J Sainsbury plc

Annual Review 1996
and Summary Financial Statement

Our new store at Straiton, Edinburgh brings to five the number of Sainsbury's supermarkets in Scotland where, with Savacentre, Homebase and Texas, the Group has a total of 32 stores.

Contents


SAINSBURY'S
Savacentre


SAINSBURY'S
HOMEBASE
HOUSE AND GARDEN CENTRE


TEXAS
HOMECARE


Shaw's

J Sainsbury

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 12 million customers a week.

Sainsbury's supermarkets is the largest part of the Sainsbury Group, accounting for 87% of Group operating profit before profit sharing and exceptional items and 75% 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 which is in the process of integrating its recent acquisition, Texas Homecare, into its trading operations.

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

Founded in London in 1869, Sainsbury's was privately owned until 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.

Group 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 in efficiency of operation, convenience and customer service in our stores, thereby creating 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.

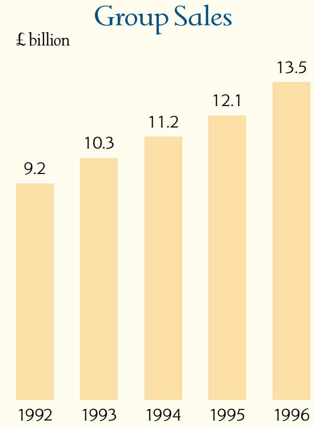
plc

Financial Highlights

£ million	1996 52 weeks to 9th March	1995 52 weeks to 11th March	% Change
UK Sales	12,037	10,719	12.3
US Sales*	1,462	1,346	8.6
GROUP SALES (incl. taxes)	13,499	12,065	11.9
UK Operating Profit	803	859	(6.5)
US Operating Profit*	51	40	27.5
GROUP OPERATING PROFIT before profit sharing and exceptional costs	854	899	(5.0)
Profit Sharing	(50)	(61)	
Associates	19	6	
Net Interest Payable	(59)	(36)	
GROUP PROFIT before tax, exceptional costs and property items	764	808	(5.4)
(Loss)/profit on sale of properties	(4)	1	
Exceptional integration costs	(48)	–	
GROUP PROFIT BEFORE TAX	712	809	
Tax	(234)	(270)	
GROUP PROFIT AFTER TAX	478	539	
EARNINGS PER SHARE	26.8p	29.8p	
FULLY DILUTED EARNINGS PER SHARE before exceptional costs and property items	27.8p	29.0p	(4.1)
DIVIDEND PER SHARE	12.1p	11.7p	3.4

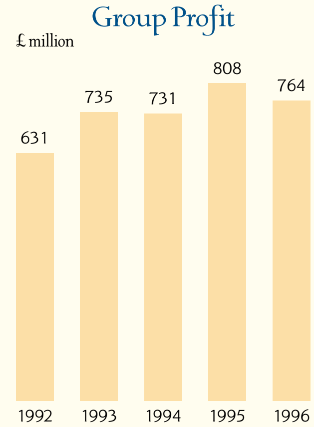
*In dollar terms, US sales rose by 10.5% to $2.3 billion and US operating profit rose 28.4% to $80.0 million for the 54 weeks to 9th March 1996.

Group Sales



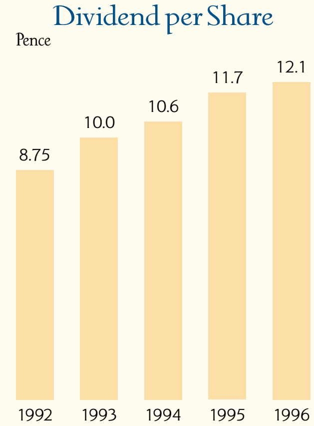
Group sales increased by 11.9% to £13.5 billion.

Group Profit



Group profit before tax, exceptional costs and property items decreased by 5.4% to £764 million.

Dividend per Share



Dividend per share increased by 3.4% to 12.1 pence.

Chairman's Statement

David Sainsbury greeting a customer in the Sainsbury's supermarket at New Cross Gate, London which opened in February.

The Year's Results

In a difficult year Group sales increased by 11.9% to £13.5 billion and Group profit before tax, exceptional costs and property items reduced by 5.4% to £764 million. In highly competitive market conditions in UK food retailing we invested substantial resources in improving the service, value for money and choice we provide to our customers. These measures, together with a low rate of sales growth, led to a reduction of 5.1% in the operating profit of Sainsbury's supermarkets to £744.3 million. This is not a satisfactory financial performance but we have taken decisive action to enhance our competitive position in the future. Homebase, our UK home improvement and garden centre business, and Shaw's, our supermarket chain based in New England, USA, both achieved excellent results and provide good opportunities for future growth. A detailed review of the performance of the Group businesses follows on pages 10 to 27.

We continue to see significant opportunities for profitable investment and Group capital expenditure totalled £759 million, of which almost one-third was spent on our newer businesses of Shaw's, Savacentre and Homebase. Net Group borrowing increased to £1,212 million at the end of the year, up from £689 million at the previous year end, due mainly to the acquisition of Texas and higher capital expenditure.

We have increased the dividend per share by 3.4% to 12.1p for the year. The Group's dividend cover of 2.3 remains extremely strong. Further details of the Group's financial position are outlined on pages 34 and 35.

UK Food Retailing

The net operating margin of Sainsbury's supermarkets at 7.3% leads the UK food retail sector. Sainsbury's supermarkets also achieved sales of £18.59 per sq. ft. of sales area per week: a sales intensity significantly higher than competitors and an indicator of the popularity and effectiveness of our stores. However, sales growth of 5.7% during the year was disappointing. New space contributed 3.1% and like-for-like sales growth for the full year was 2.6%, although this growth strengthened to 4% for the final quarter of the year.

We are committed to providing superior choice and quality at very competitive prices, together with customer service that is unsurpassed in the food retail sector.

We are improving our marketing and making it central to the development of our offer. We are determined to strengthen the value for money we give our customers and, in a tough trading environment, we reinforced our price advantage over other major supermarkets. During the year we also introduced a series of measures to improve customer service. In the second half, we recruited over 5,000 additional staff in existing stores to provide extra packers, more staff serving at service counters and more assistance with customer queries on the sales floor. We will continue to search for new ways to provide our customers with unsurpassed service.

