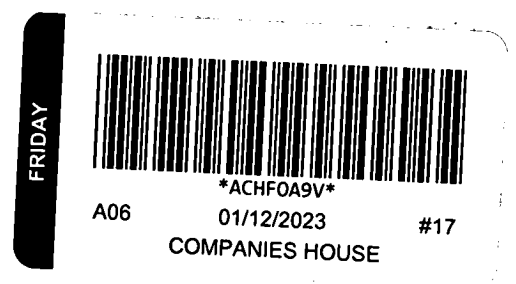


Nectar 360 Limited
Registered No. 04224736

Nectar 360 Limited

Annual Report and Financial Statements For the 52 weeks ended 4 March 2023



Strategic Report

The Directors present their strategic report and the audited financial statements of Nectar 360 Limited ("the Company") for the 52 weeks ended 4 March 2023. The prior year's financial statements were for the 52 weeks ended 5 March 2022.

Principal activities

The Company's principal activity during the period continued to be the management of the Nectar customer loyalty rewards programme.

Business review

The Company recorded a profit for the financial period of £19,196,000 (2022: profit of £17,052,000).

The key performance indicators used to manage the business are revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA'), calculated as operating profit with depreciation, amortisation and impairments added back.

Revenue increased by £2,763,000 during the financial period ended 4 March 2023. The EBITDA for the current period was a profit of £26,145,000 compared to a profit of £22,370,000 in the prior period.

	2023	2022
	£000	£000
EBITDA	26,145	22,370
Depreciation & Amortisation	(2,324)	(2,800)
Profit/(Loss) Before Income Tax	<u>23,821</u>	<u>19,570</u>

A full review of the business and 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.j-sainsbury.co.uk

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are 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 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.

Strategic Report (continued)

Section 172 statement and stakeholder engagement (continued)

Who are our stakeholders?	How do we engage with them?
<p>The Group</p>	<p>Through the Group Operating Board and other Group Committees detailed in the 2023 Group Annual Report on page 70.</p>
<p>Collectors Over two-thirds of the total retail shoppers in the UK have shopped with Sainsbury's over the last year and there were over 17.7 million active Nectar users who would be able to benefit from personalised offers from us and our Nectar partners.</p>	<p>The Company's customer engagement activities are integrated within the Group activities.</p> <p>The Group heard what mattered to our customers through:</p> <ul style="list-style-type: none"> -119 million responses per year across our Sainsbury's and Argos customer feedback programmes -Nectar data, which helps us understand how customers are shopping -Qualitative customer focus groups and quantitative surveys -Market research -Social media listening -Brand tracking, which assesses the performance and perception of our different brands -I Care, a satisfaction survey which helps us understand the overall shopping experience for our customers
<p>Colleagues Our colleagues include everyone who is employed by the Company.</p>	<p>The Company's colleague engagement activities are integrated within the Group activities which included:</p> <ul style="list-style-type: none"> -Non-Executive Director meetings with our Workforce Advisory Panel to directly understand the views of colleagues from across the business via their elected peers. Updates from the sessions are shared and discussed at Board meetings, directly feeding into the Board's decision-making process -Operating Board Director Listening Sessions are held regularly throughout the year and provide an opportunity to hear directly from colleagues across the business. This is an open forum for colleagues to share their experiences and ask questions, which in turn further develops the Board's understanding of the overall colleague experience -A Board visit to the new Aylesbury Gatehouse store to meet colleagues and receive updates on food innovation, customer services, general merchandise, value and Nectar -Continual feedback through internal channels, including live presentations, question and answer sessions and internal social media discussions with the Operating Board -Honest, confidential colleague feedback on what it is like to work for the business through our annual colleague engagement survey, 'We're Listening', let us know what's on colleagues' minds -Colleague feedback through topic-specific 'temperature check' surveys throughout the year, helping us to understand colleagues' views and sentiments, enabling the Board and Operating Board to act swiftly

<p>Suppliers Our GNFR 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.</p>	<p>The Company's supplier engagement activities are integrated within the Group's activities.</p> <p>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.</p> <p>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.</p> <p>We have clear modern slavery policies for both GFR and GNFR suppliers and actively engage with our suppliers to prevent modern slavery and human trafficking in our business operations and supply chains.</p>
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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.

