Registered Company number: 11733455

# Sainsbury's Tyne Property Holdings Limited

# Annual Report and Financial Statements

For the period to 7 March 2020

**Sainsbury's Tyne Property Holdings Limited**
**Strategic report**
**for the period to 7 March 2020**

**Principal activities and review of business**
The principal activities of Sainsbury's Tyne Property Holdings Limited (the 'Company') are the ownership and rental of supermarket outlets to J Sainsbury plc and its subsidiary companies (the 'Group').

The Company's loss for the financial year was £3 million. The financial position as at 7 March 2020 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 2020 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 36 to 45 of the Group's Annual Report and Financial Statements 2020, 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 29 on pages 153 to 162 of the Group's Annual Report.

***Section 172 statement and stakeholder engagement***
All directors are collectively responsible for the success of the Company and take their duties and responsibilities, including those set out in Section 172(1) of the Companies Act 2006, seriously. When making decisions, the board of directors seek to take the course of action that it considers best leads to the success of the Company over the long term, and this includes considering the Company's stakeholders.

The Company is a 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 Group property committee meetings, Group Operating Board meetings and finance meetings to consider and engage with the Group. These interactions informed key decisions that the Directors made during the year.

Further details on how the Group engaged with its stakeholders, can be found in the 2020 Annual Report for J Sainsbury plc on pages 14-17.

By order of the Board:

N Shinton
N Shinton (May 14, 2021 11:10 GMT+1)

Natalie Shinton
Director
14 May 2021

## Sainsbury's Tyne Property Holdings Limited
## Directors' report
## for the period to 7 March 2020

The Directors present their report and the audited financial statements of Sainsbury's Tyne Property Holdings Limited (the 'Company') for the period to 7 March 2020.

### Dividends
During the financial year, there were no dividends recommended or paid.

### Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

### 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 | (appointed 19 December 2018; resigned 3 December 2019) |
| David Wheeler | (appointed 19 December 2018; resigned 14 June 2019) |
| Natalie Shinton | (appointed 3 December 2019) |
| Bruce Richardson | (appointed 14 June 2019) |

### 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:

| | |
|---|---|
| Tim Fallowfield | (appointed 19 December 2018; resigned 14 June 2019) |
| Julia Foo | (appointed 14 June 2019; resigned 7 May 2021) |
| Sainsbury's Corporate Secretary Limited | (appointed 7 May 2021) |

### 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 parent company purchased and maintained Directors' and Officers' liability insurance throughout 2018/19, which was renewed for 2019/2020. 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 were appointed as auditors during the period and have indicated their willingness to continue in office.

By order of the Board:

N Shinton
N Shinton (May 14, 2021 11:10 GMT+1)

Natalie Shinton
Director
14 May 2021

**Sainsbury's Tyne Property Holdings Limited**
**Statement of Directors' responsibilities**
**for the period to 7 March 2020**

The Directors are responsible for preparing the Directors' report, the Strategic 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.

Bruce Richardson
Director
14 May 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAINSBURY'S TYNE PROPERTY HOLDINGS LIMITED

### Opinion

We have audited the financial statements of Sainsbury's Tyne Property Holdings Limited for the financial period ending 7 March 2020 which comprise the Statement of profit or loss and other comprehensive Income, Balance sheet, the Statement of changes in equity and the related notes 1 to 13, 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 as at 7 March 2020 and of its loss for the 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 below. 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.

### Emphasis of matter – disclosure of effects of COVID-19

We draw attention to note 2 and note 13 of the financial statements, which describe the impact on the Company as a result of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### 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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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.

Ben Marles (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 May 2021

**Sainsbury's Tyne Property Holdings Limited**
**Statement of profit or loss and other comprehensive income**
**for the period to 7 March 2020**

| | Note | 2020 £m |
|---|---|---|
| **Revenue** | | **57** |
| Cost of sales | | **(28)** |
| **Gross profit** | | **29** |
| **Operating profit** | 3 | **29** |
| Finance costs | 5 | **(32)** |
| **Loss before tax** | | **-** |
| Income tax expense | 6 | **-** |
| **Loss for the financial year** | | **(3)** |

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

The notes on pages 10 to 18 are an integral part of these financial statements.

**Sainsbury's Tyne Property Holdings Limited**
**Balance sheet**
**at 7 March 2020**

| | Note | 2020 £m |
|---|---|---|
| **Non-current assets** | | |
| Investment property | 7 | **1,799** |
| | | **1,799** |
| **Current assets** | | |
| Other receivables | 9 | **269** |
| | | **269** |
| **Total assets** | | **2,068** |
| **Current liabilities** | | |
| Other payables | 10 | **(58)** |
| | | **(58)** |
| **Net current assets** | | **211** |
| **Non-current liabilities** | | |
| Other payables | 10 | **(1,334)** |
| Lease Liabilities | 11 | **(2)** |
| | | **(1,336)** |
| **Total Liabilities** | | **(1,394)** |
| **Net assets** | | **674** |
| **Equity** | | |
| Called up share capital | 12 | **-** |
| Retained earnings | 13 | **674** |
| **Total equity** | | **674** |

The notes on pages 10 to 18 are an integral part of these financial statements.

