28 April 2021

J Sainsbury plc

Preliminary Results for the 52 weeks ended 6th March 2021

Delivering against our plan to put food back at the heart of Sainsbury's

Financial highlights

- Strong operating performance, with grocery sales up 7.8%, general merchandise sales up 8.3% and digital sales up 102%, offset on a statutory basis by materially reduced fuel sales; changes we have made through the pandemic are creating good momentum as we move into the new financial year
- Underlying profit before tax down 39% to £356 million, with benefits from strong sales growth (excluding fuel) more than offset by £485 million of direct COVID-19 costs. Statutory loss before tax of £261 million predominantly reflects one-off costs and impairments associated with strategic changes announced in November
- Strong Retail free cash flow of £784 million, with significant working capital inflow more than offsetting lower profits
- Upgrading four-year net debt reduction target from £750 million to at least £950 million despite short term expectation of some working capital reversal. Expect to generate average Retail cash flow of at least £500 million per year over the three years to March 2025
- Proposed final dividend of 7.4 pence, full year dividend 10.6[1] pence, reflecting strong cash generation and consistent with our commitment to protect shareholder income from the full impact of COVID-19 on profits
- Continue to expect underlying profit before tax in the financial year to March 2022 to exceed March 2020 level (£586 million); comfortable with consensus forecasts of around £620 million[2]

Strategic highlights

We have made good early progress with the plan we announced in November to put food back at the heart of Sainsbury's. We are changing at pace, making bold decisions and investing in the areas that matter to customers, underpinned by an accelerated cost saving programme. Throughout the pandemic we have remained focused on delivering against this plan and have built good momentum:

- Adapted at pace to COVID-19, prioritising customer and colleague safety, supporting communities and helping to feed the nation. Record customer satisfaction scores for friendliness and speed of checkout and rated best for customer safety throughout the pandemic[3]
- Improved the value of our food ranges, lowering the prices of the products that matter most to customers and extending our Price Lock price commitment. Also launched Sainsbury's Quality, Aldi Price Match and customers are responding by spending more with us, more often
- Changing our ways of working and our supplier relationships; will triple our levels of new product innovation to 1,900 products in the year ahead
- Profitably grown Groceries Online from eight per cent of grocery sales in 2019/20 to 17 per cent in 2020/21 and gained more market share than key competitors[4]. Argos digital sales increased by 68 per cent, while also improving profitability
- 7.4 million digital Nectar users, up from 4.5 million last year
- Financial Services returned to profit in H2; remain committed to doubling profit contribution and returns by March 2024[5]
- Building on our existing Net Zero by 2040 commitment, announced new target to reduce our absolute greenhouse gas emissions by 30 per cent by 2030, signing up to Science Based Targets. Principal Partner of COP26, the UN Climate Change Conference taking place in November this year
- Made a strong start to the transformation of Argos, which will improve product availability and deliver a lower cost to serve
- Transformed the reach of Habitat, making it our leading furniture and home brand

[1] Excluding the Special dividend announced in November 2020 of 7.3 pence, as this relates to 2019/20.
[2] Analyst consensus published on our website as at 9 February 2021
[3] Sainsbury's came first in a supermarket safety survey conducted by the UK's leading consumer champion. This is corroborated by Sainsbury's own internal data

[4] Nielsen panel market share data, 4 weekly report, FY18/19 vs FY20/21
[5] On a Group contribution basis by FY23/24

Financial summary	2020/21	2019/20	Variance
Statutory performance			
Group revenue (excl. VAT, inc. fuel)	**£29,048m**	£28,993m	0.2%
(Loss)/profit before tax	**£(261)m**	£255m	N/A
(Loss)/profit after tax	**£(280)m**	£152m	N/A
Basic (loss)/earnings per share	**(13.0)p**	5.8p	N/A
Business performance			
Group sales (inc. VAT)	**£32,285m**	£32,394m	(0.3)%
Retail sales (inc. VAT, excl. fuel)	**£28,837m**	£26,868m	7.3%
Digital sales	**£12.1bn**	£6.0bn	102%
Underlying profit before tax	**£356m**	£586m	(39)%
Underlying basic earnings per share	**11.7p**	19.8p	(41)%
Interim dividend per share	**3.2p**	3.3p	(3)%
Proposed Final dividend per share	**7.4p**	-	N/A
Special dividend per share[6]	**-**	7.3p	N/A
Proposed Full-year dividend per share[6]	**10.6p**	10.6p	-
Net debt (including perpetual securities)	**£6,469m**	£6,947m	Down £478m
Non-lease net debt	**£640m**	£1,179m	Down £539m
Return on capital employed	**5.5%**	7.4%	(190)bps

Simon Roberts, Chief Executive of J Sainsbury plc, said:

"Above all else, I want to recognise the extraordinary job that my colleagues have done over the last 12 months. Their efforts have been nothing short of heroic as our entire team went above and beyond every day for our customers and communities. I am enormously grateful to the whole team for the way they have risen to the huge challenges this year and so selflessly looked after our customers and each other.

"We have put our colleagues and customers first every step of the way and, as a result, delivered industry-leading safety in our stores and record levels of customer satisfaction. In a year like no other, our industry has stepped up and worked tirelessly across food supply chains to feed the nation and we are very proud of the part Sainsbury's has played. I also want to especially recognise our suppliers for all their support and partnership throughout this year in keeping goods flowing for our customers. They have done a fantastic job.

"This year's financial results have been heavily influenced by the pandemic. Food and Argos sales are significantly higher, but the cost of keeping colleagues and customers safe during the pandemic has been high. Our full-year direct COVID-19 costs were £485 million, leading to a 39 per cent decrease in full-year underlying profit. We are pleased to propose a full-year dividend which is in line with last year, protecting shareholder income from the full impact of COVID-19 on profits.

"We have a bold three-year plan to put food back at the heart of Sainsbury's and drive improved performance. We are transforming the way we work and I am encouraged by how all of our teams have responded and the early momentum and performance towards our plan.

"We have accelerated our digital transformation this year as we focus on serving customers however they want to shop with us. We have more than doubled our online grocery sales and have done this while improving profitability. Argos digital sales grew almost 70 per cent and our Argos transformation plan is on track to improve customer availability while reducing our costs.

"Like our customers, we are all looking forward to things feeling more normal over the coming months and getting excited about a summer of celebration, but we are also cautious about the economic outlook. While there is much that we cannot predict in the year ahead, we are absolutely focused on delivering for our customers and shareholders."

[6] Special dividend in 2020/21 paid in lieu of final dividend for 2019/20 following the deferral of dividend decision. The total dividend paid in respect of each year is equal at 10.6p per share, with a final dividend of 7.4p paid in 20/21

Our response to COVID-19

Throughout the pandemic, we prioritised: keeping our colleagues and customers safe, supporting our communities, particularly the most vulnerable and helping to feed the nation. We have:

- Invested £485 million, particularly to help keep our colleagues and customers safe and we have outperformed our main competitors in customer satisfaction for supermarket shopping overall[7]
- Delivered over 12 million online orders for elderly and vulnerable customers, prioritising them from day one
- Paid all colleagues that were required to shield in full for each shielding period and supported colleagues who needed to self-isolate
- Increased the hourly rate of pay for Sainsbury's and Argos store colleagues to £9.50 and awarded three special recognition payments for their extraordinary efforts, a total investment of more than £100 million in our frontline colleagues
- Raised £35 million for good causes, including donations to Comic Relief and FareShare and the creation of an additional £1 million local community fund for stores in January this year
- Supported suppliers in distress with vital cash flow and started paying nearly 1,500 small businesses earlier
- Forgone business rates relief on all Sainsbury's stores

Like-for-like sales growth	**2019/20**		**2020/21**						
	Q3	**Q4**	**Q1**	**Q2**	**H1**	**Q3**	**Q4**	**H2**	**FY**
Like-for-like sales (excl. fuel)	(0.7)%	1.3%	8.2%	5.1%	6.9%	8.6%	11.3%	9.5%	8.1%
Like-for-like sales (inc. fuel)	(1.1)%	1.3%	(2.3)%	(0.5)%	(1.6)%	3.2%	3.2%	3.2%	0.7%

Total sales growth	**2019/20**		**2020/21**						
	Q3	**Q4**	**Q1**	**Q2**	**H1**	**Q3**	**Q4**	**H2**	**FY**
Grocery	0.4%	2.0%	10.5%	5.1%	8.2%	7.4%	7.1%	7.3%	7.8%
General Merchandise	(3.9)%	(1.3)%	7.2%	7.6%	7.4%	6.0%	17.6%	9.2%	8.3%
Of which GM (Argos)		0.4%	10.7%	10.9%	10.8%	8.4%	18.1%	11.1%	10.9%
Of which GM (Sainsbury's Supermarkets)		(8.1)%	(9.3)%	(6.9)%	(8.2)%	(5.4)%	14.8%	0.3%	(3.8)%
Clothing	4.4%	2.5%	(26.7)%	(7.5)%	(18.3)%	0.4%	4.2%	1.5%	(8.5)%
Total Retail (excl. fuel)	**(0.7)%**	**1.3%**	**8.5%**	**5.2%**	**7.1%**	**6.8%**	**9.2%**	**7.6%**	**7.3%**
Total Retail (inc. fuel)	**(0.9)%**	**1.9%**	**(2.1)%**	**(0.4)%**	**(1.4)%**	**1.7%**	**1.6%**	**1.7%**	**0.1%**

[7] Competitor Benchmark Survey 12-week trended data to 06/03/21

Outlook

We have carried good underlying trading momentum into the new financial year and started the year strongly. However, we have tough comparables ahead as customer behaviour normalises and we are prudent about prospects for the year. We continue to expect underlying profit before tax (UPBT) in the financial year to March 2022 to exceed that reported in the year to March 2020 (£586 million) and we are comfortable with consensus forecasts of around £620 million[8]. Within this we expect Financial Services to return to a full year profit.

Reflecting a strong cash performance in the year and our strengthening confidence in underlying cash generation, we now expect to reduce net debt by at least £950 million over the four years to March 2023, against previous guidance of £750 million. We expect to generate average Retail cash flow of at least £500 million per year over the three years to March 2025.

Dividend

The Board has proposed a final dividend of 7.4 pence per share. This brings the full year dividend to 10.6 pence per share, which is in line with last year (when treating the Special dividend announced in November 2020 of 7.3 pence as part of 2019/20), despite lower underlying profits. This diverges from our policy of a dividend covered 1.9x by underlying earnings, reflecting strong underlying cash generation and consistent with the commitment the Board made in November to protect shareholder income from the full impact of COVID-19 on profits.

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 will be available to view on our website at 07:30 (BST). The webcast can be accessed at the following link: https://webcasts.sainsburys.co.uk/sainsbury161

Following the release of the webcast, a Q&A conference call will be held at 09:30 (BST). This will be available to listen to on our website at the following link: https://webcasts.sainsburys.co.uk/sainsbury160

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 2021/22 First Quarter Trading Statement at 07:00 (BST) on 6 July 2021.

ENDS

8 Analyst consensus published on our website as at 9 February 2021

Enquiries

Investor Relations	**Media**
James Collins	Rebecca Reilly
+44 (0) 7801 813 074	+44 (0) 20 7695 7295

Strategy Review: Driven by our passion for food, together we serve and help every customer

In November we set out a plan to transform our business over the next three years. We are clear on our priorities. We are putting food back at the heart of Sainsbury's, building on the changes we have made as we have adapted our business during the pandemic. We are raising our ambitions and speeding up the pace of change, simplifying our operations and accelerating our cost savings programmes so we can invest more in food quality, choice, innovation and consistently lower prices for our customers. Our portfolio brands are supporting our core food business, delivering for customers and shareholders in their own right. As we look forward, we will pursue partnerships or outsource where faster and where they will make a positive impact for our customers.

We are reducing complexity, aiming to reduce our retail operating costs to sales ratio by at least 200 basis points and are focused on robust profit delivery and consistent dependable cash flow. By delivering for our customers we will drive stronger financial outcomes.

Food First

Our clear priority is to build on our strong brand heritage and reputation for quality, range and innovation while lowering prices and offering more consistent value. We will offer high quality, great value food wherever and however customers want to shop with us. This is what putting food back at the heart of Sainsbury's means. Collaborating and simplifying how we work with suppliers will create buying benefits, drive innovation and lower our cost to serve.

We are making good early progress against our plan, building on a year in which grocery sales grew 7.8 per cent and we grew our volume market share[9].

We are investing in value and have improved our price position relative to competitors on the products that matter most to customers. We are seeing a good customer response and price perception has improved. Where we have invested in price across key meat, fish and poultry products, volumes have grown by 15 per cent[10]. To help customers feel confident they are getting good value, we launched our bold Sainsbury's Quality, Aldi Price Match campaign on around 250 great quality, entry level and everyday products. The campaign complements our biggest ever Price Lock commitment on largely branded products. We increased the number of products on Price Lock in January to over 2,500 everyday items and held these prices for over eight weeks.

We have been selective in introducing new entry price point products under our owned brands, including *Stamford Street* ready meals and *Mary Ann's* yoghurts, bringing customers a greater choice of products and price points. We also launched our *Imperfectly Tasty* range, offering more choice and reducing food waste.

We have put foundations in place to deliver a faster and stronger pipeline of innovative product development. We have committed to tripling the number of new products and increasing their speed to market by at least 30 per cent. Working closely with our suppliers, we plan to launch 1,900 new products and improve almost 2,000 more in the next 12 months.

With customers making the most of being at home, we had our biggest ever Valentine's Day, Shrove Tuesday, Mother's Day and Easter. Customers treated themselves and our *Taste the Difference* sales grew 12.8 per cent as a result, while *SO Organic* grew 11.1 per cent. Innovative seasonal products that performed particularly well included oysters for Valentine's Day, *Taste the Difference*

[9] Nielsen panel volume growth, total FMCG 52 weeks to 6 March 2021
[10] LFL volume growth of Q3 invested SKUs, pre vs post-investment, 8 weeks of post-launch data

Chateaubriand and whole salmon at Easter, which we sold in the aisle for the first time following the closure of our meat, fish and deli counters.

We have invested in Groceries Online this year to support its outstanding growth through unprecedented customer demand for home delivery and Click & Collect. We have grown sales by 120 per cent and we are now able to fulfil more than 850,000 online orders a week. We have gained significant market share in the year to become the UK's second largest online grocery retailer. 17 per cent of our grocery sales are now online, compared with eight per cent in 2019/20. Our Groceries Online business is increasingly profitable, with profit contribution four times higher than last year and we doubled the online profit contribution margin versus last year. In-store pick rates are now back to pre-pandemic levels and new Saver Slots are enabling delivery efficiencies. We have rapidly rolled out super-fast grocery deliveries. We have rolled out Chop Chop to 17 cities and towns and extended our partnerships with Uber Eats and Deliveroo to over 200 stores. We have rolled out SmartShop self-scan to over 1,200 stores and it now accounts for 30 per cent of sales in stores with handsets, helping to increase customer satisfaction scores for ease and speed of checkout by nearly 13 per cent year-on-year.

We have a strong and well-located store portfolio. We have opened one new supermarket and invested in 273 supermarkets across the year with new initiatives such as fresh fruit and vegetable 'Food Markets' and improved general merchandise and clothing sections. Our Beauty Transformation programme is performing well and we are outperforming the Beauty market[11]. We offer customers an expanded range of beauty products in 236 supermarkets. Sushi remains popular with customers and we now have Sushi Gourmet counters in 145 stores. We will open between 25-30 convenience stores per year over the next three years, including 18 'Neighbourhood Hub' convenience stores. These are larger format convenience stores that offer a broader range of locally tailored products and services across food, beauty, clothing, seasonal and general merchandise. We now have five of these stores open and trading. They are very popular with customers and are delivering high returns. Reflecting our strategy to flex the size and format of our stores to suit local needs, we also opened one new 'On the Go' store in Leicester Square in London this year.

Brands that Deliver

We are refocusing the role of our portfolio brands to ensure that they contribute positively in their own right. Argos, Habitat, *Tu*, Nectar and Sainsbury's Bank are all delivering for their customers and we are on track to drive strong, sustainable profitable growth to support our core food business.

Nectar supports our plan by rewarding customers for their loyalty. It is performing ahead of target with 7.4 million downloads of the app to date. Over 150,000 customers signed up to our new partnership with British Airways in the first seven weeks. We also continue to make good progress with Nectar360, our marketing services business. We launched a retail media platform that helps brands and advertising agencies reach and engage shoppers more effectively on our Groceries Online website, delivering a more personalised experience for customers and stronger returns for brands.

Argos digital sales grew 68 per cent in the year, with 90 per cent of sales starting online. Argos's strength in digital and our leading *Fast Track* delivery has helped us adapt quickly to the changes in the way people wanted to shop through the pandemic. While standalone Argos stores were closed for much of the year during lockdowns, home delivery sales increased significantly and collection from Sainsbury's stores was popular. Over the year we welcomed over three million new customers to Argos and sales were boosted by particularly strong growth in home and office furniture, garden essentials and home entertainment, including games consoles such as the new PlayStation 5 and Xbox.

We are making good progress transforming Argos, focusing on improving customer availability while reducing our costs. We have closed 170 standalone Argos stores as well as the six Argos stores in Homebase stores, as part of our plan to reduce the number to around 100 over the next three years[12], reducing our operating costs by £105 million by March 2024. We have opened 30 new Argos stores in Sainsbury's stores, 35 collection points and one new standalone store. This is part of our plan to reach 430-460 Argos stores in Sainsbury's and reach 450-500 collection points by March 2024. As at 6 March 2021, Argos had 737 stores, of which 336 are stores in Sainsbury's. Customers can also pick up products from 306 collection points in Sainsbury's stores. We have also started work on our first Local Fulfilment Centre (LFC) in Bristol, which will open in June. This is the first of 32 LFCs that will become our new distribution network, offering customers improved availability and quicker delivery and collection options.

