



J SAINSBURY_{plc}

Annual Review 1995

and Summary Financial Statement

Group Profile

J Sainsbury plc is one of the world's leading retailers, operating four separate retail chains in the UK and US which together serve more than 11 million customers a week.

The UK supermarket business is the largest part of the Sainsbury Group, accounting for 87% of Group operating profit before profit sharing and 80% of Group sales.

The other UK retailing arms are Savacentre, the country's only specialist hypermarket company, and the Homebase chain of house and garden centres. Over the next two years, Homebase will be integrating Texas Homecare into its trading operations.

In the US, Shaw's Supermarkets, Inc. operates a chain of supermarkets in New England. In November 1994, Sainsbury's acquired a 16.7% holding in Giant Food Inc., a supermarket group which is the market leader in the Washington and Baltimore areas.

Founded in London in 1869, Sainsbury's was privately owned until its public flotation in 1973. The Sainsbury family and its charitable trusts remain major shareholders, and the present Chairman, David Sainsbury, is a great-grandson of the founders.

Company Objectives

To discharge the responsibility as leaders in our trade by acting with complete integrity, by carrying out our work to the highest standards, and by contributing to the public good and to the quality of life in the community.

To provide unrivalled value to our customers in the quality of the goods we sell, in the competitiveness of our prices and in the range of choice we offer.

To achieve the highest standards of cleanliness and hygiene, efficiency of operation, convenience and customer service in our stores, and thereby create as attractive and friendly a shopping environment as possible.

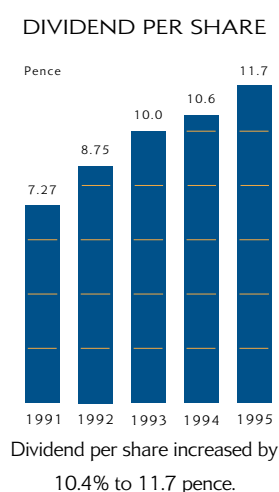
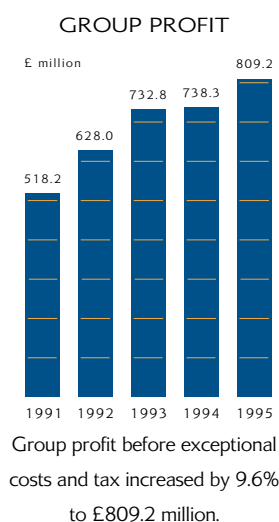
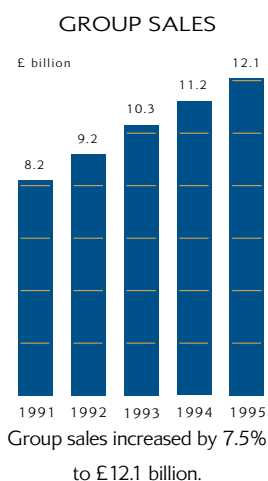
To offer our staff outstanding opportunities in terms of personal career development and in remuneration relative to other companies in the same market, practising always a concern for the welfare of every individual.

To generate sufficient profit to finance continual improvement and growth of the business whilst providing our shareholders with an excellent return on their investment.

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Financial Highlights



	1995 52 weeks to 11th March	1994 52 weeks to 12th March	% Change
£ million			
UK Sales	10,719.5	9,909.3	8.2
US Sales*	1,345.9	1,314.5	2.4
GROUP SALES (including taxes)	12,065.4	11,223.8	7.5
UK Operating Profit	858.6	764.8	12.3
US Operating Profit*	40.3	31.0	30.0

GROUP OPERATING PROFIT

before profit sharing and exceptional costs

exceptional costs	898.9	795.8	13.0
Profit Sharing	(60.6)	(56.3)	
Associates	6.0	0.5	
Net Interest Payable	(36.1)	(8.7)	

GROUP PROFIT

before tax, exceptional costs and profit on sale of properties

Profit on sale of properties	808.2	731.3	10.5
Profit on sale of properties	1.0	7.0	
Exceptional costs	—	(369.5)	

GROUP PROFIT BEFORE TAX	809.2	368.8	
Tax	(269.9)	(227.3)	

GROUP PROFIT AFTER TAX	539.3	141.5	
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EARNINGS PER SHARE	29.8p	8.0p	
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FULLY DILUTED EARNINGS PER SHARE before exceptional costs and profit on sale of properties

and profit on sale of properties	29.0p	27.0p	7.4
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DIVIDEND PER SHARE	11.7p	10.6p	10.4
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*In dollar terms, US sales rose by 5.3% to \$2.1 billion and US operating profit rose 34.0% to \$62.3 million

Chairman's Statement

The Year's Performance

The past year marked the 125th anniversary of Sainsbury's, and I am pleased to report that the Group has again achieved a very satisfactory performance in line with our consistent record. Group sales increased by 7.5% to exceed £12 billion for the first time. Group operating profit increased by 13% to reach almost £900 million, and Group profit before tax, exceptional costs and property items grew by 10.5% to £808 million. We have followed our policy of raising dividend per share in line with improvements in our profitability by increasing it by 10.4% to 11.7p.

The Group's performance has been particularly encouraging in view of the conditions of low inflation and intense competition present in all the markets in which we are represented. It is a testimony to our success throughout the Group in meeting the needs of our customers and achieving higher levels of efficiency. The Sainsbury's supermarket business increased operating profit by 12.5% to £784 million on sales up 8.3% to £9.6 billion. The performance of Savacentre, Homebase and Shaw's has been outstanding. In total they increased their operating profit by 21.7% to £112 million.

New Opportunities in UK Food Retailing

The expectations of our customers for quality, value for money, product range, store facilities and customer service are rising all the time. During the past year we have taken many initiatives to meet and exceed these expectations and the coming year will see many more being implemented.

Across our total range, our prices were typically more than 3% below the average of other large supermarket chains. This, together with the range and quality of our products, enabled our supermarkets to achieve sales of £18.5 per sq. ft. of sales area on average each week, a figure substantially higher than that of any other major supermarket chain in the UK.

A large Sainsbury supermarket now typically stocks a range of over 19,000 products, an increase of 20% in the last three years. A key factor in our attractiveness to customers is the value provided by Sainsbury's own brand products, and during the year we introduced over 1,200 new own brand lines. These included First Menu baby foods and Performers nappies, which follow Novon detergents, Gio soft drinks and Classic Cola as outstandingly successful introductions of the Sainsbury brand into markets dominated by manufacturers' brands. The Sainsbury brand is one of the few retail brands that has the necessary stature to enter such markets.

In the last year we have also taken major initiatives to improve the service we give our customers. We have undertaken substantial market research to establish their views and put in place programmes to make our stores easier and more enjoyable places in which to shop. We have invested an additional £10 million per annum to improve the level of staffing at our checkouts, and we have a major programme to install key customer facilities such as meat counters, coffee shops and petrol stations in our existing stores. We are constantly updating older stores. Last year three stores were extended and 52 were remodelled.

During the course of last year we completed the major review of our operations that we started in July of the previous year. This review produced savings of £26 million during the year, and will produce additional savings of a similar size in the current year. This reduction in our cost structure enabled us to improve the service to our customers while maintaining our low prices and our rate of profit growth. New sales-based ordering and stock management systems introduced during the last year have also allowed our stores to improve the availability of fresh products, and to increase the number of ranges and lines on offer to our customers.

Twenty new Sainsbury supermarkets were opened in the past year and these contributed to a net increase of approximately 500,000 sq. ft. or 5.8% of total sales area. In the year ahead, due to the Government's new planning policy, we



The Chairman, David Sainsbury, joined in the Company's 125th birthday celebrations with (l to r) Abdul Goni, Sharon Philipcien and Deidra Verrion at our new Whitechapel store.

Chairman's Statement continued

will be able to open only 12 new supermarkets, but the total addition to sales area will be similar to the past year due to a decrease in closures, and a large increase in store extensions which will result in 120,000 sq. ft. of new sales area and in many new facilities in existing stores. In the year ahead, 19 stores will be extended and over 80 stores will be remodelled.

The Government's Planning Policy

The reduction in the number of our new supermarket openings in the coming year reflects a shift in Government planning policy concerning new retail development. Although this policy emphasises the importance of competition and innovation in retailing, and the need to respond to customer requirements, there is now a bias against developing food retail stores away from town centres. I do not believe that this policy recognises the benefits of new retail development in out-of-centre locations. Such developments permit lower journey times for shoppers, surface level parking, and the provision of a size of store that can accommodate the wide range of products and services our customers now demand. Also, this policy will not encourage investment in town centres, as shoppers will drive to another town if they cannot get the facilities they want in the nearest one.

There should not be a single, prescriptive policy for the location of all new retail development. There will be opportunities in some town centres to build stores which provide the level of access, the quality of car parking and the services which our customers now expect. There will be other places where suitable sites in town centres do not exist, or where there are insurmountable difficulties in accommodating new stores on available sites. In these cases new developments should be allowed to take place on sites outside town centres where the benefits of modern food retailing can be fully realised.

Diversification

Savacentre, Homebase and Shaw's have over the last three years increased sales by 31.2% to £2.4 billion and operating profit by 74.2% to £112 million. We have built up these businesses using our core skills in buying, own brand development, systems, logistics and store operations. In total these businesses are becoming a substantial part of the Group, and their existence means that the Group is able to pursue profitable investment opportunities over a wide range of activities rather than being restricted to the UK food retail market for future expansion. In the coming year they will continue to expand rapidly and will open over 1 million sq. ft. of new sales area.

In November, we completed the purchase of 16.7% of the equity in Giant Food Inc. at a total cost of approximately £214 million. This purchase included 50% of the company's voting shares and the right to elect three of the seven members of the board of directors. In the year to 25th February 1995, Giant achieved sales of \$3.7 billion and profit before tax of \$155 million.

We have long admired Giant, which we believe to be one of the finest supermarket operators in the US. They are supportive of our involvement and we look forward to a very productive relationship in the future. Giant is the market leader in the Washington and Baltimore areas, and taking into account our ownership of Shaw's in New England, we will now be represented in seven of the ten wealthiest states in the US. Giant also has a substantial expansion programme, and plans to open 11 stores in Philadelphia and in its current trading area over the next 18 months.

Shortly after the year end Homebase completed the acquisition of Texas Homecare from Ladbroke Group PLC at a provisional cost of £290 million. Texas is the second largest DIY retailer in the UK and achieved sales of £658 million in 1994 from over 240 stores. There is very little overlap between the two store chains and it is intended that the Texas stores will be converted to the highly successful Homebase format over a period of two years. After expected store closures, the combined

business will have sales of over £900 million and a market share of approximately 10%. Profitability of the combined business will benefit from substantial economies of scale in buying, own brand development, advertising and head office support.

The Group has a clear plan for profitable expansion in the future. During the coming year, as well as integrating the Texas Homecare chain, we will be opening 1.5 million sq. ft. of new selling space across the whole Group.

Thanks to Suppliers

Across the Group we have over 6,500 suppliers. In our UK supermarket business we trade with over 2,000 suppliers world wide. Many are large multi-nationals but others are small, often family-run businesses. A number have supplied us since the turn of the century whilst some commenced their association with us recently. We aim to work closely with all our suppliers so that together we achieve the highest standards of quality, exceptional value for money, rapid and imaginative innovation, cost efficiency throughout the supply chain, and good environmental practices. In the last year we have extended our international buying activities and in particular have identified a number of suppliers who are able to supply us in both the UK and the US, to our mutual benefit.

I would like to take this opportunity to express my appreciation to all our suppliers for their whole-hearted support throughout this past year, and we look forward to working closely with them in the future.

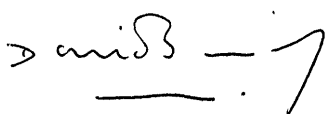
Board Changes

Lady Eccles will be retiring at the Annual General Meeting. During the nine years she has been on the Board she has made a major contribution to the Company, and we will miss her incisive comments and deep knowledge of consumer issues.

Mr Angus Clark retired from the Board in April after 30 years' service with the Company. He leaves with our deepest appreciation and gratitude for his exceptional contribution to the Company's development in distribution, personnel and information systems over a period of great change and growth.

Tribute to Staff

In a year of very considerable challenge and change, both in the marketplace and in the Company, our staff have once again demonstrated their commitment and their skill. Management and staff have shown great dedication and professionalism in tackling the new ways of working together, resulting from the review of our operations over the last 18 months and the reorganisation of many of our activities. Throughout the Group, they have enthusiastically taken up new initiatives in the area of quality management, and have brought forward a wealth of ideas and practical proposals for enhancing the efficiency of our operations, for serving our customers better, and for improving our ranges and products. In our stores, performance improvement teams involving all levels of staff are becoming a way of life, as well as making a real difference to the shopping experience of our customers. Like any service company, we depend entirely on the quality and skills of our people, and this year they have demonstrated once again that they are the best in our industry.



David Sainsbury

Joint Presidents

Lord Sainsbury of Drury Lane
Sir Robert Sainsbury
Lord Sainsbury of Preston Candover KG

Board of Directors

(Pictured top left)

D J Sainsbury* *(centre)*
Chairman and Chief Executive
Chairman, Shaw's Supermarkets, Inc.
Age 54 Appointed to Board in 1966

R T Vyner *(left)*
Deputy Chairman and Joint Managing Director
Age 58 Appointed to Board in 1978

D A Quarmby *(right)*
Joint Managing Director
Responsible for non-trading functions
Chairman, Savacentre Limited
Age 53 Appointed to Board in 1984

(Pictured bottom left, reading left to right)

I D Coull
Responsible for property development and environmental issues
Deputy Chairman, Homebase Limited
Age 44 Appointed to Board in 1988

J E Adshead
Responsible for personnel, information systems,
logistics and distribution
Age 49 Appointed to Board in 1989

D B Adriano
Chairman and Managing Director, Homebase Limited
Deputy Chairman, Shaw's Supermarkets, Inc.
Age 52 Appointed to Board in 1990

R P Thorne
Finance Director
Age 43 Appointed to Board in 1992

(Pictured top right, reading left to right)

R Cooper
Responsible for meat, fresh fish, off-licence, delicatessen, dairy and
frozen foods buying, and procurement
Age 46 Appointed to Board in 1988

C I Harvey
Responsible for retail operations
Age 53 Appointed to Board in 1989

R P Whitbread
Responsible for grocery and non-foods buying
Age 44 Appointed to Board in 1990

D J Clapham
Responsible for produce and bakery buying, scientific services,
and specialist businesses
Age 48 Appointed to Board in 1992

I J Hunt
Marketing Director
Age 54 Appointed to Board in 1994

(Pictured bottom right, reading left to right)

Lady Eccles of Moulton†**
Non-Executive Director
Chairman of Ealing Health Authority, Vice Chairman of Durham
University Council and *inter alia* a Non-Executive Director of the
National Provincial Building Society and Yorkshire Electricity Group plc.
Age 61 Appointed to Board in 1986

Sir Terence Heiser GCB†**
Non-Executive Director
Permanent Secretary, Department of the Environment 1985-1992,
also a Non-Executive Director of Abbey National plc,
Smith New Court PLC and Wessex Water Plc
Age 62 Appointed to Board in 1992

Dr J M Ashworth†**
Non-Executive Director
Director of the London School of Economics and *inter alia*
a Non-Executive Director of Granada Group PLC.
Age 56 Appointed to Board in 1993



Departmental Directors

listed under the Board Directors
to whom they report



David Quarmby

Richard Chadwick - *Business Development*

Savacentre

Mike Broomfield - *Managing Director*

Ken Barden - *Operations Director*

Alan Webb - *Food and Marketing Director*

Ian Coull

Robin Anderson - *Property Services*

Bob Cooper

Allan Cheesman - *Off Licence*

Angela Megson - *Cheese, Dairy, Frozen Food and Delicatessen*

Stuart Mitchell - *Meat and Fish*

Martin Webb - *Procurement*

John Adshead

Nigel Broome - *Retail Personnel*

Judith Evans - *Corporate Personnel*

Chris Montagnon - *Information Systems*

Bob Parle - *Distribution Operations*

John Rowe - *Corporate Logistics*

Colin Harvey

Colin Etheridge - *Regional Director, South East*

Hamish Elvidge - *Branch Services*

Trefor Hales - *Branch Operations*

Peter Ibbotson - *Store Format*

Graham Naylor - *Regional Director, North*

John Phillipson - *Regional Director, East*

Dave L Smith - *Regional Director, South West*

David W Smith - *Regional Director, Midlands*

Terry Wigley - *Regional Director, Central and Western*



Dino Adriano

Homebase

Ross McLaren - *Deputy Managing Director*

Steve Bradbury - *Finance Director*

Mike Powell - *Information Systems and Logistics Director*

Bill Williams - *Retail Director*

Shaw's Supermarkets, Inc.

Phil Francis - *President and Chief Executive Officer*

Verne Powell - *Executive Vice President, Corporate Development and External Affairs*

John Maxwell - *Senior Vice President, Operations*

Andrew Mitcham - *Senior Vice President, Marketing and Sales*

Scott Ramsay - *Senior Vice President, Administration*

Robin Whitbread

Michael Morgan - *Grocery and International Buying*

John Ramsden - *Non-Foods*

Rosemary Thorne

Nigel Matthews - *Group Secretary and Public Affairs*

David Roberts - *Treasury, Tax and Corporate Finance*

Bernard Willis - *Group Financial Controller*

David Clapham

Bob Emmott - *Specialist Businesses*

Ian Merton - *Produce*

Geoff Spriegel - *Scientific Services*

Ivor Hunt

Mike Conolly - *Operational Marketing*

Christopher Leaver - *Corporate Communications*

Anthony Rees - *Strategic Marketing*

John Renshaw - *Market Intelligence*

* Member of Remuneration and Nomination Committee
(Chairman, D J Sainsbury)

† Member of Audit Committee
(Chairman, Sir Terence Heiser GCB)

J Sainsbury Supermarkets

UK SUPERMARKETS ANALYSIS

1995	1994
Sales (including taxes) £9,597.2m	£8,864.6m
Operating Profit £784.3m	£697.0m*
Number of supermarkets 355	341
Sales area ('000 sq. ft.) 9,338	8,827
Full-time employees 33,568	34,225
Part-time employees 67,911	60,788

*Before exceptional costs

Our supermarket business traded strongly in a challenging economic climate, with sales growing by 8.3% of which 7.2% came from net new sales area. Sales in like-for-like stores grew by 1.1%, giving a small volume gain after deducting sales inflation of 0.8% for the year. The weekly number of customers increased to around 9 million and our market share, including Savacentre food sales, increased from 11.4% to 11.7% on the basis of Central Statistical Office figures.

