Registered Company number: 04152502

# JS Information Systems Limited

## Annual Report and Financial Statements

For the 52 weeks to 4 March 2023

**JS Information Systems Limited**
**Strategic report**
**For the 52 weeks to 4 March 2023**

### Principal activities and review of business

The principal activity of the Company is the development and provision of IT goods and services to J Sainsbury plc and its subsidiaries (the 'Group').

JS Information Systems Limited (the 'Company') made a profit for the financial year of £16,259,000 (2022: £8,519,000). The financial position as at 4 March 2023 is shown in the balance sheet on page 9.

All operations are carried out in the United Kingdom. A full review of the business and the market can be found in the 2023 Annual Report and Financial Statements of J Sainsbury plc, the ultimate parent undertaking, on the following website: www.about.sainsburys.co.uk.

### Principal risks and uncertainties

From the perspective of the Company, its principal risks and uncertainties are integrated with the principal risks of the J Sainsbury plc Group and not managed separately. Accordingly the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 44 to 57 of the J Sainsbury plc Annual Report and Financial Statements 2023, which do not form part of this report.

### Future developments

No change is planned in the activities of the Company in the next financial year.

### Key performance indicators (KPIs)

The Directors of J Sainsbury plc manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, are discussed on pages 2 to 35 of the Group's annual report, which does not form part of this report.

### Financial risk management

The financial risk management and policies of the Group, which include those of the Company, are disclosed in note 28 on pages 164 to 177 of the Group's Annual Report.

### Section 172 statement and stakeholder engagement

The Board believes that it has acted in accordance with Section 172(1) of the Companies Act 2006 during the year ended 4 March 2023. This requires each Director to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to the interest of other stakeholders, whilst maintaining high standards of business conduct.

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

The disclosure below provides further detail on how the Directors have engaged with stakeholders

| **Who are our stakeholders?** | **How do we engage with them?** |
|---|---|
| The Group | Through the Group Operating Board and other Group Committees detailed in the 2023 Group Annual Report on page 70. |
| **Suppliers**<br>Our GNFR (Goods Not For Resale) suppliers provide operational excellence and access to new technology and innovation that ensures we keep pace with the evolving and changing needs of our business. | The Company's supplier engagement activities are integrated within the Group's activities.<br><br>In order to maintain consistent communication with our supply base, our suppliers have access to online supplier portals, enabling the sharing of news and development of new ways to work together.<br><br>We take part in annual, independent surveys which benchmark us against other retailers and highlight areas for improvement; these include the Supplier Advantage survey and the Groceries Supply Code of Practice supplier survey.<br><br>We have clear modern slavery policies for both GFR (Goods For Resale) and GNFR suppliers and actively engage with our suppliers to prevent modern slavery and human trafficking in our business operations and supply chains. |

Further details on how the Group engaged with its stakeholders, can be found in the 2023 Annual Report for J Sainsbury plc on pages 29-35.

As per Section 54(1) of the Modern Slavery Act 2015, our Slavery and Human Trafficking Statement is published annually on our Group website. The statement covers the activities of the Group and details the steps taken during the year ended 4 March 2023 to prevent modern slavery and human trafficking in our own operations and supply chains.

By order of the Board:

Clodagh Moriarty
**Director**
29 September 2023

**JS Information Systems Limited**
**Directors' report**
**For the 52 weeks to 4 March 2023**

The Directors present their report and the audited financial statements of JS Information Systems Limited (the 'Company') for the 52 weeks to 4 March 2023. The prior financial year was the 52 weeks to 5 March 2022.

**Dividends**
During the financial year, there were no dividends recommended or paid (2022: £nil).

**Going concern**
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The assessment period for the purposes of considering going concern is the 12 months from the date on which these financial statements are signed.