[11] Nielsen IQ EPOS Data
[12] Excluding Republic of Ireland

We have made great progress integrating Habitat with Argos and Sainsbury's. We launched Habitat as our main home and furniture brand and we have adapted our home and furniture ranges, increasing customer choice and making prices more accessible. We now have one global team that sources products for Sainsbury's, Habitat and Argos, maximising our scale positions with suppliers and driving efficiencies within our own business. We are also using the same website infrastructure for Habitat and Argos, ensuring a consistent shopping experience for customers while reducing costs. Habitat had three stores which were closed for lockdown at year end but re-opened on 12 April.

While *Tu* clothing sales were down 18.3 per cent in the first half of the year, they recovered in the second half, increasing by 1.5 per cent and we continue to gain clothing market share. *Tu* online performed strongly throughout the year, with sales up 65 per cent and full price sales up 15 per cent as customers stocked up on pyjamas, loungewear and childrenswear.

We continue to make good progress reshaping, strengthening and simplifying our Financial Services business. This has helped us to mitigate the impact of COVID-19. In line with our guidance at Interims, the Bank returned to profit in the second half of the year with an underlying operating profit of £34 million, to deliver a Financial Services underlying operating loss of £21 million for the full year. The underlying loss reflects the changed economic environment driven by COVID-19 where we have seen significantly reduced demand across consumer credit, combined with increased bad debt provisions and less activity in our fee-based products, particularly Travel Money.

Over 90 per cent of product sales now start online and we continue to improve customers' ability to self-serve online. We are making good strategic progress to be a simple, mobile-led Financial Services business for loyal Sainsbury's and Argos customers. We remain committed to doubling profit contribution and returns in our Financial Services business in the next five years to March 2024.[13] The Bank has a strong balance sheet and a significant surplus capital position.

Save to Invest

We will deliver a step change in efficiency by transforming our approach to costs, simplifying our organisation and delivering a structural reduction in our operating cost base. We are accelerating our cost saving plans to unlock new opportunities in order to fund the improvement of our food offer and to ensure we can meet the growth in customers shopping across a broad range of channels.

We are on track with our plan to reduce our retail operating costs to sales ratio by at least 200 basis points, delivering major structural cost savings to support investment in our core customer offer and deliver improved financial returns.

Transforming our approach to costs and radically simplifying our organisation is delivering results at pace. We have achieved this by reducing the number of Argos standalone stores, closing our meat, fish and deli counters, simplifying our store management structures, reducing 500 roles in our Store Support Centres and cutting office space. We are also consulting with colleagues on plans to close our Online Fulfilment Centre in Bromley-by-Bow to drive online efficiency and profitability.

In addition, we are accelerating the integration of the Sainsbury's, Argos and Habitat supply chain and logistics networks and creating an operating model which will save £150 million over the next three years and deliver working capital benefits.

Our property rationalisation programme is progressing well and our Argos transformation programme, which includes the changes we are making to our Argos store estate, will reduce our cost to serve by £105 million.

We are proud of our strong relationships with suppliers and are working closely with them to drive value and simplify processes. This means we can buy better and lower our cost to serve.

Net Zero

We have committed to investing £1 billion over twenty years towards becoming a Net Zero business across our own operations by 2040, aligned to the highest ambitions of the Paris Climate Change Agreement. We are implementing a programme of change,

[13] On a Group contribution basis by FY23/24

focusing on reducing carbon emissions, food waste, plastic packaging and water usage and increasing recycling, biodiversity and healthy and sustainable eating.

This year we have taken our ambitious plan further with the addition of a Scope 3 target, which covers indirect emissions that occur throughout our value chain.

We worked with the Carbon Trust to define an ambitious Scope 3 target which requires the reduction of absolute greenhouse gas (GHG) emissions by 30 per cent by 2030, to align to a well below 2°C scenario. The baseline is 26,663,081 tC02e (2018/19). We have also committed to working closely with our supplier base to help them develop and then meet their own targets.

The impact of the pandemic on our emissions has been substantial. We have seen a reduction of energy usage due to the closure of cafes, counters and all of our office space. We have seen more fuel usage due to the rise of online shopping and an increase in the number of products going through our supply chain. Overall, we have reduced our absolute GHG emissions within our operations to 819,862 tCO2e, a reduction of three per cent year-on-year and 14 per cent from our 2018/19 baseline, keeping us on course for our headline target.

We committed to reduce our use of plastic packaging by 50 per cent by 2025. COVID-19 has had a significant impact on our usage this year due to an increase in sales volume which has led to an increase in plastic packaging used overall. To keep customers and colleagues safe we also re-introduced plastic bags for our Groceries Online orders during the height of the pandemic. Therefore progress made in plastic weight reductions this year has been outweighed by the challenges of the pandemic. Year-on-year the tonnage has increased by 3,496 tonnes to 117,959 tonnes, which puts us behind our target trajectory. Overall there has been a 1.7 per cent reduction in our food plastic packaging from our 2018 baseline. We have a strong plan for the year ahead.

We know that food that is better for us is also better for the planet. This is why we have committed to develop and deliver healthy, sustainable diets for all. In November 2020, we reported on the volume of 'healthy' sales relative to total sales. Moving forward, we believe reporting the tonnage of healthy sales relative to total sales is a more credible way to reflect the weight of plate from healthy choices, similar to the approach of the Eatwell Guide, and therefore this is how we will be defining a future target. Our current position is 55.3 per cent healthy sales tonnage, remaining the same year-on-year.

We continue to reformulate and innovate to launch healthier products. We have been trialling influencing customer behaviour by incentivising customers with better value fruit and vegetables and additional Nectar points, including our discounted 60 pence fruit and vegetable campaign and The Great Big Fruit & Veg Challenge.

We have committed to reducing food waste by 50 per cent across the whole value chain by 2030. This year we reduced the food waste we send to anaerobic digestion in our own operations by over 5,000 tonnes, a reduction of 16 per cent year-on-year, which puts us ahead of our target trajectory.

Financial Review of the year results for the 52 weeks to 6 March 2021

In the 52 weeks to 6 March 2021 the Group generated a loss before tax of £(261) million (2019/20: £255 million profit) and underlying profit before tax of £356 million (2019/20: £586 million)

Summary income statement[1]	**52 weeks to 06 March 2021 £m**	52 weeks to 07 March 2020 £m	Change %
Underlying Group sales (including VAT)	**32,285**	32,394	(0.3)
Underlying Retail sales (including VAT)	**31,854**	31,825	0.1
Underlying Retail sales (excluding fuel, including VAT)	**28,837**	26,868	7.3
Underlying Group sales (excluding VAT)	**29,048**	28,993	0.2
Underlying Retail sales (excluding VAT)	**28,617**	28,424	0.7
Underlying operating profit/(loss)			
Retail	**730**	938	(22)
Financial services	**(21)**	48	N/A
Total underlying operating profit	**709**	986	(28)
Underlying net finance costs[2]	**(353)**	(400)	12
Underlying profit before tax	**356**	586	(39)
Items excluded from underlying results	**(617)**	(331)	(86)
(Loss)/Profit before tax	**(261)**	255	N/A
Income tax expense	**(19)**	(103)	82
(Loss)/Profit for the financial period	**(280)**	152	284
Underlying basic earnings per share	**11.7p**	19.8p	(41)
Basic loss/(earnings) per share	**(13.0)p**	5.8p	N/A
Interim Dividend per share	**3.2p**	3.3p	(3)
Final Dividend per share	**7.4p**	-	N/A
Special Dividend per share[3]	**-**	7.3p	N/A
Total Dividend per share[3]	**10.6p**	10.6p	-

1 Please note 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. Please see Note 3 on page 26 for further information.
2 Net finance costs including perpetual securities coupons before non-underlying finance movements.
3 Special dividend paid in lieu of final dividend for 2019/20 following the deferral of dividend decision. The total dividend paid in respect of each year is equal at 10.6p per share

In a year shaped by the COVID-19 pandemic, the business demonstrated its flexibility in responding to changing customer demand and lockdown regulations. Groceries Online capacity was rapidly expanded to help feed the nation, whilst Argos operated as an online first proposition for large parts of the year, leveraging the Sainsbury's estate for convenient customer collection.

COVID-19 resulted in £485 million of direct incremental retail costs. These costs resulted from areas such as paying vulnerable colleagues who were isolating, absence costs, protecting customers & colleagues, increasing marshalling in stores and recognising the exceptional effort of colleagues with special recognition payments. However, both the strong sales performance and continued savings delivery helped to mitigate the impact on our underlying profitability despite the decision to forgo business rates relief in Sainsbury's.

Group sales

Group sales (including VAT, including fuel) decreased by 0.3 per cent year-on-year. Retail sales (including VAT, excluding fuel) increased by 7.3 per cent, driven by strong Grocery and General Merchandise demand through the Covid-19 pandemic. This was offset by a 39.1 per cent decline in fuel sales and 24.3 per cent decline in Financial Services sales.

Total sales performance by category	52 weeks to 06 March 2021 £bn	52 weeks to 07 March 2020 £bn	Change %
Grocery	21.1	19.5	7.8
General Merchandise	6.9	6.4	8.3
Clothing	0.9	1.0	(8.5)
Retail (exc. fuel)	**28.8**	**26.9**	**7.3**
Fuel sales	3.0	4.9	(39.1)
Retail (inc. fuel)	**31.9**	**31.8**	**0.1**

The COVID-19 pandemic had a significant impact on sales in the year. Grocery sales grew by 7.8 per cent year-on-year as eating occasions moved in-home. Sales were strongest in quarter one, benefitting from stock-piling during the first national lockdown, but remained strongly positive throughout the year.

Clothing sales declined in the first half but recovered well in the second half. Online sales were particularly strong, growing by 64.6 per cent for the full year, helping to partially offset an in-store decline of 16.0 per cent.

General Merchandise sales grew 8.3 per cent, supported by the availability of Argos stores and collection points in Sainsbury's which limited the impact of store closures during lockdowns. Strong Argos sales were offset by decline in Sainsbury's general merchandise sales, particularly in the first half when customers and stores focussed on food replenishment. Growth was driven by increased customer demand in areas like home entertainment, home office and garden furniture.

Fuel sales decreased by 39.1 per cent, reflecting significantly reduced demand through the year and the impact of the lower oil price on the sales price.

Total sales performance by channel	52 weeks to 06 March 2021	52 weeks to 07 March 2020
Supermarkets (inc Argos stores in Sainsbury's)	2.5%	(0.1)%
Convenience	(9.4)%	1.3%
Groceries Online	119.6%	7.6%

Supermarket sales, excluding Groceries Online, grew by 2.5 per cent, including sales from Argos store in Sainsbury's. Convenience sales fell by 9.4 per cent as many urban sites were impacted by reduced footfall, whilst neighbourhood locations benefited from customers shopping locally. Groceries Online sales grew by 119.6 per cent. Responding to the increased demand we rapidly grew capacity to help feed the nation through the COVID-19 pandemic, prioritising elderly and vulnerable customers. We increased order slots to over 850,000 per week by the end of the year and Click & Collect orders grew by over 850 per cent in the year.

Retail like-for-like sales performance	52 weeks to 06 March 2021	52 weeks to 07 March 2020
Like-for-like sales (exc. fuel)	8.1%	(0.6)%
Like-for-like sales (inc. fuel)	0.7%	(0.5)%

Retail like-for-like ('LFL') sales, excluding fuel, increased by 8.1 per cent (2019/20: 0.6 per cent decrease), due to increased demand and supported by successful sales transfer to online both for grocery and Argos.

The impact of stores temporarily closed due to COVID-19 have been included within LFL sales, with only permanently closed sites treated as not LFL.

Space

In 2020/21, Sainsbury's opened 1 new supermarket and closed 11 (2019/20: opened 2 new supermarkets and closed 2). There were 15 new Convenience stores opened in the year and 9 were closed (2019/20: 14 opened and 27 stores closed).

During the period 30 new Argos stores in Sainsbury's were opened. 170 standalone Argos stores and the 6 Argos in Homebase stores were closed, in line with the update given in our interim results. The number of Argos collection points in Sainsbury's stores increased from 281 to 306. As at 6 March 2021, Argos had 737 stores including 336 stores in Sainsbury's. Habitat had 3 stores which were closed for lockdown at year end, but re-opened on April 12th.

Store numbers and retailing space	As at 07 March 2020	New stores	Disposals / closures	Extensions / refurbishments / downsizes	**As at 06 March 2021**
Supermarkets	608	1	(11)	-	**598**
Supermarkets area '000 sq. ft.	21,167	18	(193)	(170)	**20,822**
Convenience	807	15	(9)	-	**813**
Convenience area '000 sq. ft.	1,898	44	(18)	5	**1,929**
Sainsbury's total store numbers	1,415	16	(20)	-	**1,411**
Argos stores	570	1	(170)	-	**401**
Argos stores in Sainsbury's	306	30	-	-	**336**
Argos in Homebase	6	-	(6)	-	**-**
Argos total store numbers	882	31	(176)	-	**737**
Argos collection points	281	35	(10)	-	**306**
Habitat	16	-	(13)	-	**3**

In FY 2021/22, we expect to open 4 supermarkets and around 25 new convenience stores, and to close around 5 supermarkets and around 25 convenience stores.

In FY 2021/22, we expect to open around 70 Argos stores inside Sainsbury's, and close around 70 Argos standalone stores.

In the UK, the standalone Argos store estate will reduce to around 100 stores by March 2024, while we expect to have 430-460 Argos stores inside Sainsbury's supermarkets as well as 450-500 collection points.

Retail underlying operating profit

Retail underlying operating profit decreased by 22.2 per cent to £730 million (2019/20: £938 million). Retail underlying operating margin reduced by 75 basis points year-on-year to 2.55 per cent (2019/20: 3.30 per cent). The reduction was driven by £485m of COVID-19 costs, partially offset by strong sales, whilst savings programmes more than offset underlying inflation in the business.

We invested significantly in our estate to ensure the safety of our customers and colleagues during the pandemic. We implemented protective measures in store such as checkout screens, personal protective equipment and increased cleaning. We supported our colleagues through absence caused by COVID-19 and saw an overall increase in labour hours as a result of social distancing, marshalling and the increase in online demand. We also incurred additional costs due to the pandemic within our Groceries Online channel from lower picking speeds as a result of social distancing measures and the reintroduction of bags as a COVID-19 precaution. We made three special recognition payments to our colleagues, awarded for their exceptional efforts responding to the pandemic.

We were able to more than offset cost inflation with savings programmes. This was partly driven by improvements to our central operating model, which delivered efficiencies within a number of areas, including

Logistics and Distribution through the introduction of a single freight management system. Changes to our store estate continue to bring our businesses together, lowering costs and providing a better integrated customer offer. We also achieved in store efficiencies through initiatives such as SmartShop and the Stock Replenishment App for colleagues. These investments in technology provide a more convenient shopping experience for our customers whilst simultaneously lowering our cost to serve. In line with our commitment to reduce operating costs as a percentage of sales by 200 basis points to fuel investment in the customer proposition, we expect to accelerate cost saving programmes in 2021/22 through the Argos store transformation, continued delivery of our supply chain & logistics savings and further actions across the cost-base.

Retail underlying operating profit	**52 weeks to 06 March 2021**	52 weeks to 07 March 2020	Change	Change at constant fuel prices
Retail underlying operating profit (£m)	**730**	938	(22.2)%	
Retail underlying operating margin (%)[1]	**2.55**	3.30	(75)bps	(78)bps
Retail underlying EBITDA (£m)[2]	**1,909**	2,135	(10.6)%	
Retail underlying EBITDA margin (%)[3]	**6.67**	7.51	(84)bps	(91)bps

1 Retail underlying operating profit divided by underlying retail sales excluding VAT.
2 Retail underlying operating profit before underlying depreciation and amortisation of £1,179 million. Following the adoption of IFRS16, EBITDA and EBITDAR are broadly consistent measures and so we are now disclosing EBITDA only in this table. Non IFRS 16 rental expense was £5 million in 2020/21 and £10 million in the prior year.
3 Retail underlying EBITDA divided by underlying retail sales excluding VAT.

In 2021/22, Sainsbury's expects a depreciation and amortisation charge of around £1,200 million, including around £500 million right of use asset depreciation.

Financial Services

Financial Services results 12 months to 28 February 2021	**2021**	2020	Change
Underlying revenue (£m)	**431**	569	(24)%
Interest and fees payable (£m)	**(90)**	(125)	(28)%
Total income (£m)	**341**	444	(23)%
Underlying operating (loss)/profit (£m)	**(21)**	48	(144)%
Cost:income ratio (%)	**74**	71	300bps
Active customers (m) - Bank	**1.8**	2.1	(14)%
Active customers (m) - AFS	**2.2**	2.2	-
Net interest margin (%)[1]	**3.5**	3.4	10bps
Bad debt as a percentage of lending (%)[2]	**1.8**	1.1	70bps
Tier 1 capital ratio (%)[3]	**17.6**	14.1	350bps
Total capital ratio (%)[4]	**20.2**	17.0	320bps
Customer lending (£bn)[5]	**5.4**	7.4	(27)%
Customer deposits (£bn)	**(5.1)**	(6.3)	(19)%

1 Net interest receivable divided by average interest-bearing assets.
2 Bad debt expense divided by average net lending.
3 Common equity Tier 1 capital divided by risk-weighted assets.
4 Total capital divided by risk-weighted assets.
5 Amounts due from customers at the Balance Sheet date in respect of loans, mortgages, credit cards and store cards net of provisions. The prior year comparative is as at the Year End balance sheet date.

In line with guidance at the interim results, the Bank returned to profit in the second half of the year with an underlying operating profit of £34 million, to deliver a Financial Services underlying operating loss of £21 million for the full year. The underlying loss reflects the changed economic environment driven by COVID-19 where we have seen significantly reduced demand across consumer credit, and less activity in our fee-based products, particularly Travel Money. In the first half, we made a significant provision in anticipation of future credit losses. This has remained sufficient to cover our current projections for credit losses, resulting in reduced costs in the second half. In addition, our return to profit has been aided by management action taken during the year, particularly funding and costs, as well as the benefit of a one off debt sale.