We have further enhanced the choice and quality of products offered by Sainsbury's stores. In partnership with suppliers we introduced many new own brand ranges with a particular emphasis on innovation in fresh and chilled food. This programme is backed up by a continuous quality and value audit to ensure that our own brand range continues to meet the highest standards. Our product quality assurance leads the industry, as outlined on page 12, and our 'Farm Assured' partnership with meat suppliers has provided additional reassurance to customers during the recent period of public concern regarding BSE.

We entered the current difficult planning environment with a relatively small landbank and this resulted in a reduction in the rate of openings of new Sainsbury's supermarkets to 10 this year from 20 the year before. We therefore initiated a major programme of store extensions designed to improve service to our customers and achieve sales increases from crowded stores. Twenty-one extensions were completed during the year. These enlarged the sales area of these stores by an average of 25% and have shown encouraging sales increases. A similar programme of extensions is planned for the coming year. Planning continues to be extremely difficult but we have adjusted our site search to the new realities and this has resulted in our supermarket opening programme recovering to 16 stores in the coming year, including our first three stores in Northern Ireland and three smaller stores in country towns.

Sainsbury's subsidiary Savacentre, the UK's only specialist hypermarket business, opened two new hypermarkets during the year to bring its total number of stores to 12 and added 170,000 sq. ft. to its sales area. Savacentre's sales increased by 7.7% but its operating profit declined by15.9% to £34.4 million. Its performance was affected by similar factors to Sainsbury's supermarkets and was also burdened by weak clothing sales and the costs of opening the two new stores compared to none the year before.

Homebase and Texas

The UK home improvement and garden products market was extremely depressed last year and recorded no volume growth for the first time since 1991. Despite the competitive pressures generated by this environment, Homebase's sales grew strongly and, combined with tight cost control, this resulted in an increase of 17.5% in operating profit to £36.2 million. This is an excellent performance, especially when compared with Homebase's main competitors. Homebase's success reflects its outstanding value for money, product range and service which continue to set new standards for its sector.

We acquired Texas Homecare, the second largest UK DIY retailer, at the beginning of the financial year in order to expand Homebase rapidly by converting Texas stores to the superior Homebase format. Although Texas' trading results have not been satisfactory, encouraging progress has been made in integrating Texas into Homebase and we have decided to accelerate the conversion process. It is now planned that all Texas stores will be changed to the Homebase livery in the Autumn and remodelling of Texas stores to the complete Homebase format will be increased to a rate of 50 stores per annum for the next three years.

North America

Shaw's produced an excellent performance. In dollar terms, operating profit increased by 28.4% to $80.0 million for the 54 weeks to 9th March 1996. Shaw's operating margin increased by 0.5 percentage points to 3.5%. This is higher than when we took over the company and we believe it has further potential for improvement. Over the last three years, Shaw's operating profit has increased by 144%. Shaw's is obtaining an increasing number of opportunities for profitable expansion. The success of the new store format developed for its entry into the Connecticut market gives great confidence for expansion in new territories.

We own one-sixth of Giant Food Inc., the leading food retailer in Washington DC and Baltimore. Giant recently announced an increase of 8.1% in profit before tax to $167.8 million for the year to 24th February 1996. Giant is also increasing its rate of expansion. Eight new stores are planned for the coming year including six in new operating areas.

Board Changes

In July, Sir Timothy Sainsbury MP rejoined the Board as a Non-Executive Director after a distinguished period of public service in government. We were also pleased to welcome, as a Non-Executive

Director, Clive Thompson, Group Chief Executive of Rentokil Group PLC, who has great experience of running a very successful international service company.

In order to focus and strengthen the top management structure of Sainsbury's supermarket business, we appointed Tom Vyner, our Deputy Chairman, to the new position of Chief Executive of Sainsbury's supermarkets with effect from 13th March this year. Dino Adriano, whilst remaining Chairman of Homebase, became Deputy Chief Executive of Sainsbury's supermarkets. He will progressively assume responsibility for Sainsbury's supermarkets and will succeed Tom Vyner who will be retiring at the end of 1997.

Kevin McCarten was appointed to the position of Marketing Director at the end of December. Kevin will significantly strengthen the marketing function of Sainsbury's supermarkets with his experience and expertise gained at Kingfisher and Procter & Gamble.

Ivor Hunt retired from the Board in March. He leaves with our deep appreciation for his great contribution to the Company's marketing function over 25 years, the last two years of which he served as Marketing Director.

David Quarmby retired from the Board at the end of April having served as Distribution Director and Joint Managing Director in his 11 years with the Company. He played a key role in the top management team of the Group in recent years and we will miss the energy, enthusiasm and intelligence that he brought to all his responsibilities.

I am delighted that David Bremner, currently the Chief Executive of Watson & Philip Plc, will be joining us in the next few months as Chief Executive, New Businesses. His appointment completes the management restructuring started in January and, with it, my role as Chairman and Chief Executive will change to that of Executive Chairman.

Tribute to Staff

During the year our staff have made an invaluable contribution to the Company and I would like to thank them for their strong commitment to delivering an outstanding service to our customers. To achieve high levels of innovation, quality and customer service, we believe we need to have highly motivated and well trained staff and we are, therefore, investing heavily in operator training, management development and communications at all levels of the Company.