Operating profit increased by 12.5% to £784.3 million. Net operating margin increased by 0.31% of sales to 8.17% despite the fact that gross margins declined slightly. Operating profit increased by 18.2% in the second half of the year, compared to 7.7% in the first half.

A major factor in our increased profitability was the cost saving achieved as a result of the extensive review of our supermarket operations which we began in July 1993 and completed during the year. As a result of this review we have restructured our store management, reorganised the management of our logistics function, rationalised our systems for purchasing goods and services not for resale, simplified the construction of new stores and reduced clerical support through the introduction of new systems. In consequence, head office costs have been reduced by 0.16% of sales, and total branch operating costs (including stock losses) have declined by approximately 0.2% of sales. Productivity, in terms of sales per full-time equivalent employee, increased by 4%. Overall we now have a significantly improved cost structure and have been able to devote additional resources to improving customer service. For example, we have invested an additional £10 million a year in increased staffing at the checkout: where there is more than one customer waiting at a checkout, we open more checkouts until all are open. This is now having a significant impact on checkout queues.

Low Prices

During the course of the year we re-focused our low price Essential for the Essentials programme to concentrate on basic commodities, and featured these with more prominent point-of-sale advertising. The introduction of our Essentials programme 18 months ago led down industry prices and gross margins on basic commodities with the result that limited range discounters now struggle to undercut major supermarkets and their profitability has been depressed. Price competition in the sector continues to be intense but, despite much publicised competitor initiatives, we maintained our competitive price position at over 3% below the average for major supermarket chains. Our price message was reinforced with a strong programme of special offers, particularly during our 125th birthday campaign.

We continue to improve the choice of products on offer. A typical large Sainsbury's supermarket now stocks over 19,000 products, an increase of 3,000 in the last three years.



To mark the 125th anniversary of the company's founding, our archivist, Bridget Williams, wrote this history. It has proved to be a best-seller, with nearly 50,000 copies already distributed to customers and staff.



Working with advisers on nutrition and health, we classified (and identified with a new symbol) products that can help maintain a healthy diet. A Sainsbury's health adviser Beryl McIndoe talks to a customer at our Burham store.

Adjacent service counters for meat and fish at 35 of our stores allow customers to choose from up to 70 lines of meat and 100 of fish, and seek advice and information from expert staff.

Hand-held laser guns help staff on the sales floor to check what stocks of a particular product are held in the warehouse, and when further goods should be ordered.

J Sainsbury Supermarkets *continued*

It is our policy to buy British goods whenever we can, and over 75% of the food we sell is sourced from within the UK. But in the search to satisfy customer choice our buyers actively seek supplies from all five continents. Fresh foods continue to be a major strength. We are the largest greengrocer and largest butcher in the country; we have introduced service meat counters in 68 of our stores and will do so in many more this year. Other ranges have been extended in our stores: 24 stores sell hot food, 54 stores stock the Sainsbury's Lifestyle clothing range and 76 stock CDs and tapes. A hundred and seventeen of our stores now have a coffee shop and 152 of our stores have petrol stations offering a wide range of petrol at keenly competitive prices. We are particularly pleased with customer response to our new Special Selection range of some 350 specialist cooking ingredients and gourmet foods from Britain and around the world. These include items such as olive oils, vinegars, preserves, fine spices, teas and sweetmeats normally only to be found in specialist outlets. We have also developed the Cookshop range of high quality and unusual cooking utensils and kitchen accessories.

The Sainsbury Brand

The attractiveness and reputation of the Sainsbury brand is a major factor in our sales success. It has been a feature of our offer to customers throughout our history and is constantly being developed. During the year we launched more than 1,200 Sainsbury brand products, making a total of over 9,000 which accounted for 65% of supermarket sales. We believe that Sainsbury's has the most extensive range of own brand foods of any retailer in the world. In recent years we have moved our brand strongly into product areas previously dominated by powerful proprietary brands. Building on the success which includes Novon detergents and Gio soft drinks, we introduced during the year our ranges of First Menu baby foods and Performers nappies, as well as Sainsbury's Classic Cola. Classic Cola has been a huge success and has achieved a national market share of around 13%. It has won a number of awards including the Best New Product Award in the coveted Marketing Society/ITV Awards.

Our long-standing reputation as a wine retailer was further enhanced by the award, for the third time, of the title Supermarket Wine Merchant of the Year, in Wine Magazine's International Wine challenge, with over 150 medals and commendations. We were also the first large UK retailer to open an off-licence in Calais, which we did in April 1994 at the Mammouth hypermarket. With wines from throughout the world and an excellent range of British beers offered at prices which reflect the lower French duty rates, it quickly found favour with British customers. It has also gained a local following and the accolade of Cross Channel Supermarket of the Year. Our Wine Direct mail order service is now available through the Internet.

We aim for complete integrity in all our dealings, and are particularly concerned about



A 21-year-old single malt whisky - one of a collection of twelve that provided whisky connoisseurs with a welcome choice in our stores at Christmas.



Dry Cure Bacon has all the characteristics of the traditionally cured product: it cooks and tastes like the bacon sold in our first shops.

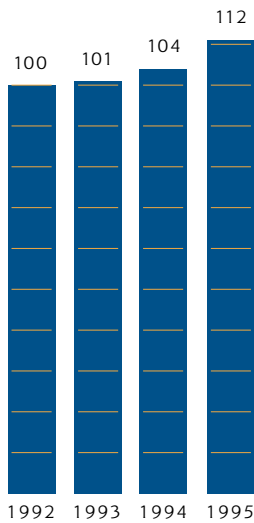
Sainsbury's Classic Cola increased our own-brand share of cola sales in our stores from 12% to over 60% and has taken around 13% of the total UK grocers' cola market.

Over 350 of the finest products from around the world were chosen by our experts to make up the Special Selection range.

Performers nappies were an immediate hit with wearers and their parents, and quickly tripled the share of business taken by our own brand in our stores.

J Sainsbury Supermarkets *continued*

GOODS DELIVERED PER
MILE TRAVELLED
(1992 = 100)



Through close management of the depot network and better vehicle utilisation, we are now moving more goods for every mile our vehicles travel, despite the considerable increase in the size of our trading area.

such ethical matters as animal testing and husbandry. For example, our policy for many years has been to sell only British veal reared in humane conditions. Fair trading with the Third World is also important to us. We have many trading links with Third World countries and were pleased to support the Fairtrade Mark by being the first supermarket to stock all its accredited products – Cafédirect coffee, Maya Gold chocolate and Clipper Teas.

We continue to place a high priority on providing our customers with clear and useful information about our products. We have now distributed more than 73 million free recipe cards for the recipes featured in our very popular series of celebrity TV advertisements; the eighteenth in the series came from a customer recipe competition held last autumn. We have also been at the forefront of Government activities to encourage a healthier diet, and distributed 14 million leaflets when we launched our new Healthy Eating design symbol. Many Sainsbury brand products now carry on-pack information about the number of calories and the amount of fat per serving. Sainsbury’s The Magazine has become the seventh most popular women’s magazine in the UK and, in the last 12 months, has received four major awards, including the 1995 Glenfiddich Award for Magazine of the Year.

Investing for Efficiency

We have invested more than £35 million in additions and improvements to store layout and equipment. Behind the scenes, further investment in distribution facilities and new systems has led to considerable improvements in efficiency throughout the food chain – ordering goods, bringing them to the stores and allocating shelf space. We monitor the sales of each product very closely in order to allow for changing space requirements. Our sales-based ordering system allows us to have fresh goods in store just when customers want them. Yet another system allows us to schedule staff requirements to meet the peaks and troughs of customer demand.

Last year we opened 20 new stores adding 617,000 sq. ft. of sales area. These ranged in size from 20,000 sq. ft. of sales area at Biggleswade to 40,000 sq. ft. at Plymouth and Harlow. After extensions and closures, the net addition to sales area was 511,000 sq. ft. or 5.8% of our total sales area.

In the current year our opening programme for new supermarkets will decline to 12 new stores as a result of the Government’s more restrictive planning policy. The effect of the lower number of store openings will, however, be largely offset by a lower number of store closures and a large increase in the number of store extensions which will add 120,000 sq. ft. of sales area compared to 24,000 sq. ft. in the last year. The net additions to total sales area will be approximately 500,000 sq. ft.



English cheese is a perennial favourite with customers. Here buyer Jeff Abbott (right) samples a traditional farmhouse “rind-on” Cheddar with Nigel Pooley of Chewton Farms.

Sainsbury's distinctive new livery can now be seen on petrol tankers as well as on our conventional delivery vehicles.

Savacentre Hypermarkets

SAVACENTRE ANALYSIS

1995	1994
Sales (including taxes) £697.7m	£658.4m
Operating Profit £40.9m	£38.4m ¹
Number of hypermarkets 10	10
Sales area ('000 sq. ft.) 864	864
Full-time employees 2,458	2,571
Part-time employees 5,698	5,650

¹ Before exceptional costs

DIRECTORS

D A Quarmby (Chairman)*
 M W Broomfield (Managing Director)
 R A Anderson*, W T Hales*, D J Empson,
 K W Barden, A E S Webb, E F Bonner,
 F R Emmott*. *Non-Executive Directors.



Savacentre's first clothing sub-brand for 7- to 14-year-olds is the style-conscious Excellent Clothing Company range.

Sales at Savacentre, the only specialist hypermarket company in the UK, exceeded last year's levels by 5.9%, reaching a total of almost £700 million. Like-for-like sales increased, particularly in the second half of the year, despite clothing sales being restricted by the very mild winter weather which significantly affected the whole of the textile sector. The increase in operating profit of 6.5% was assisted by firm control of operating costs and improved efficiency. This included further benefits from systems development; in particular, the installation of Sainsbury's food supply chain system was completed and the Sainsbury's sales-based replenishment system was introduced.

A major review of the hypermarket format, assisted by our partnership with Docks de France (operators of the Mammouth hypermarket chain), has led to a radical new look and a more distinct hypermarket trading style. This was first applied in the London Colney Savacentre; then, at the year end, in the 11-year-old Calcot store – in each case with great success and enthusiastic customer response. Most departments have been redesigned and other new ones introduced, such as the Babyshop and the Cookshop, as well as an exclusive range of patisserie.

Widening the Choice

During the year, the scope of Savacentre's offer was extended in a number of ways. The experience gained through the Bulksava outlet, which has now closed, has led to the introduction of bulk packs of around 100 products in all stores. In the main these are manufacturers' brands but they also include, for instance, large packs of perishables. The Lifestyle clothing collection, launched in 1991, has been extended with the introduction of a new range of children's clothes marketed under Lifestyle's first sub-brand, The Excellent Clothing Company. Savacentre has also introduced its first Lifestyle swimwear collection. Homebase lighting was added to the Home Interiors range. New service initiatives made the stores even more welcoming: specially-designated wider parking spaces to help those with young children, a play area in many of the restaurants and a range of trolleys to suit everyone's needs – including a miniature size for use by small children.

Although no new hypermarkets were opened during the year, there are significant opportunities for developing new Savacentres. The eleventh store, in Sydenham south London, will open in August 1995. The next, at the White Rose Centre in Leeds, is due to open in the 1996/7 year, and this will be followed by another at Braehead, Glasgow (a joint development with Marks & Spencer). In future, one or two new store openings a year are expected.



A purpose-built in-store demonstration area provides a popular focus for customers eager to sample new products.

A radical new look for layout and signage is being adopted by Savacentre in all its stores.

Savacentre Managing Director, Mike Broomfield, talks to a customer in the new Cookshop department at London Colney.

Homebase House and Garden Centres

HOMEBASE ANALYSIS

1995	1994
Sales (including taxes) £376.9m	£328.1m
Operating Profit £30.8m	£22.6m ¹
Number of stores 83	76
Sales area ('000 sq. ft.) 3,082	2,810
Full-time employees 1,957	1,764
Part-time employees 3,390	3,248

¹ Before exceptional costs

DIRECTORS

D B Adriano

(Chairman and Managing Director)

I D Coull (Deputy Chairman)*

R McLaren (Deputy Managing Director)

R Cooper*,

D du Monceau de Bergendal*, J A Pitz*,

S W Bradbury, B Williams.

*Non-Executive Directors.

With sales 14.9% ahead of the previous year, and an increase in operating profit of 36.3%, the year was an excellent one for Homebase. In a static home and garden products market with negligible sales price inflation, the company nonetheless achieved a like-for-like sales increase of 4.8%. Christmas trading was particularly dynamic, with very strong turnover.

The success of the company was all the more remarkable for the challenges it had to face. While clarification of the Sunday trading laws was welcome, the restriction of Homebase's second busiest trading day to just six hours, and the decision of many other shopping centres to open on a Sunday, meant far greater competition for the 'Sunday £' in an already intensely competitive market.

The Homebase Brand

Homebase brand development remains a priority; during the year, over 700 own brand lines were launched, of which about 500 were extensions to existing ranges and the remainder were new or re-designed lines. For the first time sales of Homebase brand products accounted for 25% of total sales. Customers understand that the value-for-money policy of the Sainsbury brand in food and drink is echoed by the quality and competitive pricing of the Homebase brand. Customer service was improved further by the completion of the programme to install scanning checkouts in all Homebase stores.

Store design evolved significantly during the year. The introduction of garden centre canopies has made it possible to extend the selling season for plants. A new concept, trialled at the Enfield store, presents important departments such as houseplants, paint, wallpaper, shelving and gardening products as "shops-within-shops". This format has proved highly successful; it is being used for all new stores and is gradually being introduced into existing stores.

Purchase of Texas Homecare

In January 1995, agreement was reached to acquire the Texas Homecare business from Ladbroke Group PLC and the purchase was completed on 14th March 1995. Texas has an excellent geographic fit with Homebase and, until recently, had traded very profitably. Following integration over a two-year period, the Homebase chain will comprise some 300 stores with a share of the home improvement and garden products market of around 10%. This will place it second only to the market leader, B&Q, which has a share of approximately 14%.

Homebase opened nine new stores during the year, all of which have traded in line with or above expectations. The home and garden products market is forecast to grow strongly and the combined company will continue to expand with all new openings under the Homebase name. In the current year Homebase will open 14 new stores.



The Homebase 'Spend and Save' loyalty card, introduced in 1991, has now been issued to over 2.5 million customers.



Homebase Chairman, Dino Adriano, talks to DIY Assistant, Mark Richardson, in the new Paint Shop at the Hampton store.

The new Homebase store at Woking - one of nine opened during the year.

Homebase, the country's leading supplier of real Christmas trees, sold 86,000 last year. Buyer, Ian Rankin (left), makes a check on the growth of the coming year's supply with Christopher Hood of Yattendon Estate at Newbury, Berkshire.

Shaw's Supermarkets, Inc.

SHAW'S ANALYSIS

1995	1994
Sales (including taxes) \$2.08bn	\$1.97bn
Operating Profit \$62.3m	\$46.5m
Number of stores 87	87
Sales area ('000 sq. ft.) 2,762	2,740
Full-time employees 4,547	4,248
Part-time employees 11,204	11,913

DIRECTORS

D J Sainsbury (Chairman)*
 D B Adriano (Deputy Chairman)*
 P L Francis (President and Chief
 Executive Officer), I D Coull*,
 R P Whitbread*, H Beckner*, S Dubrul Jr*,
 J D Kelleher, J R Maxwell, A J Mitcham†,
 H V Powell, S W Ramsay.

*Non-Executive Directors.

†Seconded from Sainsbury's.



The Novon detergent range, a direct import of the Sainsbury's UK sub-brand, was launched at Shaw's in June 1994 with equal success.

Shaw's, our US supermarket chain and principal overseas business, achieved record store sales and operating profit for the year. It now operates 87 supermarkets in Massachusetts, New Hampshire, Maine and Rhode Island. Annual sales surpassed \$2 billion for the first time; and operating profit reached a record \$62.3 million, an increase of 34% over the previous year, and 98% higher than two years ago. This progress reflects the success of continued management pressure to control costs and improve buying.

Shaw's reported a positive increase in like-for-like sales and also saw an increase in average transaction size – an indication of the improved economic environment and customers' recognition of Shaw's value-for-money offer.

Shaw's added more than 560 products to its own brand range during the year, bringing the total to over 2,500 lines. Customer reaction to these developments is very positive, and Shaw's own brand products now account for 25% of sales. Shaw's is able to draw on Sainsbury's great experience in this area; the fact that both companies share a significant number of suppliers opens up many opportunities for own brand development.

There were a number of new developments in the use of technology during the year. These included the upgrading of the automated warehouse system to provide extra flexibility, and the widening of choice of payment methods for customers throughout the company. Payment can now be made by debit or credit cards and electronic cheque transactions will be introduced to all stores in the coming year.

Expansion and Extension

Shaw's opened a new store in Plymouth, Massachusetts, and a replacement store at North Windham, Maine. The store in South Lawrence, Massachusetts, which had suffered from disappointing results for several years, was closed. The construction programme at nine other locations involved one major and four minor extensions as well as four remodellings during the year.

Shaw's has been developing a new store format which will give a competitive edge in new trading areas. Features which are currently on trial in existing stores include a food court, an in-store pharmacy, dry cleaning and one-hour photo processing departments, as well as an in-store bank. The first store to be built to this format will be Fairhaven, Massachusetts, scheduled to open in August 1995.