Financial Services total income of £341 million has declined year-on-year (2019/20: £444 million). The fall in interest income reflects a significant contraction in lending balances of 27 per cent due to lower consumer demand, a tightening of credit appetite for new customers and more customers repaying their balances early. Fee income has dropped markedly due to the closure of Travel Money Bureaux for most of the year, and a decline in ATM income due to lower cash usage, particularly during lockdown.

The Financial Services cost:income ratio increased 300 basis points to 74 per cent (2019/20: 71 per cent) and is reflective of the material drop in income in the year. We have reduced costs by £49 million for the full year (16 per cent), with cost savings being delivered through management actions including reducing headcount, digitising and improving customer journeys together with reducing fraud costs due to enhanced fraud detection controls.

Net interest margin increased by 10 basis points year-on-year to 3.5 per cent (2019/20: 3.4 per cent) with significant reduction in savings rates offsetting changes in customer behaviour, particularly in terms of spend and retention.

Bad debt expense as a percentage of lending increased by 70 basis points year-on-year to 1.8 per cent (2019/20: 1.1 per cent), mainly to account for the expected future unemployment increases partly offset by a lower underlying impairment charge as a result of balance sheet contraction. Arrears levels are lower than the prior year.

The number of Bank active customers reduced by 14 per cent year-on-year to 1.8 million due to higher customer repayments and lower acquisition of new business, particularly on Cards and Loans, whilst Argos Financial Services customers remain flat at 2.2 million.

The Bank offered payment holidays across all of its lending products to support customers who were impacted by COVID-19. Over 71,000 payment holidays were granted at a value of £455m, and to date 90% have returned to normal payment schedules or fully repaid the loan after the expiry of their payment holiday.

The capital position is strong with the CET 1 capital ratio increasing by 350 basis points since February 2020 to 17.6 per cent (2019/20: 14.1 per cent) with the capital released as a result of the contraction in balances more than offsetting the loss. Customer deposits decreased by 19 per cent to £5.1 billion, reflecting the reduced funding required due to the decline in lending and the strategic decision to cease mortgage new business.

We have made good progress with our Financial Services transformation plan and have streamlined our product offering. We still expect to double the profit contribution of our Financial Services business in the 5 years to 2023/24, despite the challenges of the current environment. We expect lending balances will recover as we follow our strategy and the market normalises. We have a significant capital surplus and strong liquidity and we remain confident that Financial Services will not require capital injections from the Group. We expect Financial Services will return to full year profit in 2021/22.

Underlying net finance costs

Underlying net finance costs reduced by 12 per cent to £353 million (2019/20: £400 million). These costs include £60 million of net non-lease interest (2019/20: £77 million). The reduction of net non-lease interest is driven by the repayment of the £450 million Convertible Bond in November 2019, and the redemption of the £250 million perpetual subordinated capital securities in July 2020. The interest costs on lease liabilities have reduced to £293 million (2019/20: £323 million) due to lower interest rates on new leases.

Sainsbury’s expects underlying net finance costs in 2021/22 of between £340 million - £350 million, including around £290 million - £300 million lease interest.

Items excluded from underlying results

In order to provide shareholders with insight into the underlying performance of the business, items recognised in reported profit or loss 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	52 weeks to 06 March 2021 £m	52 weeks to 07 March 2020 £m
Restructuring programmes	**(423)**	(202)
Impairment charges	**(220)**	(126)
Financial Services transition and other	**(17)**	(29)
ATM business rates reimbursement	**42**	-
IAS 19 pension income	**6**	19
Property, finance and acquisition adjustments	**(5)**	7
Items excluded from underlying results	**(617)**	(331)

- An updated plan was announced in November 2020 in which it was communicated that the structural integration of Sainsbury's and Argos would be accelerated, as well as further streamlining the Argos business model. The closure of around 420 Argos stores was announced as well as plans to simplify the logistics network and other areas of the business. Restructuring programme costs of £423 million have therefore been recognised that relate to store closures and asset write downs.
- The Group concluded that the combination of COVID-19 and the accelerated integration programme was an impairment indicator, following which impairment charges of £220 million were recognised in addition to the closure costs above. £105 million relates to Financial Services and £115 million in relation to Retail assets.
- 2019/20 restructuring charges of £202 million and impairment of £126 million primarily relate to store closures and asset write downs announced at our Capital Markets Day in September 2019.
- Financial Services transition and other costs of £17 million (2019/20: £29 million) were predominantly the previously announced costs incurred in transitioning to a new banking platform and write-downs of ATMs.
- ATM income of £42 million (2019/20: £nil) arises following the Supreme Court's ruling that ATMs outside stores should not be assessed for additional business rates on top of normal store rates. By year end £27 million had been received in cash.
- IAS 19 Pension income of £6 million (2019/20: £19 million) comprises pension finance income of £19 million and scheme expenses of £13 million.
- Other movements of £5 million cost (2019/20: income of £7 million) relate to property profits and acquisition adjustments.
- Cash outflows relating to restructuring programmes, impairment and financial services transition were £54 million, lower than previously guided due to the timing of dilapidations payments relating to the property strategy announcements. Total cash outflows were £61 million. This was offset by £54m of cash inflows driven by the ATM business rates reimbursement and property disposal proceeds.

Including costs taken this year, we still expect that we will incur one off costs from these infrastructure, operating model and structure changes announced in November 2020 of £900 million to £1 billion in the period to March 2024 (approximately £300 million cash). We expect to incur the remaining costs evenly over the next 3 years, including £125m of restructuring cash costs in 2021/22.

Taxation

The tax charge was £19 million (2019/20: £103 million). The underlying tax rate was 29.5 per cent (2019/20: 25.4 per cent) and the effective tax rate is (7.3) per cent (2019/20: 40.4 per cent).

The underlying tax rate is higher than the prior year. The underlying tax rate is adversely impacted by a year on year reduction in the underlying profit before tax, which increases the relative weighting of non-deductible property charges which were flat year on year.

The effective tax rate is lower than the prior year but is distorted by the fact there is an accounting loss before tax for 2020/21. The factors driving the effective tax rate in 2020/21 are the impact of non-tax deductible non-underlying costs, including the impairment of fixed assets and the partial derecognition of capital losses which are partially offset by the tax impact of property disposals.

Sainsbury's expects an underlying tax rate in 2021/22 of around 25 per cent.

Earnings per share
Underlying basic earnings per share decreased to 11.7 pence (2019/20: 19.8 pence) driven by the decrease in underlying earnings. Basic loss per share was (13.0) pence (2019/20: 5.8 pence earning per share).

Dividends
As guided when Sainsbury's announced its decision to forgo business rates relief in December 2020, the Board believes shareholders should not bear the full short-term impact of the effect of COVID-19 on the business and so have proposed a final dividend of 7.4 pence per share. This brings the full year dividend to 10.6p per share, which is flat year on year (when treating the Special Dividend announced in November 2020 of 7.3p as part of 2019/20).

This represents an exception to our normal dividend policy of 1.9 times cover by full year underlying earnings, reflecting the Board's commitment to prioritise dividend payments ahead of net debt reduction and its confidence in the strength of underlying cash generation. The full year dividend is covered 1.5 times by underlying earnings.

This final dividend will be paid on 16 July 2021 to shareholders on the Register of Members at the close of business on 11 June 2021. Sainsbury's has a Dividend Reinvestment Plan (DRIP), which allows shareholders to reinvest their cash dividends in our shares. The last date that shareholders can elect for the DRIP is 25 June 2021

Sainsbury's plans to return to paying a full-year dividend covered 1.9 times by full-year underlying earnings from 2021/22.

Net debt and retail cash flows
As at 6 March 2021, net debt was £6,469 million (7 March 2020: £6,947 million), a decrease of £478 million (2019/20: £399 million reduction). Excluding the impact of lease liabilities on net debt, Sainsbury's reduced net debt by £539 million in the year. Sainsbury's now expects to reduce non lease net debt by at least £950 million over a four-year period compared to 2018/19 year end net debt excluding lease liabilities of £1,522 million, £200m more than previous guidance. Free cash flow will be unusually low in 2021/22 due to partial reversal of working capital benefits but we expect average annual free cash flow for the three years to March 2022 to be at least £500m and this is consistent with the free cash flow guidance we have reiterated for the three years to March 2025. Over the 2 years to March 2022, the group will have delivered strong net debt reduction, despite the impact of reduced profits in 2020/21 due to COVID-19.

Group net debt includes the impact of capital injections into Sainsbury's Bank, but excludes Financial Services' own net debt balances. Financial Services balances are excluded because they are part of the daily operating cycle of the Bank rather than for financing purposes.

Net debt includes lease liabilities under IFRS 16 of £5,829 million (2019/20: £5,768 million) and the perpetual securities of £248 million (2019/20: £496 million).

Summary cash flow statement[1]	**Retail**	Retail
	52 weeks to 06 March 2021 £m	52 weeks to 07 March 2020 £m
Retail underlying operating profit	**730**	938
Adjustments for:		
Retail underlying depreciation and amortisation	**1,179**	1,197
Share based payments and other	**26**	34
Retail non-underlying operating cash flows (excluding pensions)	**(12)**	(49)
Adjusted retail operating cash flow before changes in working capital[2,3]	**1,923**	2,120
Decrease/(increase) in working capital[3]	**453**	(97)
Net interest paid[3]	**(372)**	(405)
Pension cash contributions	**(101)**	(52)
Corporation tax paid	**(94)**	(113)
Net cash generated from operating activities	**1,809**	1,453
Cash capital expenditure	**(568)**	(599)
Repayments of obligations under leases	**(499)**	(419)
Initial direct costs on right-of-use assets	**(7)**	(13)
Proceeds from disposal of property, plant and equipment	**27**	81
Bank capital injections	**-**	(35)
Dividends and distributions received[3]	**22**	143
Retail free cash flow	**784**	611
Dividends paid on ordinary shares	**(232)**	(247)
Repayment of borrowings[3]	**(539)**	(379)
Other[3]	**(13)**	(3)
Net increase/(decrease) in cash and cash equivalents	**-**	(18)
Decrease in Debt	**1,038**	798
Other non-cash and net interest movements[4]	**(560)**	(381)
Movement in net debt	**478**	399
Opening net debt	**(6,947)**	(7,346)
Closing net debt	**(6,469)**	(6,947)
of which		
Lease Liabilities	**(5,829)**	(5,768)
Net Debt Excluding Lease Liabilities	**(640)**	(1,179)

1 See note 5 for a reconciliation between Retail and Group cash flow.
2 Excludes working capital and pension contributions.
3 Refer to the Alternative Performance Measures on pages 59 to 64 for reconciliation.
4 Other non-cash includes new leases and lease modifications and fair value movements on derivatives used for hedging long term borrowings.

Adjusted retail operating cash flow before changes in working capital decreased by £197 million year-on-year to £1,923 million (2019/20: £2,120 million). Working Capital decreased by £453 million (2019/20: £97 million increase), as a result of the strong trading performance driving increased payables balances despite the impact of lower fuel sales and moving to reduced payment terms to support smaller suppliers. In addition, challenges sourcing stock on certain product ranges have further reduced inventory in our non-food business.

Cash capital expenditure was £568 million (2019/20: £599 million). There were no capital injections to the Bank this year (2019/20: £35 million).

Dividends and distributions received of £22 million (2019/20: £143 million) reduced to normal levels, with the prior year benefitting from the proceeds of the sale of properties held in a joint venture with British Land.
Retail free cash flow increased by £173 million year-on-year to £784 million (2019/20: £611 million), driven by the working capital reduction. Free cash flow was used to fund dividends and reduce borrowings.

Dividends of £232 million were paid in the year, which were covered 3.3 times by free cash flow (2019/20: 2.5 times).

The Group held undrawn committed credit facilities of £1,450 million and undrawn uncommitted facilities of £195 million as at 6 March 2021.

Capital expenditure

Core retail cash capital expenditure was £568 million (2019/20: £599 million).

Sainsbury's expects core retail cash capital expenditure (excluding Financial Services) to be around £700-£750 million per annum over the next three years, reflecting investment in high-returning supply chain, logistics and infrastructure projects including the Argos transformation.

Financial Ratios

Key financial ratios	**52 weeks to 06 March 2021**	52 weeks to 07 March 2020
Return on capital employed (%)[1]	**5.5**	7.4
Net debt to EBITDA[2]	**3.4 times**	3.2 times
Fixed charge cover[3]	**2.2 times**	2.7 times

1 ROCE: Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension deficit/surplus less net debt (excluding perpetual securities). This is calculated using the average of 14 datapoints – the prior year closing capital employed, the current year closing capital employed and 12 intra-year periods as this more closely aligns to the recognition of profit / loss.
2 Net debt of £6,469 million includes lease obligations under IFRS 16 and perpetual securities treated as debt, divided by Group underlying EBITDA of £1,911 million.
3 Group underlying EBITDA divided by rent (both capital and interest) and net underlying finance costs, where interest on perpetual securities is treated as an underlying finance cost.

Property value

As at 6 March 2021, Sainsbury's estimated market value of properties, with values based on a 25 year lease with RPI increases, including our share of properties held within property joint ventures or investment vehicles, was £10.1 billion (7 March 2020: £9.9 billion), with the increase driven by a small reduction in property yields.

Defined benefit pensions

The Pension Scheme is valued on different bases for different purposes. For the corporate annual accounts, the value of the retirement benefit is calculated under IAS19 while the funding of the Scheme is determined by the Trustee's triennial valuation.

At 6 March 2021, the net defined benefit surplus under IAS19 for the Group was £744 million (excluding deferred tax). The £375 million reduction from 7 March 2020 was primarily driven by lower than expected asset returns and increased inflation expectations.

For 2021/22, total pension scheme cash contributions and are expected to be £76 million.

Retirement benefit obligations	**Sainsbury's as at 06 March 2021**	**Argos as at 06 March 2021**	**Group as at 06 March 2021**	Group as at 07 March 2020
	£m	**£m**	**£m**	£m
Present value of funded obligations	**(8,808)**	**(1,410)**	**(10,218)**	(10,335)
Fair value of plan assets	**9,596**	**1,404**	**11,000**	11,491
Pension surplus/(deficit)	**788**	**(6)**	**782**	1,156
Present value of unfunded obligations	**(21)**	**(17)**	**(38)**	(37)
Retirement benefit obligations	**767**	**(23)**	**744**	1,119
Deferred income tax (liability)/asset	**(178)**	**(14)**	**(192)**	(214)
Net retirement benefit obligations	**589**	**(37)**	**552**	905

Consolidated income statement

for the 52 weeks to 6 March 2021

		52 weeks to 6 March 2021			52 weeks to 7 March 2020		
	Note	**Before non-underlying items £m**	**Non-underlying items (Note 4) £m**	**Total £m**	Before non-underlying items £m	Non-underlying items (Note 4) £m	Total £m
Revenue		**29,048**	**-**	**29,048**	28,993	-	28,993
Cost of sales		**(26,871)**	**(412)**	**(27,283)**	(26,699)	(278)	(26,977)
Gross profit/(loss)		**2,177**	**(412)**	**1,765**	2,294	(278)	2,016
Administrative expenses		**(1,480)**	**(238)**	**(1,718)**	(1,345)	(114)	(1,459)
Other income		**12**	**1**	**13**	37	56	93
Operating profit/(loss)		**709**	**(649)**	**60**	986	(336)	650
Finance income	7	**3**	**29**	**32**	4	28	32
Finance costs	7	**(356)**	**3**	**(353)**	(404)	6	(398)
Share of post-tax loss from joint ventures and associates		**-**	**-**	**-**	-	(29)	(29)
Profit/(loss) before tax		**356**	**(617)**	**(261)**	586	(331)	255
Income tax (expense)/credit	8	**(105)**	**86**	**(19)**	(149)	46	(103)
Profit/(loss) for the financial period		**251**	**(531)**	**(280)**	437	(285)	152
(Loss)/earnings per share	9			**pence**			pence
Basic (loss)/earnings				**(13.0)**			5.8
Diluted (loss)/earnings				**(13.0)**			5.8

Consolidated statement of comprehensive income/(loss)

for the 52 weeks to 6 March 2021

	Note	**52 weeks to 6 March 2021 £m**	52 weeks to 7 March 2020 £m
(Loss)/profit for the financial year		**(280)**	152
Items that will not be reclassified subsequently to the income statement			
Remeasurement on defined benefit pension schemes	19	**(482)**	89
Movements on financial assets at fair value through other comprehensive income		**55**	17
Cash flow hedges fair value movements – inventory hedges		**(60)**	-
Current tax relating to items not reclassified		**44**	-
Deferred tax relating to items not reclassified	8	**9**	(18)
		(434)	88
Items that may be reclassified subsequently to the income statement			
Currency translation differences		**(5)**	-
Movements on financial assets at fair value through other comprehensive income		**2**	4
Cash flow hedges fair value movements - non-inventory hedges		**(1)**	(1)
Items reclassified from cash flow hedge reserve		**13**	(19)
Deferred tax on items that may be reclassified	8	**10**	3
		19	(13)
Total other comprehensive (loss)/income for the year (net of tax)		**(415)**	75
Total comprehensive (loss)/income for the year		**(695)**	227