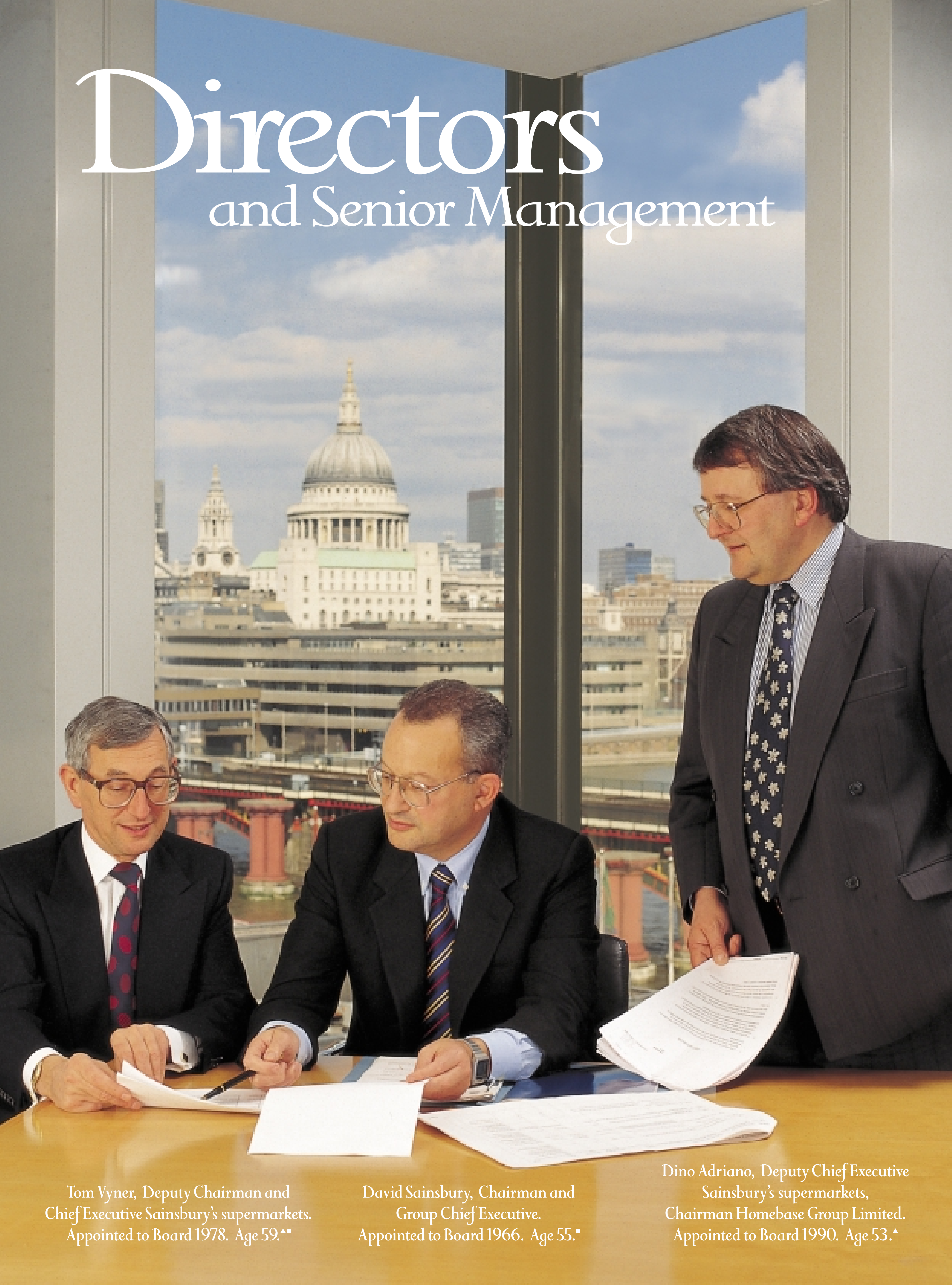
Outlook

In the past year we have improved the competitive position of Sainsbury's supermarkets, strengthened its rate of expansion and reinforced its top management structure. These changes will take time to translate fully into improved performance. Further innovation and development of our offer is under way and we are moving decisively forward.

Looking beyond our main supermarket business, Savacentre provides us with a strong, distinctive format with substantial growth potential. Shaw's is expanding rapidly and profitably and the integration of Texas into Homebase is a major opportunity to increase profits. These businesses will add significantly to the earnings growth of the Group in the years ahead.

David Sainsbury

Directors
and Senior Management



Tom Vyner, Deputy Chairman and Chief Executive Sainsbury's supermarkets. Appointed to Board 1978. Age 59.▲■

David Sainsbury, Chairman and Group Chief Executive. Appointed to Board 1966. Age 55.■

Dino Adriano, Deputy Chief Executive Sainsbury's supermarkets, Chairman Homebase Group Limited. Appointed to Board 1990. Age 53.▲

Left to Right

John Adshead Responsible for personnel, information systems, logistics and distribution. Appointed to Board in 1989. Age 50.▲

Ian Coull Responsible for property development and environmental issues. Chairman of Shaw's Supermarkets, Inc., Deputy Chairman, Homebase Group Limited. Appointed to Board in 1988. Age 45.▲

Rosemary Thorne Finance Director. Appointed to Board in 1992. Age 44.

Colin Harvey Chairman and Managing Director, Savacentre. Appointed to Board in 1989. Age 54.

Left to Right

Kevin McCarten Marketing Director. Appointed to Board in 1995. Age 38.▲

David Clapham Responsible for Retail Operations. Appointed to Board in 1992. Age 49.▲

Robin Whitbread Responsible for produce, fresh food, grocery, petrol and non-foods buying, and for pharmacies and scientific services. Appointed to Board in 1990. Age 45.▲

Bob Cooper Responsible for meat, fresh fish, off-licence, delicatessen, bakery and dairy buying, and procurement. Appointed to Board in 1988. Age 47.▲

Left to Right

Dr John Ashworth Non-Executive Director. Appointed to Board in 1993. Age 57.*†■

Clive Thompson Non-Executive Director, Chairman Remuneration Committee. Appointed to Board in 1995. Age 53.*†■

The Rt Hon Sir Timothy Sainsbury MP Non-Executive Director. Appointed to Board in 1995. Age 63.*†■

Sir Terence Heiser GCB Non-Executive Director, Chairman Audit Committee. Appointed to Board in 1992. Age 63.*†■

▲Member of Supermarket Executive Committee *Member of Remuneration Committee †Member of Audit Committee ■Member of Nomination Committee

Joint Presidents

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

Departmental Directors

Sainsbury's Supermarkets

Trading & Marketing

Allan Cheesman	- *Off-Licence*
Mike Conolly	- *Operational Marketing*
Angela Megson	- *Dairy/Cheese and Frozen Food Buying*
Ian Merton	- *Produce Buying*
Andrew Mitcham	- *Non-Foods Buying*
Stuart Mitchell	- *Meat and Fish*
Michael Morgan	- *Grocery and International Buying*
Anthony Rees	- *Strategic Marketing*
John Renshaw	- *Marketing Services*