In the current year a strong development programme includes eight new stores, five of which is a replacement. This will increase sales area by more than 10%. Three major and 12 minor remodels are due for completion during the year. Plans for moving into Connecticut are well advanced: eight stores are being developed in that State during the next two years.



Phil Francis, Shaw's President and Chief Executive Officer, checks the new in-store bank at the Plymouth, Massachusetts, store.

Shaw's new store at Plymouth, which opened in November.

Nicola de Felice, seconded to Shaw's from Sainsbury's, is now working full-time for Shaw's as Category Manager for Health and Beauty Products.



Giant Food Inc.



In November 1994 the purchase was completed of 16.7% of the equity of Giant, one of North America's leading food retailers. This included 50% of the voting shares in the company.

Centred on Washington DC and Baltimore, Maryland, Giant operates 161 supermarkets with a total gross area of about 6.5 million sq. ft. and employs 25,000 people. Sales per sq. ft. are amongst the highest in US retailing which is reflected in its higher than average net margin. In the year to 25th February 1995, Giant increased sales by 3.6% to \$3.7 billion. Profit before tax increased by 2.3% to \$155 million and return on capital was 23.1%.

The association with Giant will offer clear benefits to the Sainsbury Group, both in the UK and in North America. Giant is very similar to Sainsbury's in its trading philosophy, in the quality of its offer to its customers and in its strength in own brand which, at 20% of sales, is well above the US average. There will be considerable opportunities for practical co-operation. Giant is, for example, advising Shaw's on the establishment of in-store pharmacies.

Giant is a clear market leader in both its present trading areas, with a 44% share in the greater Washington DC metropolitan community (which includes suburban Virginia and suburban Maryland) and a 29% share in metropolitan Baltimore, Maryland. It opened four stores during the year and has a strong store opening programme. Eleven new stores are to be opened over the next 18 months, which includes expansion into the Philadelphia market, where there is a wealth of opportunity.



In-store pharmacies are an important feature of the Giant offer. The one shown right is in the Cascades Marketplace store, Sterling, Virginia (also pictured above).

US Maps

Group New Store Openings



STORES OPENED 1994/95

UK Stores

SAINSBURY'S

- Epsom
- Beaconsfield
- Chingford
- East Kilbride
- Taplow
- Kidderminster
- Cwmbran
- Woking
- Harlow
- Truro
- Whitechapel
- Newbury
- Ferndown
- Plymouth
- Warlingham
- Biggleswade
- Banbury
- Newhaven
- Leeds
- Nantwich

New store sales area . . . 617,000 sq. ft.
 Store extensions 24,000 sq. ft.
 Total new sales area . . . 641,000 sq. ft.

HOMEBASE

- Enfield
- Harrow Weald
- Woking
- High Wycombe
- Arnold, Nottingham
- Oldbury
- Lincoln
- Northampton
- Hampton

New sales area 348,000 sq. ft.

US Stores

SHAW'S

- N. Windham (Maine)
- Plymouth (Massachusetts)

New sales area 66,000 sq. ft.

Group total new sales area 1.1m sq. ft.

PLANNED STORE OPENINGS 1995/96

UK Stores

SAINSBURY'S

- Horsham
- Watford
- Cheadle
- Emerson Green, Bristol
- Witney
- Hamilton
- Wigan
- New Cross, London
- Kenton
- Street, Somerset
- Brislington, Bristol
- Straiton, Edinburgh

A further 19 existing stores will have major extensions

New store sales area . . . 390,000 sq. ft.
 Store extensions 120,000 sq. ft.
 Total new sales area . . . 510,000 sq. ft.

SAVACENTRE

Sydenham, London
 New sales area 85,000 sq. ft.

HOMEBASE

- Preston
- Staines
- Wolverhampton
- Winchester
- Aintree
- Ruislip
- Hedge End, Southampton
- Warrington
- Hermiston Gait, Edinburgh
- Falkirk
- Newbury Park, London
- Christchurch
- Wigan
- Newport, Gwent

New sales area 606,000 sq. ft.

US Stores

SHAW'S

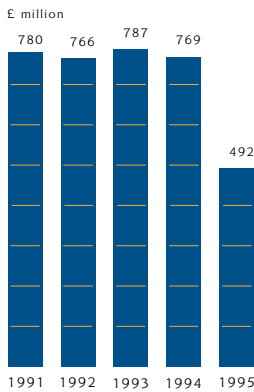
- N. Providence (Rhode Island)
- Fairhaven (Massachusetts)
- Northbridge (Massachusetts)
- N. Quincy (Massachusetts)
- New Britain (Connecticut)
- Manchester (Connecticut)
- Bristol (Connecticut)
- Vernon (Connecticut)

New sales area 325,000 sq. ft.

Group total planned new sales area 1.5m sq. ft.

Growing the Business

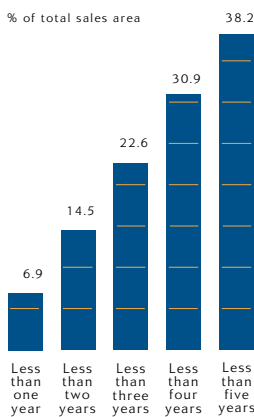
GROUP CAPITAL EXPENDITURE



Group Capital Expenditure totalled

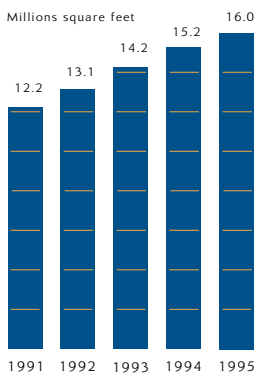
£492 million, 74% of which was spent on adding to and improving our store portfolio.

AGE OF SAINSBURY'S SUPERMARKET SALES AREA



As a result of sustained investment, 38.2% of Sainsbury's sales area is less than five years old – greater than that of any other supermarket company.

GROUP SALES AREA



Group sales area increased by 5.3% last year to 16.0 million sq. ft.

The Sainsbury Group has a major investment programme to support the organic growth of the business. During the year we opened 31 new stores, and these, together with extensions and enlargements to existing stores, represented 1.1 million sq. ft. of new sales space.

The last year has seen a shift of emphasis in our store building programme. While we will continue to build new Sainsbury's supermarkets where profitable opportunities are available to us, we forecast we will only be able to open some 12 to 15 stores a year rather than the 20 or more we have built on average in recent years.

Our primary concern is that we should build our stores on sites which meet customer requirements. Town centre locations are attractive, and we will build stores there whenever we can, but it must be recognised that such locations seldom provide the access, car parking and size of store that our customers now expect. In the absence of these facilities we prefer to develop outside the town centre. We will continue to pursue a substantial supermarket development programme in future years, but will only invest in stores which meet customer needs in the long term and are financially viable.

The tightening planning environment for supermarkets in the UK has emphasised the benefits we derive from being a diversified Group. Not only has it given us the opportunity to devote more resources to our existing Sainsbury portfolio, extending and improving existing stores, but we have also accelerated the development programme of our other Group companies.

Savacentre will be able to grow its business more rapidly because most of its developments involve a major element of urban regeneration, which is strongly favoured by Local Authorities. We have an accelerated development programme for Homebase, for the coming year and in the future. Both Shaw's and Giant are expanding into new market areas in America, with all the new opportunities that will emerge as a result.

Over the Group as a whole, we plan to open more than 1.5 million sq. ft. in 1995/96 and, by the end of the year, we expect to have around 775 stores trading from more than 25 million sq. ft. of selling space.

Our construction costs have fallen in real terms by 18% over the last three years; and we continue to take an industry lead on construction procurement methods, including involvement in the implementation stages of the Report on the Construction Industry by Sir Michael Latham.

Our concern for the quality of the stores we build is greater than ever and, as a result of the Government's Quality Initiative, has taken on even further significance. We have a long and proud tradition of building stores of high architectural merit which harmonise well with their surroundings, and this has continued in the past year. Recognition has come through a number of awards, including a Civic Trust Award for our new building at Harlow, designed by Terry Farrell.



The new Savacentre hypermarket at Sydenham, south London, is shown here under construction. It is scheduled to open in August 1995.

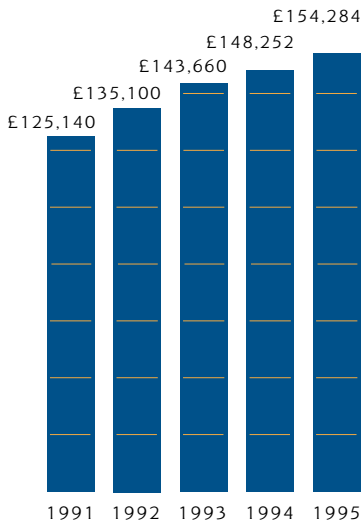
The Kidderminster supermarket, which opened in May 1994, has a sales area of 28,000 sq. ft. and employs more than 300 people - 130 of them new recruits.



The architecture of our new Marsh Mills supermarket at Plymouth makes it one of the most outstanding stores to be opened last year. The link with the site's maritime associations provides a striking silhouette.

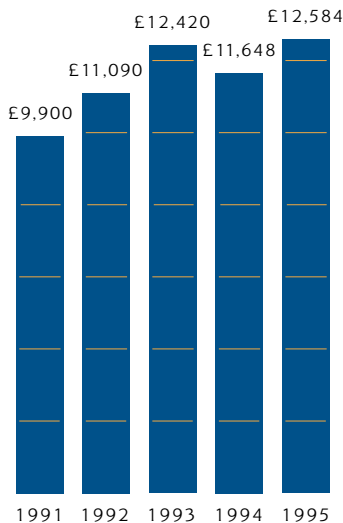
Training for Teamwork

SAINSBURY'S SUPERMARKET
SALES PER EMPLOYEE
(Full-time equivalent)



Sales per employee (full-time equivalent) rose by 4.1% last year, and have risen by 23.3% in the last four years.

SAINSBURY'S SUPERMARKET
OPERATING PROFIT
PER EMPLOYEE
(Full-time equivalent)



Operating profit per employee (full-time equivalent) increased by 8% last year.

At the year end we employed over 130,000 people throughout the Group. Women represent 65% of the total, and a similar proportion work part-time. Maintaining the skills needed by every member of this large workforce to the highest levels is a major objective of the Group. Each company in the Group has an extensive training programme focusing on managerial and technical requirements, and on customer service and retail trade skills. We regularly move staff between companies in order to transfer those skills, and secondments between Sainsbury's and Shaw's have been particularly successful.

Management and staff have responded positively to the changes in management structure at our supermarkets. A major training programme for new responsibilities was undertaken during the year, with a particular emphasis on vocational training for staff at all levels. In this respect, our Choices careers development programme has encouraged non-management staff to enrol for further education courses: some 500 employees at 150 supermarkets are now engaged in these, and the Choices programme is being extended to all stores in the coming year.

We strongly support the development of National Vocational Qualifications, which we regard as a practical means both of training for appropriate skills and of recognising the achievements of our staff. They are as valuable for existing staff as for trainees. Young people joining us as retail trainees each year complete training to achieve the Retail Certificate NVQ Level 2. Some 1,500 adult staff have also now registered for NVQs, and some 500 have achieved Level 2. We are also using the qualifications for management training. For instance, 49 trainees in Homebase are currently working towards the NVQ Level 4 Management Certificate in conjunction with a course at a local college on Garden Centre Management.

Five years after the launch of our distance learning degree with Manchester Metropolitan University 250 young managers are studying part-time for a BA in Retail Marketing, 35 have achieved pass degree level and this summer we will be congratulating our first honours graduates. Twenty-four middle managers across the Group in the UK are studying for a Management MBA in the course that we run with the City University Business School. Four more have graduated this year, making a total of 11.

During the year, Savacentre linked its involvement with the Prince's Trust Volunteer Initiative with the training programmes at its Meadowhall, Sheffield, store. This approach to off-the-job training has been effective in raising skills as well as in building local partnerships.

At Shaw's, a new organisational structure has been developed which encourages store staff to improve their technical expertise and achieve a higher level of customer service. One hundred senior managers are currently enrolled in a personal development programme and 40 have completed the course.



Star Teams are the stores' own think-tanks. New ideas and suggestions flow from their discussion groups.

A new training programme gives staff an understanding of the difficulties encountered by disabled shoppers. Sarah Rose and Paul Chillman learn how to help them.

Over 2,000 girls joined us for Take Our Daughters to Work day. Richard Gardiner's daughter, Lucy, discovered the contrast between old and new career opportunities, watched by her father and Janet Cameron, Personnel Policy Manager.

Sue Plummer, Checkout Supervisor at our Camden store, helps Steven Aylward, Provisions Assistant, with his NVQ Level 2 workbook.

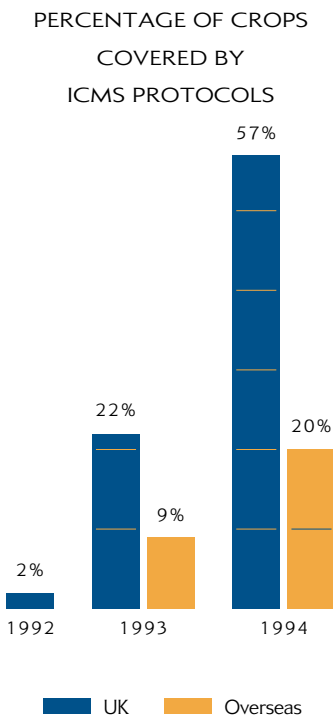
Concern for the Environment

Sainsbury's takes a serious and practical approach to environmental issues. We aim to integrate environmental concerns into the normal framework of business decisions, and emphasise the importance of these concerns to all our managers.

The Group Environment Affairs Committee, reporting to the Board, is specifically charged with monitoring Group performance against this objective, identifying areas for positive action, and encouraging the adoption of best practice throughout the Group. This leads to a continuing search for improvement in existing programmes, such as energy conservation and recycling, and to new initiatives such as the car exhaust emission tests illustrated opposite.

During the year we signed the Making a Corporate Commitment declaration promoted by the Department of the Environment, which seeks commitment from companies' top management to energy efficiency policies targeted at reducing carbon dioxide emissions.

Energy efficiency is a long-standing Sainsbury's objective. During the year we installed our Thermie system into 100 supermarkets. This system, which collects and analyses data on energy consumption and significantly assists in energy management, has received financial support from the European Union. In the US, Shaw's Green Lights programme, which promotes energy conservation in lighting design, was recognised by an award from the Federal Environmental Protection Agency.



Through the implementation of our Integrated Crop Management Systems (ICMS) we are now sourcing increasing quantities of fresh fruit and vegetables from growers in the UK and overseas, who produce crops in accordance with our strict environmental standards. During the next two years we shall be focusing on suppliers world wide.

Preventing Pollution

During the year we worked with the National Rivers Authority in the production of its Pollution Prevention Guidance for drainage systems for food retail stores. This has led us to adjust our own new store specifications and make modifications at some of our existing stores. We also supported the NRA's January consumer campaign to promote the safe disposal of engine oil – a major water pollutant – by distributing leaflets in outlets which stock engine oil. The next steps will be to offer guidelines to customers on disposing of waste engine oil and to provide some recycling facilities.

Recycling of waste packaging continues to be a major preoccupation. Savacentre has embarked on a campaign for recycling the containers used for delivering cut flowers and produce: mushroom crates, flower buckets and banana boxes are all cleaned and returned for re-use. Sainsbury's has been closely involved in industry discussions with Government on ways to achieve the targets for packaging recovery that have been accepted under the EU Packaging Waste Directive. The key to achieving these targets will be in creating markets which can utilise the materials recovered and, with our suppliers, we are seeking positive ways of doing so. At the same time we are actively continuing to look for ways of minimising our packaging requirements.



Over 4,000 cars were tested for exhaust emissions in a trial at eight of our stores last year, and a major campaign is being rolled out in the coming months.

Sainsbury's and Savacentre have joined Homebase as members of the World Wide Fund for Nature's 95 Group, which is committed to sourcing wood and wood-derived products from well-managed forests. We were the first UK supermarket group to join this scheme.

This Scandinavian forest illustrates how natural selection, which produces stronger trees than manual planting, is carried out through allowing self-seeding by 'mother' trees.

Community Involvement

During the year we contributed some £2 million to charitable causes in the UK. We make donations in response to a wide variety of appeals and, wherever we can, we look for a practical outcome to our involvement. This has led us to seek out appropriate organisations with whom we can develop specific projects relating to our business and to the interests of our employees and customers. One such project linked to health, diet and nutrition, examining the effect of diet on osteoporosis, was concluded during the year by the Dunn Nutrition Centre. We also funded the charity Gingerbread to research and write a national guide to childcare provision, which is available in our stores.

Sainsbury's is a member of several organisations which support inner city regeneration: Business in the Community, the Community Development Foundation and the London Enterprise Agency, as well as others in Inner London.

For the past 12 years our Good Neighbour Scheme has supported local organisations nominated by our stores for financial support. This year, to help our staff become more involved in the area where they live and work, we are trialling a new programme called Side by Side, to encourage employee volunteering. Additional resourcing will allow staff to take paid time off to help local charities.

Supporting the Arts

Arts sponsorship retains a significant place in our community investment programme. The Sainsbury's Choir of the Year competition provides a focus for amateur choirs, and the sixth biennial event, transmitted by BBC TV during the winter, drew a record 11 choirs from throughout the UK. Our Pictures for Schools and Arts for All projects have strong educational backing. This year more than 1,500 primary schools received a set of four framed prints of recognised masterpieces and a BBC video. Arts for All concentrates on developing new audiences for the performing arts.

In addition to Sainsbury's central community programme, our staff are active in fund-raising, collecting remarkable amounts through their activities: Children in Need were benefited by £200,000. Funds raised by Savacentre employees were used to purchase three Sunshine Coaches for the Variety Club of Great Britain. Homebase staff donated £115,000 for the Leukaemia Research Fund. Homebase has also given practical support to schools without gardens by providing containers to grow daffodils for the Queen Elizabeth Curie fund-raising project, and by loaning security equipment to help those setting up Neighbourhood Watch programmes.