The financial statements on pages 7 to 18 were approved by the Board of Directors on 14 May 2021, and are signed on its behalf by:

Bruce Richardson
Director
14 May 2021

## Sainsbury's Tyne Property Holdings Limited
## Statement of changes in equity
## for the period to 7 March 2020

| | Note | Called up share capital £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|
| At 19 December 2018 | | - | - | - |
| Loss for the year | | - | (3) | (3) |
| Fair value of loan | | | 677 | 677 |
| At 7 March 2020 | 12,13 | - | 674 | 674 |

The notes on pages 10 to 18 are an integral part of these financial statements.

## 1 General information

Sainsbury's Tyne Property Holdings 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 period from 19 December 2018 to 7 March 2020.

## 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 International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 2020 of J Sainsbury plc, available on the Group's website.

FRS 101 sets out amendments to IFRS as adopted by the European Union 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 7 March 2020.

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.

**(b) Basis of preparation**

The financial statements are presented in 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 considered the following amendments to published standards that are effective for the Company for the financial year beginning 19 December 2018 and concluded that, with the exception of IFRS 16 'Leases', they are either not relevant to the Company or they do not have a significant impact on the Company's financial statements other than disclosures. These standards and interpretations have been endorsed by the European Union.

— IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments'
— Amendments to IFRS 9 'Financial Instruments' on prepayment features with negative compensation
— Amendments to IAS 19 'Employee Benefits' on plan amendments, curtailments or settlements
— Amendments to IAS 28 'Investments in Associates and Joint Ventures' on long term interests in associates and joint ventures
— Annual Improvements Cycle 2015-2017 (issued in December 2017)

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

**Standards and revisions effective for future periods:**
The following standards and revisions will be effective for future periods:
— Amendments to References to Conceptual Framework in IFRS Standards
— Amendments to IFRS 3 'Business Combinations' on the definition of a business
— Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of material
— Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures' on interest rate benchmark reform
— IFRS 17 'Insurance Contracts'

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

**Going concern**
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

**Revenue**
Rental income arising from 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.

**Property, plant and equipment**
*Fixtures and equipment*
Fixtures and equipment are held at cost less accumulated depreciation and any recognised provision for impairment.

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*
Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following basis:
- Fixtures and equipment – 3 to 15 years

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## 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.

*Impairment of financial assets*
Loan Loss impairments are accounted for using a 3 stage forward-looking expected credit loss (ECL) approach.
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 contract.

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

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:

*Impact of COVID-19*
The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections across many countries. Management has exercised significant judgement when determining whether any adjustments are required to the financial statements as at 7 March 2020.

The conditions that existed at the balance sheet date were that a disease, present in a number of countries globally, was in existence. It had stabilised in China, however had caused a level of uncertainty in the market. The UK response to the outbreak was still minor and day-to-day life in the UK where the Company operates was unchanged. Despite the lockdown in China, a UK lockdown and subsequent economic impact was not readily apparent at this stage. As a result none of the conditions at the balance sheet date indicated that any adjustments would be required to the Company's financial statements.

The subsequent rise in infections in the UK, significant market movements and global lockdowns occurred after the year-end date, but do not provide additional information about conditions that existed at the balance sheet date. In particular, it was on 11 March that the World Health Organisation declared the virus a pandemic, and from 16 March that the UK Government announced major government-backed loans. It is also this date that day-to-day life in the UK began to be impacted through announced social distancing measures, with additional, stay at home measures being enforced even later. The scale of these Government interventions and impact on daily life in the UK were not apparent at the balance sheet date and therefore represent non-adjusting events to the Company.

## 2 Accounting policies (continued)
### (c) Significant accounting judgements, estimates and assumptions (continued)

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

The Company has the option under some of its leases to either lease the assets for additional terms, or terminate the lease early (a break option). The Company applies judgement in evaluating whether it is reasonably certain to exercise these options. That is, it considers all relevant factors that create an economic incentive for it to exercise them. For leased properties, this includes the current and expected profitability of the respective site, as well as the length of time until the option can be exercised. The judgement currently applied is that the Company assumes contractual terms unless it is reasonably certain that an extension or break option will be applied.

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

**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.

*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").

The weighted average IBR applied on transition to IFRS 16 was 5.5 per cent, with individual leases ranging from 0.7 per cent to 16.5 per cent.

