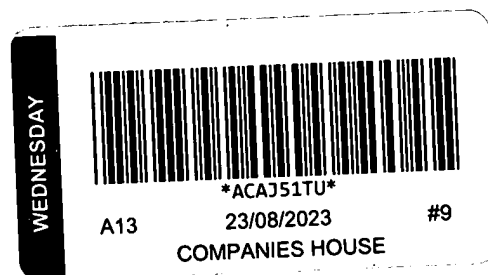


Registered Company number: 05644620

Sainsbury Propco A Limited
Annual Report and Financial Statements
For the 52 weeks to 4 March 2023



Sainsbury Propco A Limited
Strategic report
for the 52 weeks to 4 March 2023

Principal activities and review of business

The principal activities of Sainsbury Propco A Limited (the 'Company') are the ownership and rental of supermarket outlets to J Sainsbury plc and its subsidiary companies (the 'Group') and to raise finance secured against its property.

The Company's profit for the financial year was £40 million (2022: £78 million). The financial position as at 4 March 2023 is shown in the balance sheet set out on page 8.

All material 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, 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 and Financial Statements 2023, which does not form part of this report.

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 KPI's 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. The Directors primarily used scheduled Group Property committee meetings and Group Operating Board meeting to consider and engage with the Group. These interactions informed key decisions that the Directors made during the year, such as approving the Company's financial statements.

Further details on how the Group engaged with its stakeholders, can be found in the 2023 Annual Report for J Sainsbury plc on pages 24-29.

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:



Jamie Cowen
Director
9 August 2023

Sainsbury Propco A Limited
Directors' report
for the 52 weeks to 4 March 2023

The Directors present their report and the audited financial statements of Sainsbury Propco A Limited (the 'Company') for the 52 weeks to 4 March 2023. The prior financial year's financial statements were for the 52 weeks to 5 March 2022.

Dividends

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

Going concern

As at 4 March 2023 the company had retained earnings of £310 million (2022: £270 million) and made a profit of £40 million (2022: £78 million).

The financial statements have been prepared on the going concern basis on the grounds that 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 for a period of twelve months from the date on which these financial statements are signed.

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 the financial statements are shown below:

Sainsburys Corporate Director Limited
Jamie Cowen

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 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 2022/2023, which was renewed for 2023/2024. 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.

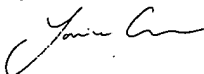
Disclosure of information to auditors

Each of the Directors confirms 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.

Independent auditors

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

By order of the Board:



Jamie Cowen
Director
9 August 2023

Sainsbury Propco A Limited
Statement of Directors' responsibilities
for the 52 weeks to 4 March 2023

The Directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are required by law to 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 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards 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 proper accounting records that 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. Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' report, that comply with that law and those regulations.



Leon Smith (Aug 9, 2023 15:14 GMT+1)

Leon Smith
on behalf of Sainsburys Corporate Director Limited
Director
9 August 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAINSBURY PROPCO A LIMITED

Opinion

- We have audited the financial statements of Sainsbury Propco A Limited for the 52 week period ended 4 March 2023 which comprise the Statement of profit or loss and comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 12, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs at 4 March 2023 and of its profit for the 52 week period for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 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 as set on pages 1 to 3, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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 Statement of directors' responsibilities set out on page 3, 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.

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 Sainsbury Propco A 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 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.

DocuSigned by:
Ernst & Young LLP
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Tom Sanders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

10 August 2023

Sainsbury Propco A Limited
Statement of profit or loss
for the 52 weeks to 4 March 2023

		2023	2022
	Note	£m	£m
Revenue		102	102
Cost of sales		(34)	(9)
Gross profit		68	93
Operating profit	3	68	93
Finance (costs)/income	5	(1)	1
Profit before tax		67	94
Income tax expense	6	(27)	(16)
Profit for the financial year		40	78

There was no other comprehensive income or expense during the financial year or the prior financial year.

The notes on pages 10 to 17 are an integral part of these financial statements.

Sainsbury Propco A Limited
Balance sheet
at 4 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment properties	7	1,243	1,277
Trade and other receivables	8	379	379
		1,622	1,656
Current assets			
Trade and other receivables	8	15	23
		15	23
Total assets		1,637	1,679
Current liabilities			
Other payables	9	(873)	(982)
Taxes payable		(45)	(18)
		(918)	(1,000)
Net current liabilities		(903)	(977)
Non-current liabilities			
Lease liabilities	10	(8)	(8)
		(8)	(8)
Total liabilities		(926)	(1,008)
Net assets		711	671
Equity			
Called up share capital	11	401	401
Retained earnings	12	310	270
Total equity		711	671

The notes on pages 10 to 17 are an integral part of these financial statements.