Retail Regional Directors

Ken Barden	- *East*
Colin Etheridge	- *South East*
Peter Guildford	- *North*
Graham Naylor	- *South West*
David Smith	- *Midlands*
Terry Wigley	- *Central & Western*

Support Services

Robin Anderson	- *Property Services*
Nigel Broome	- *Retail Personnel*
Hamish Elvidge	- *Branch Services*
Trefor Hales	- *Branch Operations*
Chris Montagnon	- *Information Systems*
Bob Parle	- *Distribution Operations*
John Phillipson	- *Store Format*
John Rowe	- *Logistics*
Martin Webb	- *Procurement*

Savacentre

Edward Bonner	- *Finance and Systems*
Mike Broomfield	- *Development*
John O'Sullivan	- *Retail Operations*
Allan Webb	- *Food and Marketing*

Homebase

Ross McLaren	- *Managing Director*
Ian Baldwin	- *Buying*
Steve Bradbury	- *Finance*
Mike Powell	- *Information Systems and Logistics*
Bill Williams	- *Retail Operations*

Shaw's

Phil Francis	- *President and Chief Executive Officer*
Verne Powell	- *Executive Vice President, Corporate Development and External Affairs*
Ruth Bramson	- *Senior Vice President, Human Resources*
Paul Gannon	- *Senior Vice President, Administration*
Pete Gunderson	- *Senior Vice President, Distribution and Logistics*
John Kelleher	- *Senior Vice President, Real Estate and Developments*
Scott Ramsay	- *Senior Vice President, Operations*

Group Services

Richard Chadwick	- *Business Development*
Judith Evans	- *Corporate Personnel*
Christopher Leaver	- *Public Relations*
Nigel Matthews	- *Group Secretary, Legal and Insurance*
David Roberts	- *Treasury, Tax and Corporate Finance*
Geoff Spriegel	- *Scientific Services*
Bernard Willis	- *Group Financial Controller*

Sainsbury's
Supermarkets
Serving over 8 million

We aim to be the British consumers' first choice for food shopping. Our largest Sainsbury's supermarkets stock some 20,500 product lines. During the year we introduced over 1,000 new own brand lines and increased the choice of proprietary brands.

Sainsbury's is committed to providing superior quality and choice at very competitive prices and a level of customer service unsurpassed by our competitors.

Sales at £10,148.1 million, a rise of 5.7%, were held back by slower growth at existing stores and a lower contribution from new space.

customers every week

Sales picked up towards the end of the year as measures to improve our market position took effect. The cost of these measures and the low sales growth led to a reduction in operating profit.

During the year, we improved the service we give our customers by investing heavily in our older stores and through our customer service charter 'Customer First'. We spent £65 million refurbishing 97 stores to provide new up-to-date facilities. One hundred and ten stores now have fresh meat counters compared to 68 last year. We now have service counters for fresh fish at 135 stores and for delicatessen at 312. We increased the number of stores that stock CDs and videos from 76 to 248 and have also increased the number of stores stocking our Cookshop range from 5 to 69.

We introduced the first of our own in-store pharmacies and at the year end had six, bringing to 51 the number of stores where a pharmacy service is available. Customers appreciate this in-store convenience and we plan to add a further 13 in-store pharmacies by March 1997. Customers also appreciate the convenience of buying petrol during their shopping trip and we opened a further 16 petrol filling stations bringing the total number at the year end to 168.

To make our customer service commitments a reality, we took on an extra 5,000 new staff at an annual cost of £30 million and will be spending an extra £8 million on staff training. 'Customer First', our customer service charter, consolidates improvements made previously and articulates our commitment to customer service. It includes the provision of extra packers at busy times, helpers to go and fetch items customers may have forgotten, a no-quibble refund or replacement policy if an item is dropped and a freephone customer helpline.

We continue to offer customers outstanding value for money, enhanced with regular price promotions throughout the year. Since January, our 'Saver' and 'Bonus' promotions have each offered substantial savings on 200 lines generally included in a family shopping basket. We sharpened our competitive position and our prices are now 3% below the average for other major supermarkets.

Analysis

	1996	1995
Sales (incl. taxes)	£10,148.1m	£9,597.2m
Operating Profit	£744.3m	£784.3m
Number of supermarkets	363	355
Sales area ('000 sq. ft.)	9,767	9,338
Full-time employees	36,082	33,568
Part-time employees	79,746	67,911

Since its launch in November 1995, the Occasions range has taken around 25% of the party food market.

Our Witney, Oxon. store is one of about 20 which now have a new-style Customer Services Desk providing leaflets, in-store information, refunds and other services.

This year, we focused on enhancing our appeal to families and were voted 'Parent Friendly Retailer of the Year' and 'Mother and Baby Retailer of the Year.'

The Paws cat food range, launched in October, now represents a quarter of total cat food sales in Sainsbury's.

The nine varieties of Sainsbury's Indulgence ice cream have proved immensely popular and now account for over 20% of the luxury ice cream market in Great Britain.

Our range of Economy lines offers good basic quality at low prices and has proved to be very popular, particularly amongst family shoppers.

Working closely with our suppliers, we have improved the choice of products we offer. Our largest stores now stock some 20,500 product lines. Nearly 10,000 of these are Sainsbury brand products which account for 57% of our grocery sales. This year we introduced over 1,000 new own brand products and replaced 500 existing lines to meet customers' ever-changing requirements. We have also widened the choice that we offer customers on proprietary products.

Assuring the safety and quality of our products

Retaining customer confidence in the safety and quality of our products is paramount and we have continued to work in partnership with our suppliers to maintain and improve production standards. We bring to these partnerships a knowledge of the market and the technical expertise of our 140 strong Scientific Services Division.

At no time has this been more important than with current concerns about BSE. As long ago as 1990, Sainsbury's took the lead to introduce a comprehensive Farm Assured Scheme linking farmer, food processor and retailer. The scheme is the largest of its kind in the country covering over 9,000 selected livestock farms in the UK and Ireland. Approved suppliers are inspected regularly to ensure that controls are rigorously enforced. All our fresh meat now carries the 'Farm Assured Meat' logo which has been independently endorsed by The Farm Assured British Beef and Lamb Organisation.