**Directors**
The Directors of the Company, who held office during the financial year and up to the date of signing of the financial statements, are shown below:

Helen Hunter (resigned 4 March 2023)
Philip Jordan (resigned 4 March 2023)
Karen Brown (appointed 5 March 2023)
Clodagh Moriarty (appointed 5 March 2023)
John Elliott

**Company Secretary**
The Company Secretary of the Company who held office during the financial year and up to the date of signing the financial statements is shown below:

Sainsbury's Corporate Secretary Limited

**Directors' indemnities**
The Directors are entitled to be indemnified by the ultimate parent company, J Sainsbury plc, to the extent permitted by law and the Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The parent company purchased and maintained Directors' and Officers' liability insurance throughout 2022/23, which has been renewed for 2023/24. The insurance covers all Directors and Officers of companies in the J Sainsbury plc Group. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

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

**Independent auditors**
The auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

By order of the Board:

Clodagh Moriarty
**Director**
29 September 2023

**JS Information Systems Limited**
**Statement of Directors' responsibilities**
**For the 52 weeks to 4 March 2023**

The Directors are responsible for preparing the Strategic report, the Directors' report, and the financial statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board:

John Elliott

John Elliott (Sep 29, 2023 14:26 GMT+1)

John Elliott
**Director**
29 September 2023

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JS INFORMATION SYSTEMS LIMITED

### Opinion

We have audited the financial statements of JS Information Systems Limited for the 52-week period ended 4 March 2023 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 4 March 2023 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JS INFORMATION SYSTEMS LIMITED (CONTINUED)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the United Kingdom Accounting Standards including FRS 101 "Reduced disclosure framework", the Companies Act 2006 and relevant UK tax compliance regulations.
- We understood how JS Information Systems Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, internal audit reports and through consideration of results of our audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of those responsible for legal and compliance procedures, internal audit and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and financial statements with all applicable reporting requirements.

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Colin Brown (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

**29 September 2023**

**JS Information Systems Limited**
**Statement of comprehensive income**
**For the 52 weeks to 4 March 2023**

| | Note | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Revenue** | | **486,769** | 400,820 |
| Cost of sales | | **(247,027)** | (216,215) |
| **Gross profit** | | **239,742** | 184,605 |
| Administrative expenses | | **(219,670)** | (166,720) |
| **Operating profit** | 3 | **20,072** | 17,885 |
| Finance costs | 5 | **(32)** | (76) |
| **Profit before tax** | | **20,040** | 17,809 |
| Income tax expense | 6 | **(3,781)** | (9,290) |
| **Profit for the financial year** | 13 | **16,259** | 8,519 |
| **Total comprehensive profit for the financial year** | | **16,259** | 8,519 |

The notes on pages 11 to 20 are an integral part of these financial statements.

**JS Information Systems Limited**
**Balance Sheet**
**As at 4 March 2023**

| | Note | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Right of use assets | 8 | **117** | 2,905 |
| Deferred income tax asset | 7 | **472** | 580 |
| Trade and other receivables | 10 | **81,873** | - |
| | | **82,462** | **3,485** |
| **Current assets** | | | |
| Inventories | 9 | **55,901** | 55,473 |
| Trade and other receivables | 10 | **56,201** | 119,022 |
| | | **112,102** | 174,495 |
| **Total assets** | | **194,564** | 177,980 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **(23,351)** | (20,956) |
| Lease liabilities | 8 | **-** | (1,611) |
| Provisions | | **(1,447)** | (1,468) |
| | | **(24,798)** | (24,035) |
| **Net current assets** | | **87,304** | 150,460 |
| **Non-current liabilities** | | | |
| Lease liabilities | 8 | **-** | (438) |
| | | **-** | (438) |
| **Total liabilities** | | **(24,798)** | (24,473) |
| **Net assets** | | **169,766** | 153,507 |
| **Equity** | | | |
| Called up share capital | 12 | **-** | - |
| Retained earnings | 13 | **169,766** | 153,507 |
| **Total equity** | | **169,766** | 153,507 |

The notes on pages 11 to 20 are an integral part of these financial statements.

The financial statements on pages 8 to 20 were approved by the Board of Directors and were signed on its behalf by:

John Elliott
John Elliott (Sep 29, 2023 14:26 GMT+1)

John Elliott
**Director**
29 September 2023

**JS Information Systems Limited**
**Statement of changes in equity**
**For the 52 weeks to 4 March 2023**

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| **At 6 March 2022** | - | **153,507** | **153,507** |
| Profit for the year | - | **16,259** | **16,259** |
| **At 4 March 2023** | - | **169,766** | **169,766** |

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| At 7 March 2021 | - | **144,988** | **144,988** |
| Profit for the year | - | **8,519** | **8,519** |
| At 5 March 2022 | - | **153,507** | **153,507** |

The notes on pages 11 to 20 are an integral part of these financial statements.