Consolidated balance sheet
At 6 March 2021 and 7 March 2020

	Note	6 March 2021 £m	7 March 2020 Restated £m
Non-current assets			
Property, plant and equipment	**11**	**8,587**	8,949
Right of use assets	**12**	**4,747**	4,826
Intangible assets	**13**	**914**	974
Investments in joint ventures and associates		**5**	9
Financial assets at fair value through other comprehensive income		**754**	972
Trade and other receivables		**50**	43
Amounts due from Financial Services customers		**2,280**	3,453
Derivative financial assets		**8**	6
Net retirement benefit surplus	**19**	**744**	1,119
		18,089	20,351
Current assets			
Inventories		**1,625**	1,732
Trade and other receivables		**725**	811
Amounts due from Financial Services customers		**3,127**	3,951
Financial assets at fair value through other comprehensive income		**90**	82
Derivative financial assets		**5**	12
Cash and cash equivalents	**16**	**1,477**	994
		7,049	7,582
Assets held for sale		**24**	4
		7,073	7,586
Total assets		**25,162**	27,937
Current liabilities			
Trade and other payables		**(4,488)**	(4,275)
Amounts due to Financial Services customers and other deposits		**(6,086)**	(6,890)
Borrowings	**18**	**(258)**	(48)
Lease liabilities	**12**	**(524)**	(510)
Derivative financial liabilities		**(93)**	(53)
Taxes payable		**(59)**	(163)
Provisions	**15**	**(209)**	(108)
		(11,717)	(12,047)
Net current liabilities		**(4,644)**	(4,461)
Non-current liabilities			
Other payables		**(20)**	(11)
Amounts due to Financial Services customers and other deposits		**(203)**	(1,204)
Borrowings	**18**	**(748)**	(1,248)
Lease liabilities	**12**	**(5,310)**	(5,264)
Derivative financial liabilities		**(44)**	(36)
Deferred income tax liability	**8**	**(255)**	(265)
Provisions	**15**	**(261)**	(89)
		(6,841)	(8,117)
Total liabilities		**(18,558)**	(20,164)
Net assets		**6,604**	7,773
Equity			
Called up share capital		**637**	634
Share premium		**1,173**	1,159
Merger reserve		**568**	568
Capital redemption reserve		**680**	680
Other reserves		**167**	168
Retained earnings		**3,131**	4,068
Total equity before perpetual securities		**6,356**	7,277
Perpetual capital securities		**-**	248
Perpetual convertible bonds		**248**	248
Total equity		**6,604**	7,773

Consolidated cash flow statement

for the 52 weeks to 6 March 2021

	Note	**52 weeks to 6 March 2021 £m**	52 weeks to 7 March 2020 £m
Cash flows from operating activities			
(Loss)/Profit before tax		**(261)**	**255**
Net finance costs		**321**	**366**
Share of post-tax loss from joint ventures		**-**	**29**
Operating profit		**60**	**650**
Adjustments for:			
Depreciation expense	11, 12	**1,113**	**1,127**
Amortisation expense	13	**136**	**129**
Net impairment loss on property, plant and equipment, right of use assets, intangible assets	11, 12, 13	**321**	**263**
Non-cash adjustments arising from acquisitions		**(1)**	**(2)**
Financial Services impairment losses on loans and advances		**85**	**80**
Loss/(profit) on sale of properties and early termination of leases		**(17)**	**(56)**
Share-based payments expense		**29**	**37**
Defined benefit scheme expenses	19	**13**	**9**
Cash contributions to benefit schemes	19	**(101)**	**(52)**
Operating cash flows before changes in working capital		**1,638**	**2,185**
Changes in working capital			
Decrease in inventories		**117**	**197**
Decrease/(increase) in financial assets at fair value through other comprehensive income		**267**	**(177)**
Decrease/(increase) in trade and other receivables		**62**	**(129)**
Decrease/(increase) in amounts due from Financial Services customers and other deposits		**1,912**	**(499)**
Increase/(decrease) in trade and other payables		**321**	**(195)**
(Decrease)/increase in amounts due to Financial Services customers and other deposits		**(1,805)**	**492**
Increase/(decrease) in provisions and other liabilities		**273**	**(8)**
Cash generated from operations		**2,785**	**1,866**
Interest paid		**(349)**	**(384)**
Corporation tax paid		**(93)**	**(110)**
Net cash generated from operating activities		**2,343**	**1,372**
Cash flows from investing activities			
Purchase of property, plant and equipment		**(423)**	**(519)**
Initial direct costs on new leases		**(7)**	**(13)**
Purchase of intangible assets		**(172)**	**(120)**
Proceeds from disposal of property, plant and equipment		**27**	**81**
Interest received		**-**	**2**
Dividends and distributions received		**22**	**143**
Net cash used in investing activities		**(553)**	**(426)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**17**	**15**
Proceeds from borrowings		**-**	**250**
Proceeds from short term borrowings		**660**	**-**
Repayment of borrowings		**(289)**	**(169)**
Repayment of short term borrowings		**(660)**	**-**
Repayment upon maturity of convertible bonds		**-**	**(450)**
Repayment of perpetual capital securities		**(250)**	**-**
Purchase of own shares		**(30)**	**(18)**
Repayment of capital element of lease obligations		**(501)**	**(420)**
Repayment of capital element of obligations under hire purchase arrangements		**-**	**(10)**
Dividends paid on ordinary shares	10	**(232)**	**(247)**
Dividends paid on perpetual securities		**(23)**	**(23)**
Net cash used in financing activities		**(1,308)**	**(1,072)**
Net increase/(decrease) in cash and cash equivalents		**482**	**(126)**
Opening cash and cash equivalents		**994**	**1,120**
Closing cash and cash equivalents	16	**1,476**	**994**

Consolidated statement of changes in equity
for the 52 weeks to 6 March 2021

	Note	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves £m	Retained earnings £m	Total equity before perpetual securities £m	Perpetual capital securities £m	Perpetual convertible bonds £m	Total equity £m
At 8 March 2020		**634**	**1,159**	**568**	**848**	**4,068**	**7,277**	**248**	**248**	**7,773**
Loss/(profit) for the period		-	-	-	-	(287)	(287)	-	7	(280)
Other comprehensive income/(loss)		-	-	-	4	(482)	(478)	-	-	(478)
Tax relating to other comprehensive income/(loss)		-	-	-	(4)	67	63	-	-	63
Total comprehensive income/(loss) for the period ended 6 March 2021		-	-	-	-	(702)	(702)	-	7	(695)
Cash flow hedges gains and losses transferred to inventory		-	-	-	(1)	-	(1)	-	-	(1)
Transactions with owners:										
Dividends	10	-	-	-	-	(232)	(232)	-	-	(232)
Distribution to holders of perpetual securities		-	-	-	-	-	-	-	(7)	(7)
Share-based payment		-	-	-	-	29	29	-	-	29
Purchase of own shares		-	-	-	-	(30)	(30)	-	-	(30)
Allotted in respect of share option schemes		3	14	-	-	-	17	-	-	17
Redemption of perpetual capital securities		-	-	-	-	(2)	(2)	(248)	-	(250)
At 6 March 2021		**637**	**1,173**	**568**	**847**	**3,131**	**6,356**	**-**	**248**	**6,604**
At 10 March 2019		630	1,147	568	852	4,089	7,286	248	248	7,782
Profit for the period		-	-	-	-	129	129	16	7	152
Other comprehensive income		-	-	-	1	89	90	-	-	90
Tax relating to other comprehensive income/(loss)		-	-	-	-	(15)	(15)	-	-	(15)
Total comprehensive income/(loss) for the period ended 7 March 2020		-	-	-	1	203	204	16	7	227
Transactions with owners:										
Dividends		-	-	-	-	(247)	(247)	-	-	(247)
Distribution to holders of perpetual securities		-	-	-	-	-	-	(16)	(7)	(23)
Amortisation of convertible bond equity component		-	-	-	(5)	5	-	-	-	-
Share-based payment		-	-	-	-	37	37	-	-	37
Purchase of own shares		-	-	-	-	(18)	(18)	-	-	(18)
Allotted in respect of share option schemes		4	12	-	-	(1)	15	-	-	15
Tax on items charged to equity		-	-	-	-	-	-	-	-	-
At 7 March 2020		634	1,159	568	848	4,068	7,277	248	248	7,773

Notes to the consolidated financial statements

1 General information

The financial information, which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group cash flow statement, Group statement of changes in equity and related notes, is derived from the full Group financial statements for the 52 weeks to 6 March 2021 and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006.

The Group Annual Report and Financial Statements 2021 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 2021.

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 financial year represents the 52 weeks to 6 March 2021 (prior financial year: 52 weeks to 7 March 2020). The consolidated financial statements for the 52 weeks to 6 March 2021 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 Significant accounting policies

2.1 Basis of preparation

The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, and also in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in sterling, rounded to the nearest million (‘£m’) unless otherwise stated. They have been prepared under the historical cost convention, except for derivative financial instruments, defined benefit pension scheme assets and financial assets at fair value through other comprehensive income that have been measured at fair value.

Sainsbury’s Bank Plc and its subsidiaries have been consolidated for the twelve months to 28 February 2021 being the Bank’s year-end date (prior financial year: 29 February 2020). There have been no significant transactions or events that occurred between this date and the Group’s balance sheet date, and therefore no adjustments have been made to reflect the difference in year-end dates.

Unless otherwise stated, significant accounting policies have been applied consistently to all periods presented in the financial statements.

Presentational changes

In accordance with IAS 1 ‘Presentation of Financial Statements’, within the consolidated statement of comprehensive income the Group presents separately items that will not be subsequently reclassified to the income statement and items that may be subsequently reclassified to the income statement, which includes the fair value movements on effective cash flow hedges. In accordance with IFRS 9 ‘Financial Instruments’, cash flow hedge gains and losses in relation to inventory purchases are recognised as part of the cost of inventory, and therefore the carrying value of inventory is adjusted for the accumulated gains or losses recognised directly in other comprehensive income (a basis adjustment), and then recognised in the income statement when the inventory is sold.

2 Significant accounting policies continued

This basis adjustment is not part of other comprehensive income. The Group has therefore separately presented effective fair value movements on inventory hedges and non-inventory hedges within the consolidated statement of comprehensive income and shown the inventory basis adjustments as a separate line within the statement of changes in equity. Comparative period amounts have not been adjusted on the grounds of materiality.

2.2 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The assessment period for the purposes of considering going concern is the 12 months to 28 April 2022.

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's most recent corporate planning and budgeting processes. This includes an annual review which considers profitability, the Group's cash flows, committed funding and liquidity positions and forecasted future funding requirements over three years, with a further two years of indicative movements. The most recent corporate plan was prepared in October 2020, and refreshed in March 2021 as part of normal budgeting process. This was reviewed by the Operating Board and ultimately by the PLC Board with involvement throughout from both the Chief Financial Officer and Chief Executive.

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

The Revolving Credit Facility is split into two Facilities, a £300 million Facility (A) and a £1,150 million Facility (B). Facility A has a final maturity of April 2025 and Facility B has a final maturity of October 2024. As at 6 March 2021, the Revolving Credit Facility was undrawn. In addition, the Group maintains uncommitted facilities of £195 million to provide additional capacity to fund short term working capital requirements. The uncommitted facilities were undrawn at 6 March 2021.

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 (included in the Group's annual report) by overlaying them into the corporate plan and assessing the impact on cash flows, net debt and funding headroom. These severe but plausible scenarios included modelling the ongoing impact of COVID-19, recognising the degree of uncertainty that continues to exist, the impact of any regulatory fines, failure to deliver planned cost savings and the impact of the UK's withdrawal from the EU on the Group's Northern Ireland operations where trade flows have proved more difficult.

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

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 Significant accounting policies continued

2.3 Amendments to published standards

Effective for the Group and Company in these financial statements:
The Group has considered the following amendments to published standards that are effective for the Group for the financial year beginning 8 March 2020 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements other than disclosures.

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 'Business Combinations' on the definition of a business
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of material
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' on the Interest Rate Benchmark Reform

The Group has noted the exemption granted in the 'COVID-19-related rent concessions' amendment to IFRS 16 'Leases'. This exemption applies for periods commencing on or after 1 June 2020, with an option to early adopt. The Group has elected not to apply the exemption granted as the Group has not received material COVID-19-related rent concessions as a lessee.

Standards and revisions effective for future periods:
The following standards and revisions will be effective for future periods:

- Amendments to IFRS 3 'Business Combinations' with reference to the Conceptual Framework
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use
- Amendments to IAS 1 'Presentation of Financial Statements' on the classification of liabilities as current or non-current
- IFRS 17 'Insurance Contracts'

The Group has considered the impact of the remaining above standards and revisions and have concluded that they will not have a significant impact on the Group's financial statements.

Interest Rate Benchmark Reform

The Group applied the Phase 1 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 which became effective from 1 January 2020 and early adopted the Phase 2 amendments from 8 March 2020 retrospectively. However, in accordance with exceptions provided in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

Both Phase 1 and Phase 2 are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures. The Group has no variable lease payments that are linked to LIBOR.

The Phase 1 amendments provided reliefs that may otherwise have resulted in the Group no longer being able to apply hedge accounting for certain hedge relationships as a result of uncertainties arising from the LIBOR benchmark reform. As a result of the reliefs the Group was able to continue existing hedge accounting whilst implementing its LIBOR to SONIA transition project.

2 Significant accounting policies continued

The Phase 2 amendments to IFRS 9 provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

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.

3.1 Purpose of 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 profit) by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

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

The APMs that the Group has focused on in the period are detailed on page 59. All of the APMs relate to the current period's results and comparative periods.

3.2 Changes to APMs

The following APMs have been updated during the period:

- Like-for-like sales: The impact on sales of stores which were temporarily closed due to COVID-19 have been included within like-for-like sales. During the year due to temporary store closures as a result of the COVID-19 pandemic there has been a material increase in digital sales. It is not possible to calculate the exact transfer of sales from temporarily closed stores to online as a result of the pandemic therefore the like-for-like definition has been adjusted to include temporary store closures as a result of COVID-19 . Only permanently closed sites and those temporarily closed for non COVID-19 related reasons are excluded from like-for-like sales.
- Net cash generated from retail operations (per Financial Review): The presentation of the summary cashflow statement on page 61 has been modified to provide useful additional information of the build from Retail Underlying Operating Profit.
- Earnings before interest, tax, depreciation and amortisation (EBITDA): Following the adoption of IFRS16, EBITDA and EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) are broadly consistent measures. Therefore EBITDA is now being disclosed instead of EBITDAR.

4 Profit before non-underlying items

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

Profit before non-underlying items is not defined by International Financial Reporting Standards and is one of the APMs used by the Group (see page 59). Therefore, it may not be directly comparable with adjusted measures of other companies.

4 Profit before non-underlying items continued

The most significant non-underlying items in the current year relate to restructuring programmes, impairment charges and income relating to the Supreme Court ruling on ATM business rates. More details on each are included further below.

The Group has also excluded the following items from underlying profit:

- Financial Services transition – multi-year costs incurred in transitioning to a new, more flexible banking platform as part of the previously announced New Bank Programme. These principally comprise contractor and service provider costs relating to the migration of data and other services to the Bank's new infrastructure and operating model.
- Profit or loss on disposal of properties – such disposals are not part of the Group’s underlying business.
- Investment property fair value movements – these reflect the difference between the fair value of an investment property at the reporting date and its carrying amount at the previous reporting date and are held within the property JVs. The valuations are impacted by external market factors and can therefore vary significantly year-on-year.
- Perpetual securities coupons – these are accounted for as equity in line with IAS 32 ‘Financial instruments: Presentation’, however are accrued on a straight-line basis and included as an expense within underlying profit as they are included by management when assessing Group borrowings.
- Non-underlying finance movements – these include fair value remeasurements on derivatives not in a hedging relationship. The fair value measurements are impacted by external market factors and can fluctuate significantly year-on-year. Lease interest on impaired non-trading sites, including site closures, is excluded from underlying profit as those sites do not contribute to the underlying business.
- IAS 19 pension interest and expenses include the financing element and scheme expenses of the Group’s defined benefit scheme. These are reported outside underlying profit as they no longer relate to the Group’s on-going activities following closure of the scheme to future accrual.
- Acquisition adjustments – these reflect the adjustments arising from acquisitions including the fair value unwind and amortisation of acquired intangibles.

The Group has not included any additional costs incurred or credits received directly in relation to the impacts of COVID-19 within non-underlying items. Whilst some items (such as additional expenses incurred protecting colleagues and customers) are discrete and can be separately quantified, others, such as incremental food sales cannot be reliably disaggregated from the Group’s underlying performance. The Group has therefore concluded that presenting some movements as underlying and others as non-underlying would give an imbalanced view that is not easily comparable to past and subsequent periods. In addition, the repayment of business rates relief announced in December 2020 has also been treated as underlying, due to being a cost that would have been incurred in an ordinary trading year.

4 Profit before non-underlying items continued

	Cost of sales £m	Administrative expenses £m	Other income £m	Net finance income/(costs) £m	Total adjustments before tax £m	Tax £m	Total adjustments £m
Restructuring programmes	(342)	(81)	-	-	(423)	76	(347)
Impairment of non-financial assets	(112)	(108)	-	-	(220)	33	(187)
Financial Services transition and other	-	(17)	-	-	(17)	3	(14)
Total restructuring, impairment and integration	(454)	(206)	-	-	(660)	112	(548)
Property, finance, pension and acquisition adjustments							
ATM business rates reimbursement	42	-	-	-	42	(8)	34
Profit on disposal of properties	-	-	1	-	1	7	8
Perpetual securities coupons	-	-	-	14	14	-	14
Non-underlying finance movements	-	-	-	(1)	(1)	-	(1)
IAS 19 pension (expenses) / income	-	(13)	-	19	6	(1)	5
Acquisition adjustments	-	(19)	-	-	(19)	4	(15)
Total property, finance, pension and acquisition adjustments	42	(32)	1	32	43	2	45
Tax adjustments							
Derecognition of capital losses	-	-	-	-	-	(28)	(28)
Total adjustments	(412)	(238)	1	32	(617)	86	(531)

Restructuring programmes

During the financial period, it has been agreed to accelerate the structural integration of Sainsbury's and Argos and further simplify the Argos business model. As a result, around 420 Argos stores will be closed by March 2024, leaving the total number of UK standalone stores at around 100. To support this, a total of 32 Local Fulfilment Centres will be built across the UK that will operate the Group's fast track delivery operations, delivering to customers' homes and to Argos stores and collection points across the country.

In addition, the Group is creating a new supply chain and logistics operating model, moving to a single integrated supply chain and logistics network across Sainsbury's and Argos. As a result of this, a number of existing depots are closing. Further, the Group has reviewed its Store Support Centre ways of working and as a result is reducing its office space.