In August, our 'Partnership in Produce' scheme extended the concept of supplier partnership to fruit, vegetable and salad products. The scheme has over 1,500 growers, including one overseas in New Zealand, who work closely with us to supply a wide variety of quality produce. Close co-operation with growers helps us to improve supplies and quality as well as research new varieties together. Typical of this is a new salad potato, Anya, which we added to our range of over 40 different named varieties of potatoes. Bred by the Scottish Crops Research Institute for its outstanding eating quality, Anya is a seasonal variety available exclusively at Sainsbury's during the late Summer and Autumn.

Our Scientific Services Division maintains close links with several major research institutes and is at the forefront of innovation. In February, following research conducted in conjunction with Zeneca plc and Nottingham University, we introduced a tomato paste made from Californian tomatoes genetically modified to stay fresh longer. There is less wastage and customers benefit by saving some 15% on the price of the standard product. The product generated considerable public interest and is selling well. We label the new tomato paste "made with genetically modified tomatoes" so that an informed choice can be made. As a matter of policy other genetically modified products

Sainsbury's won the title
'Supermarket Wine Merchant of the Year'
for the second consecutive year.
A number of our wines also received
recommendations and awards in their own right.

Mike Calnun, a butcher at our Cheadle store, has successfully achieved membership of the Sainsbury's Guild of Butchers.

will only be introduced where there is a real consumer benefit and will be clearly labelled.

Amongst other new products, our range of 'Sausages of Distinction' won a top prize in the 1996 British Sausage Awards. Our range of ready meals was extended by new Thai dishes such as nasi goreng, green chicken curry and Thai rice. Entertaining in a hurry has been made simple by our range of 'Occasions' party food. 'Chicken Saucery', 'Beef Saucery' and 'Fish Saucery' make up our new range of cook-in sauces.

Our work to raise awareness among our customers of how to enjoy the benefits of a healthy diet was recognised by the Department of Health in February when we were the first retailer to be accredited to use the Health of the Nation 'Meeting the Challenge' symbol.

Achievement through people

Sainsbury's supermarkets employ more than 115,000 people: two-thirds are women and the same proportion work part time. Women now account for about 37% of those in management grades. We encourage part-time opportunities and these are available in senior positions, including store management. A typical store employs more than 300 people and is open for over 76 hours each week.

We are committed to staff training for the benefit of the individual as well as for the Company and offer all staff opportunities for personal achievement and career development. At management level, we support specialised MBA and degree courses. Seventeen managers have achieved the MBA and, in July, the first 30 managers graduated from our Retail Marketing Degree course run by the Manchester Metropolitan University.

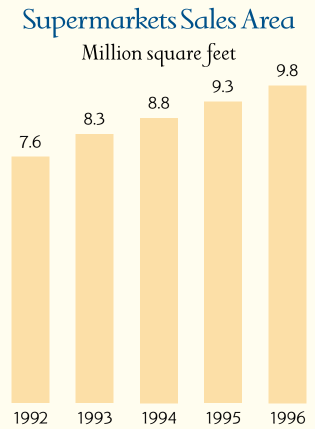
Sainsbury's continues to be a strong supporter of National Vocational Qualifications (NVQs). During the year, 500 staff members achieved Level 2 NVQs bringing the total to over 1,000. A further 800 staff are working towards Level 2. NVQs are a key component of our Retail Training Scheme for 16 to 18-year-olds which offers school leavers the opportunity to learn about retailing. Currently we have 205 Retail Trainees: 98 achieved an NVQ Level 2 during the year. To enable us to assess our staff ourselves we are encouraging our trainers to qualify as NVQ assessors and, by the year end, 23 District Trainers had successfully achieved this NVQ Level 3 qualification.

During the year, we introduced new programmes for training in specialist fresh food trades. These are run in conjunction with independent bodies such as the Meat and Livestock Commission, the Sea Fish Authority and MAFF. Successful candidates become members of the Sainsbury's Guilds of Butchers, Fishmongers or Greengrocers as appropriate and obtain a part qualification towards an NVQ Level 2.

Sales at our Bridgend in-store bakery have more than doubled under the management of Mike Maher who was a finalist in the '1995 Bakery Manager of the Year' Competition.

Sylvia Blight (centre), Retail Trainee Scheme Tutor for 63 stores, is a qualified NVQ assessor and is working towards an NVQ verifier qualification.

Steve Haley (right), Large Goods Vehicle Instructor at our Charlton Depot, uses VeMIS, a new in-cab computer system, as a training aid to fine tune driving skills to maximise fuel economy and minimise vehicle wear.



Sainsbury's supermarkets sales area increased by 4.6% last year to 9,767,000 sq. ft.

Our Wigan store is one of six stores to have a new-style in-store pharmacy. In total, pharmacy facilities are available at 51 of our stores.

Several of our stores received public recognition for our continued commitment to high quality architecture, planning and landscaping. These awards from the Royal Institute of British Architects and The Civic Trust were made to our store at Harlow, Essex.

This year, our 'Choices' career development programme, established four years ago, was extended to all stores. So far over 2,000 staff have taken the opportunity for sponsored study and enrolled in further education courses.

We invested nearly half a million pounds in our special 'Helping Hands' programme for training staff to provide practical assistance to customers with disabilities. Staff have responded very positively to this initiative which came from an employee suggestion and 6,000 staff are proud to wear the distinctive 'Helping Hands' badge. We are delighted that it received public recognition through the award of the first AccessAbility Award in the Multiple Retailer category.

We have made particular efforts to improve communications between staff and senior management. We carried out an opinion survey amongst all our staff and, following independent analysis, the results will be available this Summer. These will form the basis for action plans designed to enhance staff commitment and motivation.

Developing new stores

During the year, we invested £364 million to grow our supermarket business through the opening of new stores and the extension of existing stores. This provided 467,000 sq. ft. of new sales area.

We opened 10 new stores, eight in the second half of the year. Openings at Hamilton and Straiton, Edinburgh increased the number of our supermarkets in Scotland to five. Our store at New Cross Gate, London is the latest example of our commitment to urban regeneration through the reuse of former industrial sites. It is built on the site of a disused railway goods yard and was developed in conjunction with the Deptford City Challenge project and the London Borough of Lewisham.