John Lewis, too, has a long-standing commitment to community support, donating over £1 million to youth services, education and the arts during the year. There is also a strong tradition of individual staff helping the community through national programmes such as United Way and Make a Wish, which supports terminally-ill children.



'Free to Work', which we sponsored through the charity Gingerbread, is helping customers and staff to find solutions to their childcare needs.



Our Penny Back scheme allows customers to help local charities - such as this club for youngsters in Burton-on-Trent - by donating money refunded to them for re-using carrier bags.

We have provided funds for the charity Horticultural Therapy, giving a new interest and outlook to a wide range of people with special needs.

Lord Sainsbury of Preston Candover KG congratulates the winners of this year's Sainsbury's Choir of the Year, the London Adventist Chorale - an outstanding Gospel choir whose members are drawn from churches in and around London.

Group Ten Year Record

RESULTS (£ MILLION)	1986	1987	1988
Group Sales (including VAT & sales taxes)	3,575.2	4,043.5	5,009.5
Increase on previous year	14.0%	13.1%	23.9%
UK Operating Margin	5.30%	5.75%	6.16%
Group Operating Profit (before profit sharing)	189.6	232.5	295.7
Profit sharing	(15.8)	(21.2)	(23.9)
Profit/(Loss) on sale of properties	5.9	9.1	9.8
Associates	13.6	17.9	18.2
Group Profit before Interest	193.3	238.3	299.8
Increase on Previous Year	27.2%	23.3%	25.8%
Interest receivable/(payable)	(0.6)	8.6	8.6
Profit before Tax	192.7	246.9	308.4
Increase on Previous Year	23.2%	28.1%	24.9%
Tax charge	65.4	88.9	109.0
Profit after Tax	127.3	158.0	199.4
EARNINGS PER SHARE*			
Basic	9.01p	11.04p	13.42p
Increase/(decrease) on previous year	16.6%	22.6%	21.5%
Fully diluted (excluding profit/loss on sale of properties)	8.62p	10.48p	12.90p
Increase/(decrease) on previous year	13.2%	21.6%	23.1%
DIVIDEND PER SHARE*	2.72p	3.46p	4.15p
RETAIL STATISTICS	1986	1987	1988
NUMBER OF OUTLETS AT FINANCIAL YEAR END			
Sainsbury's – over 25,000 sq. ft. sales area	39	54	74
15,000-25,000 sq. ft. sales area	122	119	115
under 15,000 sq. ft. sales area	119	110	94
Sainsbury's	280	283	283
Savacentre	6	6	6
Homebase	28	32	38
Shaw's	–	–	60
TOTAL NUMBER OF STORES	314	321	387
SALES AREA ('000 SQ. FT.)			
Sainsbury's	4,692	5,034	5,463
Savacentre	433	433	436
Homebase (approx. 60% covered sales area)	1,261	1,424	1,645
Shaw's	–	–	1,592
Group Total	6,386	6,891	9,136
Net increase on previous year	10.4%	7.9%	32.6%
New Sainsbury's openings	15	15	16
Average size of new Sainsbury's (sq. ft.)	27,430	29,150	30,650
Average size of all Sainsbury's (sq. ft.)	16,760	17,790	19,300
AVERAGE SAINSBURY'S SALES (including VAT)			
Per store (£ per week)	244,100	267,800	304,900
Per square foot (£ per week)	14.87	15.43	16.30
Share of national trade in food and drink shops, chemists, confectioners, tobacconists and newsagents**	8.0%	8.5%	8.8%

1989	1990	1991	1992 [†]	1993	1994 ^{††}	1995
5,915.1	7,257.0	8,200.5	9,202.3	10,269.7	11,223.8	12,065.4
18.1%	22.7%	13.0%	12.2%	11.6%	9.3%	7.5%
6.89%	7.04%	7.67%	7.92%	8.35%	7.72%	8.01%
372.9	470.7	585.0	666.0	785.0	795.8	898.9
(26.7)	(33.8)	(44.0)	(49.4)	(58.6)	(56.3)	(60.6)
22.8	30.7	12.5	(2.5)	(2.4)	7.0	1.0
15.6	1.6	0.3	1.2	(0.4)	0.5	6.0
384.6	469.2	553.8	615.3	723.6	747.0	845.3
28.3%	22.0%	18.0%	11.1%	17.6%	3.2%	13.2%
(9.5)	(17.8)	(35.6)	12.7	9.2	(8.7)	(36.1)
375.1	451.4	518.2	628.0	732.8	738.3	809.2
21.6%	20.3%	14.8%	21.2%	16.7%	0.8%	9.6%
125.1	140.5	163.4	184.5	228.8	236.5	269.9
250.0	310.9	354.8	443.5	504.0	501.8	539.3
16.57p	20.57p	23.11p	25.69p	28.47p	28.0p	29.8p
23.5%	24.1%	12.4%	11.2%	10.8%	(1.6)%	6.3%
14.44p	18.15p	21.74p	25.34p	28.07p	27.0p	29.0p
11.9%	25.7%	19.7%	16.6%	10.8%	(3.7)%	7.4%
4.99p	6.03p	7.27p	8.75p	10.0p	10.6p	11.7p
1989	1990	1991	1992	1993	1994	1995
95	116	136	159	177	193	208
110	106	102	98	99	99	98
87	69	61	56	52	49	49
292	291	299	313	328	341	355
7	8	9	9	9	10	10
48	55	61	64	70	76	83
61	66	70	73	79	87	87
408	420	439	459	486	514	535
5,964	6,434	6,951	7,632	8,303	8,827	9,338
543	665	798	798	798	864	864
1,886	2,107	2,317	2,406	2,609	2,810	3,082
1,693	1,928	2,107	2,229	2,448	2,740	2,762
10,086	11,134	12,173	13,065	14,158	15,241	16,046
10.4%	10.4%	9.3%	7.3%	8.4%	7.6%	5.3%
20	22	20	21	23	23	20
31,360	32,320	33,550	34,890	32,710	30,250	30,839
20,430	22,110	23,250	24,380	25,310	25,890	26,304
327,500	373,500	425,400	460,800	494,000	510,000	529,200
16.50	17.26	18.17	18.51	18.84	18.60	18.53
9.0%	9.6%	10.1%	10.6%	11.3%	11.4%	11.7%

* Adjusted in respect of capitalisation issues in 1984 and 1987 and rights issue in 1991.

** Based on Central Statistical Office data (re-based 1993) and Sainsbury's and Savacentre sales, excluding petrol.

† Property profits for 1992 restated to comply with FRS 3.

†† 1994 figures for profits and earnings per share are stated before exceptional costs of £369.5 million (previous years nil) but after changes in accounting for depreciation of £38.7 million.

Group Financial Review

Group Financial Performance

In highly competitive market conditions the Group increased sales by 7.5% to £12.1 billion – the largest turnover of any UK-based retailer. Group operating profits, before profit sharing and exceptional administrative expenses, increased by 13.0% to £898.9 million. These results confirm both the strength of the core supermarket business and the increasing importance of the new businesses to Group profitability and future growth.

The increase in the Group's share of associates' profits from £0.5 million to £6.0 million reflects the contribution of Giant Food Inc., following completion of the acquisition of the 16.7% equity stake in November 1994. The £6.9 million share of Giant's profit since acquisition is £2.7 million more than the associated finance costs of our investment.

Group profit sharing increased to a record £60.6 million, which represents to those 87,000 employees eligible to participate in the scheme, a distribution rate of approximately 9.6% of pay (1994: 9.1%).

Group net interest payable increased from £8.7 million to £36.1 million largely as a result of lower capital expenditure and delays in planning consent, which reduced the level of interest capitalised from £44.0 million to £16.5 million.

Group profit before tax, exceptional costs and property items rose by 10.5% to £808.2 million. Despite benefiting from accelerated capital allowances, the combination of no relief on depreciation of land and buildings and higher tax rates on profits generated in the US resulted in an effective tax charge of 33.4%. This is unlikely to fall to the standard UK rate of 33% in the foreseeable future.

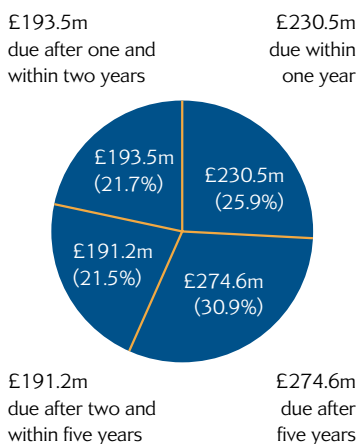
Earnings before exceptional costs rose by 6.7% to £535.5 million. The profit before tax for the period represents a return on shareholders' funds of 25.6% (1994: 24.8%). Before tax, Group return on capital employed before exceptional costs rose to 21.9% from 20.5%.

Fully diluted earnings per share before property profits and exceptional costs amounted to 29.0p which represents an increase of 7.4%. Dividends per share of 11.7p (with an interim of 3.2p and a proposed final of 8.5p) compare with 10.6p for 1994, an increase of 10.4%. This reflects the Company's policy to increase dividends in line with growth in profits. The total dividend for 1995 of £211.6 million represents 39.5% of attributable profits.

Cash Flow and Capital Expenditure

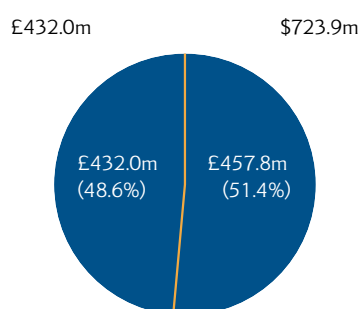
The Group's net cash flow from operating activities amounted to £1,070.4 million (1994: £990.9 million), of which £453.9 million was expended on dividends, interest and tax. While Group capital expenditure decreased significantly, the acquisition of the equity stake in Giant contributed to an overall increase in net Group borrowing of £10.3 million.

MATURITY PROFILE OF DEBT
(including leases)



Group capital expenditure, excluding the purchase of an interest in Giant, declined from £769 million to £492 million, reflecting the tougher planning environment and the slow-down in new supermarket openings. In the current year, Group capital expenditure is likely to increase to over £650 million as a result of the growth in the Group's development programmes.

CURRENCY COMPOSITION
OF DEBT



Figures expressed as sterling equivalents

Capital Structure

Total shareholders' funds as at 11th March 1995 amounted to £3,289.0 (1994: £3,039.5 million) following a transfer to the profit and loss account of £323.9 million, the deduction from reserves of £128.6 million of goodwill on the purchase of the equity stake in Giant, new share capital subscriptions of £54.7 million and miscellaneous net recognised losses of £0.5 million.

Over the period the Group's net debt increased from £678.5 million to £688.8 million, which includes the funding of the purchase of the equity stake in Giant for £214 million in November 1994. This gives a balance sheet gearing (net debt as a percentage of shareholders' funds) of 20.8% at that date (1994: 22.2%) which lies well within the Group's target maximum for gearing of 40%. Excluding the acquisition of Texas, it is expected that cash generation from Group operating activities will exceed total payments for tax, dividends, interest and capital investment in the current year.

Treasury Management

Policy changes and significant treasury transactions are reviewed and approved by the Board.

Foreign currency transactions are actively managed to reduce or eliminate exchange rate exposure. Use is made of forward cover for currency payments to foreign suppliers.

The Group protects its balance sheet from adverse currency movements by matching overseas investments with liabilities of the same currency. Movements on foreign currency borrowings used for hedging purposes are taken directly to reserves. The interest payable on these borrowings serves partially to reduce the Group's profit and loss exposure to foreign exchange movements.

All funding requirements are covered by committed borrowing facilities. A series of committed bank facilities with maturities of three and five years has been arranged to meet the funding requirements of the Texas acquisition and to serve as an additional source of Group liquidity.

It is the Group's policy to provide a degree of protection against interest rate volatility. At least 50% of debt should be at fixed rates, although the approximate mix may vary with market conditions. As at 11th March 1995 the overall fixed rate component of gross borrowings was 54%.

Summary Financial Statement

The Directors present the Summary Financial Statement of the Group for the 52 weeks ended 11th March 1995. This Summary Financial Statement does not contain sufficient information to allow for a full understanding of the results of the Group and the state of affairs of the Company or of the Group. For further information the separate publication, entitled Annual Accounts 1995, containing the Directors' Report, the Accounts and the Auditors' Report on those Accounts (which is unqualified) should be consulted.

Group Performance

A review of the performance of the Company and its subsidiaries during the period and at the period end, with an indication of likely developments in the Group, is contained in the Chairman's Statement on pages 2 to 5 and in the Operational Review on pages 8 to 29. A review of the Group's financial performance is given on pages 32 and 33. On 14th March 1995, after the period end, the Group completed the purchase of the Texas Homecare businesses from Ladbroke Group PLC for a provisional consideration of £290 million.

Corporate Governance

As is more fully explained in the Directors' Report in the Annual Accounts, the Group has complied throughout the period under review with all the provisions of the Code of Best Practice contained in the Cadbury Committee's Report which were applicable during that period. Reference is also made in the Directors' Report to the report that our auditors have made to the Company in respect of compliance with the Cadbury Code. The role of the Board and certain of its Committees is explained below.

The Board

The Board of Directors meets regularly and is responsible for the effective management of the business. Following the Cadbury Committee's recommendations in respect of companies where the Chairman is also the Chief Executive, the Board includes a number of widely experienced Non-Executive Directors, one of whom, Sir Terence Heiser GCB, is the nominated senior Non-Executive Director. All Directors have access to the advice and services of the Company Secretary. In addition there is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. Neither the Chairman nor the Non-Executive Directors has a service contract. The service contracts for the Executive Directors have either less than 24 months to run or are on a rolling 24 month basis.

Board Committees

The Company's Remuneration and Nomination Committee is responsible for advising on Executive Directors' pay and benefits. The Audit Committee receives reports regularly from the Company's Internal Audit Department and ensures that an objective and professional relationship is maintained between the Board and the external auditors. The membership of these committees is set out on pages 6 and 7 of this Review.

Directors

The Directors are shown on pages 6 and 7. All the Directors shown held office throughout the year. Sir James Spooner retired on 6th July 1994, K C Worrall on 31st December 1994 and R A Clark on 28th April 1995.

The emoluments of the Executive Directors are determined on the advice of the Remuneration and Nomination Committee. The aggregate emoluments of the Directors of the Company including pension contributions were £4,382,000 (1994: £3,365,000).

The emoluments, excluding pension contributions, of all Directors fell within the following ranges:

1995		1994	1995		1994	1995		1994
£	0 – £ 5,000	1	–	£ 190,001 – £ 195,000	–	1	£ 275,001 – £ 280,000	1
£	15,001 – £ 20,000	3	6	£ 195,001 – £ 200,000	1	1	£ 285,001 – £ 290,000	–
£	55,001 – £ 60,000	–	1	£ 210,001 – £ 215,000	–	1	£ 330,001 – £ 335,000	–
£	145,001 – £ 150,000	1	–	£ 220,001 – £ 225,000	–	1	£ 340,001 – £ 345,000	1
£	150,001 – £ 155,000	–	1	£ 225,001 – £ 230,000	2	–	£ 360,001 – £ 365,000	1
£	165,001 – £ 170,000	–	1	£ 235,001 – £ 240,000	1	–	£ 385,001 – £ 390,000	–
£	180,001 – £ 185,000	1	2	£ 245,001 – £ 250,000	2	–	£ 415,001 – £ 420,000	1
£	185,001 – £ 190,000	–	1	£ 270,001 – £ 275,000	1	1	£ 485,001 – £ 490,000	–

Group Balance Sheet 11th March 1995

	1995 £m	1994 £m
Fixed Assets		
Tangible assets	4,851.9	4,641.5
Investments	98.4	18.0
	<u>4,950.3</u>	<u>4,659.5</u>
Current Assets		
Stocks	508.8	460.0
Debtors	172.1	147.0
Investments	1.6	52.7
Cash at bank and in hand	199.4	171.3
	<u>881.9</u>	<u>831.0</u>
Creditors: due within one year	<u>(1,835.9)</u>	<u>(1,782.9)</u>
Net Current Liabilities	<u>(954.0)</u>	<u>(951.9)</u>
Total Assets less Current Liabilities	<u>3,996.3</u>	<u>3,707.6</u>
Creditors: due after one year		
Convertible capital bond	(200.0)	(200.0)
Other	(469.6)	(410.7)
Provisions for Liabilities and Charges	<u>(16.6)</u>	<u>(40.1)</u>
Minority Equity Interest	<u>(21.1)</u>	<u>(17.3)</u>
	<u>3,289.0</u>	<u>3,039.5</u>
Capital and Reserves		
Called up share capital	451.6	447.6
Share premium account	1,000.6	949.9
Revaluation reserve	38.6	32.7
Profit and loss account	1,798.2	1,609.3
Equity Shareholders' Funds	<u>3,289.0</u>	<u>3,039.5</u>

The Summary Financial Statement on pages 34 to 36 was approved by the Board of Directors on 9th May 1995, and is signed on its behalf by **DJ Sainsbury** *Chairman*

Summary Financial Statement continued

Group Profit and Loss Account for the 52 weeks to 11th March 1995

	1995 £m	1994 £m
Group Sales including VAT & sales taxes	12,065.4	11,223.8
VAT & sales taxes	708.4	640.6
Group Sales excluding VAT & sales taxes	11,357.0	10,583.2
Cost of sales	10,241.3	9,574.5
Gross Profit	1,115.7	1,008.7
Administrative expenses	216.8	212.9
Group Operating Profit before profit sharing and exceptional administrative expenses	898.9	795.8
Profit sharing	60.6	56.3
Provision for costs of reorganisation	–	28.0
Write down of property values	–	341.5
Group Operating Profit	838.3	370.0
Associated undertakings – share of profit	6.0	0.5
Profit on sale of property	1.0	7.0
Profit on Ordinary Activities before Interest	845.3	377.5
Net interest payable	36.1	8.7
Profit on Ordinary Activities before Tax	809.2	368.8
Tax on profit on ordinary activities	269.9	227.3
Profit on Ordinary Activities after Tax	539.3	141.5
Minority interest	(3.8)	0.1
Profit for the Financial Year	535.5	141.6
Dividends	211.6	189.6
Retained Profit/(Deficit)	323.9	(48.0)
Earnings Per Share	29.8p	8.0p
Exceptional administrative expenses	–	20.1p
Profit on sale of property	(0.1p)	(0.5p)
Earnings Per Share before exceptional administrative expenses and profit on sale of property	29.7p	27.6p
Fully Diluted Earnings Per Share	29.0p	8.6p
Fully Diluted Earnings Per Share before exceptional administrative expenses and profit on sale of property	29.0p	27.0p

Auditors' Statement to the Shareholders of J Sainsbury plc

We have audited the Summary Financial Statement on pages 34 to 36.