Further opportunities to rationalise the Group's supermarkets, convenience estate have been identified, building on last year's property strategy programme that was announced at the Capital Markets Day in September 2019. At that time it was communicated that 10 to 15 supermarkets and 30 to 40 convenience stores would close. It is now expected that 15 to 20 supermarkets and 55 to 65 convenience stores will close or be sold.

Costs totalling £423 million have been recognised in the period in relation to the above and comprise the following:

	£m
Write downs of property, plant and equipment	26
Write downs of leased assets	72
Write downs of intangible assets	3
Closure provisions	240
Accelerated depreciation of assets	27
Redundancy provisions	61
Consultancy costs	10
Gain on lease terminations	(16)
	423

4 Profit before non-underlying items continued

Closure provisions relate to onerous contract costs, dilapidations and strip out costs on leased sites. Onerous contract costs have been recognised where sites are forecast to close before the end of the contractual lease term, and relate to the unavoidable costs that the business will incur by virtue of remaining in a lease, such as service charges, insurance and security.

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.

Gains on lease terminations relate to sites impaired in the prior year for which it has been negotiated to exit the leases before the contractual end date.

With regards to the above restructuring and impairment charges, the costs incurred arise as a result of implementing changes for the future to evolve and reshape the business. They are therefore different in nature to the COVID-19-related income and costs that were incurred to maintain business as usual activity and which have been reported within underlying profit.

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.

Impairment of non-financial assets

In addition to the above, in line with IAS 36 'Impairment of non-financial assets', the Group is required to assess whether there is any indication that an asset (or cash generating unit (CGU)) may be impaired (i.e. its carrying amount may be higher than its recoverable amount).

The COVID-19 pandemic has resulted in changes to customer shopping habits, patterns and sources of finance. Despite this, the Group has proved resilient through the pandemic, with higher grocery sales growth helping to offset the additional in-store costs. However the changes in customer behaviour have led to an acceleration of the Group's structural integration of Sainsbury's and Argos during the period and through this, a review of the economic performance of the Group's assets has been performed as a result of store rationalisation, changes in channel mix, and changes in customer borrowing and cash usage behaviour. This has been deemed an indicator of impairment and a full impairment review has therefore been performed covering both Retail and Financial Services non-financial assets.

An impairment charge of £220 million has been recognised in the period and comprises:

	£m
Impairment of property, plant and equipment	62
Impairment of leased assets	65
Impairment of intangible assets	93
	220

4 Profit before non-underlying items continued

Of the total charge of £220 million, £105 million is in relation to assets within the Financial Services segment, with the remaining £115 million within the Retail segment. Further details of the impairment charge are included within note 14.

Financial Services transition

These predominantly comprise Financial Services transition costs and were incurred in transitioning to new banking platforms as part of the previously announced New Bank Programme. These principally comprise contractor and service provider costs relating to the migration of data and other services to the Bank's new infrastructure and operating model.

ATM business rates reimbursement

£42 million of income is due to be received (of which £27 million has been received as at 6 March 2021) from the Valuation Office following the Supreme Court's ruling that ATMs outside stores should not be assessed for additional business rates on top of normal store rates.

Property, finance, pension and acquisition adjustments

- Profit on disposal of properties for the financial period comprised £1 million for the Group and £nil for the joint ventures.
- The coupons on the perpetual subordinated capital securities and the perpetual subordinated convertible bonds are accounted for as equity in line with IAS 32 'Financial Instruments: Presentation', however are accrued on a straight-line basis and included as an expense within underlying profit before tax. During the year, the perpetual capital securities were redeemed.
- Non-underlying finance movements for the financial year comprised £(1) million for the Group and £nil for the joint ventures. These are presented separately in note 7.
- Defined benefit pension interest and expenses comprises pension finance income of £19 million and scheme expenses of £(13) million (see note 19).
- Acquisition adjustments of £(19) million reflect the unwind of non-cash fair value adjustments arising from Home Retail Group and Nectar UK acquisitions and are recognised as follows:

	52 weeks to 6 March 2021			52 weeks to 7 March 2020		
	Argos	**Nectar**	**Total Group**	Argos	Nectar	Total Group
	£m	**£m**	**£m**	£m	£m	£m
Cost of sales	**1**	**-**	**1**	2	-	2
Depreciation	**4**	**-**	**4**	(2)	-	(2)
Amortisation	**(18)**	**(6)**	**(24)**	(18)	(8)	(26)
	(13)	**(6)**	**(19)**	(18)	(8)	(26)

4 Profit before non-underlying items continued

Comparative information

	Cost of sales	Administrative expenses	Other income	Net finance income/(costs)	Share of loss from JVs	Total adjustments before tax	Tax	Total adjustments
	£m	£m	£m	£m	£m	£m	£m	£m
Property strategy programme	(255)	(41)	-	-	-	(296)	28	(268)
Retail restructuring programme	(21)	(11)	-	-	-	(32)	6	(26)
Financial Services transition and other	(2)	(27)	-	-	-	(29)	4	(25)
Total strategic programmes	(278)	(79)	-	-	-	(357)	38	(319)
Property, finance, pension and acquisition adjustments								
Profit/(loss) on disposal of properties	-	-	56	-	(21)	35	3	38
Investment property fair value movements	-	-	-	-	(3)	(3)	-	(3)
Perpetual securities coupons	-	-	-	23	-	23	(4)	19
Non-underlying finance movements	-	-	-	(17)	(5)	(22)	3	(19)
IAS 19 pension expenses	-	(9)	-	28	-	19	(4)	15
Acquisition adjustments	-	(26)	-	-	-	(26)	5	(21)
Total property, finance, pension and acquisition adjustments	-	(35)	56	34	(29)	26	3	29
Tax adjustments								
Over provision in prior years	-	-	-	-	-	-	8	8
Revaluation of deferred tax balances	-	-	-	-	-	-	(3)	(3)
Total adjustments	(278)	(114)	56	34	(29)	(331)	46	(285)

Prior year property strategy programme

During the prior year, the Group identified an impairment indicator following an approved programme of store closures. This programme was initially announced at the Capital Markets Day in September 2019. It was subsequently revisited during the second half of the prior-financial year resulting in additional planned closures. Impairment charges and closure costs were therefore recognised in the prior year as follows:

	Property strategy programme	Impairment review
	£m	£m
Impairment of property, plant and equipment	70	84
Impairment of leased assets	51	29
Impairment of intangible assets	5	13
Store closure provisions	41	-
Redundancy provisions	3	-
	170	126

Prior year retail restructuring programme

Restructuring costs of £(32) million in the prior year mostly comprise redundancy payments following changes to the Group's store management structure, responding to changing customer shopping habits and reducing costs throughout the store estate, as well as the closure of one Argos distribution centre, prior to the wider store closure programme announced at the Capital Markets Day. Also included costs incurred following announced head-office restructures during the year.

4 Profit before non-underlying items continued

Cash flow statement

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

	52 weeks to 6 March 2021	52 weeks to 7 March 2020
	£m	£m
Cash flows from operating activities		
IAS 19 pension expenses	**(7)**	(9)
Financial Services transition and other	**(15)**	(22)
Argos integration costs	**-**	(2)
Restructuring programmes	**(39)**	(34)
ATM Rates reimbursement	**27**	-
Transaction costs relating to the proposed merger with Asda	**-**	(13)
Cash used in operating activities	**(34)**	(80)
Cash flows from investing activities		
Proceeds from property disposals	**27**	81
Cash generated from investing activities	**27**	81
Net cash flows	**(7)**	1

5 Segment reporting

Background

Management has determined the operating segments based on the information provided to the Operating Board (the Chief Operating Decision Maker for the Group) to make operational decisions on the management of the Group. Three operating segments were identified as follows:

—Retail – Food

—Retail – General Merchandise and Clothing

—Financial Services

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

The Operating Board assesses the performance of all segments on the basis of underlying profit before tax. Underlying profit before tax is an APM as described in note 4. All material operations and assets are in the UK.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segment revenue presents a disaggregation of revenue from customers consistent with the Group's primary revenue streams.

5 Segment reporting continued

Income statement and balance sheet

52 weeks to 6 March 2021	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	**28,617**	**-**	**28,617**
Financial Services to external customers	**-**	**431**	**431**
Revenue	**28,617**	**431**	**29,048**
Underlying operating profit/(loss)	**730**	**(21)**	**709**
Underlying finance income	**3**	**-**	**3**
Underlying finance costs	**(356)**	**-**	**(356)**
Underlying share of post tax profit from joint ventures and associates	**-**	**-**	**-**
Underlying profit/(loss) before tax	**377**	**(21)**	**356**
Non-underlying expense (note 4)			**(617)**
Loss before tax			**(261)**
Income tax expense (note 8)			**(19)**
Loss for the financial period			**(280)**
Assets	**17,637**	**7,520**	**25,157**
Investment in joint ventures and associates	**5**	**-**	**5**
Segment assets	**17,642**	**7,520**	**25,162**
Segment liabilities	**(11,940)**	**(6,618)**	**(18,558)**
Other segment items			
Additions to non-current assets			
Property, plant and equipment	**419**	**-**	**419**
Intangible assets	**145**	**27**	**172**
Right-of-use assets	**542**	**-**	**542**
Depreciation expense[1]			
Property, plant and equipment	**627**	**2**	**629**
Right-of-use assets	**483**	**1**	**484**
Amortisation expense[2]			
Intangible assets	**116**	**20**	**136**
Impairment charges	**216**	**105**	**321**
Restructuring charges	**322**	**-**	**322**
Share based payments	**26**	**3**	**29**

[1] Depreciation within the Retail segment includes a £(4) million reduction in relation to the unwind of fair value adjustments recognised on acquisition of HRG.
[2] Amortisation expense within the Retail segment includes £24 million charge in relation to the unwind of fair value adjustments recognised on acquisition of HRG and Nectar UK.

5 Segment reporting continued

52 weeks to 7 March 2020	Retail £m	Financial Services £m	Group £m
Segment revenue			
Retail sales to external customers	28,424	-	28,424
Financial Services to external customers	-	569	569
Underlying revenue	28,424	569	28,993
Revenue	28,424	569	28,993
Underlying operating profit	938	48	986
Underlying finance income	4	-	4
Underlying finance costs	(404)	-	(404)
Underlying share of post-tax profit from joint ventures and associates	-	-	-
Underlying profit before tax	538	48	586
Non-underlying expense (note 4)			(331)
Profit before tax			255
Income tax expense (note 8)			(103)
Profit for the financial period			152
Assets	18,463	9,465	27,928
Investment in joint ventures and associates	9	-	9
Segment assets	18,472	9,465	27,937
Segment liabilities	(11,738)	(8,426)	(20,164)
Other segment items			
Additions to non-current assets			
Property, plant and equipment	527	1	528
Intangible assets	88	36	124
Right-of-use assets	406	-	406
Depreciation expense[1]			
Property, plant and equipment	627	7	634
Right-of-use assets	492	1	493
Amortisation expense[2]			
Intangible assets	106	23	129
Impairment charges	257	6	263
Restructuring charges	44	-	44
Share based payments	34	3	37

[1] Depreciation within the Retail segment includes a £2 million charge in relation to the unwind of fair value adjustments recognised on acquisition of HRG and Nectar UK.
[2] Amortisation expense within the Retail segment includes £26 million charge in relation to the unwind of fair value adjustments recognised on acquisition of HRG and Nectar UK.

Geographical segments

The Group trades predominantly in the UK and the Republic of Ireland and consequently the majority of revenues, capital expenditure and segment net assets arise there. The profits, turnover and assets of the businesses in the Republic of Ireland are not material to the Group.

5 Segment reporting continued

Cash flow

	APM reference	52 weeks to 6 March 2021 Retail	Financial Services	Group	52 weeks to 7 March 2020 Retail	Financial Services	Group
		£m	£m	£m	£m	£m	£m
(Loss)/Profit before tax		**(114)**	**(147)**	**(261)**	235	20	255
Net finance costs		**321**	**-**	**321**	363	3	366
Share of post-tax loss from joint ventures and associates		**-**	**-**	**-**	29	-	29
Operating profit		**207**	**(147)**	**60**	627	23	650
Adjustments for:							
Depreciation and amortisation expense		**1,226**	**23**	**1,249**	1,225	31	1,256
Net impairment charge on property, plant and equipment, right-of-use assets and intangible assets		**216**	**105**	**321**	257	6	263
Non-cash adjustments arising from acquisitions		**(1)**	**-**	**(1)**	(2)	-	(2)
Financial Services impairment losses on loans and advances		**-**	**85**	**85**	-	80	80
(Profit)/loss on sale of properties and early termination of leases		**(19)**	**2**	**(17)**	(56)	-	(56)
Share-based payments expense		**26**	**3**	**29**	34	3	37
Non-cash defined benefit scheme expenses		**13**	**-**	**13**	9	-	9
Cash contributions to defined benefit scheme		**(101)**	**-**	**(101)**	(52)	-	(52)
Operating cash flows before changes in working capital		**1,567**	**71**	**1,638**	2,042	143	2,185
Movements in working capital		**708**	**439**	**1,147**	(71)	(248)	(319)
Cash generated from operations		**2,275**	**510**	**2,785**	1,971	(105)	1,866
Interest paid	a	**(349)**	**-**	**(349)**	(384)	-	(384)
Corporation tax (paid)/received		**(94)**	**1**	**(93)**	(113)	3	(110)
Net cash generated/(used) from operating activities		**1,832**	**511**	**2,343**	1,474	(102)	1,372
Cash flows from investing activities							
Purchase of property, plant and equipment		**(423)**	**-**	**(423)**	(517)	(2)	(519)
Initial direct costs on new leases		**(7)**	**-**	**(7)**	(13)	-	(13)
Purchase of intangible assets		**(145)**	**(27)**	**(172)**	(82)	(38)	(120)
Proceeds from disposal of property, plant and equipment		**27**	**-**	**27**	81	-	81
Interest received	a	**-**	**-**	**-**	2	-	2
Dividends and distributions received	e	**22**	**-**	**22**	143	-	143
Net cash used in investing activities		**(526)**	**(27)**	**(553)**	(386)	(40)	(426)
Cash flows from financing activities							
Proceeds from issuance of ordinary shares	d	**17**	**-**	**17**	15	-	15
Proceeds from borrowings	c	**-**	**-**	**-**	250	-	250
Proceeds from short term borrowings	c	**660**	**-**	**660**	-	-	-
Repayment of borrowings	c	**(289)**	**-**	**(289)**	(169)	-	(169)
Repayment of short term borrowings	c	**(660)**	**-**	**(660)**	-	-	-
Repayment upon maturity of convertible bonds	c	**-**	**-**	**-**	(450)	-	(450)
Repayment of perpetual capital securities	c	**(250)**	**-**	**(250)**	-	-	-
Purchase of own shares	d	**(30)**	**-**	**(30)**	(18)	-	(18)
Repayment of capital element of obligations under lease liabilities	b	**(499)**	**(2)**	**(501)**	(419)	(1)	(420)
Repayment of capital element of obligations under hire purchase agreements	c	**-**	**-**	**-**	(10)	-	(10)
Dividends paid on ordinary shares		**(232)**	**-**	**(232)**	(247)	-	(247)
Dividends paid on perpetual securities	a	**(23)**	**-**	**(23)**	(23)	-	(23)
Net cash used in financing activities		**(1,306)**	**(2)**	**(1,308)**	(1,071)	(1)	(1,072)
Bank capital injections		**-**	**-**	**-**	(35)	35	-
Net cash (used in)/generated from intra group funding		**-**	**-**	**-**	(35)	35	-
Net increase/(decrease) in cash and cash equivalents		**-**	**482**	**482**	(18)	(108)	(126)

6 Supplier arrangements

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

Income is recognised when earned by the Group when all obligations per the terms of the contract have been performed. Any supplier arrangements which are linked to inventory purchases are included within the cost of the related inventory, and therefore recognised within cost of sales once the inventory is sold. Unpaid amounts relating to supplier arrangements are recognised within trade and other receivables, unless there is a legal right of offset, in which case it is recognised within trade and other payables.

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

— Discounts and supplier incentives – these represent the majority of all supplier arrangements and are linked to individual unit sales. The incentive is typically based on an agreed sum per item sold on promotion for a period and therefore is considered part of the purchase price of that product.

— Fixed amounts – these are agreed with suppliers primarily to support in-store activity including promotions, such as utilising specific space. Income is recognised as the obligations per the terms of the agreement have been satisfied. These involve a degree of judgement and estimation in ensuring the appropriate cut-off for fixed amounts which span a period-end, however the agreements are sufficiently detailed which significantly reduces the degree of estimation required to be applied.

— Volume-based rebates – these are typically agreed on an annual basis, aligned with the Group’s financial year. The rebate amount is linked to pre-agreed targets such as sales volumes and requires estimates of the amount earned up to the balance sheet date, for each relevant supplier contract. Where agreements span a financial period-end, estimations are required of projected turnover and judgement may also need to be applied to determine the rebate level earned as agreements may involve multiple tiers. In order to minimise any risk arising from estimation, agreements from suppliers are obtained to agree the value to be recognised at year-end, prior to it being invoiced. By aligning the agreements to the Group’s financial year, where possible, the estimates required are minimised.

— Marketing and advertising income – relates to income which is directly linked to the cost of producing the Argos catalogue as well as advertising income from suppliers through the Group’s subsidiary Nectar 360 Services LLP. During the year it was announced that production of the Argos catalogue would cease. Income relating to the Argos catalogue is recognised once agreed with the supplier and when the catalogue is made available to the Group. Advertising income relating to Nectar 360 Services LLP is recognised when the advertising campaign obligations are fulfilled.

