		22	-	22	23	212	235
Income statement							
Comprising							
Within non-underlying items							
Restructuring programmes	3.1	4	-	4	4	212	216
Non-restructuring programmes	3.1	16	-	16	19	-	19
Within underlying items							
Argos store assets		2	-	2	-	-	-
Total impairment loss		22	-	22	23	212	235
Discontinued operations		-	-	-	-	190	190
Continuing operations		22	-	22	23	22	45

b) Sensitivity

For all impairments recognised, management is satisfied that there are no reasonably possible changes in assumptions that would lead to the recognition of a materially different impairment charge.

14.3 Goodwill

Following the disposal of AFS cards (refer to note 9 for more details), goodwill of £24 million was reallocated from the Home Retail Group CGU and subsequently derecognised on disposal. The remaining £95 million of goodwill continues to be attributed to the Home Retail Group that comprises operations related to the Argos brand. There was no impairment of the remaining goodwill associated with Home Retail Group.

a) Impairment charges

The following impairment charges are included within the intangible assets impairment presented in note 14.2.

	2025 £m	2024 £m
Sainsbury's Bank plc	-	38

Value-in-use calculations used to derive the recoverable amount of the CGU to which the respective goodwill has been allocated are measured as outlined above with discount rate and cash flow projections representing the key measurement assumptions.

b) Sensitivities

Sensitivity analysis on the impairment tests for each group of CGUs to which goodwill has been allocated has been performed.

		Headroom				
		Headroom £m	Discount rate		Cash flows	
			-2pts £m	+2pts £m	-25% £m	+25% £m
Home Retail Group	a)	22	132	(51)	(57)	100
Nectar UK	a)	1,534	2,203	1,160	1,109	1,959
Jacksons Stores Limited	b)	79	98	66	51	107
Bells Stores Limited	b)	29	33	27	18	39
Other		49	79	32	25	74

a) Cash flows derived from Board-approved projections for four years and then extrapolated into perpetuity with an assumed growth rate of up to 2.0% as a corporate level CGU

b) Goodwill balances are allocated to individual store CGUs to which they relate.

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

As described in note 9, 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 and liabilities of £2,512 million and £3,136 million, of the core banking disposal group are classified as held for sale and measured at fair value through profit and loss by reference to the pricing mechanism within sale agreement and reflects the market conditions prevailing at the balance sheet date. As such, amounts classified as held for sale for the core banking disposal group during the period are reported net of any portfolio unwind and fair value movements between the point of initial classification and the reporting date.

Non-current assets of £15 million comprise £1 million of ATM assets and £14 million of retail related assets.

Proceeds from disposals of non-current assets held for sale for continuing operations have been presented within proceeds from disposal of property, plant and equipment in the Group cash flow statement.

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

	2025 £m	2024 £m
Opening balance	10	8
Acquisitions	-	63
Classified as held for sale in the year	2,521	15
No longer classified as held for sale	-	(10)
Sold in the year	(4)	(66)
Closing balance	2,527	10
Of which		
Assets of disposal group held for sale	2,512	-
Non-current assets classified as held for sale	15	10
	2,527	10

15.2 Liabilities of disposal group held for sale

	2025 £m	2024 £m
Opening balance	-	-
Classified as held for sale in the period	(3,136)	-
Closing balance	(3,136)	-

Assets held for sale are stated at the lower of the carrying amount and fair value less costs to dispose. The fair value of non-current assets held for sale are based on independent market valuations of the assets and the fair value of assets of disposal group held for sale are based on contractually committed pricing mechanisms.

Acquisitions in the prior year relate to the asset acquisition of four properties, which were sold to a third party for £61 million. The fifth and final property acquired as part of the asset acquisition was sold to a third party in the 52 weeks ended 1 March 2025.

Amounts no longer classified as held for sale relate to circumstances where it is no longer considered highly probable that a sale will occur within the next 12 months. Amounts reclassified are adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale.