Respective Responsibilities of Directors and Auditors

The Summary Financial Statement is the responsibility of the Directors. Our responsibility is to report to you our opinion as to whether the statement is consistent with the Annual Accounts and Directors' Report.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. The audit of a summary financial statement comprises an assessment of whether the statement contains all information necessary to ensure consistency with the Annual Accounts and Directors' Report and of whether the detailed information required by law has been properly extracted from those documents and included in the summary statement.

Our report on the Company's Annual Accounts includes information on the responsibilities of Directors and Auditors relating to the preparation and audit of financial statements and on the basis of our opinion on the financial statements.

Opinion

In our opinion the Summary Financial Statement on pages 34 to 36 is consistent with the Annual Accounts and the Directors' Report of J Sainsbury plc for the 52 weeks ended 11th March 1995 and complies with the requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

Coopers & Lybrand
Chartered Accountants
and Registered Auditors
London
9th May 1995

Clark Whitehill
Chartered Accountants
and Registered Auditor
London

Investor Information

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Wednesday 5th July 1995 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of Meeting and the proxy card accompany this Annual Review.

Registrars

On 1st September 1994, The Royal Bank of Scotland plc acquired the share registration business of the National Westminster Bank Plc, the Company's former Registrars. This change does not affect your shareholding in any way.

Shareholders' Interests

Number of Shareholders at 11th March 1995: 110,820 (1994: 111,436)

	Range of Shareholdings			
	Shareholders %		Shares %	
	1995	1994	1995	1994
500 and under	36.47	35.07	0.43	0.43
501 to 1,000	21.56	22.72	1.01	1.09
1,001 to 10,000	38.94	39.16	6.08	6.27
10,001 to 100,000	2.34	2.38	3.77	3.82
100,001 to 1,000,000	0.49	0.49	10.31	10.01
over 1,000,000	0.20	0.18	78.40	78.38
	100.00	100.00	100.00	100.00

	Category of Shareholders			
	Shareholders %		Shares %	
	1995	1994	1995	1994
Pension Funds	0.07	0.07	3.96	4.54
Insurance Companies	0.50	0.39	4.95	5.69
Investment Trusts	0.10	0.87	0.09	0.06
Banks and Nominee Companies	14.82	14.71	36.33	33.31
Other Corporate Bodies	1.89	1.38	5.05	5.76
Other Shareholders	82.62	82.58	49.62	50.64
	100.00	100.00	100.00	100.00

At the year end, the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 20.1 million shares (1994: 20.5 million) on behalf of 41,749 participants (1994: 40,199) in the Scheme. The Trustees' holding is included in 'Other Shareholders' above.

American Depositary Receipts (ADRs)

The Company's ordinary shares are traded in the over-the-counter market ("OTC") in the form of American Depositary Shares, evidenced by ADRs, and trade under the symbol JSNSY. Each American Depositary Share represents four ordinary shares. Citibank is the Authorised Depositary Bank for the Sainsbury ADR programme. All enquiries regarding ADR holder accounts and payment of dividends should be directed to: Citibank, N.A., ADR Shareholder Services, 111 Wall Street, New York, NY 10043.

Dividend Payments to ADR Holders

Dividend payments to ADR holders are made in US dollars by Citibank. Payment of the final dividend for the year ended 11th March 1995 will be made on 4th August 1995 to ADR holders of record on 9th June 1995.

Voting at the Annual General Meeting

The 1995 Annual General Meeting of shareholders takes place in London on 5th July 1995. Citibank will distribute the Notice of Meeting and a proxy card to ADR holders.

Scrip Dividend Scheme

The Company is again offering the option of a scrip dividend to holders of ordinary shares. An 'evergreen' system is now in operation so shareholders who have already completed a mandate and wish to receive scrip for the final dividend 1994/95 need take no action.

Mandate forms and terms and conditions booklets may be obtained from the Registrar, The Royal Bank of Scotland plc, Registrar's Department, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, telephone number 0117 930 6600.

Key Dates in respect of the Scrip Dividend: Final 1994/95

Calculation period for scrip dividend price	22nd May – 26th May 1995
Ordinary shares record date	9th June 1995
Last date for receipt by Registrars of mandates/revocations (Return Date)	29th June 1995
Scrip dividend share certificates posted	27th July 1995
First day of dealing in new shares	28th July 1995

The cash equivalent of the new shares is as follows:

	Cash Equivalent	Gross Income for UK Tax Purposes*
Final Dividend 1994 (paid 29th July 1994)	389.0p	486.25p
Interim Dividend 1995 (paid 18th January 1995)	418.2p	522.75p

*Cash equivalent grossed up for tax at 20%

Shares have been issued in respect of scrip dividends at the following prices:

Dividend	Interim Payment Date	Issue Price pence	Final Payment Date	Issue Price pence
1990/91	–	–	29th July 1991	375.8
1991/92	20th January 1992	349.0	31st July 1992	471.6
1992/93	18th January 1993	483.4	30th July 1993	476.6
1993/94	17th January 1994	406.8	29th July 1994	389.0
1994/95	18th January 1995	418.2		

Investor Information continued

Low Cost Share Dealing Service

The Company offers a share dealing service for J Sainsbury plc ordinary shares through The Share Centre Ltd., in conjunction with S G Warburg Securities Ltd., the Company's corporate stockbroker. Dealing commission on both purchases and sales of J Sainsbury plc ordinary shares is 1%, with no minimum charge, although purchases are subject to a minimum investment of £500. For further information, please write to: J Sainsbury Share Dealing Service, The Share Centre Ltd., PO Box 1000, Tring, Hertfordshire HP23 4JR. The publication of the above information relating to the low cost dealing service has been approved, for the purposes of Section 57 of the Financial Services Act 1986, by The Share Centre Ltd., a member of the Securities and Futures Authority.

Personal Equity Plans

On the Company's behalf, Bradford & Bingley (PEPs) Limited operates the following Personal Equity Plans:

The Sainsbury's General Personal Equity Plan

The Sainsbury's Single Company Personal Equity Plan

For further information you may write to Bradford & Bingley (PEPs) Limited, PO Box 50, Main Street, Bingley, West Yorkshire BD16 2LW or telephone 01274 555677.

Tax Information

Capital Gains Tax

For Capital Gains Tax purposes, the market value of ordinary shares on 31st March 1982 is 69.375p.

Share Price

The middle market price of the Company's ordinary shares on 11th March 1995 was 415p per share and the range during the year was 457p to 346p. The Company's market capitalisation on 11th March 1995 was £7,497 million in comparison with £6,437 million on 12th March 1994.

Financial Calendar

1. Dividend and Interest Payments

Ordinary Dividend	Interim	announced November	paid January
	Final	proposed May	paid July
8% Irredeemable Unsecured Loan Stock		1st March	1st September
9½% Notes 1996		2nd October	
8½% Convertible Capital Bonds 2005		6th March	6th September
8½% Bonds 1996		9th May	
\$150m 7½% MTN 1997		17th November	

2. Other Dates - Financial Year 1995/96

Results for half year	announced November
Interim Report	circulated in November
Results for the year	announced May
Report and Accounts	circulated in June
Annual General Meeting	July

REGISTERED OFFICE AND ADVISERS

Registered Office

J Sainsbury plc
Stamford House, Stamford Street, London SE1 9LL
Registered Number 185647

Registrar

The Royal Bank of Scotland plc
Registrar's Department, PO Box No 82
Caxton House, Redcliffe Way, Bristol BS99 7NH

Auditors

Coopers & Lybrand
1 Embankment Place, London WC2N 6NN

Clark Whitehill

25 New Street Square, London EC4A 3LN

Solicitors

Denton Hall
Five Chancery Lane, Clifford's Inn, London EC4A 1BU

Stockbrokers

S.G. Warburg Securities Ltd.
1 Finsbury Avenue, London EC2M 2PA

Annual Review and Summary Financial Statement

This Annual Review and the Summary Financial Statement on pages 34 to 36 do not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or of the Group. The Directors' Report, the Accounts and Auditors' Report on those Accounts are contained in a separate publication, entitled Annual Accounts 1995, which, together with this publication, comprise the full Annual Report and Accounts of J Sainsbury plc for 1995. Copies may be obtained, free of charge, by telephoning Freephone 0800 387 504.

J SAINSBURY_{plc}

Annual Accounts 1995

Group Profile

J Sainsbury plc is one of the world's leading retailers, operating four separate store chains in the UK and US which together serve more than 11 million customers a week.

The UK supermarket business is the largest part of the Sainsbury Group, accounting for 87% of Group operating profit before profit sharing and 80% of Group sales.

The other UK retailing arms are Savacentre, the country's only specialist hypermarket company, and Homebase, our chain of home improvement and garden centres. Over the next two years, Homebase will be integrating Texas Homecare into its trading operations.

In the US, Shaw's Supermarkets, Inc., operates a chain of supermarkets in New England. In November 1994, Sainsbury's acquired a 16.7% holding in Giant Food Inc., a supermarket group which is the market leader in the Washington and Baltimore areas.

Founded in London in 1869, Sainsbury's was privately owned until our public flotation in 1973. The Sainsbury family and its charitable trusts remain major shareholders, and the present Chairman, David Sainsbury, is a great-grandson of the founders.

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Annual Accounts

This publication contains the Directors' Report, the Accounts and the Auditors' Report for the period ended 11th March 1995. The Chairman's Statement and review of the business are contained in a separate publication entitled Annual Review and Summary Financial Statement 1995.

These Annual Accounts together with the Annual Review and Summary Financial Statement 1995 comprise the full Annual Report and Accounts of J Sainsbury plc for 1995, in accordance with the Companies Act 1985. Copies may be obtained, free of charge, by telephoning Freephone 0800 387 504.

Report of the Directors

for the 52 weeks to 11th March 1995

Principal Activity

The principal activity of the Group is the retail distribution of food and home improvement and garden products.

Group Performance

A review of the Group's performance during the period, with comments on the financial results and future developments, is contained in the Annual Review which is published separately and together with this document comprises the full J Sainsbury plc Report and Accounts.

Corporate Governance

The Group has complied throughout the period under review with all the provisions of the Code of Best Practice contained in the Cadbury Committee's Report which were applicable during that period.

THE BOARD

The Board of Directors meets regularly and is responsible for the effective management of the business. Following the Cadbury Committee's recommendations in respect of companies where the Chairman is also the Chief Executive, the Board includes a number of widely experienced Non-Executive Directors, one of whom, Sir Terence Heiser GCB, is the nominated senior Non-Executive Director. All Directors have access to the advice and services of the Company Secretary. In addition there is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. Neither the Chairman nor the Non-Executive Directors has a service contract. The service contracts for the Executive Directors have either less than 24 months to run or are on a rolling 24 month basis.

BOARD COMMITTEES

The Company's Remuneration and Nomination Committee is responsible for advising on Executive Directors' pay and benefits. The Audit Committee receives reports regularly from the Group Internal Audit Department and ensures that an objective and professional relationship is maintained between the Board and the external auditors. The membership of these committees is shown on page 3.

INTERNAL FINANCIAL CONTROL

The Directors are responsible for the Group's systems of internal financial control. Within each business the Directors and senior management of those operations are responsible for establishing and operating detailed control procedures to overall Group standards. There are clearly defined levels of responsibility and authority and well-established reporting procedures.

The guidance for companies on reporting on internal financial control has now been issued by the Cadbury Committee. The Company is currently carrying out a formal review of the effectiveness of internal financial controls throughout the Group and will report in accordance with the requirements of the Code in next year's Report and Accounts.

The systems of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement and loss. The key procedures in operation to provide effective internal financial control within the Group are as follows:

Policies and procedures

Internal financial controls and procedures are set out in procedures manuals. These include Group standards and policies for key control activities.

Financial reporting

The Group uses a long term corporate plan, annual budgets and monthly reporting of current year results in managing the business. The Board receives detailed monthly reports of actual results and revised current year forecasts, with comparison against budget, forecast and prior year.

Capital investment

The Group has clearly defined guidelines for capital investment decisions. These include annual budgets together with detailed appraisal, authorisation and post investment review procedures.

Internal audit

Group Internal Audit monitors and reports on the systems of internal financial control. The Head of Group Internal Audit reports significant matters to, and has direct access to, the Audit Committee.

GOING CONCERN

In order to comply with the Code, the Directors confirm that they are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group Accounts.

AUDITORS

The auditors have confirmed to the Directors that, in their opinion, the comments above relating to going concern provide the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for Directors), and such statement is not inconsistent with the information of which they are aware from their audit work on the accounts. The auditors have also confirmed that the Directors' statement on internal financial control meets the requirements of paragraph 4.5 of the Code to the extent that is currently required, and that the Company has complied with the other paragraphs of the Code that are specified for review by the auditors.

The auditors are not required by the Code to perform the additional work necessary to express any opinion on the effectiveness of either the Group's systems of internal financial control or its corporate governance procedures, nor the ability of the Group to continue as a going concern.

Profit and Dividend

The profit on the ordinary activities of the Group before tax amounted to £809.2 million. After deducting £269.9 million for tax and £211.6 million for dividends paid and proposed, £323.9 million has been transferred to reserves.

The Directors are proposing the payment of a final dividend of 8.5p per share on 28th July 1995 to shareholders on the Register at the close of business on 9th June 1995; together with the interim dividend paid of 3.2p per share, this makes a total dividend for the year of 11.7p (1994: 10.6p) per share.

Share Capital

The principal changes in share capital during the period were as follows:

- 9.77 million shares were allotted and further options granted under the Company's share schemes for employees;
- 6.27 million shares were allotted under the terms of the scrip dividend offers to shareholders.

Further details are given in note 12 on page 15.

A Resolution will be proposed at the Annual General Meeting to renew the authority of the Directors to issue shares without applying the statutory pre-emption rights.

The full text of the Resolution is set out in the Notice of Meeting which is included in the Annual Review and Summary Financial Statement.

Giant Food Inc.

On 14th November 1994 the Group purchased approximately 16.7% of the equity of Giant Food Inc., including 50% of voting stock, at a cost of £214.0 million. Further details are given in notes 4 and 5 on pages 12 and 13.

Post Balance Sheet Event

On 14th March 1995, after the period end, the Group completed the purchase of the Texas Homecare businesses from Ladbroke Group PLC for a provisional consideration of £290 million. Details of the transaction are outlined in note 33 on page 24.

Scrip Dividend

Around 26,000 shareholders elected to take shares instead of cash for both the final dividend for 1994 and the interim dividend for 1995. Shareholders are to be offered a similar choice in respect of the final dividend payable in July 1995 and the interim dividend for 1996.

Market Value of Properties

The Directors believe that the aggregate open market value of Group properties exceeds the net book value of £3,822.2 million by a considerable margin.

Fixed Assets

The movements in tangible fixed assets are shown in note 1 on page 10.

Employment Policies

Group employment policies respect the individual and offer career opportunities regardless of gender, race or religion. Full and fair consideration is given to the employment and opportunities for training and development of people with disabilities according to their skills and capacity. The services of any existing employee who becomes disabled are retained wherever possible. The Group also has a very extensive and well-established structure for communicating with employees, especially in relation to the financial results at the period end. The Company has a full range of employee share schemes and about one third of all shareholders are employees or former employees.

Donations

Donations to charitable organisations and local community projects amounted to £2.1 million (1994: £1.9 million), which included contributions to enterprise agencies, job creation, educational schemes, community projects and the arts. There were no political donations.

Research and Development

The Scientific Services Division employs 132 people and has an annual expenditure of £5.5 million. It works in close co-operation with suppliers to achieve the highest standards of product quality, hygiene and safety, and to maintain them throughout the Company's distribution chain and stores. It also works with the Company's buyers to develop new products.

Directors' and Officers' Liability

During the period the Group maintained insurance cover for the Directors and Officers against liabilities incurred whilst acting in their capacity as Directors or Officers of the Company, its Subsidiaries and Associated undertakings.

Directors and Directors' Interests

The Directors are as follows:- D J Sainsbury† (Chairman and Chief Executive), R T Vyner (Deputy Chairman and Joint Managing Director), D A Quarmby (Joint Managing Director), I D Coull, R Cooper, J E Adshead, C I Harvey, D B Adriano, R P Whitbread, R P Thorne, D J Clapham, I J Hunt, Lady Eccles of Moulton*† (Non-Executive), Sir Terence Heiser GCB*† (Non-Executive), Dr J M Ashworth*† (Non-Executive).

Committee membership: *Audit Committee;
†Remuneration and Nomination Committee.

All the above Directors held office throughout the period. Sir James Spooner retired on 6th July 1994, K C Worrall on 31st December 1994 and R A Clark on 28th April 1995.

Following the adoption of new Articles of Association at the Annual General Meeting on 6th July 1994 all Directors are required to retire by rotation. In this first period, the Executive Directors retiring by rotation are D J Sainsbury, R T Vyner, I D Coull and R Cooper, who, being eligible, offer themselves for re-election. The service contract of R T Vyner expires on 21st January 1997; the service contracts of I D Coull and R Cooper are terminable by two years' written notice by either party. D J Sainsbury does not hold a service contract. Lady Eccles retires at the Annual General Meeting and does not offer herself for re-election.