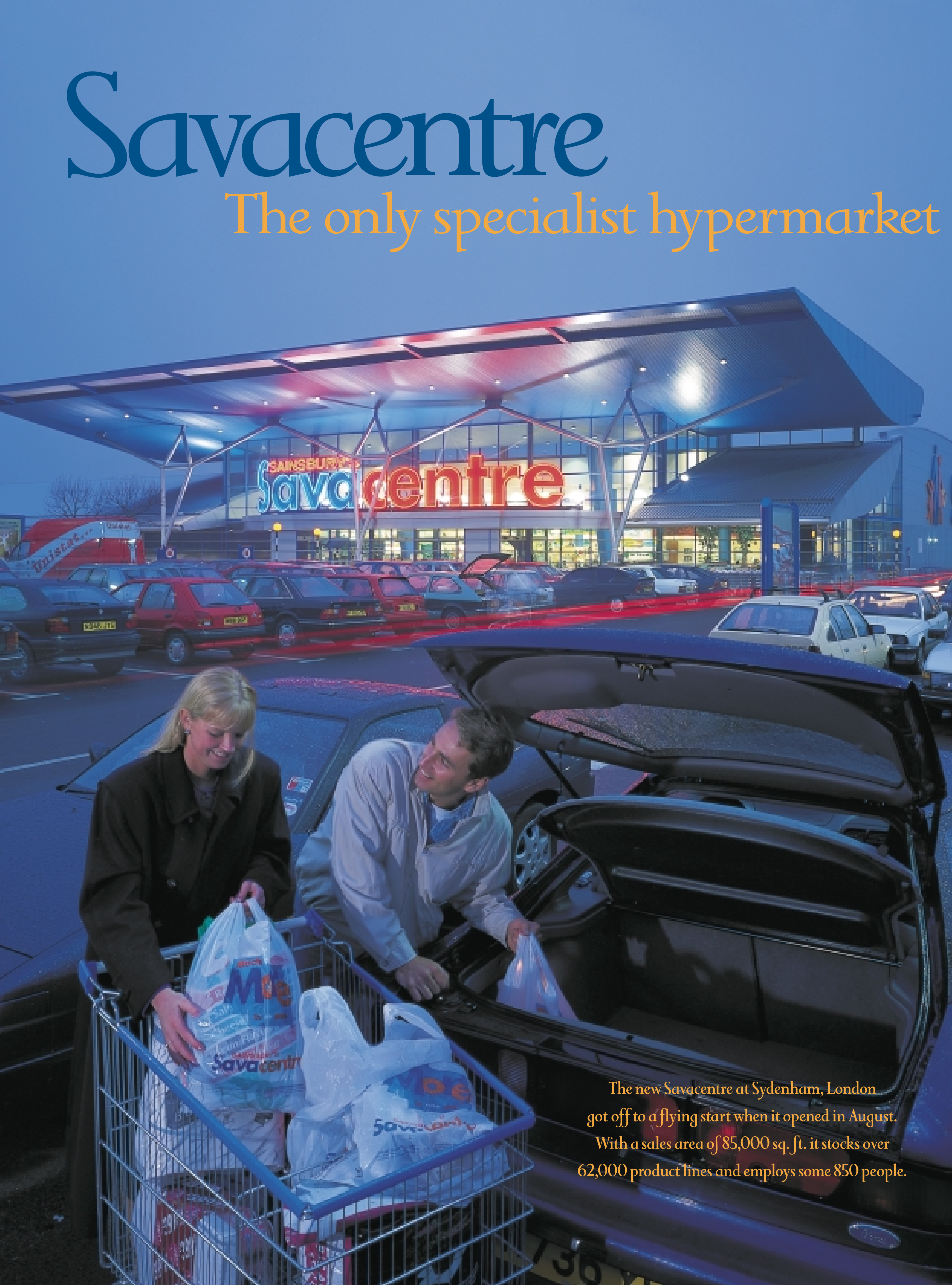
Although, in recent years, we have made substantial investment in stores in out-of-centre locations, we have never neglected the traditional high street to which we remain totally committed. More than half of our supermarkets are in, or on the edge of, town centres and we do not see this proportion changing significantly in the foreseeable future. We encourage our store management to take an active role in the commercial life of the town centre. Through our Town Centre Management initiative, we are currently involved in projects at over 110 locations, co-operating with other local businesses and local authorities to revitalise and improve the town centre environment.

In 1996/97, we plan to open 16 new stores. At least three will be smaller stores in country towns. The opening programme includes our first three stores in Northern Ireland where our planned total investment is over £100 million with the creation of over 2,000 new job opportunities.

The Coffee Shop at our Winterstoke Road, Bristol store is one of the new facilities provided by our investment in improving 118 existing stores.

Savacentre

The only specialist hypermarket



The new Savacentre at Sydenham, London got off to a flying start when it opened in August. With a sales area of 85,000 sq. ft. it stocks over 62,000 product lines and employs some 850 people.

Sainsbury's Savacentre

Helped by the opening of two new stores, Savacentre's sales rose by 7.7% to £751.2 million. Sales performance was held back by depressed clothing sales in a weakened market due to the unusually hot Summer.

business in the UK

Almost half a million customers now visit our stores each week, an increase of 15% over the previous year. The fall in operating profit reflects the costs of the store openings at Sydenham, London and Stockton-on-Tees, the refurbishment of three stores at Calcot, Merton and Oldbury and increased promotional activity to combat intense competition.

Much more in one store

Savacentre is the only specialist hypermarket business in the UK offering a large selection of top quality food, clothing, household goods, toys and electrical products. Price and value for money are the cornerstones of our offer and our food prices are consistently 5% below the average of our direct competitors. We aim to make shopping at Savacentre an enjoyable experience for the whole family with customer service an important ingredient.

A typical Savacentre stocks over 62,000 product lines of which about one-third are food and grocery products. During the year, we improved the range of foods offered as well as our displays of fresh fish, delicatessen, hot food and bakeries. Most notably, we launched a range of French patisseries prepared in-store. Other developments this year include Cookshop, Babyshop and Home Entertainment. We also introduced top name brands of washing machines, dishwashers and freezers into the electrical department adding to the audio and visual equipment already on offer.