*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.

## 2 Accounting policies (continued)

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

*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 7 March 2020. A valuation methodology based on a discounted cash flow (DCF) model was used. Please refer to note 8 for the key assumptions used to determine the fair value of the properties.

## 3 Operating profit

| | 2020<br>£m |
|---|---|
| Operating profit is stated after charging the following items: | |
| Depreciation | 9 |
| Impairment of Investment property | 19 |

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

The auditors' remuneration, in the current financial year was nil, 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.

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

| | 2020<br>£m |
|---|---|
| Amounts payable to Group companies | 32 |
| **Finance costs** | **32** |

## 6 Income tax expense

The income tax expense for the financial year was £nil.

The effective tax rate of nil percent is lower than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2020<br>£m |
|---|---|
| Loss before tax | (3) |
| | |
| Income tax at UK corporation tax rate of 19.00% | (1) |
| Effects of: | |
| Disallowed depreciation on UK properties | 1 |
| Group relief claimed | (5) |
| Transfer pricing adjustment | 1 |
| Impairment of investment property | 4 |
| Total income tax expense in income statement | - |

The main rate of UK corporation tax reduced from 20 per cent to 19 per cent from 1 April 2017. A further reduction in the corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted in a prior period, so its effect is reflected in these financial statements. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences and tax losses are expected to reverse. A change to the corporation tax rate, so that it remains at 19% rather than reducing to 17% from 1 April 2020, was announced in the 2020 Budget. However, this rate change was not substantively enacted at the balance sheet date, so its effect is not reflected in these financial statements.

The effect of a two per cent increase in the corporation tax rate on the deferred tax balances at the balance sheet date has no impact.

## 7 Investment property

| | Land and buildings<br>£m | Fixtures and fittings<br>£m | Total<br>£m |
|---|---|---|---|
| **Cost** | | | |
| At 19 December 2018 | - | - | - |
| Additions | 1,817 | 10 | 1,827 |
| **At 7 March 2020** | 1,817 | 10 | 1,827 |
| | | | |
| **Accumulated depreciation** | | | |
| At 19 December 2018 | | | |
| Depreciation expense for the year | (7) | (2) | (9) |
| Impairment | (19) | - | (19) |
| **At 7 March 2020** | (26) | (2) | (28) |
| | | | |
| **Net book value at 7 March 2020** | 1,791 | 8 | 1,799 |

The fair value of the Company's investment properties at 7 March 2020 was £1,820 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. The valuation is made under the Special Assumption that that any existing leases has 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.

Following the outbreak of the COVID-19 pandemic and subsequent lockdown, the UK professional body of Chartered Surveyors ("RICS") recommended that valuers included Material Valuation Uncertainty clauses in valuation reports due to the low volume of transactional evidence. Such a clause has been included in the valuation report for the Company's investment properties as at 7 March 2020.

### 7 Investment property (continued)

The inclusion of the 'Material Valuation Uncertainty' declaration is used in order to be clear and transparent that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. It does not mean the report cannot be relied upon.

The Company has therefore concluded that the valuations are credible and represent the best views as to the likely property valuations at 7 March 2020.

There are no restrictions, other than those noted above, on the realisibility 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

| | 2020 £m |
|---|---|
| **Current** | |
| Amounts due from Group companies | 269 |
| | 269 |

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

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

### 9 Other payables

| | 2020 £m |
|---|---|
| **Non-current** | |
| Amounts due to Group companies | 1,334 |
| | 1,334 |
| **Current** | |
| Amounts due to Group companies | 58 |
| | 58 |

### 10 Lease liabilities

| | 2020 £m |
|---|---|
| **At 19 December 2018** | - |
| Additions | 2 |
| Interest expense | - |
| Payments | - |
| **At 7 March 2020** | 2 |
| | |
| Current | - |
| Non-current | 2 |

## 11 Called up share capital

| | 2020 Number of shares | 2020 £m |
|---|---|---|
| **Called up share capital** | | |
| Allotted and fully paid - ordinary shares at £1 each | **100** | - |
| Allotted and fully paid - redeemable shares at £0.01 each | **1** | - |

## 12 Retained earnings

| | Retained earnings £m |
|---|---|
| **At 19 December 2018** | - |
| **Loss for the year** | **(3)** |
| **Fair value of loan** | **677** |
| **At 7 March 2020** | **674** |

## 13 Subsequent events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections across many countries. As detailed in note 2 it has been concluded that none of the conditions at the balance sheet date indicated that any adjustments would be required to the Company's financial statements.

Subsequent to the balance sheet date, Julia Foo resigned as Company secretary on 7 March 2021 and Sainsbury's Corporate Secretary Limited was appointed as Company secretary on 7 March 2021.