16 Provisions

	Retail			Financial Services				Total
	Property provisions a) £m	Insurance provisions b) £m	Restructuring programmes c) £m	Other provisions £m	Onerous contracts d) £m	Restructuring programmes c) £m	Other provisions e) £m	£m
At 3 March 2024	120	59	51	11	17	-	22	280
Additional provisions	18	28	50	9	84	36	12	237
Unused amounts released	(20)	-	(7)	(1)	(3)	-	(11)	(42)
Utilisation of provision	(14)	(24)	(31)	(9)	(3)	(4)	(1)	(86)
Amortisation of discount	1	-	1	-	-	-	-	2
Transfer to assets held for sale	-	-	-	-	-	-	(4)	(4)
At 1 March 2025	105	63	64	10	95	32	18	387
Current	30	12	40	5	95	30	18	230
Non-current	75	51	24	5	-	2	-	157
At 5 March 2023	114	59	58	13	-	-	28	272
Additional provisions	77	22	42	-	18	-	-	159
Unused amounts released	(19)	-	(8)	(2)	-	-	(6)	(35)
Utilisation of provision	(52)	(22)	(42)	-	(1)	-	-	(117)
Amortisation of discount	-	-	1	-	-	-	-	1
At 2 March 2024	120	59	51	11	17	-	22	280
Current	45	13	28	5	-	-	22	113
Non-current	75	46	23	6	17	-	-	167

a) Property provisions comprise onerous property contract provisions for the least net cost of exiting from the contract and provisions for dilapidations.

b) Insurance provisions comprise liabilities in respect of outstanding insurance claims in relation to public liability, employer's liability and third party motor.

c) Restructuring programme provisions comprise mainly redundancies as described in note 3.1, and for financial services, note 9.3.

d) Onerous contract provisions comprise onerous contracts recognised as a result of the phased withdrawal from financial services as described in notes 3.1 and 9.3.

e) Financial services other provisions comprise contractually committed costs related to the disposal of AFS assets and potential

- e) Financial services other provisions comprise contractually committed costs related to the disposal of AFS cards and potential customer redress payable arising from the historic sale of Payment Protection Insurance. Amounts released in the current year primarily relate to off balance sheet expected credit loss provisions following the disposal of AFS cards.

17 Cash and cash equivalents

17.1 Reconciliation of operating profit to net cash generated from operations

		2025	2024 (restated*)
	Note	£m	£m
Operating profit		904	744
Depreciation	11, 12	1,033	988
Amortisation	13	182	172
Net impairment loss on non-financial assets	11, 12, 13	22	45
Profit on sale of non-current assets and early termination of leases		(53)	(16)
Non-underlying fair value movements	3	(2)	46
Share-based payments expense		75	85
Defined benefit scheme expense	20	8	7
Cash contributions to defined benefit scheme	20	(45)	(44)
Operating cash flows before changes in working capital		2,124	2,027
Changes in working capital			
Decrease in inventories		-	5
Increase in financial assets at fair value through other comprehensive income		(603)	(135)
Decrease in trade and other receivables		15	3
Decrease in amounts due from Financial Services customers and other deposits		-	103
Increase in trade and other payables		247	163
Increase in amounts due to Financial Services customers and other deposits		-	345
Decrease in provisions		(7)	(1)
Cash generated from operating activities - continuing operations		1,776	2,510

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

17.2 Balance sheet

	2025	2024
	£m	£m
Cash in hand and bank balances	439	606
Money market funds	1,154	263
Money market deposits	141	232
Deposits at central banks	1,043	886
Cash and cash equivalents	2,777	1,987
Bank overdrafts	(1)	-
Net cash and cash equivalents	2,776	1,987
Restricted amounts included above		
Held as a reserve deposit with the Bank of England	-	14
For insurance purposes	3	7
	3	21