On behalf of the board

Sam Burston

Sam Burston (Oct 12, 2023 17:17 GMT+1)

Sam Burston

Director

12 October 2023

Directors' report

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 4 March 2023. The prior year's financial statements were for the 52 weeks ended 5 March 2022.

Dividends

No interim or final dividends were declared for the 52 weeks ended 4 March 2023 (2022: £nil). No dividends have been paid or proposed by the Directors since the balance sheet date.

Officers

The Directors of the Company who held office during the year and up to the date of the financial statements were as follows:

H Neely	(Appointed 18 November 2022)
A Rasekh	
K Herman	(Resigned 18 November 2022)
S Burston	

The company secretary who held office during the year and up to the date of this report was as follows:

Sainsbury's Corporate Secretary Ltd

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

Future developments and financial risk management

An analysis of the future developments affecting the Company and its financial risk policies are included in the Strategic report.

Employment Policies

The Company values the different perspectives, experiences and abilities of all our colleagues. We ensure that those living with a disability or long-term health condition are fully and fairly considered for employment with the Company through well-developed policies for the equal treatment of all. We have a workplace adjustments process in place for our colleagues who find themselves with a disability or long-term health condition; workplace adjustments can be made at any point during a colleague's employment with us. We are committed to providing equal opportunities for all colleagues and applicants through training, development and promotion. Further information can be found in the Strategic report in the Annual Report and Financial Statements 2023 of J Sainsbury plc ("Group Annual Report"), which does not form part of this report, for further information on our diversity strategy.

Ethical policies

The Company takes bribery extremely seriously and is committed to ensuring compliance with laws and regulations. Colleagues are expected to abide by a set of clearly communicated formal policies, such as the Ethical Supplier Policy and the Conflicts of Interest/ Relationships at Work Policy. Training in support of these policies is provided to colleagues especially in the commercial divisions, firstly during their induction into the Company and thereafter through annual refreshers.

Corporate responsibility and Sustainability

The Company's ultimate parent has developed a wide variety of projects and policies to meet the needs of stakeholders under the heading 'Corporate Responsibility and Sustainability'. Further details can be found page 82 of the Group Annual Report, which does not form part of this report.

Directors' report (continued)

Donations

The Company made no political donations in 2023 (2022: £nil). See page 114 of the Group Annual Report, which does not form part of this report, for details of J Sainsbury plc and its subsidiaries' (the 'Group's') political donations.

Going concern and future developments

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. The ultimate parent company, J Sainsbury plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report of the Group Annual Report on pages 2 to 59, which does not form part of this report. The financial position of the Group, its cash flows and liquidity are highlighted in the Financial Review on pages 38 to 43, which does not form part of this report. The Group, including the Company, manages its financing by diversifying funding sources, structuring core borrowings with long-term maturities and maintaining sufficient levels of standby liquidity. Full details of the Group's financing arrangements can be found in note 33 on pages 193 to 194 to the Group Annual Report, which does not form part of this report.

The assessment period for the purposes of considering going concern is the 12 months from the date on which these financial statements are signed.

Disclosure of information to auditors

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

Statement of Director's responsibilities

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;
- 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.

Independent auditors

Ernst & Young LLP have indicated their willingness to continue in office.

By order of the Board

Sam Burston

Sam Burston (Oct 12, 2023 17:17 GMT+1)

Sam Burston

Director

12 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NECTAR 360 LIMITED

Opinion

We have audited the financial statements of Nectar 360 Limited for the 52-week period ended 4 March 2023 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 18, 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 year 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 directors' responsibilities statement set out on page 5, 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

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 Nectar 360 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
12 October 2023

Statement of comprehensive income

For the 52 weeks ended 4 March 2023

		2023	2022
	Note	£000	£000
Revenue	4	45,907	43,144
Cost of sales	5	(12,619)	(11,321)
Gross profit		<u>33,288</u>	<u>31,823</u>
Administrative, sales and marketing expenses	6	(9,467)	(12,253)
Operating profit		<u>23,821</u>	<u>19,570</u>
Finance income		-	-
Profit / (loss) before income tax		<u>23,821</u>	<u>19,570</u>
Income tax charged	10	(4,625)	(2,518)
Profit for the financial year		<u>19,196</u>	<u>17,052</u>
Other comprehensive income		-	-
Total comprehensive profit		<u><u>19,196</u></u>	<u><u>17,052</u></u>

All of the Company's operations are continuing.


