Registered number· 05644624

Sainsbury Propco B Limited

Annual Report and Financial Statements

For the 52 weeks to 17 March 2012

Sainsbury Propco B Limited
Directors' report
for the 52 weeks to 17 March 2012
Registered company number: 05644624

The Directors present their report and the audited financial statements of Sainsbury Propco B Limited (the 'Company') for the 52 weeks to 17 March 2012

Principal activities and review of business
The principal activities of 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 loss for the financial year was £23 million (2011 loss of £8 million) The Directors do not recommend payment of a dividend (2011 £nil)

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

Key Performance Indicators (KPIs)
Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

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 50 and 51 of the J Sainsbury plc Annual Report and Financial Statements 2012, which do not form part of this report

Directors
The Directors of Sainsbury Propco B Limited who held office during the financial year and up to the date of signing are shown below

R J Learmont
Sainsburys Corporate Director Limited
G J Cowen
N Sachdev

Directors' indemnities
The Directors are entitled to be indemnified by the ultimate parent company, J Sainsbury plc, to the extent permitted by law and the Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities The ultimate parent company purchased and maintained Directors' and Officers' liability insurance throughout 2011/12, which was renewed for 2012/13 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

Financial risk management
The financial risk management and policies of the Company are disclosed in note 16 of the financial statements

Market value of properties
The Directors believe that the aggregate open market value of the Company's properties exceeds the net book value as set out in note 8 on page 16 to the financial statements

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

Sainsbury Propco B Limited
Directors' report (continued)
for the 52 weeks to 17 March 2012

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

By order of the Board

Philip Davies
Company Secretary
10 July 2012

Sainsbury Propco B Limited
Statement of Directors' responsibilities

The Directors are responsible for preparing 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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

By order of the Board

Philip Davies
Company Secretary
10 July 2012

Independent Auditors' report to the members of Sainsbury Propco B Limited

We have audited the financial statements of Sainsbury Propco B Limited for the 52 weeks ended 17 March 2012 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Cash flow statement, the Statement of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 17 March 2012 and of its loss and cash flows for the 52 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

R J Hughes.

Richard Hughes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 July 2012

Sainsbury Propco B Limited
Income statement
for the 52 weeks to 17 March 2012

	Note	2012 £m	2011 £m
Revenue		95	91
Cost of sales		(12)	(14)
Gross profit		**83**	77
Other (expense)/income		(1)	9
Operating profit	3	**82**	86
Finance costs	5	(104)	(91)
Loss before taxation		**(22)**	(5)
Income tax expense	6	(1)	(3)
Loss for the financial year		**(23)**	(8)
Attributable to:			
Equity holders		(23)	(8)

Statement of comprehensive income
for the 52 weeks to 17 March 2012

	2012 £m	2011 £m
Loss for the financial year	**(23)**	(8)
Other comprehensive income	-	-
Total comprehensive expense for the financial year	**(23)**	(8)

Sainsbury Propco B Limited
Balance sheet
As at 17 March 2012 and 19 March 2011

	Note	**2012 £m**	2011 £m
Non-current assets			
Property, plant and equipment	7	**9**	11
Investment property	8	**1,490**	1,500
Deferred income tax asset	12	**-**	1
		1,499	1,512
Current assets			
Other receivables	9	**22**	15
Total assets		**1,521**	1,527
Current liabilities			
Other payables	10	**(7)**	(7)
Borrowings	11	**(14)**	(10)
		(21)	(17)
Net current assets / (liabilities)		**1**	(2)
Non-current liabilities			
Other payables	10	**(406)**	(393)
Borrowings	11	**(860)**	(860)
		(1,266)	(1,253)
Net assets		**234**	257
Equity			
Called up share capital	13	**310**	310
Accumulated loss	14	**(76)**	(53)
Total equity		**234**	257

The financial statements on pages 6 to 21 were approved by the Board of Directors on 10 July 2012, and are signed on its behalf by

Ed Barker

Ed Barker
On behalf of Sainsburys Corporate Director Limited
Director

Sainsbury Propco B Limited
Cash flow statement
for the 52 weeks to 17 March 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	15	**95**	96
Interest paid		**(94)**	(86)
Net cash from operating activities		**1**	10
Cash flows from financing activities			
Repayment of long-term borrowings		**(1)**	(10)
Net cash outflow from financing activities		**(1)**	(10)
Net increase in cash and cash equivalents		**-**	-
Opening cash and cash equivalents		**-**	-
Closing cash and cash equivalents		**-**	-

Sainsbury Propco B Limited
Statement of changes in equity
for the 52 weeks to 17 March 2012