## 1. General information

JS Information Systems Limited (the 'Company') is a private limited company incorporated and domiciled in England and Wales. The Company's registered address is 33 Holborn, London EC1N 2HT. The Company is part of J Sainsbury plc (the 'Group').

The immediate and ultimate parent company and controlling party of the Company is J Sainsbury plc, which is registered in England and Wales and forms the only group into which the financial statements of the Company are consolidated. Copies of the ultimate parent company's consolidated financial statements may be obtained from www.about.sainsburys.co.uk.

The financial year represents the 52 weeks to 4 March 2023 (prior financial year 52 weeks to 5 March 2022).

## 2. Accounting policies

### (a) Statement of compliance

The Company's financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of adopted International Financial Reporting Standards (IFRS).

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present a cash flow statement.
- The requirements of paragraph 17 of IAS 24, Related Party Transactions, to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries.
- The requirements of IFRS 7 and IFRS 13 for disclosure of financial instruments and fair values.
- The requirements of IFRS 15 to disclose the disaggregation of revenue.

The Company is a wholly-owned subsidiary of J Sainsbury plc and is included in the consolidated financial statements of J Sainsbury plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. J Sainsbury plc address is 33 Holborn, London, EC1N 2HT.

### (b) Basis of preparation

The financial statements are presented in pound sterling, rounded to the nearest thousand (£'000) unless otherwise stated, and have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

## 2. Accounting policies (continued)

### Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The assessment period for the purposes of considering going concern is the 12 months from the date on which these financial statements are signed.

### Amendments to published standards

**Effective for the Company in these financial statements:**

The Company has considered the following amendments to published standards that are effective for the Company for the financial year beginning 6 March 2022 and concluded that they are either not relevant to the Company or that they do not have a significant impact on the Company's financial statements other than disclosures.

- Amendments to IFRS 3 'Business Combinations' – Reference to the Conceptual Framework
- Amendments to IAS 16 'Property, Plant and Equipment' – Proceeds before Intended Use
- Amendments to IAS 37 'Provisions, Contingent Assets and Contingent Liabilities' – Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' – Subsidiary as a first-time adopter
- Amendments to IFRS 9 'Financial Instruments' – Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to IAS 41 'Agriculture' – Taxation in fair value measurements

The accounting policies have remained unchanged from those disclosed in the Financial Statements for the year ended 5 March 2022.

### Standards and revisions effective for future periods:

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

- Amendments to IAS 1 'Presentation of Financial Statements' on the classification of liabilities as current or non-current
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' on the disclosure of accounting policies
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of accounting estimates
- Amendments to IAS 12 'Income Taxes' on Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 16 'Leases' on Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 'Presentation of Financial Statements' on Non-current Liabilities with Covenants

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

## 2. Accounting policies (continued)

### Revenue
Revenue represents the value of IT goods and services supplied to Group companies and arises solely within the United Kingdom. Revenue is recognised in the income statement at the fair value of consideration invoiced. Where a service has been provided but not yet invoiced an amount is included in the financial statements as accrued revenue.

Revenue is recognised once the performance obligation is deem to be fulfilled by the Company and the revenue associated to the performance obligation can be reliably measured.

### Cost of sales
Cost of sales consists of all costs to the point of sale of IT capital.

### Administrative expenses
Administrative expenses consist of all operational expenditure including salaries, contractor fees and depreciation.

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

### Inventories
Inventories comprise of goods held for resale and are valued on a historical cost basis and carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

### Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any subsequent remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

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

The lease payments include fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered uniformly low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are expensed to the income statement, as well as costs relating to variable lease payments dependent on performance of usage and 'out of contract' payments.

## 2. Accounting policies (continued)

**Current tax**

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

**Deferred tax**

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

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

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

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

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

**Called up share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Financial instruments**

*Financial assets*

The Company classifies all of its financial assets at amortised cost in accordance with IFRS 9.