The accompanying notes on pages 13 to 22 form an integral part of these financial statements.

Statement of financial position

As at 4 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Deferred tax assets	11	3,534	3,883
Intangible assets	12	2,671	3,729
		<u>6,205</u>	<u>7,612</u>
Current assets			
Trade and other receivables	13	249,918	264,873
Cash and cash equivalents	14	1,660	361
		<u>251,578</u>	<u>265,234</u>
Total assets		<u>257,783</u>	<u>272,846</u>
Current liabilities			
Deferred revenue		(289,524)	(301,494)
Trade and other payables	15	(14,839)	(41,404)
Corporation tax		(8,258)	(3,982)
		<u>(312,621)</u>	<u>(346,880)</u>
Net current liabilities		<u>(61,043)</u>	<u>(81,646)</u>
Net liabilities		<u>(54,838)</u>	<u>(74,034)</u>
Equity			
Called up share capital	16	82	82
Share premium account	17	30,632	30,632
Capital contribution	18	1,001	1,001
Accumulated losses		(86,553)	(105,749)
Total equity		<u>(54,838)</u>	<u>(74,034)</u>

These financial statements on pages 10 to 22 were approved by the Board of Directors on 12 October 2023 and were signed on its behalf by:


Helen Neely (Oct 12, 2023 17:24 GMT+1)
Helen Neely
Director

The accompanying notes on pages 13 to 22 form an integral part of these financial statements.

Statement of changes in equity

For the 52 weeks ended 4 March 2023

	Called up Share Capital	Share Premium Account	Capital Contribution	Accumulated Losses	Total Equity
Balance at 6 March 2021	82	30,632	1,001	(122,801)	(91,086)
<i>Comprehensive expense</i>					
Profit for the financial year				17,052	17,052
Total comprehensive expense	-	-	-	17,052	17,052
Balance at 5 March 2022	82	30,632	1,001	(105,749)	(74,034)
<i>Comprehensive expense</i>					
Profit for the financial year				19,196	19,196
Total comprehensive expense	-	-	-	19,196	19,196
Balance at 4 March 2023	82	30,632	1,001	(86,553)	(54,838)

The accompanying notes on pages 13 to 22 form an integral part of these financial statements.

Notes to the financial statements

1 General Information

Nectar 360 Limited (formerly Nectar Loyalty Limited) ("the Company") is incorporated and domiciled in the UK and manages the Nectar customer loyalty rewards programme. The address of its registered office is 33 Holborn, London, United Kingdom EC1N 2HT.

The Company is wholly owned by J Sainsbury plc who is the ultimate parent company and controlling party. The immediate parent company and controlling party is Nectar EMEA Limited. The current financial period represents the 52 weeks ended 4 March 2023 while the comparative period represents the 52 weeks ended 5 March 2022.

2 Accounting Policies

Basis of Preparation

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 requirement of IAS 1, Presentation of financial statements' comparative information requirements in respect of Property, plant and equipment and Intangible assets.
- The requirements of IFRS 15 to disclose the disaggregation of revenue and assets recognised from the costs to obtain or fulfil a contract with a customer.

The financial statements are presented in sterling, rounded to the nearest thousand ('£000') unless otherwise stated. They have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

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 period 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

Notes to the financial statements (continued)

2 Accounting Policies (continued)

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 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
- 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'

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

Going Concern

The Company meets its day-to-day working capital requirements through ongoing operations. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The ultimate parent company, J Sainsbury plc, has confirmed its present intention to provide financial support such that the Company is able to repay its liabilities as they fall due. Therefore the going concern assessment of the Company is linked to the Group's going concern and viability assessment which is included within the Group annual report on pages 58 to 59 and 131.

Thus, the Directors consider it appropriate to 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.

Revenue

The Company derives its cash inflows primarily from the issuance of Nectar points to collectors and programme support fees (PSF) received from partners. The consideration received from partners on the sale of Nectar points is deferred and recognised as revenue either upon the redemption of Nectar points by collectors or in accordance with the accounting policy for breakage.

Revenue that is recognised once the Nectar points have been redeemed in exchange for rewards is calculated based on the weighted average revenue per point from historical consideration received and applied to the number of Nectar points redeemed in a given year. The revenue arising from these transactions is presented net of the related redemption costs as the Company is considered to be an agent rather than a principal.