	Called up share capital £m	Accumulated loss £m	Total Equity £m
At 20 March 2011	**310**	**(53)**	**257**
Loss for the year	**-**	**(23)**	**(23)**
At 17 March 2012	**310**	**(76)**	**234**
At 21 March 2010	310	(45)	265
Loss for the year	-	(8)	(8)
At 19 March 2011	310	(53)	257

Sainsbury Propco B Limited
Notes to the financial statements
for the 52 weeks to 17 March 2012

1 General information

Sainsbury Propco B Limited is a private limited company ('the Company') incorporated in the United Kingdom The Company's registered address is 33 Holborn, London EC1N 2HT

The financial year represents the 52 weeks to 17 March 2012 (prior financial year 52 weeks to 19 March 2011)

2 Accounting policies

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

(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, except for derivative financial instruments that have been measured at fair value

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2c

New standards, interpretations and amendments to published standards

Effective for the Company in these financial statements

- IAS 24 'Related Party Disclosures' revised definition of related parties
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'
- Amendments to certain IFRSs and IASs arising from the April 2010 Annual Improvements to IFRS by the International Accounting Standards Board ('IASB')
- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'

The Company has considered the above interpretations, revisions and amendments to published standards that are effective and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements, apart from additional disclosures

Effective for the Company for the financial year beginning 18 March 2012·

- Amendments to IFRS 7 'Financial Instruments Transfers of Financial Assets' *
- Amendments to IAS 12 'Income Taxes', Deferred tax accounting for investment property at fair value
- Amendments to IFRS 1, Severe hyperinflation and removal of fixed dates for first time adopters
- Amendments to IAS 1 'Presentation of financial statements' on other comprehensive income
- IAS 1 Other comprehensive income

* These standards and interpretations have been endorsed by the EU

The Company has considered the above amendments to published standards that are not yet effective and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements, apart from additional disclosures

2 Accounting policies (continued)

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

- IFRS 10 'Consolidated financial statements' *
- IFRS 11 'Joint arrangements' *
- IFRS 12 'Disclosure of interests in other entities' *
- IFRS 13 'Fair value measurement' *
- Amendments to certain IFRSs and IASs arising from the April 2011 Annual Improvements to IFRS by the International Accounting Standards Board ('IASB')
- Amendment to IAS 32 'Offsetting Financial Assets and Liabilities' ^
- IAS 19 (Revised) 'Employee benefits' *
- IFRS 9 'Financial Instruments' ^
- IAS 27 (Revised) 'Separate Financial Statements' *
- IAS 28 (Revised) 'Associates and Joint Ventures' *

* These standards are effective for accounting periods starting on or after 1 January 2013
^ This standard is effective for accounting periods starting on or after 1 January 2015 and beyond

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, apart from additional disclosures

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company

Revenue
Revenue consists of rental income All material operations are carried out in the UK

Cost of sales
Cost of sales consists of all costs associated with the property rentals

Property, plant and equipment
Fixtures and equipment
Fixtures and equipment are held at cost less accumulated depreciation and any recognised impairment loss

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 bases

- Freehold buildings and leasehold properties – 50 years, or the lease term if shorter
- Fixtures and equipment – 3 to 15 years
- Freehold land is not depreciated

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit

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 The depreciation policies for investment property are consistent with those described for property, plant and equipment Freehold land is not depreciated

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value 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 cash flow statement

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

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

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

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

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

Financial Instruments
Financial assets
The Company classifies its financial assets into the category of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market The Company has no intention of trading these loans and receivables Subsequent to initial recognition, 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

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 period in which they arise

Fair value estimation
The methods and assumptions applied in determining the fair values of financial assets and financial liabilities are disclosed in note 17

2 Accounting policies (continued)

Borrowing costs
All borrowing costs are recognised in the income statement in the period in which they are incurred

(c) Judgements and estimates
The Company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below

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 a calculation of expected future cash flows which 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 period when such determination is made Detail of the tax charge and deferred tax are set out in notes 6 and 12 respectively

3 Operating profit

	2012 £m	2011 £m
Operating profit is stated after charging the following items		
Depreciation expense - Property, plant and equipment (note 7)	**3**	4
Depreciation expense - Investment property (note 8)	**9**	9
Loss / (Profit) on disposal of property, plant and equipment and investment property	**1**	(9)

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

4 Employee costs

The average monthly number of persons (including Directors) employed by the Company during the financial year was nil (2011 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 Directors

5 Finance costs

	2012 £m	2011 £m
Amounts due to parent company	**(43)**	(42)
Interest costs – other loans	**(61)**	(49)
Finance costs	**(104)**	(91)