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

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

## 2. Accounting policies (continued)

*Impairment of financial assets*
IFRS 9 requires the Company to record an allowance for expected credit loss (ECL) for all loans and other debt financial assets not held at fair value through profit and loss (FVPL), together with loan commitments and financial guarantee contracts.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company establishes provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9.

*Financial liabilities*
Payables are initially recorded at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest method.

*Fair value estimation*
The fair values of trade and other receivables and trade and other payables less than one year are deemed to approximate their book values.

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

**Significant accounting judgements, estimates and assumptions**
The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Those which are significant to the Company are discussed separately below:

**Judgements**
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Inventories*
The Company provides IT capital assets to J Sainsbury plc and its subsidiaries. It is deemed that these assets are held for sale in the ordinary course of business and as a result are classified as inventory.

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

The Company has the option under some of its leases to either lease the assets for additional terms, or terminate the lease early (a break option). The Company applies judgement in evaluating whether it is reasonably certain to exercise these options. That is, it 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. The judgement currently applied is that the Company assumes contractual terms unless it is reasonably certain that an extension or break option will be applied.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the options to renew (e.g. a change in business strategy). Any reassessment of the lease term will be reflected in a recalculation of the lease liability and respective right-of-use asset.

## 2. Accounting policies (continued)

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

*Impairment of assets other than goodwill*
Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

*Income taxes*
The Company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the year when such determination is made. Detail of the tax charge is set out in note 6.

*Lease liabilities*
The discount rate used to calculate the lease liability is the rate implicit in the lease if it can be readily determined, or the Group's incremental borrowing rate (IBR) if not.

The IBRs depend on the start date and term of the lease, and are determined based on a number of inputs including a reference (risk free) rate and adjustments to reflect the Group's credit risk. The reference rates are based on UK overnight swap rates and the credit risk adjustments are based on the prices of instruments issued by the group and quoted credit default swaps ("CDS").

## 3. Operating profit

Auditors' remuneration for the current financial year was £1,600 (2022: £1,600).

Depreciation for the current financial year was £997,000 (2022: £1,824,000).

## 4. Employees and Directors' remuneration

The average monthly number of persons (including Directors) employed by the Company during the financial year was nil (2022: nil).

All of the Directors are also employees of the parent company, J Sainsbury plc, or other Group companies. The Directors' emoluments are borne by Sainsbury's Supermarkets Ltd, a fellow Group company that makes no recharge to the Company. It is not possible to make an accurate apportionment of the Directors' emoluments as they serve as Directors to a number of fellow group companies. Accordingly, the above details do not include emoluments in respect of the Directors.

## 5. Finance costs

Finance costs for the current financial year were £32,000 (2022: £76,000) comprised of interest in relation to lease liabilities.

## 6. Income tax expense

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Current tax expense: | | |
| Current year UK tax | **3,278** | 2,916 |
| Under provision in prior years | **395** | 6,444 |
| **Total current tax expense** | **3,673** | 9,360 |
| | | |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **531** | 495 |
| Under provision in prior years | **(590)** | (426) |
| Adjustment from change in applicable rate of deferred tax | **167** | (139) |
| **Total deferred tax expense/(credit)** | **108** | (70) |
| | | |
| Total income tax expense in income statement | **3,781** | 9,290 |

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Profit before tax | **20,040** | 17,809 |
| | | |
| Income tax at UK corporation tax rate of 19.0% (2022: 19.0%) | **3,808** | 3,384 |
| Effects of underlying items: | | |
| (Over)/under provision in prior years | **(194)** | 6,017 |
| Adjustment from change in applicable rate of deferred tax | **167** | (139) |
| Transfer pricing adjustment | **-** | 28 |
| Total income tax expense in income statement | **3,781** | 9,290 |

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was enacted during the previous accounting period, and deferred tax balances were revalued accordingly.