Breakage represents management's estimate of points issued that will never be redeemed. As points issued under the programme do not expire, such estimates are subject to uncertainty. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, and adjusted for changes to any terms and conditions that may affect members' redemption patterns.

Breakage revenue is recognised as points are redeemed by members. The breakage estimate is applied to the total consideration received on the sale of Nectar points to ascertain the amount of revenue and points to be deferred in respect of breakage. This deferred breakage revenue is then recognised by applying the number of points redeemed in a period as a percentage of those outstanding points deferred which are anticipated to redeem.

A change in the breakage estimate is accounted for prospectively within revenue.

PSF are disaggregated against individual performance obligations. These fees are recognised on a straight-line basis over the term of the agreement with the relevant party.

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Contract assets

Contract assets relate to the incremental costs of obtaining and completing a contract with a customer. Under IFRS 15 these costs are capitalised and deferred over the period to which performance obligations are performed and revenue is earned. Judgement is applied by management when determining what costs qualify to be capitalised, in particular whether these costs are incremental and whether they are expected to be recoverable.

Deferred Revenue

Deferred revenue represents the gross consideration received from the sale of Nectar points to its Partners, being commercial partners that purchase coalition loyalty services. As the Company acts as agent in the provision of redemption services to customers any margin earned is recognised as revenue rather than the gross amount included in deferred revenue.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

Intangible work in progress is held at cost less any recognised provision for impairment. Intangible work in progress is not amortised.

Internally generated computer software is capitalised and depreciated from the date of completion of the project. Amortisation is calculated on a straight line basis over the estimated useful lives of the related assets as follows:

Computer Software	3 to 5 years
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Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets as follows:

Furniture & Equipment	5 years
Computer hardware	3 years
Leasehold improvements	5 years

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash generating units'). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted on an active market.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Cash & Cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks, and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the financial statements.

Trade & other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Other receivables comprise deposits and advances to suppliers.

Trade and other receivables are non-interest bearing and are on commercial terms. They are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach under IFRS 9, with adjustments for factors specific to each receivable.

Trade & other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred taxation

Taxation provided is that chargeable on the profits, together with deferred taxation.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised in the near term.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

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.

Foreign currencies

Transactions denominated in foreign currencies are translated using the rate of exchange in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any exchange gains and losses arising are taken to the statement of comprehensive income.

Notes to the financial statements (continued)

3 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:

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.

a) Breakage Estimation

The estimate that has a significant risk of causing a material adjustment to the carrying amounts and liabilities within the current financial year is the breakage estimation.

Breakage represents management's estimate of points issued that will never be redeemed. As points issued under the programme do not expire, such estimates are subject to uncertainty. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, and adjusted for changes to any terms and conditions that may affect members' redemption patterns. A change in the breakage estimate is accounted for prospectively within revenue.

In the prior period ended 5 March 2022, the breakage estimate was reviewed and increased by 0.07% leading to a corresponding decrease in the deferred liability balance of £1.5 million.

In the period ended 4 March 2023, the breakage estimate was reviewed once again and increased by 0.06%, resulting in a corresponding decrease in the deferred liability balance by £2.7m.

If the breakage estimate used in determining the deferred revenue for the Company had been 1% lower, the deferred points liability would have been £50 million higher. If the breakage estimate had been 1% higher, the deferred points liability would have been £51 million lower.

4 Revenue

Revenue is generated from the management of the Nectar customer loyalty rewards programme and arises solely within the United Kingdom. The revenue arising from these transactions is presented net of the related redemption costs as the Company is considered to be an agent under IFRS 15 principles.

5 Cost of sales

Cost of sales consists of non-redemption related costs that are directly attributable to revenues.

6 Administrative, sales and marketing expenses

	2023	2022
	£000	£000
Employee costs	5,801	6,232
Depreciation and amortisation	2,324	2,800
Professional fees, recruitment, travel and other contractor costs	1,342	3,221
	<u>9,467</u>	<u>12,253</u>

Notes to the financial statements (continued)

7 Auditors remuneration

	2023	2022
	£000	£000
Audit of the financial statements	23	23
	<u>23</u>	<u>23</u>

8 Employee costs

	2023	2022
	£000	£000
Wages and salaries	3,908	4,237
Social security costs	1,273	1,300
Other pension costs	620	695
	<u>5,801</u>	<u>6,232</u>

The average number of full-time employees employed by the Company during 2023 was 228 (2022: 236).