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

	52 weeks to 6 March 2021	52 weeks to 7 March 2020
	£m	£m
Fixed amounts	**236**	278
Supplier rebates	**55**	68
Marketing and advertising income	**83**	105
Total supplier arrangements	**374**	451

6 Supplier arrangements continued

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

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Within inventory	**(5)**	(7)
Within current trade receivables		
Supplier arrangements due	**49**	44
Accrued supplier arrangements	**37**	38
Within current trade payables		
Supplier arrangements due	**32**	12
Accrued supplier arrangements	**5**	-
Deferred income due	**(2)**	(2)
Total supplier arrangements	**116**	85

7 Finance income and finance costs

	2021			2020		
	Underlying £m	**Non-Underlying £m**	**Total £m**	Underlying £m	Non-Underlying £m	Total £m
Interest on bank deposits and other financial assets	**1**	**-**	**1**	2	-	2
Fair value measurements	**-**	**10**	**10**	-	-	-
IAS 19 pension financing income	**-**	**19**	**19**	-	28	28
Finance income on net investment in leases	**2**	**-**	**2**	2	-	2
Finance Income	**3**	**29**	**32**	4	28	32
Secured borrowings	**(49)**	**-**	**(49)**	(50)	-	(50)
Unsecured borrowings	**(1)**	**-**	**(1)**	(12)	-	(12)
Lease liabilities	**(295)**	**(10)**	**(305)**	(323)	(9)	(332)
Provisions - amortisation of discount	**(1)**	**(1)**	**(2)**	-	-	-
Fair value measurements	**-**	**-**	**-**	-	(8)	(8)
Interest capitalised - qualifying assets	**4**	**-**	**4**	4	-	4
Perpetual securities coupon	**(14)**	**14**	**-**	(23)	23	-
Finance costs	**(356)**	**3**	**(353)**	(404)	6	(398)

Interest paid and interest received for the purpose of the cash flow statement relates to retail only, with Financial Services interest paid and interest received included in the net operating cash flow.

The coupons on the perpetual capital securities and perpetual convertible bonds are accounted for as dividends in accordance with IAS 32 'Financial Instruments: Presentation' and hence are not a finance cost. These are included as a finance cost in the presentation of underlying results, but do not qualify as a finance cost for IFRS statutory purposes.

Fair value remeasurements relate to net fair value movements on derivative financial instruments not designated in a hedging relationship.

8 Taxation

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Current year UK tax	**16**	96
Current year overseas tax	**6**	5
Over-provision in prior years	**(12)**	(13)
Total current tax expense	**10**	88
Origination and reversal of temporary differences	**(46)**	(2)
Under provision in prior years	**27**	17
Derecognition of capital losses	**28**	-
Total deferred tax expense	**9**	15
Total income tax expense in income statement	**19**	103
Analysed as:		
Underlying tax	**105**	149
Non-underlying tax	**(86)**	(46)
Total income tax expense in income statement	**19**	103
Underlying tax rate	**29.5%**	25.4%
Effective tax rate	**(7.3)%**	40.4%

9 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Share Ownership Trusts, which are treated as cancelled.

For diluted earnings per share, the earnings attributable to the ordinary shareholders are adjusted by the coupons on the perpetual subordinated convertible bonds (and also interest on the senior convertible bonds (net of tax) in the prior year). The weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the number of shares that would be issued if all senior convertible bonds and perpetual subordinated convertible bonds are assumed to be converted.

Underlying earnings per share is provided by excluding the effect of any non-underlying items as defined in note 4. This alternative measure of earnings per share is presented to reflect the Group's underlying trading performance. All operations are continuing for the periods presented.

	2021 million	2020 million
Weighted average number of shares in issue[1]	**2,210.0**	2,207.6
Weighted average number of dilutive share options[1]	**21.7**	24.1
Weighted average number of dilutive senior convertible bonds[1]	**-**	153.7
Weighted average number of dilutive subordinated perpetual convertible bonds[1]	**88.4**	84.6
Total number of shares for calculating diluted earnings per share	**2,320.1**	2,470.0

	£m	£m
(Loss)/profit for the financial period (net of tax)	**(280)**	152
Less profit attributable to:		
Holders of perpetual capital securities	**-**	(16)
Holders of perpetual convertible bonds	**(7)**	(7)
(Loss)/profit for the financial period attributable to ordinary shareholders	**(287)**	129
(Loss)/profit for the financial period attributable to ordinary shareholders	**(287)**	129
Add interest on senior convertible bonds (net of tax)[1]	**-**	9
Add coupon on subordinated perpetual convertible bonds (net of tax)[1]	**-**	6
Diluted (loss)/earnings for calculating diluted (loss)/earnings per share	**(287)**	144
(Loss)/profit for the financial period attributable to ordinary shareholders of the parent	**(287)**	129
Adjusted for non-underlying items (note 4)	**617**	331
Tax on non-underlying items	**(86)**	(46)
Add back coupons on perpetual securities (net of tax)[2]	**14**	23
Underlying profit after tax attributable to ordinary shareholders of the parent	**258**	437
Add interest on convertible bonds (net of tax)	**-**	9
Add coupon on subordinated perpetual convertible bonds (net of tax)	**6**	6
Diluted underlying profit after tax attributable to ordinary shareholders of the parent	**264**	452

	Pence per share	Pence per share
Basic (loss)/earnings	**(13.0)**	5.8
Diluted (loss)/earnings	**(13.0)**	5.8
Underlying basic earnings	**11.7**	19.8
Underlying diluted earnings	**11.4**	18.3

1 In accordance with IAS 33, 'Earnings per share', dilutive share options and their respective earnings adjustments are excluded from the calculation of diluted earnings per share when the impact is anti-dilutive.

2 Underlying earnings per share calculation is based on underlying profit after tax attributable to ordinary shareholders. Therefore the perpetual securities coupons are added back.

10 Dividends

	2021 pence per share	2020 pence per share	**2021 £m**	2020 £m
Amounts recognised as distributions to ordinary shareholders in the year:				
Final dividend of prior financial year	**-**	7.9	**-**	174
Interim dividend of current financial year	**3.2**	3.3	**71**	73
Special Dividend	**7.3**	-	**161**	-
	10.5	11.2	**232**	247

On 27 April 2021, after the balance sheet date, a final dividend of 7.4 pence per share was proposed by the Directors in respect of the 52 weeks to 6 March 2021. This results in a total final proposed dividend of £164 million.

In the prior year, no final dividend was proposed. Given the wide range of potential profit and cash flow outcomes of COVID-19 at the time, the Board believed it was prudent to defer any dividend payment decisions until later in the financial year. Accordingly, a special dividend of 7.3 pence per share (£161 million) was paid on 18 December 2020 along with the interim dividend.

Subject to shareholders' approval at the Annual General Meeting, the dividend will be paid on 16 July 2021 to the shareholders on the register at 11 June 2021. The proposed final dividend has not been included as a liability at 6 March 2021.

11 Property, plant and equipment

	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At 8 March 2020	**9,712**	**5,303**	**15,015**
Adjustment to opening balance	**3**	**22**	**25**
Reclassification between intangibles and PPE	**1**	**37**	**38**
At 8 March 2020 restated (refer below)	**9,716**	**5,362**	**15,078**
Additions	**89**	**330**	**419**
Disposals	**(59)**	**(404)**	**(463)**
Transfer to asset held for sale	**(91)**	**-**	**(91)**
At 6 March 2021	**9,655**	**5,288**	**14,943**
Accumulated depreciation and impairment			
At 8 March 2020	**2,690**	**3,414**	**6,104**
Adjustment to opening balance	**3**	**22**	**25**
At 8 March 2020 restated (refer below)	**2,693**	**3,436**	**6,129**
Depreciation expense for the year	**173**	**456**	**629**
Impairment loss for the year	**26**	**62**	**88**
Disposals	**(32)**	**(391)**	**(423)**
Transfer to asset held for sale	**(67)**	**-**	**(67)**
At 6 March 2021	**2,793**	**3,563**	**6,356**
Net book value at 6 March 2021	**6,862**	**1,725**	**8,587**
Capital work-in-progress included above	**122**	**320**	**442**
Cost			
At 10 March 2019	9,917	5,111	15,028
Additions	31	497	528
Disposals	(245)	(305)	(550)
Transfer from asset held for sale	9	-	9
At 7 March 2020	9,712	5,303	15,015
Accumulated depreciation and impairment			
At 10 March 2019	2,644	3,191	5,835
Depreciation expense for the year	184	450	634
Impairment loss for the year	123	37	160
Disposals	(269)	(264)	(533)
Transfer from asset held for sale	8	-	8
At 7 March 2020	2,690	3,414	6,104
Net book value at 7 March 2020	7,022	1,889	8,911
Capital work-in-progress included above	141	295	436

The prior year cost and accumulated depreciation have been restated, with no impact on the reported net book value of property, plant & equipment. An adjustment had been erroneously recorded against assets that had been disposed of across a number of different reporting periods.

Refer to note 13 for details on the reclassifications between property, plant & equipment and intangible assets.

12 Leases

Group as lessee

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

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Net book value	**Land and buildings £m**	**Equipment £m**	**Total £m**
At 8 March 2020	**4,536**	**290**	**4,826**
New leases and modifications	**413**	**129**	**542**
Depreciation charge	**(398)**	**(86)**	**(484)**
Impairment charge	**(137)**	**-**	**(137)**
At 6 March 2021	**4,414**	**333**	**4,747**
At 10 March 2019	4,747	246	4,993
New leases and modifications	285	121	406
Depreciation charge	(416)	(77)	(493)
Impairment charge	(80)	-	(80)
At 7 March 2020	4,536	290	4,826

Refer to note 14 for further details over the impairment charge recognised.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease Liability	**2021 £m**	2020 £m
At 8 March 2020 and 10 March 2019	**5,774**	5,831
New leases and modifications[1]	**561**	373
Interest expense	**305**	332
Payments	**(806)**	(762)
At 6 March 2021 and 7 March 2020	**5,834**	5,774
Current	**524**	510
Non-current	**5,310**	5,264

1. Refer significant judgement section below

Significant judgement – lease terms

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

The accelerated structural integration of Sainsbury's and Argos which commenced in the prior year has led to changes in the IFRS 16 right of use asset and lease liability balances.

12 Leases continued

The judgements applied in the exercising of lease breaks have changed. The store rationalisation programme is deemed a change in circumstances within the control of the Group and means that lease breaks will be exercised, whereas the judgement applied to these leases on transition to IFRS 16 in 2020 was that the break would not be exercised. The Group has also revisited its assumptions about the way that lease breaks will be exercised across the portfolio and made it more specific for each part of the store estate. This acts to decrease the lease liability and right of use asset by circa £200 million. With hindsight, the trigger for the recognition of this modification was the Capital Markets Day in September 2019 as this is the point at which the Group's first stage of store rationalisation was announced.

In conjunction with store rationalisation, the Group has been actively pursuing lease extension opportunities across well-performing supermarket sites. This ensures key stores remain in the portfolio as the Group seeks to open more Argos store-in-stores, as well as increasing its online capacity through its in-store picking model. The extensions act to increase the lease liability and right-of-use asset as a result of committing to future additional rental payments, as well as reflecting updated discount rates which are typically lower than those previously used. Certain extensions agreed in the prior year were not reflected in lease modifications in the prior year. This acts to increase the lease liability and right of use asset by circa £415m.

The net impact of these items is an increase to lease liability and right of use assets of circa £215m. The impact of the adjustments, both quantitatively and qualitatively, was considered in detail, and it was concluded that they were not sufficiently material to warrant a restatement of the prior year accounts. The adjustments are predominantly balance sheet in nature, with none of them impacting KPIs or financial covenants, and the impact on the 2020 income statement is less than £2 million. The adjustments have therefore been reported within the £561 million new leases and modifications in the current period.

13 Intangible assets

	Goodwill £m	Computer software £m	Acquired brands £m	Customer relationships £m	Total £m
Cost					
At 8 March 2020	**400**	**494**	**231**	**32**	**1,157**
Adjustment to opening balance	**-**	**293**	**-**	**-**	**293**
Reclassification between intangibles and PPE	**-**	**(38)**	**-**	**-**	**(38)**
At 8 March 2020 restated (refer below)	**400**	**749**	**231**	**32**	**1,412**
Additions	**-**	**172**	**-**	**-**	**172**
Disposals	**(6)**	**(22)**	**(2)**	**-**	**(30)**
At 6 March 2021	**394**	**899**	**229**	**32**	**1,554**
Accumulated amortisation and impairment					
At 8 March 2020	**22**	**(12)**	**109**	**26**	**145**
Adjustment to opening balance	**-**	**293**	**-**	**-**	**293**
At 8 March 2020 restated (refer below)	**22**	**281**	**109**	**26**	**438**
Amortisation expense for the year	**-**	**114**	**20**	**2**	**136**
Impairment loss for the year	**12**	**84**	**-**	**-**	**96**
Disposals	**(6)**	**(22)**	**(2)**	**-**	**(30)**
At 6 March 2021	**28**	**457**	**127**	**28**	**640**
Net book value at 6 March 2021	**366**	**442**	**102**	**4**	**914**
Cost					
At 10 March 2019	400	617	231	32	1,280
Additions	-	124	-	-	124
Disposals	-	(247)	-	-	(247)
At 7 March 2020	400	494	231	32	1,157
Accumulated amortisation and impairment					
At 10 March 2019	4	122	89	22	237
Amortisation expense for the year	-	105	20	4	129
Impairment loss for the year	18	5	-	-	23
Disposals	-	(244)	-	-	(244)
At 7 March 2020	22	(12)	109	26	145
Net book value at 7 March 2020	378	506	122	6	1,012

Goodwill balances are detailed in note 14.

The prior year cost and accumulated amortisation have been restated, with no impact on the reported net book value of intangible assets. An adjustment had been erroneously recorded against assets that had been disposed of across a number of different reporting periods.

The reclassifications between intangible assets and property, plant & equipment relate to work in progress originally capitalised into intangibles that should have been recognised within property, plant & equipment. The prior year balance sheet has been restated to reflect this.

14 Impairment of non-financial assets

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

For the purposes of impairment testing, goodwill is allocated to the Cash Generating Unit (CGU) or group of CGUs within the Retail or Financial Services segments. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to dispose. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not subsequently reversed.

Property, plant and equipment, right-of-use assets, and finite lived intangible assets
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment (PPE), right-of-use assets, and finite-lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its value in use, is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where there has been a change in the estimates used to determine the recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. An impairment loss reversal is recognised immediately in the income statement.

Identification of cash generating units

Retail

Cash generating units are deemed to be each trading store, store pipeline development site or in certain cases for Argos, a cluster of stores (see further details below).

PPE, intangible assets and right-of-use assets are allocated to the store CGU they are associated with. For leased assets, the CGU also includes corresponding lease liabilities as management has concluded that lease liabilities need to be considered when determining the recoverable amount of the CGU. For non-store assets, including depots and IT assets, these are allocated to a group of CGUs (i.e. the Sainsbury's or Argos store CGUs that they support).

Goodwill recognised on acquisition of retail chains of stores (Bells and Jacksons) is allocated to its respective store CGUs. Goodwill arising on the purchase of Home Retail Group is allocated to the Argos group of store and non-store CGUs. Nectar is a separate CGU.

Change in Argos CGUs

Previously, Argos stores were clustered together and tested as CGUs comprising a hub store (that holds and distributes inventory) and spoke stores (that hold smaller amounts of inventory). Argos clusters related to its multi-channel network that enabled customers to source the most convenient pick-up point for a product from a number of local stores, thus it was reasonable to consider these group of stores as one overall CGU.

14 Impairment of non-financial assets continued

However, as a result of the Group’s restructuring programme as detailed in note 4, the Argos operating model has been re-assessed, resulting in a reduction in Argos standalone stores and optimisation of the Group’s logistics network which will enable stores to be supported by a smaller number of fulfilment centres (non-store assets). As such, spoke stores are now deemed to be their own individual CGU. The clustering approach is now only deemed appropriate for hub stores which will hold and transfer inventory to spokes as required, and therefore only hub stores are clustered with the store CGUs they support.

Financial Services

Cash generating units are deemed to be each respective product or product group that is capable of generating cash flows independent of other products. Non-product assets are reviewed separately as collective CGUs with the products that they support.

Goodwill arising on the purchase of Sainsbury's Bank plc is allocated to the Financial Services collective CGUs.

Identification of a triggering event

The COVID-19 pandemic had resulted in changes to customer shopping habits, patterns and sources of finance. This led to an acceleration of the Group’s structural integration of Sainsbury’s and Argos during the period and through this, a review of the economic performance of the Group’s assets has been performed as a result of store rationalisation, changes in channel mix, and changes in customer borrowing and cash usage behaviour. This was deemed an indicator of impairment and a full impairment review was therefore performed as at the interim reporting date of September 2020, covering both Retail and Financial Services non-financial assets.

Approach and assumptions

The recoverable amounts for CGUs have been determined using value in use calculations which are based on the cash flows expected to be generated, derived from the latest budget and forecast data which are reviewed by the Board. Budget and forecast data reflect both past experience and future expectation of market conditions. Where lease liabilities are included within the CGU, a corresponding deduction is also made to the value in use calculation. The key assumptions in the value in use calculation are as follows:

Assumption	Retail segment	Financial Services segment
Cash flow years / assumptions	• Derived from Board approved cash flow projections for five years and then extrapolated for a further 20 years for supermarkets and 10 years for convenience stores with no assumed growth rate, representing the typical time between refits. • Where lease terms are shorter than this, the remaining lease term has been used. • In the case of properties identified for closure, cash flows years relate to the remaining period that the store will trade for. • Online grocery sales are fulfilled by individual stores and therefore these cash flows are allocated to the individual store CGUs which fulfil the online sales.	• Derived from Board approved cash flow projections for five years and then extrapolated over the remaining useful lives of the assets being tested for impairment with no assumed growth rate.

Terminal value	• For owned sites and long leasehold sites, a terminal value is included in the final cash flow year, representing the net cash flows expected to be received for the disposal of the assets at the end of their useful life. • It is calculated using an assumed market rent for the stores, with an investment yield based on similar properties in the area.	• No terminal value is applied within the Financial Services segment, as cashflows are limited to the period of the remaining useful lives of the assets being tested for impairment.
Discount rate	• A post-tax discount rate representing the Retail segment's weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 8 per cent (2020: pre-tax rate of 9 per cent). • The post-tax WACC been calculated using the capital asset pricing model, the inputs of which include a risk-free rate for the UK, a UK equity risk premium, levered debt premium and a risk adjustment using a 10 year average beta for the Group. • This discount rate is applied consistently to all individual store CGUs and the group of CGUs supported by Sainsbury's or Argos stores.	• A post-tax discount rate representing the Financial Services segment's weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 13 per cent. • The post-tax WACC has been calculated using a combination of adjusted market analysis and the actual cost of debt on Tier 2 capital instruments. • This discount rate is applied consistently to all individual product CGUs and the collective CGUs which support the products.