17.3 Cash flow statement

2025

- Amounts due from Financial Service customers and other banks: £4,517 million balance sheet movement explained by £2,512 million transferred to assets held for sale on the balance sheet (Note 9.5) and £2,005 million cash inflows presented within discontinued operations in the cash flow statement (Note 9.6)
- Amounts due to Financial Service customers and other deposits: £3,573 million balance sheet movement explained by £3,109 million transferred to liabilities held for sale on the balance sheet (Note 9.5) and £644 million cash outflows presented within discontinued operations in the cash flow statement (Note 9.6)
- Trade and other receivables: £76 million balance sheet movement mainly explained by cash inflows presented within discontinued operations in the cash flow statement (Note 9.6)
- Provisions: £107 million balance sheet movement mainly explained by cash outflows presented within discontinued operations in the cash flow statement (Note 9.6)

2024

- Amounts due from Financial Service customers and other banks: £875 million balance sheet movement explained mainly by £775 million cash inflows presented within discontinued operations in the cash flow statement (Note 9.6) and £103 million cash inflows presented within continuing operations (Note 17.1)
- Amounts due to Financial Service customers and other deposits: £225 million balance sheet movement explained mainly by £570 million cash outflows presented within discontinued operations in the cash flow statement (Note 9.6) offset by £345 million cash inflows presented within continuing operations (Note 17.1)

18 Analysis of net debt

The Group's definition of net debt includes the following:

- Cash
- Borrowings and overdrafts
- Lease liabilities
- Debt-related financial assets at fair value through other comprehensive income
- Derivatives used in hedging borrowings

Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately.

18.1 Reconciliation of opening to closing net debt

	Cash Movements			Non-Cash Movements		
	3 March 2024	Cash flows excluding interest	Net interest (received) / paid	Accrued interest	Other non- cash movements	1 March 2025
	£m	£m	£m	£m	£m	£m
Retail						
Net derivative financial instruments	-	-	(1)	-	-	(1)
Borrowings (excluding overdrafts)	(1,077)	79	76	(67)	-	(989)
Lease liabilities	(5,354)	487	272	(272)	(627)	(5,494)
Purchase of own shares - share buyback	-	200	-	-	(200)	-
Arising from financing activities	(6,431)	766	347	(339)	(827)	(6,484)
Cash and cash equivalents	877	(150)	-	-	-	727
Bank overdrafts	-	(1)	-	-	-	(1)
Less: Purchase of own shares - share buyback	-	(200)	-	-	200	-
Retail net debt	(5,554)	415	347	(339)	(627)	(5,758)
Financial Services						
Net derivative financial instruments	-	-	-	-	(2)	(2)
Borrowings (excluding overdrafts)	(122)	-	12	(12)	(2)	(124)
Lease liabilities	-	-	-	-	-	-
Arising from financing activities	(122)	-	12	(12)	(4)	(126)
Financial assets at fair value through other comprehensive income	761	609	-	-	(1)	1,369
Cash and cash equivalents	1,110	940	-	-	-	2,050
Financial services net debt	1,749	1,549	12	(12)	(5)	3,293
Group						
Net derivative financial instruments	-	-	(1)	-	(2)	(3)
Borrowings (excluding overdrafts)	(1,199)	79	88	(79)	(2)	(1,113)
Lease liabilities	(5,354)	487	272	(272)	(627)	(5,494)
Purchase of own shares - share buyback	-	200	-	-	(200)	-
Arising from financing activities	(6,553)	766	359	(351)	(831)	(6,610)
Financial assets at fair value through other comprehensive income	761	609	-	-	(1)	1,369
Cash and cash equivalents	1,987	790	-	-	-	2,777
Bank overdrafts	-	(1)	-	-	-	(1)
Less: Purchase of own shares - share buyback	-	(200)	-	-	200	-
Group net debt	(3,805)	1,964	359	(351)	(632)	(2,465)

Other non-cash movements relate to new leases and foreign exchange.