6 Income tax expense

	2012 £m	2011 £m
Current tax		
Current year expense	-	6
Deferred tax charge / (credit)		
Under provision in prior years	1	-
Origination and reversal of temporary differences	-	(3)
Total income tax expense in income statement	**1**	3

The effective tax rate differs from the standard rate of corporation tax in the UK The differences are explained below

	2012 £m	2011 £m
Loss before taxation	**(22)**	(5)
Income tax at UK corporation tax rate of 26 07% (2011 28 00%)	**(6)**	(1)
Effects of		
Disallowed depreciation on UK properties	**3**	1
Group relief	**3**	-
Loss/(profit) on disposal	-	(3)
Under provision in prior years	**1**	6
Total income tax expense in income statement	**1**	3

A number of changes to the UK corporation tax system were announced in the 21 March 2012 UK Budget Statement A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24 0 per cent from 1 April 2012 Legislation to reduce the main rate of corporation tax from 24 0 per cent to 23 0 per cent from 1 April 2013 is expected to be included in the Finance Act 2012 Further reductions to the main rate are proposed to reduce the rate by one per cent per annum to 22 0 per cent by 1 April 2014 None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, their effect is not included in the financial statements

7 Property, plant and equipment

	Fixtures and equipment £m
Cost	
At 20 March 2011	**35**
Additions	**1**
At 17 March 2012	**36**
Accumulated depreciation	
At 20 March 2011	**24**
Depreciation expense for the year	**3**
At 17 March 2012	**27**
Net book value at 17 March 2012	**9**

	Fixtures and equipment £m
Cost	
At 21 March 2010	35
Additions	2
Disposals	(2)
At 19 March 2011	35
Accumulated depreciation	
At 21 March 2010	21
Depreciation expense for the year	4
Disposals	(1)
At 19 March 2011	24
Net book value at 19 March 2011	11

8 Investment property

	Land and buildings £m
Cost	
At 20 March 2011	**1,544**
Disposals	**(1)**
At 17 March 2012	**1,543**
Accumulated depreciation	
At 20 March 2011	**44**
Depreciation expense for the year	**9**
At 17 March 2012	**53**
Net carrying value at 17 March 2012	**1,490**

	Land and buildings £m
Cost	
At 21 March 2010	1,537
Additions	64
Disposals	(57)
At 19 March 2011	1,544
Accumulated depreciation	
At 21 March 2010	36
Depreciation expense for the year	9
Disposals	(1)
At 19 March 2011	44
Net carrying value at 19 March 2011	1,500

The Company owns 54 (2011 54) supermarket properties (land and buildings) with a net book value of £1,490 million (2011 £1,500 million) and property, plant and equipment (fixtures and equipment) with a net book value of £9 million (2011 £11 million) relating to those supermarket properties This gives a total net book value of £1,499 million (2011 £1,511 million), which has been pledged as security for long-term financing (note 11)

The fair value of the Company's investment properties at 17 March 2012 was £1,901 million (2011 £1,854 million) The valuation was carried out by BNP Paribas Real Estate Advisory & Property Management UK Limited, independent valuers not connected with the Company The basis of the valuation used in calculating the fair value was 'Vacant Possession Value'

9 Other receivables

	2012 £m	2011 £m
Current		
Amounts due from Group companies	**22**	15

Amounts due from Group companies are denominated in sterling and are non-interest bearing

Amounts due from Group companies are not considered overdue or impaired

10 Other payables

	2012 £m	2011 £m
Current		
Amounts due to parent company	**7**	7
Non-current		
Amounts due to parent company	**406**	393

The non-current amount due to parent company is at an interest rate of 9 9 per cent (2011 9 9 per cent) and is re-payable in 2025

11 Borrowings

	2012 Within one year £m	2012 After one year £m	2012 Total £m	2011 Within one year £m	2011 After one year £m	2011 Total £m
Long-term borrowings						
Secured loans						
25 year loan due 2031	**14**	**860**	**874**	10	860	870

Secured loans
The Company's long-term borrowings comprise an inflation-linked amortising loan with an outstanding principal value of £843 million (2011 £840 million) at a fixed real rate of 2 36 per cent where principal and interest are uplifted annually by RPI subject to a cap at five per cent and floor at nil per cent with a carrying amount of £874 million (2011 £870 million) with a final repayment date of April 2031

The Company's long-term financing is secured over the Company's 54 supermarket properties (note 8)

12 Deferred taxation

The movements in deferred income tax assets and liabilities during the financial year are shown below