The financial statements on pages 7 to 17 were approved by the Board of Directors on 9 August 2023, and are signed on its behalf by:

Leon Smith
Leon Smith (Aug 9, 2023 15:14 GMT+1)

Leon Smith
on behalf of Sainsburys Corporate Director Limited
Director
9 August 2023

Sainsbury Propco A Limited
Statement of changes in equity
for the 52 weeks to 4 March 2023

	Note	Called up share capital £m	Retained earnings £m	Total equity £m
At 6 March 2022		401	270	671
Profit for the year		-	40	40
At 4 March 2023	11,12	401	310	711
At 7 March 2021		401	192	593
Profit for the year		-	78	78
At 5 March 2022	11,12	401	270	671

The notes on pages 10 to 17 are an integral part of these financial statements.

Sainsbury Propco A Limited
Notes to the financial statements
for the 52 weeks to 4 March 2023

1 General information

Sainsbury Propco A 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 Company's financial year represents the 52 weeks to 4 March 2023 (2022: 52 weeks to 5 March 2022).

2 Accounting policies

(a) Statement of compliance

The financial statements are prepared in accordance with United Kingdom Accounting standards, in particular 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 Company is a qualifying entity for the purposes of FRS 101. The results of the Company are consolidated into the Annual Report and Financial Statements 2023 of J Sainsbury plc, available on the Group's website.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Companies Act and related regulations. These amendments had no impact on the Statement of comprehensive income, Balance sheet or Statement of changes in equity for the Company for the year ended 4 March 2023.

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 paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective.
- 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.
- The requirements of IAS 1 to present comparative information in respect of certain assets and the disclosure information related to capital management.

(b) Basis of preparation

The financial statements are presented in pound sterling, rounded to the nearest million (£m) unless otherwise stated. They have been prepared on a going concern basis under the historical cost convention.

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 2c.

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 Group or that they do not have a significant impact on the Group'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

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

2 Accounting policies (continued)
(b) Basis of preparation (continued)

- Amendments to IAS 41 'Agriculture' – Taxation in fair value measurements

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.

Going concern

As at 4 March 2023 the Company had retained earnings of £310,000,000 (2022: £270,000,000) and made a profit of £40,000,000 (2022: £78,000,000).

The financial statements have been prepared on the going concern basis on the grounds that 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 for a period of twelve months from the date on which these financial statements are signed.

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

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms net of any lease incentives given to the lessee and is included in revenue in the statement of profit or loss due to its operating nature.

Cost of sales

Cost of sales consists of all costs associated with the investment properties, including depreciation.

Finance costs

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

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.

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

2 Accounting policies (continued)
(b) Basis of preparation (continued)

Investment property

Investment properties are those properties held for capital appreciation and/or to earn rental income. They are initially measured at cost, which includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use, including related transaction costs. After initial recognition at cost, they are measured using the "cost method" which is cost less accumulated depreciation and any recognised impairment loss. Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit.

Depreciation

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following basis:

- Freehold buildings and leasehold properties – 50 years, or the lease term if shorter
- Freehold land is not depreciated

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to dispose and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. For property, plant and equipment and investment property, the CGU is deemed to be each trading store.

Any impairment loss is recognised in the income statement in the year in which it occurs. Where an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, or its original carrying value less accumulated depreciation if lower.

Cash and cash equivalents

Cash and cash equivalents comprise cash held in instant access bank accounts.

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.

For the Company, these are financial assets that are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company initially measures these financial assets at fair value plus transaction costs. Subsequently these assets are carried at amortised cost less impairment using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

2 Accounting policies (continued)
(b) Basis of preparation (continued)

Impairment of financial assets

Loan loss impairments are accounted for using a 3 stage forward-looking expected credit loss (ECL) approach in line with IFRS 9. IFRS 9 requires the Company to record an allowance for ECL for all loans and other debt financial assets not held at 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 and contract assets, the Company establishes provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9.

Financial liabilities

Interest-bearing bank loans and overdrafts are recorded initially 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.

Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

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.

(c) 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 financial statements:

Operating leases for lessors

The Company earns rental income through commercial property leases on its portfolio of stores. At inception of each lease, the terms and conditions of the arrangements are evaluated to assess whether the lease terms constitute a major part of the economic life of the assets and whether the present value of the minimum lease payments amount to substantially all of the fair value of the commercial property. Where there is no evidence of this, management conclude that the significant risks and rewards of ownership do not transfer and these leases are accounted for as operating leases, with the underlying asset presented in the balance sheet and lease income recognised over the lease term on a straight-line basis.

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.

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

2 Accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

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.

Estimates and assumptions

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

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.

Determining fair values

The fair value of financial assets and liabilities are based on prices available from the market on which the instruments are traded. Where market values are not available, the fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values of short-term deposits, trade receivables, overdrafts and payables are assumed to approximate to their book values.