	Cash Movements			Non-Cash Movements		
	5 March 2023	Cash flows excluding interest	Net interest (received) / paid	Accrued interest	Other non- cash movements	2 March 2024
	£m	£m	£m	£m	£m	£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						
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 debt	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)

19 Borrowings

	2025			2024		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Loan due 2031	64	383	447	54	442	496
Term loan due 2026	-	-	-	6	575	581
Unsecured bond	3	547	550	-	-	-
Sainsbury's Bank Tier 2 Capital	6	118	124	6	116	122
Bank overdrafts	1	-	1	-	-	-
	74	1,048	1,122	66	1,133	1,199
Transaction costs	(2)	(6)	(8)	(1)	(3)	(4)
	72	1,042	1,114	65	1,130	1,195

19.1 Loan due 2031

The loan is secured against 48 (2024: 48) supermarket properties. This is an inflation-linked amortising loan from the finance company Longstone Finance plc with an outstanding principal value of £438 million (2024: £486 million) fixed at a real rate of 2.36 per cent where the principal and interest rate are uplifted annually by RPI subject to a cap at 5 per cent and a floor at 0 per cent. The loan has a final repayment date of April 2031. The principal activity of Longstone Finance plc is the issuance of commercial mortgage-backed securities and applying the proceeds towards the secured loans due 2031.

The Group has entered into forward starting inflation swaps to convert £126 million (2024: £155 million) from RPI-linked interest to fixed rate interest. These transactions have been designated as cash flow hedges.

Intertrust Corporate Services Limited holds all the issued share capital of Longstone Finance Holdings Limited on trust for charitable purposes. Longstone Finance Holdings Limited beneficially owns all the issued share capital of Longstone Finance plc. As the Group has no interest, power or bears any risk over these entities they are not included in the Group consolidation.

19.2 Term loan due 2026

The Group entered into a £575 million unsecured term loan in December 2022, with maturity of March 2026. The term loan was repaid in full in January 2025 (2 March 2024: fully drawn) and all associated interest rate swaps terminated.

19.3 Undrawn facilities

The Revolving Credit Facility of £1,000 million comprises two £500 million facilities which were both extended by a further 12 months during the year. This is the second extension resulting in revised maturity dates of December 2029 for Facility A and December 2028 for Facility B. As at 1 March 2025, the Revolving Credit Facility was undrawn.

19.4 Unsecured Bond

In January 2025 the Group issued £550 million of bonds split in two tranches, a £250 million 5-year tranche maturing June 2030 and a £300 million 10-year tranche maturing January 2035. The bonds pay interest on the principal amount at a rate of 5.125 per cent per annum on the 5-year tranche and 5.625 per cent per annum on the 10-year tranche. Interest is payable in equal instalments semi-annually in arrears.

19.5 Sainsbury's Bank Tier 2 Capital

The Group has £120 million of fixed rate reset callable subordinated Tier 2 notes in issuance (2024: £120 million), which were issued in September 2022. These notes pay interest on the principal amount at a rate of 10.5 per cent per annum, payable in equal instalments semi-annually in arrears, until March 2028 at which time the interest rate will reset. The Bank has the option to redeem these notes within a six month window from 12 September 2027 to 12 March 2028.

19.6 Bank overdrafts

Bank overdrafts are repayable on demand and bear interest at a spread above Bank of England base rate.

20 Retirement benefit obligations

20.1 Background

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

The Sainsbury's Pension Scheme has two sections, the Sainsbury's Section, which holds the assets and liabilities of the original Sainsbury's Pension Scheme, and the Argos Section, which holds the assets and liabilities of the former Home Retail Group Pension Scheme. Each section's assets are segregated by deed and ring-fenced for the benefit of the members of that section. The Scheme is run by a corporate trustee with nine directors.

The Scheme is also used to pay life assurance benefits to current (including new) colleagues.

20.2 Balance sheet

The retirement benefit surplus and the associated deferred income tax balance are shown within different line items on the face of the balance sheet.

on the face of the balance sheet.