For store pipeline development sites, where there are plans to develop the store, the carrying value of the asset is compared with its value in use using a methodology consistent with the store CGU approach described above. Future cash flows include the estimated costs to completion. For sites where there is no plan to develop a store, the recoverable amount is based on its fair value less costs to dispose.

Year-end updates to impairment testing
At the year-end, the Group assessed whether there were further impairment indicators that would require additional impairments over and above those recognised at the interim date.

Following the UK's exit from the European Union, trade flows have proved more difficult in the Group's Northern Ireland stores. As a result additional costs were included in the short-term forecasts to cover alternative sourcing of products which cannot be delivered to Northern Ireland, additional logistics costs and increased labelling / administration costs. Additional impairments recognised as a result of this were not significant, and are included within the overall impairment charges analysed below.

No further impairment indicators were noted.

14 Impairment of non-financial assets continued

Outputs and sensitivities

Impairment charges recognised in the Retail segment relate to both sites identified for closure as part of the restructuring programme, as well as other impairments on stores that will continue to trade, but for which the cash flows no longer support the carrying amount of assets. Impairment charges recognised in the Financial Services segment relate to forecast cashflows reflecting uncertain macro-economic environment and changes to customer behaviour no longer supporting the carrying amount of underlying IT systems and ATM assets. The overall charges are as follows:

	Restructuring programme £m	**Other impairments £m**	**Total £m**
Impairment of property, plant and equipment	26	62	88
Impairment of leased assets	72	65	137
Impairment of intangible assets	3	93	96
	101	**220**	**321**

Of the total impairment charge of £(321) million, £(216) million is in relation to assets within the Retail segment, with the remaining £(105) million within the Financial Services segment.

Of the above assumptions, the value-in-use calculations are most sensitive to changes in the discount rate, cash flows and rental yield (inputs underpinning the terminal value for Retail stores). The tables below set out the key sensitivities performed on the value-in-use models. The sensitivity analysis performed considers the reasonable possible changes in these assumptions, which incorporates increased uncertainty caused by the COVID-19 pandemic. The impact of changing one sensitivity does not have a consequential impact on other sensitivities.

Retail segment

Sensitivity area	**Sensitivity**	**Increase / (decrease) in impairment £m**
Discount rate	Increase of 1%	15
	Decrease of 1%	(3)
Cash flows	Increase of 5%	(3)
	Decrease of 5%	6
Rental yield (input for terminal values)	Increase of 1%	2
	Decrease of 1%	(3)

Financial Services segment

Sensitivity area	**Sensitivity**	**Increase / (decrease) in impairment £m**
Discount rate	Increase of 1%	10
	Decrease of 1%	(10)
Cash flows	Increase of 5%	(18)
	Decrease of 5%	18

14 Impairment of non-financial assets continued

Goodwill

Goodwill was separately tested at the year-end as required under IAS 36. Goodwill comprises the following:

	2021 £m	2020 £m
Jacksons Stores Limited	**28**	38
Home Retail Group	**119**	119
Sainsbury's Bank plc	**45**	45
Nectar	**147**	147
Bells Stores Limited	**9**	12
Other	**18**	18
	366	378

Jacksons Stores Limited and Bells Stores Limited goodwill balances are allocated to individual store CGUs to which they relate, within the Retail segment detailed above. Home Retail Group goodwill is allocated to the collective Argos store and non-store CGUs. Sainsbury’s Bank plc goodwill is allocated to the Financial Services collective CGUs, as noted above. Nectar is a separate CGU.

Goodwill impairments of £10 million were recognised in the year as part of the interim impairment review, detailed above. This impairment was in relation to the store CGUs to which Jacksons Stores Limited and Bells Stores Limited goodwill amounts are allocated to. There was no impairment identified at the collective CGU level for Argos nor Financial Services, thus there was nil impairment in the Home Retail Group or Sainsbury’s Bank plc goodwill amounts. No impairments were recognised to Nectar goodwill.

As required by IAS 36, all goodwill balances were tested separately at the year-end balance sheet date. This was performed consistently with the methodology described above. This resulted in further impairments in goodwill of £2 million, in relation to the store CGUs to which Jacksons Stores Limited goodwill amounts are allocated to.

Sensitivity analysis on the impairment tests for each group of cash-generating units to which goodwill has been allocated has been performed. The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions would not result in any impairment of goodwill. While goodwill impairments of £2 million were noted on certain store CGUs to which Jacksons Stores Limited goodwill amounts are allocated to, any reasonable possible changes in assumptions would not lead to changes in this impairment amount of more or less than £1 million.

The headroom disclosed below for goodwill in Jacksons Stores Limited and Bells Stores Limited relates to all store CGUs to which these goodwill amounts are allocated. Overall, management are satisfied that there are no reasonable possible changes to assumptions that would lead to further impairments in Jacksons Stores Limited, or impairments in any other goodwill.

14 Impairment of non-financial assets continued

			Sensitivities (revised headroom)			
			Discount rate		Cash flows	
	Carrying amount £m	Headroom £m	Decrease of 1% £m	Increase of 1% £m	Decrease of 5% £m	Increase of 5% £m
Jacksons Stores Limited	**28**	58	63	54	53	63
Home Retail Group	**119**	1,198	1,537	938	1,095	1,301
Sainsbury's Bank plc	**45**	232	272	198	210	254
Nectar UK	**147**	824	988	700	774	874
Bells Stores Limited	**9**	23	25	22	21	25
Other	**18**	54	58	49	49	58

15 Provisions

	Property provisions £m	Insurance provisions £m	Restructuring £m	Financial services related provisions £m	Other provisions £m	Total £m
At 8 March 2020	**61**	**63**	**20**	**37**	**16**	**197**
Additional provisions	**245**	**33**	**61**	**7**	**32**	**378**
Unused amounts reversed	**(5)**	**(2)**	**-**	**(2)**	**-**	**(9)**
Utilisation of provision	**(18)**	**(27)**	**(27)**	**(16)**	**(10)**	**(98)**
Amortisation of discount	**2**	**-**	**-**	**-**	**-**	**2**
At 6 March 2021	**285**	**67**	**54**	**26**	**38**	**470**
Current	**82**	**24**	**53**	**21**	**29**	**209**
Non-current	**203**	**43**	**1**	**5**	**9**	**261**
At 10 March 2019	34	71	22	57	20	204
Additional provisions	46	25	22	11	14	118
Unused amounts reversed	(4)	(9)	-	(13)	(10)	(36)
Utilisation of provision	(15)	(24)	(24)	(18)	(8)	(89)
At 7 March 2020	61	63	20	37	16	197
Current	25	23	20	31	9	108
Non-current	36	40	-	6	7	89

16 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2021 £m	2020 £m
Cash in hand and bank balances	**227**	519
Money market funds and deposits	**398**	202
Deposits at central banks	**852**	273
Cash and bank balances as reported in the Group balance sheet	**1,477**	994
Bank overdrafts	**(1)**	-
Net cash and cash equivalents as reported in the Group cash flow statement	**1,476**	994

Of the above balance, £20 million (2020: £21 million) was restricted as at year-end. Of the £20 million (2020: £21 million) restricted cash, £17 million (2020: £18 million) is held as a reserve deposit with the Bank of England in accordance with statutory requirements. This deposit is not available for use in day-to-day operations. A further £3 million (2020: £2 million) is restricted for Insurance purposes.

17 Analysis of net debt

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

- Cash
- Borrowings and overdrafts
- Lease liabilities
- Perpetual securities
- Financial assets at fair value through other comprehensive income
- Derivatives

Net debt includes the capital injections to Sainsbury’s Bank, but excludes the net debt of Sainsbury’s Bank and its subsidiaries. Sainsbury’s Bank’s net debt balances are excluded because they are part of the daily operating cycle of the Bank rather than for financing purposes.

Financial assets at fair value through other comprehensive income exclude equity related financial assets which predominantly relate to the Group’s beneficial interest in a commercial property investment pool.

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

A reconciliation of opening to closing net debt is included below. Balances and movements for the total Group and Financial Services are shown in addition to Retail to enable reconciliation between the Group balance sheet and Group cash flow statement.

17 Analysis of net debt continued

		Cash Movements		Non-Cash Movements			
	7 March 2020	Cash flows excluding interest	Net interest (received) / paid	Accrued Interest	Other non-cash movements	Changes in fair value	6 March 2021
	£m	£m	£m	£m	£m	£m	£m
Retail							
Net derivative financial instruments	**(15)**	**-**	**6**	**(5)**	**5**	**(5)**	**(14)**
Bank overdrafts	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Borrowings (excluding overdrafts)	**(1,116)**	**289**	**38**	**(37)**	**-**	**-**	**(826)**
Lease liabilities	**(5,768)**	**499**	**305**	**(305)**	**(560)**	**-**	**(5,829)**
Arising from financing activities	**(6,899)**	**787**	**349**	**(347)**	**(555)**	**(5)**	**(6,670)**
Financial assets at fair value through other comprehensive income	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Cash and cash equivalents	**447**	**1**	**-**	**-**	**-**	**-**	**448**
Retail net debt (excluding perpetual securities)	**(6,451)**	**788**	**349**	**(347)**	**(555)**	**(5)**	**(6,221)**
Financial Services							
Net derivative financial instruments	**4**	**-**	**-**	**-**	**-**	**(4)**	**-**
Bank overdrafts	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings (excluding overdrafts)	**(180)**	**-**	**-**	**-**	**-**	**1**	**(179)**
Lease liabilities	**(6)**	**2**	**-**	**-**	**(1)**	**-**	**(5)**
Arising from financing activities	**(182)**	**2**	**-**	**-**	**(1)**	**(3)**	**(184)**
Financial assets at fair value through other comprehensive income	**802**	**(267)**	**-**	**-**	**-**	**2**	**537**
Cash and cash equivalents	**547**	**482**	**-**	**-**	**-**	**-**	**1,029**
Financial services net debt	**1,167**	**217**	**-**	**-**	**(1)**	**(1)**	**1,382**
Group							
Net derivative financial instruments	**(11)**	**-**	**6**	**(5)**	**5**	**(9)**	**(14)**
Bank overdrafts	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Borrowings (excluding overdrafts)	**(1,296)**	**289**	**38**	**(37)**	**-**	**1**	**(1,005)**
Lease liabilities	**(5,774)**	**501**	**305**	**(305)**	**(561)**	**-**	**(5,834)**
Arising from financing activities	**(7,081)**	**789**	**349**	**(347)**	**(556)**	**(8)**	**(6,854)**
Financial assets at fair value through other comprehensive income	**803**	**(267)**	**-**	**-**	**-**	**2**	**538**
Cash and cash equivalents	**994**	**483**	**-**	**-**	**-**	**-**	**1,477**
Group net debt (excluding perpetual securities)	**(5,284)**	**1,005**	**349**	**(347)**	**(556)**	**(6)**	**(4,839)**
Retail net debt (excluding perpetual securities)	**(6,451)**	**788**	**349**	**(347)**	**(555)**	**(5)**	**(6,221)**
Perpetual capital securities	**(248)**	**250**	**-**	**-**	**(2)**	**-**	**-**
Perpetual convertible bonds	**(248)**	**-**	**-**	**-**	**-**	**-**	**(248)**
Retail net debt (including perpetual securities)	**(6,947)**	**1,038**	**349**	**(347)**	**(557)**	**(5)**	**(6,469)**
Of which:							
Leases	**(5,768)**						**(5,829)**
Net debt excluding lease liabilities	**(1,179)**						**(640)**

Other non-cash movements relate to interest accruals and new leases.

17 Analysis of net debt continued

		Cash Movements		Non-Cash Movements			
	9 March 2019 £m	Cash flows excluding interest £m	Net interest (received) / paid £m	Accrued Interest £m	Other non-cash movements £m	Changes in fair value £m	7 March 2020 £
Retail							
Net derivative financial instruments	(9)	-	4	(5)	5	(10)	(15)
Bank overdrafts	(1)	1	-	-	-	-	-
Borrowings (excluding overdrafts and finance leases)	(1,483)	369	48	(50)	-	-	(1,116)
Lease liabilities and hire purchase arrangements	(5,824)	429	332	(332)	(373)	-	(5,768)
Arising from financing activities	**(7,317)**	**799**	**384**	**(387)**	**(368)**	**(10)**	**(6,899)**
Financial assets at fair value through other comprehensive income	1	-	-	-	-	-	1
Cash and cash equivalents	466	(19)	(2)	2	-	-	447
Retail net debt (excluding perpetual securities)	**(6,850)**	**780**	**382**	**(385)**	**(368)**	**(10)**	**(6,451)**
Financial Services							
Net derivative financial instruments	-	-	-	-	-	4	4
Bank overdrafts	-	-	-	-	-	-	-
Borrowings (excluding overdrafts and finance leases)	(176)	-	-	-	-	(4)	(180)
Lease liabilities and hire purchase arrangement	(7)	1	-	-	-	-	(6)
Arising from financing activities	**(183)**	**1**	**-**	**-**	**-**	**-**	**(182)**
Financial assets at fair value through other comprehensive income	622	177	-	-	-	3	802
Cash and cash equivalents	655	(108)	-	-	-	-	547
Financial Services net debt	**1,094**	**70**	**-**	**-**	**-**	**3**	**1,167**
Group							
Net derivative financial instruments	(9)	-	4	(5)	5	(6)	(11)
Bank overdrafts	(1)	1	-	-	-	-	-
Borrowings (excluding overdrafts and finance leases)	(1,659)	369	48	(50)	-	(4)	(1,296)
Lease liabilities and hire purchase arrangements	(5,831)	430	332	(332)	(373)	-	(5,774)
Arising from financing activities	**(7,500)**	**800**	**384**	**(387)**	**(368)**	**(10)**	**(7,081)**
Financial assets at fair value through other comprehensive income	623	177	-	-	-	3	803
Cash and cash equivalents	1,121	(127)	(2)	2	-	-	994
Group net debt (excluding perpetual securities)	**(5,756)**	**850**	**382**	**(385)**	**(368)**	**(7)**	**(5,284)**

Retail net debt (excluding perpetual securities)	(6,850)	780	382	(385)	(368)	(10)	(6,451)
Perpetual capital securities	(248)						(248)
Perpetual convertible bonds	(248)						(248)
Retail net debt (including perpetual securities)	(7,346)	780	382	(385)	(368)	(10)	(6,947)
Of which:							
Leases	(5,824)						(5,768)
Net debt excluding lease liabilities	(1,522)						(1,179)

17 Analysis of net debt continued

Reconciliation of net cash flow to movement in net debt

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Opening net debt	**(6,947)**	(7,346)
Cash flow movements		
Net increase/(decrease) in cash and cash equivalents (including overdrafts)	**482**	(126)
Elimination of Financial Services movement in cash and cash equivalents	**(482)**	108
Repayment of perpetual capital securities	**250**	-
Decrease in Retail borrowings	**289**	369
Decrease in Retail lease obligations	**499**	429
Net interest paid on components of Retail net debt	**349**	382
Changes in net debt resulting from cash flow	**1,387**	1,162
Non-cash movements		
Accrued interest	**(347)**	(385)
Retail fair value and other non-cash movements	**(562)**	(378)
Changes in net debt resulting from non-cash movements	**(909)**	(763)
Movement in net debt	**478**	399
Closing net debt	**(6,469)**	(6,947)

18 Borrowings

	2021			2020		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Loan due 2031	**55**	**572**	**627**	45	622	667
Bank overdrafts	**1**	**-**	**1**	-	-	-
Bank loans due 2021	**199**	**-**	**199**	-	199	199
Bank loans due 2024	**-**	**-**	**-**	-	250	250
Sainsbury's Bank Tier 2 Capital due 2023	**3**	**176**	**179**	3	177	180
	258	**748**	**1,006**	48	1,248	1,296

Available facilities

The Revolving Credit Facility is split into two Facilities, a £300 million Facility (A) and a £1,150 million Facility (B). Facility A has a final maturity of April 2025 and Facility B has a final maturity of October 2024. At 6 March 2021, the Revolving Credit Facility was undrawn (2020: undrawn).

The Revolving Credit Facility charges commitment fees at market rates and drawings bear interest at a margin over LIBOR.

The Group maintains uncommitted facilities to provide additional capacity to fund short term working capital requirements. Drawings under uncommitted facilities bear interest at a margin over LIBOR. The uncommitted facilities were undrawn at 6 March 2021 (2020: undrawn).

19 Retirement benefit obligations

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

On 20 March 2018, the Home Retail Group Pension Scheme was merged into the Sainsbury's Pension Scheme. The Sainsbury's Pension Scheme has two sections, the Sainsbury's Section which holds all the Scheme assets and liabilities relating to members who were in the original Sainsbury's Pension Scheme, and the Argos Section which holds all the assets and liabilities relating to former members of the 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 has nine Trustee directors.

The retirement benefit obligations at the year-end have been calculated by Isio, the actuarial advisers to the Group, using the projected unit credit method and based on adjusting the position at the date of the previous triennial valuations (see below) for known events and changes in market conditions as allowed under IAS 19 'Employee Benefits'.