No Director had, during or at the end of the period, any material interest in any contract of significance to the Group's business.

Details of Directors' interests in the ordinary shares of the Company are shown on pages 20 and 21.

Substantial Interests

The substantial material interests notified to the Company, all of which include duplications, are set out below.

Miss J S Portrait, a partner of Denton Hall, the Company's solicitors and C T S Stone are trustees of various settlements, including charitable settlements. At 9th May 1995 the total holdings of the trusts of which the above are trustees amounted to 18% and 6% respectively. Mr C R Greene, a trustee of a number of the above settlements with a total interest amounting to 1%, is an employee of Clark Whitehill, the Company's joint auditors.

At 9th May 1995, the interests, as trustees of charitable and other trusts and beneficially, of D J Sainsbury, the Hon. S D Sainsbury and Lord Sainsbury of Preston Candover were 18%, 5% and 4% respectively.

Annual General Meeting

The 1995 Annual General Meeting of shareholders will take place at 12 noon on Wednesday 5th July 1995 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of Meeting and proxy card accompany these Annual Accounts.

Auditors

Coopers & Lybrand were appointed jointly with Clark Whitehill at the Annual General Meeting last year. A resolution to re-appoint Coopers & Lybrand as Auditors of the Company and to authorise the Directors to fix their remuneration will be put to the Annual General Meeting.

By Order of the Board

N F Matthews
Secretary

9th May 1995

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the period, and of the profit or loss of the Group for that period. In preparing accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Report of the Auditors to the Shareholders of J Sainsbury plc

We have audited the accounts on pages 5 to 24.

Respective responsibilities of Directors and Auditors

As described above the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 11th March 1995 and of the profit, total recognised gains and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants
and Registered Auditors
London

9th May 1995

Clark Whitehill
Chartered Accountants
and Registered Auditor
London

Accounting policies

Basis of Accounts

These accounts have been prepared under the historical cost convention as modified by the revaluation of certain properties. They comply with all applicable Accounting and Financial Reporting Standards. No Profit and Loss Account is presented for the Company as provided by Section 230(3) of the Companies Act 1985.

In 1995 profit sharing has been charged in the Profit and Loss Account before Group Operating Profit and the comparative figures for 1994 have been restated accordingly.

All the activities in the Group are continuing businesses.

Consolidation

The results of Subsidiaries and Associated undertakings are included in the Group Profit and Loss Account from the date of acquisition.

Goodwill arising in connection with the acquisition of shares in Subsidiaries and Associated undertakings is deducted from reserves in the period of acquisition. Goodwill comprises the excess of the purchase price over the fair value of the net tangible assets acquired.

Sales

Sales consist of sales through retail outlets and sales of development properties. Rental and other income is excluded.

Cost of Sales

Cost of sales consists of all costs to the point of sale including warehouse and transportation costs and all the costs of operating retail outlets.

Deferred Tax

Deferred tax is accounted for, at anticipated tax rates, in respect of all timing differences between accounting and tax treatment, except to the extent that it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future.

Depreciation

Freehold land is not depreciated. Freehold buildings, and leasehold buildings with more than 50 years unexpired, are depreciated in equal instalments at the rate of 2% per annum. Leasehold properties with less than 50 years unexpired are depreciated to write off their book value in equal annual instalments over the unexpired period of the lease. Certain tenants' fixtures, which have been capitalised as part of leasehold properties, are depreciated in equal annual instalments over the estimated useful life of the asset to the Group.

Fixtures, equipment and vehicles are depreciated in equal annual instalments to write off their cost over their estimated useful lives, which range from 3 to 15 years, commencing when they are brought into use.

A permanent diminution in value of any fixed asset is charged to the Profit and Loss Account.

Capitalisation of Interest

Interest incurred on borrowings to finance specific property developments is capitalised net of tax relief.

Research

Research and development expenditure is written off as incurred against the profits of the period.

Pension Costs

The costs of providing pensions for employees are charged in the Profit and Loss Account in accordance with the recommendations of independent qualified actuaries. Any funding surpluses or deficits that may arise from time to time are amortised over the average service life of members of the relevant scheme.

Leased Assets

Assets used by the Group which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors net of finance charges. Interest costs on finance leases and all payments in respect of operating leases are charged directly to the Profit and Loss Account.

The requirements of UITF 12, "Lessee accounting for reverse premiums and other similar incentives", have been adopted. The effect relating to prior periods is not material and hence comparative figures have not been restated.

Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks at warehouse are valued at invoiced prices, and at retail outlets at calculated average cost prices.

Foreign Currencies

Foreign currency assets and liabilities are translated at the exchange rates ruling at the Balance Sheet date. Results from overseas companies are translated at the average rates of exchange for the relevant accounting period and at the period end rates for the balance sheets. Differences on translation of investments in overseas companies and related loans are taken directly to reserves.

Balance Sheets

11th March 1995

	note	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
Fixed Assets					
Tangible assets	1	4,851.9	4,641.5	3,981.5	3,806.6
Investments	2	98.4	18.0	887.1	659.2
		4,950.3	4,659.5	4,868.6	4,465.8
Current Assets					
Stocks	6	508.8	460.0	303.2	263.2
Debtors	7	172.1	147.0	160.3	91.7
Investments	8	1.6	52.7	–	52.7
Cash at bank and in hand		199.4	171.3	88.7	95.0
		881.9	831.0	552.2	502.6
Creditors: due within one year	9	(1,835.9)	(1,782.9)	(1,607.4)	(1,537.2)
Net Current Liabilities		(954.0)	(951.9)	(1,055.2)	(1,034.6)
Total Assets less Current Liabilities		3,996.3	3,707.6	3,813.4	3,431.2
Creditors: due after one year					
Convertible capital bond	9	(200.0)	(200.0)	–	–
Other	9	(469.6)	(410.7)	(665.7)	(583.1)
Provisions for Liabilities and Charges	11	(16.6)	(40.1)	(7.2)	(34.8)
Minority Equity Interest		(21.1)	(17.3)	–	–
		3,289.0	3,039.5	3,140.5	2,813.3
Capital and Reserves					
Called up share capital	12	451.6	447.6	451.6	447.6
Share premium account	13	1,000.6	949.9	1,000.6	949.9
Revaluation reserve	14	38.6	32.7	39.9	34.0
Profit and loss account	15	1,798.2	1,609.3	1,648.4	1,381.8
Equity Shareholders' Funds		3,289.0	3,039.5	3,140.5	2,813.3

Notes to the accounts are on pages 10 to 24.

The Accounts on pages 5 to 24 were approved by the Board of Directors on 9th May 1995, and are signed on its behalf by

D J Sainsbury *Chairman*

R T Vyner *Deputy Chairman*

Group Profit and Loss Account

for the 52 weeks to 11th March 1995

	note	1995 £m	1994 £m
Group Sales including VAT & sales taxes	16	12,065.4	11,223.8
VAT & sales taxes		708.4	640.6
Group Sales excluding VAT & sales taxes		11,357.0	10,583.2
Cost of sales		10,241.3	9,574.5
Gross Profit		1,115.7	1,008.7
Administrative expenses	16	216.8	212.9
Group Operating Profit before profit sharing and exceptional administrative expenses	16	898.9	795.8
Profit sharing	18	60.6	56.3
Provision for costs of reorganisation		–	28.0
Write down of property values	17	–	341.5
Group Operating Profit		838.3	370.0
Associated undertakings – share of profit	4	6.0	0.5
Profit on sale of property		1.0	7.0
Profit on Ordinary Activities before Interest		845.3	377.5
Net interest payable	19	36.1	8.7
Profit on Ordinary Activities before Tax	20	809.2	368.8
Tax on profit on ordinary activities	23	269.9	227.3
Profit on Ordinary Activities after Tax		539.3	141.5
Minority interest		(3.8)	0.1
Profit for the Financial Year		535.5	141.6
Dividends	24	211.6	189.6
Retained Profit/(Deficit)	15	323.9	(48.0)
Earnings Per Share	25	29.8p	8.0p
Exceptional administrative expenses		–	20.1p
Profit on sale of property		(0.1p)	(0.5p)
Earnings Per Share before exceptional administrative expenses and profit on sale of property	25	29.7p	27.6p
Fully Diluted Earnings Per Share	25	29.0p	8.6p
Fully Diluted Earnings Per Share before exceptional administrative expenses and profit on sale of property	25	29.0p	27.0p

Group Cash Flow Statement

for the 52 weeks to 11th March 1995

	note	1995 £m	1994 £m
Net cash inflow from operating activities	26	1,070.4	990.9
Returns on investments and servicing of finance			
Interest received		13.4	10.9
Interest paid		(68.8)	(63.4)
Interest element of finance lease rental payments		(8.5)	(8.8)
Dividends paid		(168.8)	(154.0)
Net cash outflow from returns on investments and servicing of finance		(232.7)	(215.3)
Tax			
Corporation tax paid		(208.2)	(210.8)
Overseas tax paid		(13.0)	(9.0)
Tax paid		(221.2)	(219.8)
Investing activities			
Payments for tangible fixed assets		(494.5)	(748.0)
Receipts from sale of tangible fixed assets		32.5	47.8
Sale of investments		7.4	75.8
Purchase of investment in Giant Food Inc.		(214.0)	–
Net investment in other Associated undertakings		7.2	(0.1)
Acquisition of Sainsbury LET Property Investments Limited		–	(3.1)
Net cash outflow from all investing activities		(661.4)	(627.6)
Net cash outflow before financing		(44.9)	(71.8)
Financing			
Issue of ordinary share capital		14.0	10.7
Expenses of capital issues		(0.2)	(0.4)
Proceeds of long term borrowings		97.4	20.6
Repayment of long term borrowing to Associated undertaking		(7.6)	–
Repayment of other long term borrowings		(102.8)	(10.8)
Capital element of finance lease rental payments		(1.3)	(1.0)
Net cash (outflow)/inflow from financing	27	(0.5)	19.1
Decrease in cash and cash equivalents	28	(45.4)	(52.7)

Notes to the accounts are on pages 10 to 24.

Group Statement of Recognised Gains and Losses

for the 52 weeks to 11th March 1995

	1995 £m	1994 £m
Profit for the Financial Year	535.5	141.6
Currency translation differences on foreign currency net investments	(0.5)	0.4
Total recognised gains and losses relating to the Financial Year	535.0	142.0

There is no material difference between the above profit for the period and the historical cost equivalent.

Reconciliation of Movements in Shareholders' Funds

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Profit for the Financial Year	535.5	141.6	484.1	117.8
Dividends	(211.6)	(189.6)	(211.6)	(189.6)
	323.9	(48.0)	272.5	(71.8)
Other recognised gains and losses relating to the period (net)	(0.5)	0.4	–	–
Goodwill deducted from reserves (note 5)	(128.6)	–	–	–
New share capital subscribed less expenses of capital issues	54.7	58.4	54.7	58.4
Net movement in Shareholders' Funds	249.5	10.8	327.2	(13.4)
Opening shareholders' funds	3,039.5	3,028.7	2,813.3	2,826.7
Closing Shareholders' Funds	3,289.0	3,039.5	3,140.5	2,813.3

Notes to the Accounts

at 11th March 1995

 note 1 **Tangible Fixed Assets**

	Group			Company		
	Properties	Fixtures, Equipment & Vehicles	Total	Properties	Fixtures, Equipment & Vehicles	Total
	£m	£m	£m	£m	£m	£m
Cost or Valuation						
At 13th March 1994	4,148.9	1,779.8	5,928.7	3,389.2	1,379.5	4,768.7
Additions (see below)	246.6	245.6	492.2	169.9	195.8	365.7
Disposals	37.2	29.2	66.4	20.6	19.6	40.2
Exchange adjustments	(17.8)	(7.4)	(25.2)	–	–	–
At 11th March 1995	4,340.5	1,988.8	6,329.3	3,538.5	1,555.7	5,094.2
Depreciation						
At 13th March 1994	479.6	807.6	1,287.2	350.0	612.1	962.1
Provided in the period	51.9	175.7	227.6	31.6	137.1	168.7
Disposals	8.4	20.4	28.8	4.5	13.6	18.1
Exchange adjustments	(4.8)	(3.8)	(8.6)	–	–	–
At 11th March 1995	518.3	959.1	1,477.4	377.1	735.6	1,112.7
Net Book Value						
At 11th March 1995	3,822.2	1,029.7	4,851.9	3,161.4	820.1	3,981.5
At 12th March 1994	3,669.3	972.2	4,641.5	3,039.2	767.4	3,806.6
Capital Work-in-Progress included above						
At 11th March 1995	61.2	45.7	106.9	38.8	37.7	76.5
At 12th March 1994	114.0	33.6	147.6	89.4	30.2	119.6

The amount included in the additions of £492.2 million in respect of interest capitalised during the period ended 11th March 1995 amounted to £10.8 million after deducting tax relief of £5.3 million (Company £9.9 million after deducting tax relief of £4.9 million). Accumulated interest capitalised net of tax relief included in the cost or valuation total above amounts to £233.1 million (1994: £222.3 million) for the Group, and £211.3 million (1994: £201.4 million) for the Company.

Included in the net book value of fixed assets for the Group is £59.3 million (1994: £68.5 million) for assets held under finance leases, primarily in respect of properties.

Analysis of Properties
At 11th March 1995

	Group		Company	
	Cost £m	Valuation £m	Cost £m	Valuation £m
Freehold – Cost	3,418.4		2,929.7	
– 1973 valuation		2.6		2.6
– 1992 valuation		67.7		66.0
Long leasehold – Cost	589.8		458.1	
– 1973 valuation		3.7		3.7
– 1992 valuation		22.3		22.3
Short leasehold – Cost	235.9		56.0	
– 1992 valuation		0.1		0.1
	4,244.1	96.4	3,443.8	94.7

If the properties included at valuation had been included at cost, the cost and accumulated depreciation figures at 11th March 1995 would have been:

	Group		Company	
	Cost £m	Depreciation £m	Cost £m	Depreciation £m
Freehold	3,456.2	352.6	2,964.2	288.3
Long leasehold	606.4	94.9	474.8	70.7
Short leasehold	240.0	69.0	59.5	16.2
	4,302.6	516.5	3,498.5	375.2

note 2 **Fixed Asset Investments**

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Subsidiaries (note 3)	–	–	878.4	650.7
Associated undertakings (note 4)	97.5	17.1	8.7	8.5
Other investments	0.9	0.9	–	–
	98.4	18.0	887.1	659.2

note 3 **Investment in Subsidiaries**

The Company's principal Subsidiaries are:-

	Share of Ordinary Allotted Capital	Country of Registration or Incorporation
Savacentre Limited	100%	England
Homebase Limited	75%	England
NewMarket Foods Limited	100%	England
Shaw's Supermarkets, Inc.	100%	USA
J Sainsbury (Channel Islands) Limited	100%	Jersey
J Sainsbury Developments Limited	100%	England

Details of other Subsidiaries will be set out in the Company's Annual Return.

All shares in principal Subsidiaries are held directly by J Sainsbury plc, apart from those in Shaw's Supermarkets, Inc., which are held by another Subsidiary. All Subsidiaries operate in the countries of their registration or incorporation apart from J Sainsbury (Channel Islands) Limited which is managed and controlled in the UK.

Summary of movements

	Company £m
Shares	
At 13th March 1994	299.2
Net additions	3.7
At 11th March 1995	302.9
Long term capital advances	
At 13th March 1994	351.5
Net additions	224.0
At 11th March 1995	575.5
Total Net Investment 11th March 1995	878.4
12th March 1994	650.7

Total net investment by the Company in Subsidiaries at 11th March 1995 consists of total cost of shares and capital advances of £990.5 million (1994: £762.8 million) less £112.1 million (1994: £112.1 million) for cumulative goodwill deducted from reserves.

The consolidated accounts are based upon the audited accounts of the Company and its Subsidiaries made up to 11th March 1995, with the exception of certain overseas subsidiaries which prepared accounts to 25th February 1995. In the opinion of the Directors it is necessary for the overseas companies to prepare accounts to an accounting date earlier than the rest of the Group for the early production of the Group Accounts.

note 4 Investment in Associated undertakings

	Share of Allotted Capital	Share of Profit/(Loss) before Tax	
		1995 £m	1994 £m
Breckland Farms Limited			
200,000 "B" Ordinary Shares of £1 each	50%	(0.4)	(0.3)
141,532 1% Redeemable Preference Shares of £1 each } (other shareholder Pauls plc)			
Kings Reach Investments Limited			
31,604 Ordinary Shares of 1p each	31.6%	(0.5)	0.5
Share of loss for the 29 weeks prior to disposal on 30th September 1994			
Sainsbury LET Property Investments Limited			
Share of profit for the 13 weeks before it became a Subsidiary on 14th June 1993		–	0.3
Hedge End Park Limited			
6,220,107 "A" Ordinary Shares of £1 each	50%	(0.1)	–
(other shareholder Marks and Spencer p.l.c.)			
Giant Food Inc.			
125,000 Voting Common Stock of \$1 each	50%	6.9	–
9,779,931 Non-Voting Common Stock of \$1 each	16.6%		
Share of profit for 15 weeks since acquisition of shares on 14th November 1994 to year end on 25th February 1995			
S.A.R.L. La Boutique Sainsbury			
250 Ordinary Shares of 100FFr each	50%	0.1	–
Share of profit for the 41 weeks since the Joint Venture was established on 24th March 1994 to year end on 31st December 1994 (other shareholder Docks De France – Ruche Picarde S.A.)			
		6.0	0.5

Summary of movements

	Group			Company		
	Cost £m	Goodwill £m	Total £m	Cost £m	Goodwill £m	Total £m
Shares						
At 13th March 1994	6.6	–	6.6	6.6	–	6.6
Investment in Giant Food Inc. (note 5)	214.0	(128.6)	85.4	–	–	–
Other additions	0.7	–	0.7	0.7	–	0.7
Disposal of Kings Reach Investments Limited	(0.6)	–	(0.6)	(0.6)	–	(0.6)
At 11th March 1995	220.7	(128.6)	92.1	6.7	–	6.7
Share of post acquisition reserves						
At 13th March 1994			8.6			
Share of retained profit for the period			2.0			
Disposal of Kings Reach Investments Limited			(7.2)			
At 11th March 1995			3.4			
Long term capital advances						
At 13th March 1994			1.9			1.9
Additions in period			0.1			0.1
At 11th March 1995			2.0			2.0
Total Net Investment 11th March 1995			97.5			8.7
12th March 1994			17.1			8.5

The proportion of the profits or losses of the Associated undertakings attributable to the Group and the reserves included in the Group Balance Sheet are taken from the audited accounts produced within three months of the Balance Sheet date, except S.A.R.L. La Boutique Sainsbury where management accounts are used.