## 7. Deferred income tax assets

| | Accelerated capital allowances £'000 | Other £'000 | Leases £'000 | Total £'000 |
|---|---|---|---|---|
| At 5 March 2022 | **580** | **-** | **-** | **580** |
| Prior year adjustment to income statement | **(3)** | **-** | **-** | **(3)** |
| Charge to income statement | **(80)** | **-** | **-** | **(80)** |
| Revaluation adjustment to income statement | **(25)** | **-** | **-** | **(25)** |
| **At 4 March 2023** | **472** | **-** | **-** | **472** |
| | | | | |
| At 7 March 2021 | 537 | - | (27) | 510 |
| Prior year adjustment to income statement | - | 399 | 27 | 426 |
| Charge to income statement | (96) | (399) | - | (495) |
| Revaluation adjustment to income statement | 139 | - | - | 139 |
| At 5 March 2022 | 580 | - | - | 580 |

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was enacted during the previous accounting period, and deferred tax balances were revalued accordingly.

The Spring Budget on 21 March 2023 confirmed the introduction of Pillar 2 reporting requirements for the UK. This has not been enacted to date, but the rules are expected to apply to the Company. Pillar 2 reporting will see the introduction of a global minimum 15 per cent tax rate by the end of 2023, and the Company will be required to file certain returns evidencing the payment of tax at this rate. The potential impact of this is currently being assessed, but the Company does not consider there to be a material exposure at this stage.

## 8. Leases

**Company as lessee**
Set out below are the carrying amounts of right of use assets recognised and the movements during the year:

| **Net book value** | **£000** |
|---|---|
| At 5 March 2022 | 2,905 |
| Depreciation charge | (997) |
| Additions and modifications | (1,791) |
| **At 4 March 2023** | 117 |
| | |
| At 7 March 2021 | 4,729 |
| Depreciation charge | (1,824) |
| at 5 March 2022 | 2,905 |

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

| | 2023 £000 | 2022 £000 |
|---|---|---|
| At the start of the financial year | **2,049** | 3,910 |
| Additions and modifications | **(801)** | (51) |
| Interest expense | **32** | 76 |
| Payments | **(1,280)** | (1,886) |
| **At the end of the financial year** | - | 2,049 |
| Current | - | 1,611 |
| Non-current | - | 438 |

Modifications in the current year relates to a property lease which was terminated during the year and renewed as a short-term lease and therefore subsequent lease payments are expensed to the income statement.

## 9. Inventories

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Goods held for resale | **55,901** | 55,473 |

The amount of inventories recognised as an expense and charged to cost of sales for the 52 weeks to 4 March 2023 was £247,027,000 (2022: £216,215,000).

## 10. Trade and other receivables

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Current** | | |
| Other receivables and prepayments | **56,201** | 47,973 |
| Amounts due from Group companies | **-** | 71,049 |
| | **56,201** | 119,022 |
| **Non-current** | | |
| Amounts due from Group companies | **81,873** | - |
| | **81,873** | - |

Other debtors and prepayments are non-interest bearing and are on commercial terms. All current debtors are denominated in sterling and consists of prepayments, VAT, and corporation tax receivable. Amounts due from Group companies are non-interest bearing and are repayable on demand. All amounts are not considered overdue or impaired.

## 11. Trade and other payables

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Current** | | |
| Amounts owed to Group entities | **693** | 9,958 |
| Other payables | **22,658** | 10,998 |
| | **23,351** | 20,956 |

The Company's policy on payment of creditors is to agree terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices. Amounts due are non-interest bearing and payable on demand.

## 12. Called up share capital

| | 2023 Number | 2022 Number | 2022 £ | 2022 £ |
|---|---|---|---|---|
| **Authorised, allotted and fully paid** | | | | |
| Called up share capital - £1 | **1** | 1 | **1** | 1 |

## 13. Retained earnings

| | Total £'000 |
|---|---|
| **At 5 March 2022** | **153,507** |
| Profit for the year | **16,259** |
| **At 4 March 2023** | **169,766** |
| | |
| At 7 March 2021 | **144,988** |
| Profit for the year | **8,519** |
| At 5 March 2022 | **153,507** |

## 14. Capital commitments

The Company has entered into contracts totalling £10,762,952 (2022: £nil) for future capital expenditure in relation to property, plant and equipment and £6,478,955 (2022: £4,948,000) for intangible assets not provided for in the financial statements. This expenditure will be classified as inventories on capitalisation and cost of sales if sold in future periods in line with the accounting policies set out in Note 2.