The amounts recognised in the balance sheet are as follows:

		2021			2020	
	Sainsbury's	**Argos**	**Group**	Sainsbury's	Argos	Group
	£m	**£m**	**£m**	£m	£m	£m
Present value of funded obligations	**(8,808)**	**(1,410)**	**(10,218)**	(8,914)	(1,421)	(10,335)
Fair value of plan assets	**9,596**	**1,404**	**11,000**	10,025	1,466	11,491
Retirement benefit surplus/(deficit)	**788**	**(6)**	**782**	1,111	45	1,156
Present value of unfunded obligations	**(21)**	**(17)**	**(38)**	(21)	(16)	(37)
Retirement benefit surplus/(deficit)	**767**	**(23)**	**744**	1,090	29	1,119

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

	2021	2020
	£m	£m
As at the beginning of the year	**1,119**	959
Net interest income	**19**	28
Remeasurement (losses)/gains	**(482)**	89
Pension scheme expenses	**(7)**	(9)
Contributions by employer	**101**	52
Past service charge	**(6)**	-
As at the end of the year	**744**	1,119

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

	2021	2020
	%	%
Discount rate	**1.95**	1.6
Inflation rate – RPI	**3.15**	2.7
Inflation rate – CPI	**2.45**	1.7
Future pension increases	**2.15 – 3.10**	1.65 – 2.70

19 Retirement benefit obligations continued

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 gilts with no theoretical growth assumptions. High quality corporate bonds are those for which at least one of the main ratings agencies considers to be at least AA (or equivalent).

Inflation
On 25 November, the Government and UK Statistics Authority's joint consultation response on RPI reform was published. This confirmed their intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) with effect from 2030.

As a result, the Group has reduced the post 2030 gap between RPI and CPI to nil, effectively assuming RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 0.70% p.a. for the 6th March 2021 year-end. The RPI-CPI gap used for the prior year was 1% p.a.

Mortality
The base mortality assumptions are based on the SAPS S2 tables, with adjustments to reflect the Scheme's population. Future mortality improvements are Continuous Mortality Improvement (CMI) 2019 projections with a long term rate of improvement of 1.25 per cent p.a. at 2020 and CMI 2020 projections with a long term rate of improvement of 1.25 per cent p.a. at 2021.

While Covid-19 has had an impact on mortality in 2020, the impact on future mortality trends is currently unknown. All IAS 19 calculations use the (CMI) model, which measures potential changes to future mortality trends. The Group's policy is to use the available version as at the year-end (the 2020 results used the CMI 2018 model). The latest CMI model, CMI 2020, was released on 4th March 2021.

The CMI 2020 model shows a significant reduction of 11.8 per cent in the 2020 rates of longevity for the general population. This is well outside the range of annual mortality changes in the last 40 years.

As a result of this significant change in mortality, the CMI modified the calibration process for CMI 2020 to allow choice on the weighting placed on an individual year's data. For the Core version of CMI 2020, a weight of 0% is applied to 2020 data and weightings of 100 per cent for other years, so the potentially exceptional 2020 experience is ignored when modelling future improvements.

The Group has determined that putting a high weighting on the impact of 2020 could undervalue the liability, and there is currently insufficient information and data to be able to predict with any certainty the impact of Covid-19 in future trends. A zero per cent weighting has therefore been applied to the 2020 mortality data. The impact of different weightings on the Scheme liabilities is included in the sensitivities section within this note.

20 Contingent liabilities

The Group has a number of contingent liabilities in respect of historic lease guarantees, particularly in relation to the disposal of assets, which if the current tenant and their ultimate parents become insolvent, may expose the Group to a material liability. This liability decreases over time as the leases expire. The Group has considered a number of factors, including past history of default as well as the profitability and cash generation of the current leaseholders, and has concluded that the likelihood of payout is remote.

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 8,400 claims in which the claimants are alleging that their work within Sainsbury's stores is 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. Typically, claims of this nature can take many years to be determined. Given that the claims against the Group are still at a relatively early stage and the outcome of such claims is highly uncertain at this stage, the Group cannot make any assessment of the likelihood nor quantum of any outcome. No provision has therefore been recognised on the Group's balance sheet. There are substantial factual and legal defences to these claims and the Group intends to defend them vigorously.

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 period's results and comparative periods where provided.

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Definition/ Purpose</th><th>Reconciliation</th></tr>
<tr><td colspan="4">Income statement - Revenue</td></tr>
<tr><td>Underlying Group sales</td><td>Revenue</td><td>Total sales less acquisition fair value unwinds on Argos Financial Services.
This is the headline measure of revenue for the Group. It shows the annual rate of growth in the Group's sales and is considered a good indicator of how rapidly the Group's core business is growing.</td><td>A reconciliation of the measure is provided in note 5 of the financial statements.</td></tr>
<tr><td>Underlying Retail sales</td><td>Revenue</td><td>Underlying Group sales as above, less underlying Financial Services revenue.
Shows the annual rate of growth in the Group's Retail business sales.</td><td>A reconciliation of the measure is provided in note 5 of the financial statements.</td></tr>
<tr><td>Like-for-like sales</td><td>No direct equivalent</td><td>Year-on-year growth in sales including VAT, excluding fuel, excluding Financial Services, for stores that have been open for more than one year.
The relocation of Argos stores into Sainsbury's supermarkets are classified as new space, while the host supermarket is classified like-for-like.
The impact on sales of stores which were temporarily closed due to COVID-19 have been included within LFL sales. Only permanently closed sites and those temporarily closed for non-COVID-19 related reasons are treated as non-LFL.
The measure is used widely in the retail industry as an indicator of current trading performance and is useful when comparing growth between retailers that have different profiles of expansion, disposals and closures.</td><td>
<table>
<tr><th>The reported retail like-for-like sales (excluding fuel) increase of 8.1 per cent is based on a combination of Sainsbury's like-for-like sales and Argos like-for-like sales for the 52 weeks to 6 March 2021. See movements below:</th><th>52 weeks to 6 March 2021</th><th>52 weeks to 7 March 2020</th></tr>
<tr><td>Underlying retail like-for-like (exc. fuel)</td><td>8.1</td><td>(0.6)</td></tr>
<tr><td>Underlying net new space impact</td><td>(0.8)</td><td>0.2</td></tr>
<tr><td>Underlying total retail sales growth (exc. fuel)</td><td>7.3</td><td>(0.4)</td></tr>
<tr><td>Fuel Impact</td><td>(7.2)</td><td>0.3</td></tr>
<tr><td>Underlying total retail sales growth (inc. fuel)</td><td>0.1</td><td>(0.1)</td></tr>
</table>
</td></tr>
<tr><td colspan="4">Income statement – Profit</td></tr>
<tr><td>Retail underlying operating profit</td><td>Profit before tax</td><td>Underlying earnings before interest, tax, Financial Services operating profit and Sainsbury's underlying share of post-tax profit from joint ventures and associates.</td><td>
<table>
<tr><th></th><th>52 weeks to 6 March 2021 £m</th><th>52 weeks to 7 March 2020 £m</th></tr>
<tr><td>Group PBT (note 5)</td><td>(261)</td><td>255</td></tr>
<tr><td>Add back Group non-underlying items (note 5)</td><td>617</td><td>331</td></tr>
<tr><td>Group UPBT (note 5)</td><td>356</td><td>586</td></tr>
<tr><td>Financial Services underlying operating loss/(profit) (note 5)</td><td>21</td><td>(48)</td></tr>
<tr><td>Retail underlying profit (note 5)</td><td>377</td><td>538</td></tr>
<tr><td>Net underlying finance costs (note 7)</td><td>353</td><td>400</td></tr>
<tr><td>Retail underlying operating profit (note 5)</td><td>730</td><td>938</td></tr>
</table>
</td></tr>
</table>

Alternative performance measures (APMs) continued

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Definition/ Purpose</th><th>Reconciliation</th></tr>
<tr><td>Underlying profit before tax</td><td>Profit before tax</td><td>Profit or loss before tax excluding items which by virtue of their size or nature may obscure understanding of the Group's underlying performance.</td><td>Underlying profit before tax is bridged to statutory profit before tax in the income statement and note 4 of the financial statements.

The adjusted items are as follows:
Financial Services transition – multi-year costs incurred in transitioning to a new, more flexible banking platform as part of the previously announced New Bank Programme. These principally comprise contractor and service provider costs relating to the migration of data and other services to the Bank's new infrastructure and operating model.
Profit on disposal of properties – such disposals are not part of the Group's underlying business
Investment property fair value movements – these reflect the difference between the fair value of an investment property at the reporting date and its carrying amount at the previous reporting date and are held within the property JVs. The valuations are impacted by external market factors and can therefore vary significantly year-on-year.
Perpetual securities coupons – these are accounted for as equity in line with IAS 32 'Financial instruments: Presentation', however are accrued on a straight-line basis and included as an expense within underlying profit as they are included by management when assessing Group borrowing.
Non-underlying finance movements – these include fair value remeasurements on derivatives not in a hedging relationship. The fair value measurements are impacted by external market factors and can fluctuate significantly year-on-year. Lease interest on impaired non-trading sites, including site closures, is excluded from underlying profit as those sites do not contribute to the underlying business.
IAS 19 pension expenses include the financing element and scheme expenses of the Group's defined benefit scheme. These are reported outside underlying profit as they no longer relate to the Group's ongoing activities following closure of the scheme to future accrual.
Acquisition adjustments – these reflect the adjustments arising from acquisitions including the fair value unwind and amortisation of acquired intangibles.
Other – these are items which are material and infrequent in nature and do not relate to the Group's underlying performance and in the current year include restructuring programmes, impairment charges and income relating to the Supreme Court ruling on ATM business rates.</td></tr>
<tr><td>Underlying basic earnings per share</td><td>Basic earnings per share</td><td>Earnings per share using underlying profit as described above.</td><td>A reconciliation of the measure is provided in note 9 of the financial statements.</td></tr>
<tr><td>Retail underlying EBITDA</td><td>No direct equivalent</td><td>Retail underlying operating profit as above, before depreciation and amortisation.</td><td><table><tr><th></th><th>52 weeks to 6 March 2021 £m</th><th>52 weeks to 7 March 2020 £m</th></tr><tr><td>Retail underlying operating profit (note 5)</td><td>730</td><td>938</td></tr><tr><td>Add: Retail depreciation and amortisation expense (note 5)</td><td>1,226</td><td>1,225</td></tr><tr><td>Less: Non underlying depreciation and amortisation (note 4)</td><td>(47)</td><td>(28)</td></tr><tr><td></td><td>1,909</td><td>2,135</td></tr></table></td></tr>
<tr><td>Underlying net finance costs</td><td>Finance income less finance costs</td><td>Net finance costs before any non-underlying items as defined above that are recognised within finance income / expenses</td><td>A reconciliation of this measure is included in note 7 of the financial statements.

The adjusted items are as follows:
Fair value remeasurements on derivatives not in a hedging relationship. The fair value measurements are impacted by external market factors and can fluctuate significantly year-on-year.
Lease interest on impaired non-trading sites, including site closures, is excluded from underlying profit as those sites do not contribute to the underlying business.
The financing element of the Group's defined benefit scheme. This is reported outside underlying profit as it no longer relates to the Group's ongoing activities following closure of the scheme to future accrual.
Perpetual securities coupons – these are accounted for as equity in line with IAS 32 'Financial instruments: Presentation', however are accrued on a straight-line basis and included as an expense within underlying profit as they are included by management when assessing Group borrowing</td></tr>
<tr><td>Underlying tax rate</td><td>Effective tax rate</td><td>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.</td><td>The tax on non-underlying items is included in note 4 of the financial statements</td></tr>
</table>

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition/ Purpose	Reconciliation
Cash flows and net debt			
Retail cash flow items in Financial Review	No direct equivalent	• To help the reader understand cash flows of the business a summarised cash flow statement is included within the Financial Review. • As part of this a number of line items have been combined. The cash flow in note 5 of the financial statements includes a reference to show what has been combined in these line items.	See table below
Retail free cash flow	Net cash generated from operating activities	• Net cash generated from retail operations, after perpetual security coupons and cash capital expenditure but before strategic capital expenditure, and including payments of lease obligations, cash flows	See table below

Retail cash flow items in Financial Review:

		52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Net interest paid	a	**(372)**	(405)
Repayment of lease liabilities	b	**(499)**	(419)
Repayment/proceedings from borrowings	c	**(539)**	(379)
Other	d	**(13)**	(3)
Joint Ventures	e	**22**	143

Retail free cash flow:

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Cash generated from Retail activities	**2,275**	1,971
Net interest paid	**(372)**	(405)
Corporation Tax	**(94)**	(113)
Retail purchase of property, plant and equipment	**(423)**	(517)
Retail purchase of intangible assets	**(145)**	(82)
Retail proceeds from disposal of property, plant and equipment	**27**	81
Initial direct costs of RoU assets	**(7)**	(13)
Repayments of obligations under leases	**(499)**	(419)
Dividends and distributions received	**22**	143
Bank capital injections	**-**	(35)
Retail free cash flow	**784**	611

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition/Purpose	Reconciliation
Underlying working capital movements	No direct equivalent	• To provide a reconciliation of the working capital movement in the Financial statements to the underlying working capital movement in the Financial review. • Removes working capital and cash movements relating to non-underlying items.	See table below

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Retail working capital movements per cash flow (note 5)	**708**	(71)
Adjustments for:		
Retail non-underlying impairment charges (per note 5)	**216**	257
Non-underlying restructuring and impairment charges (per note 4)	**(643)**	(328)
Accelerated depreciation (per note 4)	**27**	-
Less Bank impairment charges (per note 4)	**105**	-
Gains on early termination of leases	**(16)**	-
ATM income (per note 4)	**42**	-
Other	**2**	(3)
Non-underlying working capital movements before cash movements	**(267)**	(74)
Non-underlying cash movements:		
Restructuring (per note 4)	**39**	34
ATM income (per note 4)	**(27)**	-
Argos integration costs (per note 4)	**-**	2
Transaction costs relating to the proposed merger with Asda (per note 4)	**-**	13
Other	**-**	(1)
	12	48
Total adjustments for non-underlying working capital	**(255)**	(26)
Underlying working capital movements	**453**	(97)

APM	Closest equivalent IFRS measure	Definition/Purpose	Reconciliation
Net cash generated from retail operations (per Financial Review)	Cash generated from operations	• This enables management to assess the cash generated from its core retail operations. • A reconciliation between this and cash generated from operations per the accounts is shown here:	See table below

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Retail cash generated from operating activities (per note 7)	**1,832**	1,474
Perpetual security coupons	**(23)**	(23)
Interest received	**-**	2
Net cash generated	**1,809**	1,453

APM	Closest equivalent IFRS measure	Definition/Purpose	Reconciliation
Core retail capital expenditure	No direct equivalent	• Capital expenditure excludes Sainsbury's Bank, before proceeds on disposals and before strategic capital expenditure. • This allows management to assess core retail capital expenditure in the period in order to review the strategic business performance. • The reconciliation from the cash flow statement is included here.	See table below

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Purchase of PPE	**(423)**	(517)
Purchase of intangibles	**(145)**	(82)
Cash capital expenditure (per note 5)	**(568)**	(599)

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition/Purpose	Reconciliation
Net debt	Borrowings, cash, derivatives, financial assets at FVTOCI, lease liabilities	• Net debt includes the capital injections into Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries. • It is calculated as: financial assets at fair value through other comprehensive income (excluding equity investments) + net derivatives to hedge borrowings + net cash and cash equivalents + loans + lease obligations + perpetual securities. • This shows the overall strength of the balance sheet alongside the liquidity and its indebtedness and whether the Group can cover its debt commitments.	A reconciliation of the measure is provided in of the financial statements. In addition, to aid comparison to the balance sheet, reconciliations between financial assets at FVTOCI and derivatives per the balance sheet and Group net debt (i.e. including Financial Services) is included below:,

	52 weeks to 6 March 2021 £m	52 weeks to 7 March 2020 £m
Financial instruments at FVTOCI per Balance Sheet	**844**	1,054
Less equity-related securities	**(306)**	(251)
Financial instruments at FVTOCI included in Group Net Debt	**538**	803
Net derivatives per balance sheet	**(124)**	(71)
Less derivatives not used to hedge borrowings	**110**	60
Derivatives included in Net Debt	**(14)**	(11)

Alternative performance measures (APMs) continued

APM	Closest equivalent IFRS measure	Definition/Purpose	Reconciliation
Other			
Net debt/ underlying EBITDA	No direct equivalent	• Net debt divided by Group underlying EBITDA. • This helps management measure the ratio of the business's debt to operational cash flow.	Group underlying EBITDA is reconciled within the fixed charge cover analysis below.
Return on capital employed	No direct equivalent	• Return on capital employed is calculated as return divided by average capital employed. • Return is defined as 52 week rolling underlying profit before interest and tax. • Capital employed is defined as Group net assets excluding pension deficit/surplus, less net debt (excluding perpetual securities). The average is calculated on a 14 point basis. • The 14-point basis uses the average of 14 datapoints – the prior year closing capital employed, the current year closing capital employed and 12 intra-year periods as this more closely aligns to the recognition of amounts in the income statement. • This represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business.	Return is reconciled as follows:

	52 weeks to 6 March 2021	52 weeks to 7 March 2020
	£m	£m
Underlying profit before tax	**356**	586
Add: Underlying net interest	**353**	400
Return	**709**	986

Capital employed is reconciled as follows:

	52 weeks to 6 March 2021	52 weeks to 7 March 2020
	£m	£m
Group net assets	**6,604**	7,773
Less: Pension surplus (note 19)	**(744)**	(1,119)
Deferred tax on pension surplus	**192**	214
Less: net debt (ex-perpetual securities) (note 17)	**6,221**	6,451
Effect of in-year averaging	**546**	28
Capital employed	**12,819**	13,347
Return on capital employed	**5.5%**	7.4%

APM	Closest equivalent IFRS measure	Definition/Purpose
Fixed charge cover	No direct equivalent	• 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.

	52 weeks to 6 March 2021	52 weeks to 7 March 2020
	£m	£m
Group underlying operating profit (note 4)	**709**	986
Add: Group depreciation and amortisation expense (note 5)	**1,249**	1,256
Less: Non underlying depreciation and amortisation (note 5)	**(47)**	(28)
Other	**-**	(1)
Group underlying EBITDA	**1,911**	2,213
Repayment of capital element of lease obligations (note 5)	**(501)**	(420)
Underlying finance income (note 7)	**3**	4
Underlying finance costs (note 7)	**(356)**	(404)
Fixed charge	**(854)**	(820)
Fixed charge cover	**2.2**	2.7