Nature of business and J Sainsbury plc Directors of Associated undertakings

Breckland Farms Limited: (Pig Farming – UK) I G Merton, R Lassiter and A D F Reynolds.

Hedge End Park Limited: (Property – UK) I D Coull and D N Roberts.

Giant Food Inc.: (Food Retailing – US) D J Sainsbury, D B Adriano and H Beckner.

S.A.R.L. La Boutique Sainsbury: (Food Retailing – France) R Cooper and M D Conolly.

note **5 Giant Food Inc.**

The cost of the investment in Giant Food Inc. represents £214.0 million for the share purchase and associated fees, less £128.6 million for goodwill which has been deducted from reserves in accordance with Group policy (see note 15). The Group share of Giant Food Inc.'s net tangible assets at the date of acquisition has been increased by £8.4 million to reflect the Group's accounting policy for valuation of stock. No other fair value adjustments have been made. Given the proportion of voting stock held, the investment is accounted for as an Associated undertaking.

note **6 Stocks**

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Goods for resale and consumable stores	468.5	424.7	303.2	263.2
Land held for development	40.3	35.3	–	–
	508.8	460.0	303.2	263.2

note **7 Debtors**

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Trade debtors	30.8	55.2	12.1	9.6
Advance corporation tax recoverable in more than one year	38.5	34.0	38.5	34.0
Amounts owed by Subsidiaries	–	–	43.1	10.3
Other debtors (including for the Group £7.2 million (1994: £7.0 million) due in more than one year)	60.9	37.5	33.7	25.3
Prepayments	41.9	20.3	32.9	12.5
	172.1	147.0	160.3	91.7

note **8 Current Asset Investments**

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Investments listed on a recognised stock exchange at cost (equivalent to market value)	1.6	11.1	–	11.1
Unlisted investments	–	41.6	–	41.6
	1.6	52.7	–	52.7

note **9 Creditors**

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Due within one year:				
Borrowings:				
Bank loans and overdrafts	221.3	153.8	183.9	105.2
Short term notes	–	35.0	–	35.0
12¾% notes 1995	–	100.0	–	100.0
Unsecured loan notes	2.5	2.7	–	–
Current portion of long term indebtedness including obligations under finance leases	2.0	1.4	–	–
Amounts owed to Associated undertaking	–	7.6	–	7.6
Loan to Homebase Limited from minority shareholder	4.7	–	–	–
Total short term borrowings	230.5	300.5	183.9	247.8
Trade creditors	725.9	712.3	623.9	605.2
Amounts due to Subsidiaries	–	–	43.2	32.0
Corporation tax	264.6	225.1	239.1	198.5
Social security and other taxes	31.8	30.9	22.0	21.2
Other creditors	334.3	296.8	301.8	269.3
Accruals	94.8	81.2	39.5	27.1
Proposed dividend	154.0	136.1	154.0	136.1
	1,835.9	1,782.9	1,607.4	1,537.2

note 9 **Creditors** – continued

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Due after one year:				
8½% Convertible capital bonds 2005	200.0	200.0	–	–
Other:				
Secured loans	2.0	2.3	–	–
Unsecured loan notes	129.0	38.6	113.9	20.0
Term bank loans	52.3	64.5	176.2	177.5
8½% Bonds 1996	94.8	99.8	94.8	99.8
9½% Notes 1996	94.8	99.8	94.8	99.8
8% Irredeemable Unsecured Loan Stock	2.9	2.9	2.9	2.9
Obligations under finance leases	75.7	81.6	–	–
Amounts due to Subsidiaries	–	–	183.1	183.1
Loan to Homebase Limited from minority shareholder	7.8	12.5	–	–
Other creditors	10.3	8.7	–	–
	469.6	410.7	665.7	583.1

The 8½% convertible capital bonds were issued by J Sainsbury (Channel Islands) Limited, and are guaranteed on a subordinated basis by the Company. They are convertible into 2½% Exchangeable Redeemable Preference Shares of the issuer which may be either redeemed or exchanged for ordinary shares in the Company. These bonds are convertible at any time prior to 19th November 2005 and redeemable at their paid up value or exchangeable for ordinary shares in the Company at the prescribed price of 337p per ordinary share (after adjustment to take account of the rights issue in July 1991). The issuer is entitled to require conversion on or after 20th November 1995 in certain circumstances or if 80% of the bonds have been exchanged.

The secured loans and £15.2 million of the unsecured loan notes comprise US dollar borrowings of an overseas Subsidiary. Repayment and interest terms, which vary with each loan, require a combination of annual instalments and balloon repayments with interest rates ranging from 4.8% to 11.5%.

Unsecured loan notes also include US \$30 million and US \$150 million Euro Medium Term Notes issued by the Company. The US \$30 million Notes which mature in March 1998 bear interest at 5.4% payable annually. The US \$150 million Notes which mature in November 1997 bear interest at 7.375% but US \$90 million of this has been swapped for a floating rate based on US \$ LIBOR.

Included in term bank loans is £150.9 million borrowed by the Company. The loan, which is repayable in April 2000, bears interest of 9.6%, payable in half-yearly instalments. An investment of £123.9 million (1994: £113.0 million) made by a Subsidiary has been offset against the loan in the Group Balance Sheet under the terms of a legal right of set off. The interest payable as disclosed in note 19 is stated after setting off interest receivable by the Subsidiary against interest payable by the Company.

Also included in term bank loans is US \$40 million borrowed by the Company and repayable in December 1997. The loan interest obligation which is based on US \$ LIBOR has been swapped for a fixed rate of 6.9%.

The 8½% Bonds 1996 represent US \$150 million repayable in May 1996 and the 9½% Notes 1996 represent US \$150 million repayable in October 1996. Arrangements have been made to avoid exposure to fluctuating US dollar interest rates following maturity of these issues by entering into forward swaps of floating rate interest rate payments for fixed interest rate payments. A rate of 7.52% has been contracted for US \$150 million for five years starting in May 1996, and 7.685% for a further US \$150 million for five years starting in October 1996.

The loans to Homebase Limited due within one year are unsecured loans repayable in March and July 1995 and bear interest at base rate. The loans to Homebase Limited due after one year are unsecured loans repayable between February and December 1998 and bear interest at base rate.

 note 10 **Summary of Borrowings**

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Due within one year:				
Bank and other loans	228.8	299.4	183.9	247.8
Obligations under finance leases	1.7	1.1	–	–
Due after one and within two years:				
Bank and other loans	192.5	7.6	189.7	–
Obligations under finance leases	1.0	1.2	–	–
Due after two and within five years:				
Bank and other loans	185.5	270.7	190.0	246.3
Obligations under finance leases	5.7	5.2	–	–
Due wholly or in part by instalments after five years:				
Bank and other loans	1.0	1.4	–	–
Obligations under finance leases	69.0	75.2	–	–
Due otherwise than by instalments after five years:				
Bank and other loans	4.6	40.7	286.0	336.9
Convertible capital bonds	200.0	200.0	–	–
	889.8	902.5	849.6	831.0

note 11 Provisions for Liabilities and Charges

	Group			Company		
	Total £m	Other £m	Deferred Tax £m	Total £m	Other £m	Deferred Tax £m
At 13th March 1994	40.1	53.7	(13.6)	34.8	52.5	(17.7)
Transfer to corporation tax	4.6	-	4.6	6.4	-	6.4
Profit and Loss Account						
Property - provision released	(4.0)	(4.0)	-	(4.0)	(4.0)	-
Deferred tax - UK	2.6	-	2.6	(4.3)	-	(4.3)
Deferred tax - overseas	(0.1)	-	(0.1)	-	-	-
Exchange difference	0.3	-	0.3	-	-	-
Utilised	(26.9)	(26.9)	-	(25.7)	(25.7)	-
At 11th March 1995	16.6	22.8	(6.2)	7.2	22.8	(15.6)

The other provision of £22.8 million consists of the balance of the unutilised provision made in 1994 for losses on realisation of surplus land and stores due for closure. The provided and unprovided liabilities for deferred tax are as follows:-

	Group				Company			
	1995		1994		1995		1994	
	Provided £m	Unprovided £m	Provided £m	Unprovided £m	Provided £m	Unprovided £m	Provided £m	Unprovided £m
Timing differences between depreciation and capital allowances	9.0	178.2	11.7	164.0	-	148.7	-	139.0
Other timing differences	(15.2)	5.8	(25.3)	5.2	(15.6)	-	(17.7)	-
	(6.2)	184.0	(13.6)	169.2	(15.6)	148.7	(17.7)	139.0

The potential liability for tax which might arise on disposal of the Group's properties has not been quantified. In the opinion of the Directors the likelihood of any such liability arising is remote.

note 12 Called Up Share Capital

	Allotted fully paid shares Number	Aggregate Nominal Value £m	Consideration £m
Ordinary Shares of 25p each Authorised - 2,000,000,000 shares		500.0	
At 13th March 1994	1,790,404,859	447.6	
Shares Allotted:			
Profit sharing scheme	4,100,000	1.0	16.0
Savings-related share option scheme	2,927,218	0.7	6.2
Executive share option scheme	2,745,458	0.7	7.8
Scrip dividend	6,271,945	1.6	24.9
At 11th March 1995	1,806,449,480	451.6	54.9

Contingent rights to the allotment of 59,347,181 ordinary shares in the Company at 337p (after adjustment to take account of the rights issue in July 1991) exist until 19th November 2005 under the terms of the issue of £200 million 8½% convertible capital bonds 2005 (note 9).

The Company operates a Savings-Related Share Option Scheme for all employees with more than one year's service. This is an approved Inland Revenue Scheme and was established in 1980. The Scheme is renewable every ten years and was last renewed in 1989. Under the Savings-Related Share Option Scheme, options are normally exercisable within six months of the fifth anniversary of the grant of an option. At 11th March 1995 employees held approximately 51,000 savings contracts in respect of options over 39.9 million shares.

The Company also operates an Executive Share Option Scheme for Executive Directors and senior employees. This is an approved Inland Revenue Scheme and was established in 1984. The Scheme is renewable every ten years and was last renewed in 1989. Under the Executive Share Option Scheme options are normally exercisable between three and ten years of the date of the grant of an option. At 11th March 1995 approximately 900 employees had outstanding options over 20.8 million shares.

note 12 Called Up Share Capital – continued

Details of these options at 11th March 1995 are set out below.

(a) Savings-Related Share Option Scheme

Date of Grant	Price	Options outstanding at the end of the period	
		1995	1994
14th November 1988	176.852p	–	569,050
9th January 1990	205.504p	3,734,947	5,737,938
19th December 1990	237.120p	5,731,163	6,214,568
30th December 1991	276.000p	6,945,343	7,566,543
4th December 1992	393.000p	6,729,833	7,585,211
6th December 1993	301.000p	8,106,108	8,875,142
16th December 1994	331.000p	8,687,825	–
		39,935,219	36,548,452

(b) Executive Share Option Scheme

Date of Grant	Price	Options outstanding at the end of the period	
		1995	1994
28th January 1985	156.104p	–	51,852
14th July 1986	193.648p	132,323	217,395
9th March 1987	238.602p	18,730	29,664
13th July 1987	281.580p	375,729	650,441
9th February 1988	217.360p	467,276	727,886
31st July 1989	272.688p	1,648,219	2,548,721
28th February 1991	322.088p	4,179,283	5,406,864
28th August 1992	447.000p	5,401,322	5,462,954
12th March 1994	359.000p	8,587,030	8,627,977
		20,809,912	23,723,754

Figures for all prices and options outstanding are adjusted for the capitalisation issue in July 1987 and for the rights issue in July 1991.

note 13 Share Premium Account

	Company
	£m
At 13th March 1994	949.9
Profit sharing scheme	15.0
Savings-related share option scheme	5.5
Executive share option scheme	7.1
Scrip dividend	23.3
Expenses of capital issues in respect of scrip dividend	(0.2)
At 11th March 1995	1,000.6

note 14 Revaluation Reserve

	Group	Company
	£m	£m
At 13th March 1994	32.7	34.0
Transfer from Profit and Loss Account in respect of property disposals during the period (note 15)	5.9	5.9
At 11th March 1995	38.6	39.9

note 15 Profit and Loss Account

	Group	Company
	£m	£m
At 13th March 1994	1,609.3	1,381.8
Profit retained for the period	323.9	272.5
Goodwill in respect of the investment in Giant Food Inc.	(128.6)	–
Transfer to Revaluation Reserve (note 14)	(5.9)	(5.9)
Currency movements	(0.5)	–
At 11th March 1995	1,798.2	1,648.4

note 15 Profit and Loss Account – continued

The cumulative goodwill deducted from the reserves of the Group at 11th March 1995 amounted to £271.6 million (1994: £143.0 million).

No provision has been made for the additional tax which would arise if profits of overseas Subsidiaries or Associated undertakings were distributed.

note 16 Segment Analysis of Turnover, Profit and Net Assets

	Group							
	1995				1994			
	Turnover		Profit £m	Net Assets £m	Turnover		Profit £m	Net Assets £m
Incl. Taxes £m	Excl. Taxes £m	Incl. Taxes £m			Excl. Taxes £m			
Food retailing – UK	10,294.9	9,654.9	825.2	3,253.3	9,523.3	8,944.0	735.4	3,165.7
Food retailing – US	1,345.9	1,334.0	40.3	551.8	1,314.5	1,302.5	31.0	360.5
DIY retailing – UK	376.9	321.2	30.8	154.2	328.0	279.6	22.6	153.4
Food manufacturing – UK	23.4	23.4	(2.7)	23.9	18.1	18.1	(1.2)	23.3
Property development and other – UK	24.3	23.5	5.3	15.7	39.9	39.0	8.0	32.4
	<u>12,065.4</u>	<u>11,357.0</u>			<u>11,223.8</u>	<u>10,583.2</u>		
Group Operating Profit before profit sharing and exceptional administrative expenses			898.9				795.8	
Profit sharing			(60.6)				(56.3)	
Exceptional administrative expenses			–				(369.5)	
Associated undertakings – share of profit			6.0				0.5	
Profit on sale of property			1.0				7.0	
Net interest payable			(36.1)				(8.7)	
Group Profit before Tax			<u>809.2</u>				<u>368.8</u>	
Capital employed				3,998.9				3,735.3
Net borrowings				(688.8)				(678.5)
Minority interest				(21.1)				(17.3)
Net assets				<u>3,289.0</u>				<u>3,039.5</u>

Total administrative expenses amounted to £277.4 million (1994: £638.7 million) including provision for profit sharing and, for 1994, provisions for costs of re-organisation and write down of property values.

Group financing is undertaken centrally and in consequence the Group interest has not been attributed to classes of business or geographical areas. The analysis of capital employed by class of business and geographical area is calculated on net assets excluding net borrowings.

Turnover is disclosed by origin. There is no material difference in turnover by destination.

	Group	
	1995	1994
Net margin on tax inclusive sales:*		
UK	8.01%	7.72%
US	2.99%	2.36%
Group	<u>7.45%</u>	<u>7.09%</u>
Net margin on tax exclusive sales:*		
UK	8.57%	8.24%
US	3.02%	2.38%
Group	<u>7.91%</u>	<u>7.52%</u>

* Based on Operating Profit before profit sharing, and for 1994, exceptional administrative expenses.

note 17 Write down of Property Values

	Group	
	1995 £m	1994 £m
Permanent diminution in value of land element of trading properties	–	282.4
Permanent diminution in value of surplus land and stores due for closure	–	31.4
Provision for losses on realisation of surplus land and stores due for closure	–	27.7
	–	341.5

note 18 Profit Sharing

The amount provided for profit sharing for UK retail companies is calculated on the operating profits and net interest reflected in the accounts of the participating companies.

The figure on which the profit fund is based is £837.1 million (1994: £771.8 million). £56.9 million (1994: £52.6 million) has been provided for the profit fund and £3.7 million (1994: £3.7 million) for Employers' National Insurance.

Employees participate in the Profit Sharing Scheme after completing one financial year's service and obtain full benefits after the third year. In respect of the period ended 11th March 1995, approximately 87,000 employees are eligible. A distribution rate is calculated each period according to the size of the profit fund and the total qualifying pay of eligible employees and is finalised following the Annual General Meeting. The distribution rate in 1995 is expected to be approximately 9.6% (1994: 9.1%).

Profit sharing may be taken in cash under the Cash Trust or, subject to the statutory maximum, in shares under the Share Trust. The number of shares allotted to Profit Sharing Scheme participants in July 1994 is set out in note 12.