	Accelerated tax depreciation £m
Deferred income tax assets / (liabilities)	
At 20 March 2011	**1**
Charge to income statement	**(1)**
At 17 March 2012	**-**
Deferred income tax assets / (liabilities)	
At 21 March 2010	(2)
Credit to income statement	3
At 19 March 2011	1

13 Called up share capital

	2012 million	2012 £m	2011 million	2011 £m
Called up share capital				
Allotted and fully paid - ordinary shares of £1 each	**310**	**310**	310	310

14 Accumulated loss

	£m
At 20 March 2011	**(53)**
Loss for the year	**(23)**
At 17 March 2012	**(76)**
At 21 March 2010	(45)
Loss for the year	(8)
At 19 March 2011	(53)

15 Notes to the cash flow statements

Reconciliation of operating profit to cash generated from operations

	2012 £m	2011 £m
Operating profit	**82**	86
Adjustments for		
Depreciation expense – Property, plant and equipment	**3**	4
Depreciation expense – Investment property	**9**	9
Loss / (profit) on disposal of property, plant and equipment and investment property	**1**	(9)
Operating cash flows before changes in working capital	**95**	90
(Increase)/Decrease in other receivables	**(7)**	5
Increase in other payables	**7**	1
Cash generated from operations	**95**	96

16 Financial risk management

Treasury management
Treasury policies are reviewed and approved by the ultimate parent company's board The J Sainsbury plc Chief Executive and Chief Financial Officer have joint delegated authority from the ultimate parent company's board to approve finance transactions

The Group operates a central treasury function which is responsible for managing the Company's liquid resources, funding requirements and interest rate and currency exposures

Interest rate risk
Inflation-linked debt is based on movements in the RPI and the interest paid is therefore variable (see note 11)

Sensitivity analysis for inflation-linked variable instruments
The Company holds £843 million of inflation-linked debt (2011 £840 million) which is recorded at amortised cost An increase of 100 bps in the RPI at the balance sheet date would have decreased post-tax profit by nil (2011 decreased by £6 million) and a decrease of 100 bps in the RPI at the balance sheet date would have increased post-tax profit by £6 million (2011 increased by £6 million) Where a decrease in RPI of 100 bps would reflect a negative rate, the assumed rate is nil

Sensitivity analysis for fixed rate instruments
Amounts due to the parent company are at a fixed rate of 9 9 per cent and a change in interest rates at the reporting date would not affect the income statement

Liquidity risk
The Company's exposure to liquidity risk is managed by funding cash flow requirements from the parent company

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows or an estimation in respect of floating interest rate liabilities

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
2012				
Secured loan due 2031	59	61	195	1,164
Amounts due to parent company	36	36	108	932
2011				
Secured loan due 2031	57	59	192	1,275
Amounts due to parent company	40	40	119	757

Credit risk
The Company's exposure to credit risk is limited to amounts receivable from Group companies

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide services to the Group and to maintain an optimal capital structure

17 Financial instruments

Maturity of interest bearing financial instruments
Interest on amounts due to the parent company is fixed until maturity of the instrument Inflation-linked debt is classified as floating rate as it is based on movements in the RPI and is therefore variable (see note 11)

Fair value
Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are carried in the financial statements at other than fair values

The fair values of amounts due to the parent company are discounted using current market rates of interest

The fair values of receivables and payables of less than one year are assumed to be approximately their book values, and are excluded from the analysis below

	Carrying amount £m	Fair value £m
2012		
Financial liabilities		
Secured loan due 2031	**(874)**	**(1,068)**
Amounts due to parent company	**(406)**	**(505)**
2011		
Financial liabilities		
Secured loan due 2031	(870)	(1,032)
Amounts due to parent company	(393)	(456)

18 Related party transactions

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

(a) Key management personnel

The key management personnel of the Company comprise of the Board of Directors The Directors do not receive any remuneration from the Company (2011 £nil) as their emoluments are borne by Group companies The Company did not have any transactions with the Directors during the period (2011 £nil)

(b) Transactions with parent company

	2012 £m	2011 £m
Advances received from parent company and interest expense		
Advances received from parent company	**(13)**	(8)
Interest expense in respect of interest bearing loans	**(43)**	(42)
Year end balances arising from transactions with parent company		
Payables		
Loans and Advances due to parent company	**(413)**	(400)

17 Related party transactions (continued)

(c) Transactions with Group companies

	2012 £m	2011 £m
Advances given to Group companies		
Advances given/(repaid) to/by Group companies	**7**	(5)
Year end balances arising from transactions with Group companies		
Receivables		
Amounts due from Group companies	**22**	15

During the period, rental income of £95 million (2011 £91 million) was earned by the Company through rental income from Group companies