Savacentre's Lifestyle clothing range, now in its fourth year, features quality casualwear and selected co-ordinates for adults and children. This year we introduced new lines of babywear and accessories and we featured the popular Mr Men on selected childrenswear.

Savacentre employs around 10,000 people: over two-thirds are part time and the same proportion are women. A typical store has 800 employees and is open 78 hours per week. We have training programmes for staff at all levels. During the year, we introduced a new personalised management development programme which is aimed at matching training to individual skills requirements.

Savacentre's expansion continues with a new store currently under construction in Leeds planned to open in 1997. This will be followed by a major development at Braehead in Glasgow in 1998.

Analysis

	1996	1995
Sales (incl. taxes)	£751.2m	£697.7m
Operating Profit	£34.4m	£40.9m
Number of hypermarkets	12	10
Sales area ('000 sq. ft.)	1,034	864
Full-time employees	2,796	2,458
Part-time employees	7,002	5,698

Our special Customer Helpers, in their distinctive outfits, are on hand to assist at all times.

Our younger customers find the animation and activity in our new toy departments irresistible!

Directors

Colin Harvey (Chairman and Managing Director), Robin Anderson*, Edward Bonner, Mike Broomfield, David Empson, Trefor Hales*, Andrew Mitcham*, John O'Sullivan, Allan Webb.

*Non-Executive.

The strongest

The former Texas store at Longwell Green, Bristol reopened as a fully converted Homebase store in February. Sales have increased by over 50%. Following this success, the store conversion programme has been accelerated to 50 a year for the next three years.

Homebase more than trebled its size this year when, in March 1995, the company acquired Texas Homecare and its 241 DIY outlets. Achieving synergy from the acquisition is well under way, although the two companies have traded separately during the year.

Homebase has once again had another excellent year in a difficult market. Operating profit was up by 17.5%. Sales increased by 12.9% and like-for-like sales by 4.5%.

The stores continuing to trade under the Texas name had a difficult year and made an operating loss. Prior to the acquisition sales were

Homebase
brand in DIY

in steep decline. During the year, in spite of the relative weakness of the Texas brand and the depressed state of the DIY market, this position has gradually been reversed.

Integrating the Texas stores

The first Texas store to be fully converted to the Homebase format reopened at Longwell Green, Bristol in February with an increase in sales of over 50%. Following the overwhelming success of this and subsequent conversions, the store conversion programme has been accelerated to 50 a year with full completion planned by 1999. The integration of the Homebase and Texas product ranges is also progressing well and is targeted for 70% completion by Autumn 1996. Texas stores are being rebadged to the Homebase fascia and we have brought forward the completion date from Spring 1997 to Autumn 1996.

Price harmonisation between Homebase and Texas is well advanced. During the year, we extended to our Texas customers the Spend & Save loyalty card and its benefits already on offer to our Homebase customers.

A typical Homebase store now stocks over 20,000 home improvement products as well as a full range of seasonal horticultural products. Some 4,000 of these are Homebase brand lines which account for around 25% of total sales.

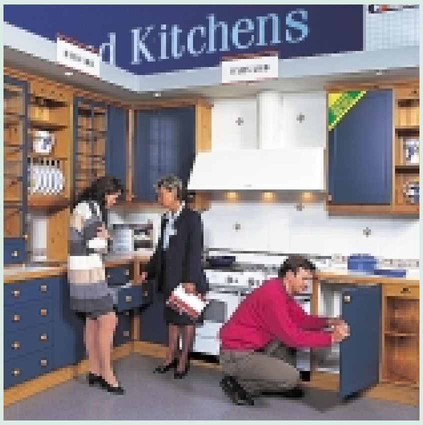
This year we introduced over 600 new Homebase lines including garden furniture, tools, ironmongery, decorative wall coverings, bathroom accessories and fitted kitchens. Half were products which had been redesigned

HOMEBASE

Analysis

	1996	1995
Sales (incl. taxes)	£425.7m	£376.9m
Operating Profit	£36.2m	£30.8m
Number of stores	91	83
Sales area ('000 sq. ft.)	3,453	3,082
Full-time employees	2,723	1,957
Part-time employees	4,040	3,390

The Homebase barbecue range has everything for a sizzling barbecue from basting brushes and spray cleaners to exotic oak and hickory chips and outdoor candles.



Wrighton, the Texas kitchen brand, has been introduced into two Homebase stores and is shown here at Hermiston Gait, Edinburgh.

Directors

Dino Adriano (Chairman),
Ian Coull (Deputy Chairman)*,
Ross McLaren (Managing Director),
Ian Baldwin, Diego du Monceau de Bergendal*,
Steve Bradbury, Bob Cooper*,
Jean Pitz*, Mike Powell, Bill Williams.

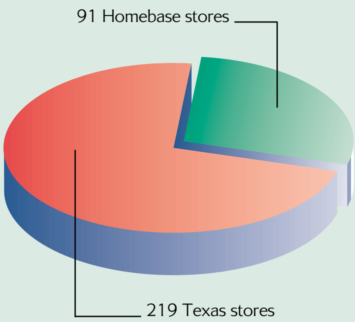
*Non-Executive.

TEXAS

Analysis

	1996
Sales (incl. taxes)	£677.9m
Operating Loss	£(10.4)m
Number of stores	219
Sales area ('000 sq. ft.)	7,819
Full-time employees	3,240
Part-time employees	7,040

Number of Stores



With the acquisition of Texas Homecare, Homebase has more than trebled its number of stores, sales area and market share.

Homebase's well-established Spend & Save loyalty card was extended to Texas customers in July 1995. Since then nearly 2 million Texas customers have become Spend & Save cardholders, bringing the total number to 5 million.

or reformulated and replaced existing lines. We continued to sell Texas brand products but these are being phased out.

Extending Homebase training to Texas staff

Together, Homebase and Texas employ around 17,000 people: two-thirds work part time and the split between men and women is about equal. A typical Homebase store has over 50 staff and is open 79 hours per week. During the year, the number of staff at the Homebase Head Office at Wallington, Surrey was increased to accommodate the needs of the combined businesses. The Texas offices at Wellingborough, Northants are being wound down with a view to closure this Summer and staff who have agreed to relocate have been accommodated at Wallington. A distribution centre will, however, continue to operate at the Wellingborough site serving both Texas and Homebase stores.