Fair value of Investment properties

The Company carries its investment properties using the "cost method" which is cost less accumulated depreciation and any recognised impairment loss. For disclosure purposes the Company engaged an independent valuation specialist to assess fair value as at 4 March 2023. A valuation methodology based on a discounted cash flow (DCF) model was used. Please refer to note 7 for the key assumptions used to determine the fair value of the properties.

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").

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

3 Operating profit

	2023	2022
	£m	£m
Operating profit is stated after charging the following items:		
Property operating expenses	9	9
Impairment of investment property	25	-

There were £nil (2022: £nil) direct operating expenses arising from investment property that did not generate rental income during the year.

The auditors' remuneration, in the current and prior financial year, has been borne by Sainsbury's Supermarkets Ltd, a Group company that makes no recharge to the Company.

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 ultimate parent company, J Sainsbury plc, or other Group companies. The Directors' emoluments are borne by Sainsbury's Supermarkets Ltd, a 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 Group companies. Accordingly, the income statement does not include emoluments in respect of the Directors.

5 Finance (costs)/income

	2023	2022
	£m	£m
Lease liabilities	(1)	1
Finance (costs)/income	(1)	1

6 Income tax expense

The income tax expense for the financial year was £27 million (2022: £16 million).

The effective tax rate of 40 per cent (2022: 16 per cent) is higher than (2022: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2023	2022
	£m	£m
Profit before tax	67	94
Income tax at UK corporation tax rate of 19% (2022: 19%)	13	18
Effects of underlying items:		
Disallowed depreciation on UK properties	2	2
Impairment of non-financial assets	3	-
Transfer pricing adjustment	-	(3)
Under/(over) provision in prior years	9	(1)
Total income tax expense in income statement	27	16

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.

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

7 Investment property

	Land and Buildings £m
Cost	
At 4 March 2023 and 5 March 2022	1,413
At 4 March 2023	1,413
Accumulated depreciation and impairment	
At 5 March 2022	136
Depreciation expense for the year	9
Impairment loss for the year	25
At 4 March 2023	170
Net book value at 4 March 2023	1,243
Cost	
At 5 March 2022	1,413
Accumulated depreciation and impairment	
At 7 March 2021	127
Depreciation expense for the year	9
At 5 March 2022	136
Net book value at 5 March 2022	1,277

The Company owns 54 (2022: 54) supermarket properties (land and buildings) with a net book value of £1,268 million (2022: £1,277 million). The properties have not been pledged as security for funding.

The fair value of the Company's investment properties at 4 March 2023 was £1,701 million (2022: £2,267 million).

The valuation was carried out by CBRE Limited, independent valuers not connected with the Company. The basis of the valuation used in calculating the fair value of the investment property was the Oasis valuation (2022: Oasis valuation). The valuation is made under the Special Assumption that that any existing leases have been dissolved and that a lease (known as an 'Oasis' lease) has been entered into at the date of valuation to Sainsbury's Supermarkets Limited for a term of 25 years with annual upward only reviews linked to increases in RPI capped and collared at 4% and 0% respectively. The fair value measurement is categorised within Level 2 of the fair value hierarchy.

There are no restrictions on the realisability of Investment properties or the remittance of income or the remittance of income or proceeds on disposals.

There are no contractual obligations to purchase, construct or develop Investment properties for repairs, maintenance or enhancements.

8 Other receivables

	2023 £m	2022 £m
Non-current		
Amounts due from Group Companies	379	379
	379	379
Current		
Amounts due from Group Companies	15	23
	15	23

Sainsbury Propco A Limited
Notes to the financial statements (continued)
for the 52 weeks to 4 March 2023

Other receivables (continued)

Non-current amounts due from Group companies are denominated in pound sterling, are non-interest bearing and relate to the straight-lining of rent increases.

Current amounts due from Group companies are denominated in pound sterling and are non-interest bearing and payable on demand.

Amounts due from Group companies are not considered overdue or impaired.

9 Other payables

	2023	2022
	£m	£m
Current		
Amounts owed to Parent company	873	982
	873	982

Current amounts due to the Parent company are denominated in pound sterling, are non-interest bearing and payable on demand.

10 Lease liabilities

	2023	2022
	£m	£m
At 4 March 2023 and 5 March 2022	8	8
Non-current	8	8

11 Called up share capital

	2023	2022	2023	2022
	£m	£m	million	million
Called up share capital				
Authorised, allotted and fully paid - ordinary shares at £1 each	401	401	401	401

12 Retained Earnings

	£m
At 6 March 2022	270
Profit for the year	40
At 4 March 2023	310
At 7 March 2021	192
Profit for the year	78
At 5 March 2022	270