At 11th March 1995 the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 20.1 million shares (1994: 20.5 million) on behalf of 41,749 participants (1994: 40,199) in the Scheme.

note 19 Net Interest Payable

	Group	
	1995 £m	1994 £m
Interest receivable	12.8	11.5
Interest payable:		
Bank and other interest on loans wholly repayable within five years	37.6	35.5
On loans not wholly repayable within five years:		
Term bank loan	1.9	2.5
Loan stock interest	0.2	0.2
Other loans payable by instalments	0.2	0.2
Finance leases	8.5	8.8
Convertible capital bonds	17.0	17.0
	65.4	64.2
Interest capitalised	(16.5)	(44.0)
	48.9	20.2
Net Interest Payable	36.1	8.7

Interest receivable includes income from listed investments of £0.3 million (1994: £0.6 million).

note 20 Profit on Ordinary Activities before Tax

	Group	
	1995 £m	1994 £m
This has been arrived at after charging/ (crediting):		
Depreciation – owned assets	223.7	202.8
– finance leases	3.9	4.1
Permanent diminution in value of fixed assets	–	313.8
Provision for future store closures	–	27.7
Pension costs	37.9	36.2
Auditors' remuneration – audit fee (Company £0.2 million, 1994: £0.3 million)	0.5	0.5
– other services	0.7	0.6
Pensions to former Directors	–	0.1
Operating lease rentals – plant and equipment	9.4	9.3
– other	113.4	106.9
– receivable	(17.0)	(14.5)

note 21 **Directors' Emoluments and Interests**

(a) Directors' Emoluments

The aggregate emoluments of the Directors of the Company were as follows:-

	1995 £000	1994 £000
Basic remuneration	2,919	2,669
Performance-related bonus	525	-
Profit sharing	247	269
Benefits	183	139
Pension contributions	449	219
	4,323	3,296
Fees payable to Non-Executive Directors	59	69
Total	4,382	3,365

The emoluments of the Executive Directors are determined on the advice of the Remuneration and Nomination Committee and comprise several elements. The emoluments of each of the Executive Directors are set out in the table below:-

	Basic remuneration		Performance-related bonus (a)		Profit sharing (b)		Benefits (c)		Sub totals		Pension contribution (d)		Totals	
	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000
D J Sainsbury ¹	276	259	51	Nil	24	23	11	7	362	289	27	22	389	311
R T Vyner ²	373	344	69	Nil	31	30	14	12	487	386	36	28	523	414
D A Quarmby	320	296	59	Nil	27	27	13	11	419	334	31	24	450	358
R A Clark ³	258	239	48	Nil	22	22	15	12	343	273	114	20	457	293
K C Worrall ⁴	119	143	8	Nil	13	14	10	13	150	170	89	12	239	182
I D Coull	210	196	38	Nil	18	19	10	8	276	223	20	16	296	239
R Cooper	207	189	38	Nil	17	17	11	8	273	214	20	16	293	230
J E Adshead	184	170	34	Nil	15	16	14	13	247	199	18	14	265	213
C I Harvey	170	161	31	Nil	15	15	10	8	226	184	17	13	243	197
D B Adriano	185	164	35	Nil	15	14	13	7	248	185	18	14	266	199
R P Whitbread	168	155	31	Nil	14	14	14	13	227	182	16	13	243	195
R P Thorne	177	165	33	Nil	15	16	12	12	237	193	17	14	254	207
D J Clapham	145	134	27	Nil	12	12	13	7	197	153	14	11	211	164
I J Hunt ⁵	127	-	23	-	9	-	23	-	182	-	12	-	194	-

1. Chairman. 2. Highest paid Director. 3. Includes an additional pension contribution of £89,000 in 1995. 4. Mr K C Worrall became a Non-Executive Director on 3rd July 1994 and retired on 31st December 1994. Total emoluments of £239,000 include an additional pension contribution of £79,000 and £85,000 as a Non-Executive Director. 5. Appointed a Director on 13th March 1994.

Notes

(a) The performance-related bonus is calculated in accordance with a formula which is linked to the period on period increase in profits, as reduced by inflation, before profit sharing, the write down of property values and the profit on the sale of property. It is subject to a maximum of 35% of basic remuneration which is achieved when real profit growth is 20%.

In 1995 real profit growth was 11.4% (1994: Nil %); accordingly, the bonus is 17.8% (1994: Nil %) of the basic remuneration at the period end, to be paid after the preliminary announcement of the results on 10th May 1995.

In previous periods the bonus has been shown in the Accounts for the period in which payment has been made. For the period ended 11th March 1995 the bonus has been accounted for on an accruals basis and for comparison purposes the 1994 bonus figures in the above tables have been restated.

(b) Executive Directors participate in the Company's Profit Sharing Scheme in the same way as all other participants. Although profit sharing is accounted for on an accruals basis, payments are not finally calculated and paid until after the Annual General Meeting. Accordingly, profit sharing to Directors is included in the above tables on a paid basis.

Profit sharing in respect of the period ended 11th March 1995, which will be paid in August 1995, is expected to amount to approximately 9.6% of basic remuneration (1994: 9.1%).

note 21 **Directors' Emoluments and Interests** – continued

(c) Benefits include such items as the provision of a company car and medical insurance premiums.

(d) Under the Group's pension arrangements, the Executive Directors are entitled to a pension on retirement at age 60, or earlier in the event of ill health, of up to two thirds of their pensionable earnings, including the performance-related bonus, averaged over the last three years' service, subject to Inland Revenue limits. Pensions are also payable to dependants on death and a lump sum is payable if death occurs in service. In the case of two Directors who joined the Company on or after 17th March 1987 the Company has agreed to make up that portion of the standard pension entitlement which is in excess of Inland Revenue limits. This last obligation is unfunded.

The emoluments of the Non-Executive Directors, excluding Mr K C Worrall, fall within the following ranges:–

	1995	1994
£Nil to £5,000	1	–
£15,001 to £20,000	3	4

The emoluments, excluding pension contributions, of Directors who retired before 12th March 1994 fall within the following ranges:–

	1995	1994
£15,001 to £20,000	–	2
£55,001 to £60,000	–	1

(b) Directors' Interests

The interests of the Directors and their families in the shares of the Company are set out in the table below:–

Ordinary Shares

	11th March 1995	13th March 1994
D J Sainsbury	321,674,572	317,134,834
R T Vyner	14,433	50,216
D A Quarmby	63,330	130,159
R A Clark	110,431	110,529
I D Coull	11,288	9,237
R Cooper	77,499	70,898
J E Adshead	21,022	19,971
C I Harvey	54,951	56,279
D B Adriano	23,991	19,041
R P Whitbread	31,097	19,499
R P Thorne	5,657	3,495
D J Clapham	31,701	38,327
I J Hunt	47,349	50,656
Lady Eccles	4,132	4,069
Sir Terence Heiser	1,000	1,000
Dr J M Ashworth	2,054	2,000

These beneficial holdings include the Directors' personal holdings and those of their spouses and minor children, as well as holdings in family trusts of which a Director or his minor children are beneficiaries or potential beneficiaries. It includes also the beneficial interest in shares which are held in trust under the J Sainsbury Profit Sharing Scheme.

D J Sainsbury has a non-beneficial interest in holdings of 4,902,737 (1994: 5,342,137) shares and £2,095 (1994: £2,095) 8% Irredeemable Unsecured Loan Stock in trusts, including a charitable trust, of which he is a trustee.

There were no changes to the Directors' interests shown above between 11th March and 9th May 1995.

Options over Ordinary Shares

Directors' options under the Company's Executive Share Option Scheme (a) and Savings-Related Share Option Scheme (b) are set out in the table below:-

	Total 13th March 1994	Number granted	Number exercised	Date exercised	Option price Pence	Market price on exercise Pence	Total 11th March 1995
D J Sainsbury	222,564	–	–	–	–	–	222,564
R T Vyner	360,430	–	65,190 (a)	22.02.95	322.1	412	293,565
		917 (b)	2,592 (b)	08.03.95	205.5	409	
D A Quarmby	375,778	1,792 (b)	–	–	–	–	377,570
R A Clark	253,945	–	1,331 (b)	08.03.95	205.5	409	252,614
I D Coull	207,862	3,710 (b)	–	–	–	–	211,572
R Cooper	245,712	1,667 (b)	2,592 (b)	01.03.95	205.5	416	244,787
J E Adshead	183,400	291 (b)	–	–	–	–	183,691
C I Harvey	208,078	1,959 (b)	3,153 (b)	01.03.95	205.5	416	206,884
D B Adriano	166,360	2,126 (b)	2,592 (b)	01.03.95	205.5	416	165,894
R P Whitbread	204,276	1,959 (b)	23,919 (a)	07.09.94	217.4	447	182,316
R P Thorne	141,404	1,417 (b)	–	–	–	–	142,821
D J Clapham	146,358	1,876 (b)	2,382 (b)	01.03.95	205.5	416	145,852
I J Hunt	121,060	1,667 (b)	2,592 (b)	08.03.95	205.5	409	120,135

Outstanding options above and below the market price of 415p on 11th March 1995 are set out in the table below.

	Number of options outstanding	Options outstanding below market price		Options outstanding above market price	
		Number	Weighted average price Pence	Number	Option price Pence
D J Sainsbury	222,564	222,564	330.2	–	–
R T Vyner	293,565	153,744	358.0	139,821	447
D A Quarmby	377,570	248,935	329.9	128,635	447
R A Clark	252,614	163,129	345.1	89,485	447
I D Coull	211,572	135,510	345.5	76,062	447
R Cooper	244,787	175,436	326.4	69,351	447
J E Adshead	183,691	119,709	342.5	63,982	447
C I Harvey	206,884	144,245	307.6	62,639	447
D B Adriano	165,894	109,966	346.1	55,928	447
R P Whitbread	182,316	126,388	330.5	55,928	447
R P Thorne	142,821	75,707	356.3	67,114	447
D J Clapham	145,852	112,967	330.3	32,885	447
I J Hunt	120,135	93,290	323.9	26,845	447

No options lapsed during the period. The options outstanding are exercisable at prices between 193.6p and 447p. In the period from 13th March 1994 to 11th March 1995 the highest middle market price was 457p and the lowest middle market price was 346p.

The Register of Directors' Interests is available for inspection at the Company's Registered Office.

note 22 Employees

	Group	
	1995	1994
	£m	£m
Employees' remuneration and related costs during the period amounted to:		
Wages and salaries	1,074.7	1,022.2
Social security costs	71.8	73.8
Other pension costs	37.9	36.2
	1,184.4	1,132.2
Profit sharing	60.6	56.3
	1,245.0	1,188.5
The weekly average number of employees during the period was:		
Full-time	44,129	44,059
Part-time	87,169	80,782
	131,298	124,841
Full-time equivalent	82,345	79,974

note 23 Tax on Profit on Ordinary Activities

	Group	
	1995	1994
	£m	£m
The tax charge based on the profit for the period is:		
Corporation tax at 33% (1994: 33%)	259.0	231.0
Deferred tax	2.6	(7.5)
Overseas tax – current	10.7	9.0
– deferred	(0.1)	(4.1)
Over provision in prior periods	(5.0)	(1.1)
Share of Associated undertakings' tax	2.7	–
	269.9	227.3

The Company is not a Close Company under the terms of the Income and Corporation Taxes Act 1988.

note 24 Dividends

	Company	
	1995	1994
	£m	£m
Interim	57.6	53.5
Proposed final	154.0	136.1
	211.6	189.6

The interim dividend of 3.2p per share, paid on 18th January 1995, together with the related tax credit is equal to 4.0p and the proposed final dividend of 8.5p per share together with the related tax credit is equal to 10.625p.

note 25 Earnings Per Share

The calculation of earnings per share is based on profit after tax and minority interest, divided by the weighted average number of ordinary shares in issue during the period of 1,798,290,637 (1994: 1,782,102,902).

The calculation of fully diluted earnings per ordinary share is based on the profit after tax and minority interest and adjustments which assume:

- i) the full conversion of convertible capital bonds on the first day of the financial year.
- ii) the full exercise of all ordinary share options granted under the Company's own schemes on the first day of the financial year, or the date granted if later.

The amount so derived is divided by the weighted average number of ordinary shares in issue during the financial year and the weighted average number of ordinary shares arising from the above adjustments, which together totalled 1,918,382,949 (1994: 1,901,722,289).

The alternative measures of earnings per share provided reflect the Group's underlying trading performance by excluding the effect of the profit on the sale of property and exceptional administrative expenses and taking account of anticipated future dilution of earnings per share.

note 26 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Group	
	1995 £m	1994 £m
Operating profit before profit sharing and exceptional administrative expenses	898.9	795.8
Profit sharing	(60.6)	(56.3)
Depreciation	227.6	206.9
Loss on sales of fixtures, equipment and vehicles	2.2	–
Release of provision	(4.0)	–
Increase in stocks	(53.0)	(7.2)
Increase in debtors	(14.1)	(24.3)
Increase in creditors	100.3	77.1
Net cash inflow from operating activities before exceptional administrative expenses	1,097.3	992.0
Net cash outflow in respect of exceptional administrative expenses	(26.9)	(1.1)
Net cash inflow from operating activities	1,070.4	990.9

note 27 Analysis of Changes in Financing during the Period

	Group			
	Share Capital (including premium)		Loans and Finance Lease Obligations	
	1995 £m	1994 £m	1995 £m	1994 £m
At 13th March 1994	1,397.5	1,339.1	713.7	725.2
Cash flows from financing	13.8	10.3	(14.3)	8.8
Non cash transactions:				
Additional amount offset against term loan (note 9)	–	–	(10.9)	(9.9)
Scrip dividend	24.9	29.1	–	–
Profit sharing	16.0	19.0	–	–
Inception of finance leases	–	–	–	5.9
Effect of foreign exchange rate changes	–	–	(20.0)	(16.3)
At 11th March 1995	1,452.2	1,397.5	668.5	713.7
Comprising:				
Share capital (note 12)	451.6	447.6	–	–
Share premium (note 13)	1,000.6	949.9	–	–
Borrowings (note 10)	–	–	889.8	902.5
Less included in cash and cash equivalents (note 29)	–	–	(221.3)	(188.8)
At 11th March 1995	1,452.2	1,397.5	668.5	713.7

Cash flows from financing comprise £13.8 million (1994: £10.3 million) inflow from share capital and share premium and £14.3 million outflow (1994: £8.8 million inflow) from loans and finance lease obligations, resulting in an outflow of £0.5 million (1994: £19.1 million inflow), as shown in the cash flow statement.

note 28 Analysis of changes in Cash and Cash Equivalents during the Period

	Group	
	1995 £m	1994 £m
At 13th March 1994	24.1	76.9
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(45.4)	(52.7)
Effect of foreign exchange rate changes	(0.6)	(0.1)
At 11th March 1995	(21.9)	24.1

note 29 Analysis of the Balances of Cash and Cash Equivalents as shown in the Balance Sheet

	1995	1994	1993	Change in 1995	Change in 1994
	£m	£m	£m	£m	£m
Investments	–	41.6	–	(41.6)	41.6
Cash at bank and in hand	199.4	171.3	144.4	28.1	26.9
Bank loans and overdrafts	(221.3)	(153.8)	(67.5)	(67.5)	(86.3)
Short term notes	–	(35.0)	–	35.0	(35.0)
	(21.9)	24.1	76.9	(46.0)	(52.8)

note 30 Future Capital Expenditure

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Contracted for but not provided for in the Accounts	268.3	347.4	239.9	341.4
Authorised but not contracted for	459.3	398.3	319.1	222.9

note 31 Contingent Liabilities and Financial Commitments

The Company has guaranteed borrowing facilities for Associated undertakings to the extent of £0.8 million (1994: £1.0 million).

The Company has guaranteed the borrowings of a Subsidiary which, at 11th March 1995, amounted to £200.0 million (1994: £200.0 million).

Commitments to make operating lease payments during the next financial year are as follows:

	Group	Company
	£m	£m
Land and Buildings		
Leases which expire within the year	0.4	0.3
Leases which expire between 1 and 5 years	1.6	1.3
Leases which expire after 5 years	116.0	82.0
Other Leases		
Leases which expire within the year	0.8	0.7
Leases which expire between 1 and 5 years	6.4	6.0
Leases which expire after 5 years	1.1	–

note 32 Pension Commitments

The Group operates final salary pension schemes in the UK. The costs are assessed on the advice of independent qualified actuaries.

Of the total pension costs of the Group, £31.6 million (1994: £30.3 million) relates to the UK Schemes, namely the J Sainsbury Pension and Death Benefit Scheme (JSPDBS) and the J Sainsbury Executive Pension Scheme (JSEPS). The assets of the UK Schemes are held by trustee companies which are separate from the Company.

The latest actuarial valuation of the UK Schemes was carried out by the actuaries as at 12th March 1994, using the projected unit method. The significant actuarial valuation assumptions used were that future investment returns would be 8½% per annum, long term future salary and wage increases would average 5½% per annum and pensions would increase at 4% per annum. The next triennial valuation will take place in 1997.

At the date of the latest valuation the market value of the assets of the UK Schemes was £1,435 million and the actuarial value of the assets was sufficient to cover 122% of the JSPDBS and 120% of the JSEPS benefits that had accrued to members, allowing for expected future increases in earnings. The on-going pension cost in respect of the UK Schemes, incorporating the amortisation of the surplus from the last valuation in 1991, has been adjusted to reflect the revised surplus arising from the March 1994 valuation and the net reduced surplus is being amortised by a method which causes the Company's funding rate to rise from the current, abated, level up to the full regular cost on a sliding scale over a period of 14 years for JSPDBS and 12 years for JSEPS.

The Group also operates a final salary pension scheme in the US. The pension cost relating to the US benefit scheme has been determined with the advice of independent actuaries. The charge to the Profit and Loss Account is calculated in accordance with US accounting principles but would not have been materially different had UK accounting principles been applied.

note 33 Post Balance Sheet Event

The Group completed the purchase of the Home Charm Group PLC from Ladbroke Group PLC on 14th March 1995 following clearance by the Office of Fair Trading. The provisional consideration of £290 million was paid in cash and was financed by bank borrowing and cash resources. Home Charm Group PLC is the holding company of Texas Homecare Limited together with eleven other subsidiaries and one associated undertaking.

The provisional consideration of £290 million consists of £163 million for the shareholding in Home Charm Group and £127 million advances to enable the Home Charm Group's indebtedness to the Ladbroke Group to be repaid, and is subject to review following the finalisation of completion accounts and other considerations.

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