	2025			2024		
	Sainsbury's £m	Argos £m	Group £m	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(4,820)	(755)	(5,575)	(5,172)	(816)	(5,988)
Fair value of plan assets	5,418	911	6,329	5,777	925	6,702
Retirement benefit surplus	598	156	754	605	109	714
Present value of unfunded obligations	(13)	(10)	(23)	(14)	(10)	(24)
Retirement benefit surplus	585	146	731	591	99	690

Movements in net defined benefit surplus

	2025			2024		
	Assets £m	Obligations £m	Net £m	Assets £m	Obligations £m	Net £m
As at the beginning of the financial year	6,702	(6,012)	690	6,934	(5,945)	989
Interest income/(cost)	329	(293)	36	341	(290)	51
Remeasurement (losses)/gains	(448)	415	(33)	(335)	(54)	(389)
Pension scheme expenses	(8)	-	(8)	-	(7)	(7)
Employer contributions	45	-	45	44	-	44
Benefits (paid)/received	(291)	292	1	(282)	284	2
As at the end of the financial year	6,329	(5,598)	731	6,702	(6,012)	690

20.3 Actuarial assumptions for measuring liabilities

Principal actuarial assumptions

	2025	2024
Discount rate	5.45	5.00
Inflation rate - RPI	3.15	3.20
Inflation rate - CPI	2.55	2.55
Future pension increases	1.95 - 2.95	1.95 - 3.00

a) Discount rate

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

b) Inflation

The Government's intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) takes effect from 2030. As a result, the Group has assumed that RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 0.60% p.a. up to 2030 (2024: 1.00% p.a.).

c) Mortality

The base mortality assumptions use the SAPS S2 and SAPS S3 tables for the Sainsbury's and Argos sections, respectively, with adjustments to reflect the Scheme's population.

Following the completion of the 2021 triennial valuation and consideration of the previous three years of mortality experience both in the Scheme and the UK as a whole, the Company has decided to update the actuarial mortality base tables that determine the life expectancy assumptions to reflect a best-estimate adjustment derived from analysis carried out for the valuation. Future mortality improvements for the 2025 year-end are CMI 2023 projections with a long-term rate of improvement of 1 per cent p.a. Future mortality improvements for the 2024 year-end were CMI 2022 projections with a long-term rate of improvement of 1 per cent p.a.

All IAS 19 calculations use the CMI model which measures potential changes to future mortality trends. The Group's policy is to use the available version as at the year-end which is CMI 2023 which was released in April 2024. The calibration process for CMI 2023 differs from previous years as the CMI have moved to a single calibration parameter which applies weighting to only the most recent years of post-pandemic mortality experience.

As such, zero per cent weighting is applied to 2020 and 2021 data and 100% weighting applied to 2023 data, to reflect the view that the sustained and less volatile mortality experience provides greater evidence of a change to future mortality trends.

The CMI has proposed significant and complex changes to CMI 2024 on which it is currently consulting. Our advisers have reviewed the consultation working paper and confirmed that the same mortality improvement assumption is retained for FY25 as it remains within a reasonable range for 'best estimate' purposes.

Life expectancy at age 65

	2025			2024		
	Sainsbury's section Main Scheme Years	Sainsbury's section Executive Scheme Years	Argos section Years	Sainsbury's section Main Scheme Years	Sainsbury's section Executive Scheme Years	Argos section Years
Members aged 65 at balance sheet date						
Male pensioner	18.9	22.2	19.8	18.9	22.2	19.7
Female pensioner	22.8	23.5	22.9	22.8	23.4	22.8
Members aged 45 at balance sheet date						
Male pensioner	19.9	23.1	20.7	19.8	23.1	20.7

21 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 17,700 equal pay claims from circa 12,100 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. Whilst there is at present no definitive timetable for the litigation the Group anticipates judgment from the Tribunal in respect of the second stage will be given in the course of 2027. This judgment is very likely to be subject to appeal proceedings.