9 Directors emoluments

The Directors of the Company did not receive any remuneration for services to the Company for the financial period ended 4 March 2023 (2022: £nil) as these are borne by other J Sainsbury plc group companies.

Notes to the financial statements (continued)

10 Income tax

	2023 £000	2022 £000
<u>Current tax</u>		
Current tax charge for the year	4,276	3,982
	4,276	3,982
<u>Deferred tax</u>		
Origination and reversal of temporary differences	251	260
Adjustment in respect of previous years	19	(792)
Impact of change in tax rate on opening balance	79	(932)
	349	(1,464)
Income tax charge	4,625	2,518

The effective tax rate is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £000	2022 £000
Profit / (loss) before income tax	23,821	19,570
Tax calculated at applicable UK tax rate of 19% (2022: 19%)	4,526	3,718
Effects of underlying items:		
Adjustments in respect of prior years	19	(792)
Impact of change in tax rate on opening balance	79	(932)
Transfer pricing	-	524
	4,625	2,518

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.

Notes to the financial statements (continued)

11 Deferred tax

The analysis of the deferred tax asset is as follows:

	Accelerated capital allowances	Leases	Total
	£000	£000	£000
At 6 March 2021	2,420	(1)	2,419
Prior year adjustment to statement of comprehensive income	780	12	792
Charge to statement of comprehensive income	(260)	-	(260)
Rate change adjustment to statement of comprehensive income	928	4	932
At 5 March 2022	3,868	15	3,883
Prior year adjustment to statement of comprehensive income	(19)	-	(19)
Charge to statement of comprehensive income	(251)	-	(251)
Rate change adjustment to statement of comprehensive income	(79)	-	(79)
At 4 March 2023	3,519	15	3,534

Deferred income tax assets have been recognised in respect of all income tax losses and other temporary differences giving rise to deferred income tax assets because it is probable that these assets will be recovered. Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority.

12 Intangible assets

	Computer software £000		
Cost			
At 5 March 2022	27,077		
Additions	1,267		
At 4 March 2023	28,344		
Accumulated Depreciation			
At 5 March 2022	23,348		
Charge for the period	2,324		
At 4 March 2023	25,672		
Net Book Value			
At 5 March 2022	3,729		
At 4 March 2023	2,671		
		2023	2022
		£000	£000
Capital work-in-progress included above		54	374

Notes to the financial statements (continued)

13 Trade and other receivables

	2023	2022
	£000	£000
Trade receivables	17,697	14,414
Other receivables	5,058	2,242
Prepayments and accrued income	-	245
Contract costs	465	871
Amounts owed by ultimate Parent Company	300	114,233
Amounts owed by Group entities	226,398	132,868
	<u>249,918</u>	<u>264,873</u>

The amounts owed by the ultimate Parent Company and Group Entities are unsecured, repayable on demand and non-interest bearing. The carrying value is denominated in sterling and is consistent with the fair value.

Contract costs are recognised after amortisation of £1,000,000 (2022: £646,000).

14 Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	1,660	361
	<u>1,660</u>	<u>361</u>

15 Trade and other payables

	2023	2022
	£000	£000
Trade payables	4,038	4,282
Other payables	73	62
Accruals	10,191	10,152
Amounts due to Group entities	537	26,908
	<u>14,839</u>	<u>41,404</u>

The amounts owed to group entities are unsecured, repayable on demand and are non-interest bearing. The carrying value is denominated in sterling and is consistent with the fair value.

16 Called up share capital

	2023	2022
	£000	£000
Authorised, allotted and fully paid: 8,158,060 (2022: 8,158,060) Ordinary shares of £0.01 each	<u>82</u>	<u>82</u>

Share capital relates to the nominal value of issued share capital. During the financial period the company has not issued any share capital (2022: nil).

Notes to the financial statements (continued)

17 Share premium account

	2023 £000	2022 £000
Share premium	30,632	30,632

Share premium relates to the consideration received for share capital in excess of the nominal value of shares.

18 Capital contribution

	2023 £000	2022 £000
Capital contribution	1,001	1,001

Capital contributions represent the capital contributed to the Company in respect of its employees participating in share based compensation schemes.