In the event that any of the claimants succeed at the second stage, there will be a third stage comprising further hearings, in the following years, to consider material factor defences relating to non-discriminatory reasons for any pay differential. Both outstanding stages will involve contested hearings and appeals. It is not possible to predict a final date with any certainty.

If the Group is unsuccessful at the end of the litigation the liability could be material but due to the complexity and multitudinous factual and legal uncertainties, we are not in a position to predict an outcome, quantum or impact at this stage.

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 continue to defend them vigorously.

22 Post balance sheet events

On 16 April 2025, the High Court approved the transfer of the personal loans, credit cards and retail deposit portfolios to NatWest Group concluding the Part VII process. Following this approval, the transaction is expected to complete in May 2025 at which point legal title of these portfolios will transfer from Sainsbury's Bank to NatWest Group.

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.

All of the following APMs relate to the current financial year's results and comparative financial year where provided.

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 as like-for-like.

The measure is used widely in the retail sector.

Reconciliation

	2025	2024
Retail like-for-like (exc. Fuel, inc. VAT)	3.2%	7.5%
Underlying net new space impact	(0.1)%	(0.7)%
Retail sales growth (exc. Fuel, inc. VAT)	3.1%	6.8%
Fuel impact	(1.6)%	(3.6)%
Total retail sales growth (inc. Fuel, inc. VAT)	1.5%	3.2%
VAT impact	0.2%	0.4%
Total retail sales growth	1.7%	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	2025 £m	2024 £m
Retail underlying operating profit	4.1	1,036	966
Retail sales	4.1	32,630	32,084
Retail underlying operating margin		3.17%	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 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 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	2025 £m	2024 £m
Retail underlying operating profit	4.1	1,036	966
Add: Retail underlying depreciation and amortisation	A2.1	1,156	1,112
Retail underlying EBITDA		2,192	2,078
Retail sales	4.1	32,630	32,084
Retail underlying EBITDA margin		6.72%	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 6 to the 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 items as set out in note 3 to the financial statements.

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

				(restated*)		
				Retail £m	Financial Services £m	Group £m
Operating profit/(loss) - continuing				822	82	904
Depreciation and amortisation				790	(46)	744
	- Underlying			1,156	-	1,156
	- Non-underlying			1,112	14	1,126
				59	-	59
				34	-	34
				1,215	-	1,215
Net impairment charge/(reversal) on non-financial assets	- Underlying	b)		2	-	2
	- Non-underlying			-	-	-
				20	-	20
				23	22	45
				22	-	22
				23	22	45
(Profit)/loss on sale of non-current assets and early termination of leases	- Underlying	b)		(6)	-	(6)
	- Non-underlying			(5)	-	(5)
				(47)	-	(47)
				(11)	-	(11)
				(53)	-	(53)
				(16)	-	(16)
Non-underlying fair value movements				(2)	-	(2)
Share-based payments expense				46	-	46
Defined benefit scheme expenses		b)		71	2	85
Cash contributions to defined benefit scheme				8	-	8
				7	-	7
				(45)	-	(45)
				(44)	-	(44)
Operating cash flows before changes in working capital				2,038	86	2,124
Movements in working capital				2,035	(8)	2,027
	- Underlying			98	215	477
	- Non-underlying			105	-	105
				6	-	6
				203	215	418
				268	215	483
Cash generated from operations - continuing	a)			2,241	(465)	1,776
Interest paid	a)			(347)	(12)	(359)
Corporation tax paid	a)			(89)	36	(53)
				(58)	(3)	(61)
				1,805	(441)	1,364
				1,922	191	2,113
Cash flows from investing activities - continuing						
Purchase of property, plant and equipment	- Additions	a)		(617)	-	(617)
	- Acquisitions	c)		-	-	-
				(649)	(1)	(650)
Purchase of intangible assets				(731)	-	(731)
		a)		(208)	-	(208)
				(165)	(13)	(178)
Capital expenditure				(825)	-	(825)
Initial direct costs on new leases				(1,545)	(14)	(1,559)
		a)		(34)	-	(34)
				(6)	-	(6)
Proceeds from disposal of property, plant and equipment	- Core disposals	a)		45	-	45
	- Acquisition related	c)		-	-	-
				61	-	61
Interest received		a)		27	-	27
				27	-	27
				(787)	-	(787)
				(1,447)	(14)	(1,461)
Cash flows from financing activities - continuing						
Proceeds from issuance of ordinary shares				20	-	20
Purchase of own shares for share schemes				15	-	15
				(63)	-	(63)
				(18)	-	(18)
Other share related transactions				(43)	-	(43)
Purchase of own shares for cancellation				(3)	-	(3)
Proceeds from borrowings				(200)	-	(200)
Repayment of borrowings				-	-	-
				544	-	544
				(623)	-	(623)
				(41)	-	(41)
Net (repayment)/drawdown of borrowings				(79)	-	(79)
Capital repayment of lease obligations	a)			(487)	(505)	(992)
Dividends paid on ordinary shares				(308)	-	(308)
				(306)	-	(306)
				(1,117)	-	(1,117)
				(280)	(2)	(282)
Net increase/(decrease) in cash and cash equivalents - continuing operations				(99)	(441)	(540)
				195	175	370
Net (decrease)/increase in cash and cash equivalents - discontinued operations	2024: a)			(52)	1,381	1,329
				(151)	940	789
				194	474	668

*Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 9 for further details.

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

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

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	2025 £m	2024 £m
Cash contribution to defined benefit scheme	A2.1	(45)	(44)
Non-underlying cash movements:			
Financial services model		-	(5)
Retail restructuring programmes		(71)	(67)
Operating cash flows		(71)	(72)
Effect on Retail cash generated from operations		(116)	(116)
Sum of the items marked a), b) and c) in note A2.1 as they appear in the financial review			
		2025 £m	2024 £m
Retail free cash flow	a)	531	639
Share based payments and other	b)	67	78
Net consideration paid for Highbury and Dragon property transaction	c)	-	(670)

A3 Borrowings

A3.1 Net debt (Closest IFRS equivalent: Borrowings, cash, derivatives, financial assets at FVOCI, 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 represented 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 18 to the financial statements.

A3.2 Net debt / underlying EBITDA (Closest IFRS equivalent: None)

Definition and purpose

Net debt divided by Group underlying EBITDA.

Helps management measure the ratio of the business's debt to operational cash flow.

Reconciliation

	Note	2025 £m	2024 £m
Retail net debt	18	5,758	5,554
Group underlying EBITDA	A4.2	2,222	2,139
Net debt/Group underlying EBITDA		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 profit before interest and tax.

Capital employed is defined as Group net assets excluding pension surplus, less net debt. The average is calculated on a 14-point basis 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

	Note	2025 £m	2024 £m
Return (Group underlying operating profit)	4.1	1,066	995
		£m	£m
Group net assets	Balance sheet	6,651	6,868
Less: Pension surplus	Balance sheet	(731)	(690)

Deferred tax on pension surplus		218	244
Less: Net debt	18	5,758	5,554
Effect of in-year averaging		(42)	42
Capital employed		11,854	12,018
Return on capital employed		9.0%	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, where interest on perpetual securities is treated as an underlying finance cost. 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

	Note	2025 £m	2024 £m
Group underlying operating profit	4.1	1,066	995
Add: Group underlying depreciation and amortisation expense	A2.1	1,156	1,144
Group underlying EBITDA		2,222	2,139
Capital repayment of lease obligations	A2.1	(487)	(507)
Underlying finance income	6	31	30
Underlying finance costs	6	(336)	(324)
Fixed charges		(792)	(801)
Fixed charge cover		2.8x	2.7x

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