In February 1996, Homebase and Texas store managers were brought together at a series of events around the country to discuss the opportunities for synergy and for improving the performance of the combined business. Texas staff are now participating in Homebase training programmes to improve techniques for customer service and to enhance trading skills and product knowledge. For example, 97 Texas staff are currently undertaking the Homebase horticultural skills course for Garden Centre staff, which has been developed in liaison with Hadlow Horticultural College, Kent.

Expansion of Homebase

Ten new Homebase stores opened during the year. These included three stores on sites originally acquired by Texas at Winchester, Falkirk and Hermiston Gait, Edinburgh. In addition two Texas stores at Longwell Green, Bristol and Telford were converted and reopened as Homebase stores. The outstanding success of these conversions, and the very positive customer response we have received to them, underline the significant opportunity for sales expansion for the Homebase business resulting from the acquisition.

Geographically, the Homebase and Texas store portfolios are highly complementary and provide national coverage. During the year 22 Texas stores, already selected for closure by the previous management, were closed. Homebase closed two poorly performing stores at Chelmsford and Walsall. At 12%, the combined businesses' share of the home and garden products market is more than three times that of Homebase in the previous year. Together the two chains serve around 1.3 million customers a week.

In 1996/97, we plan to open 10 new Homebase stores. There will be no new store openings under the Texas name.

The Garden Centre is a key attraction.
During the year, 35 Texas stores were refitted
to include a Homebase Garden Centre.

JS in the US

Operating successfully

Together, Shaw's, our wholly-owned supermarket chain, and Giant, another leading food retailer in which we have a 16.7% interest, operate over 260 stores in nine East Coast states.

J Sainsbury plc's investments in the US have been growing since 1983 when we took a 21% stake in Shaw's Supermarkets, Inc., the US supermarket chain. We acquired the outstanding balance in 1987 and Shaw's

in a dynamic market

is now a wholly-owned subsidiary. Our second US interest is in Giant Food Inc. another leading food retailer in North America. In November 1994 we acquired a 16.7% interest, including 50% of the voting shares.

At the year end Shaw's had 96 stores in Massachusetts, New Hampshire, Maine, Rhode Island and Connecticut and Giant had 166 in Washington DC, Maryland, Virginia, Delaware and New Jersey. Not only do the two companies complement each other extremely well geographically but, rooted in family backgrounds similar to that of Sainsbury's, they share the trading ethos of giving customers quality at good prices. Both companies have positive expansion programmes in the heavily populated and economically attractive East Coast area of the US.

These investments provide considerable opportunities for practical co-operation between the supermarket companies both within the US and across the Atlantic.

Shaw's Supermarkets, Inc.

Shaw's had another excellent trading year. Sales grew by 10.5% to $2.3 billion. Customer numbers increased by 6% to 1.8 million a week. Like-for-like sales continued the positive trend seen last year and increased to 1.5%. Operating profit for the 54 week financial period was $80 million, an increase of 23.6% on a 52 week basis.

A new large store format was developed during the year and was first seen at the Fairhaven, Massachusetts store in August. This features a large first aisle for fresh foods and a number of new and improved facilities such as an in-store bakery, an in-store pharmacy, a dry cleaning service and an attractive food court, all of which have proved very popular.

The quality of the Shaw's brand

Also new in-store were over 750 Shaw's brand products, bringing the total number to over 4,000 lines. In the last six years, the Shaw's own brand has gone from strength to strength and now represents 40% of total sales.

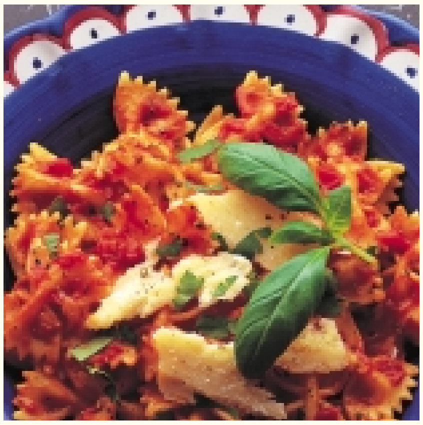
Customers benefit by savings of at least 10% compared to national brand prices and are reassured in the knowledge that all products meet Shaw's

shaw's

Analysis

	1996*	1995
Sales (incl. taxes)	$2.30bn	$2.08bn
Operating Profit	$80.0m	$62.3m
Number of stores	96	87
Sales area ('000 sq. ft.)	3,137	2,762
Full-time employees	5,534	4,547
Part-time employees	12,232	11,204

**Results for 1996 are for a 54 week period.*



This farfalle pasta is prepared in Italy and is sold on both sides of the Atlantic under the Shaw's and Sainsbury's brands.

Shaw's introduced a new range of children's books under its own name. The 32 titles are published in association with the same publishing group that has been working with Sainsbury's on children's books for the last 10 years.

Directors

Ian Coull (Chairman)*, Phil Francis (President and Chief Executive Officer), Robin Whitbread*, Richard Chadwick*, Harry Beckner*, Steve DuBrul*, Verne Powell, Scott Ramsay, Ruth Bramson, Pete Gunderson, Paul Gannon.

*Non-Executive.

This store at Vernon was
one of four Shaw's stores opened
this year in Connecticut.

demanding quality standards and specifications and have the Shaw's quality guarantee seal.

A wide variety of products was introduced ranging from Healthy Blends bio yogurts, wedding cakes, frozen pasta and 'Right Selections' frozen ready meals to an entire hosiery collection, stationery and disposable cameras. A number of products such as the Belgian chocolate and Italian pasta ranges and Balsamic vinegar have been jointly sourced with Sainsbury's. Others, such as Performers nappies, the children's books range, and the 'Shaw's Fresh Ideas' magazine, were introduced following the success of similar products in Sainsbury's. Sainsbury's customers have also benefited from this close working relationship. 'Select Diet', a range of premium pet foods for cats and dogs introduced in Shaw's last year, went on sale in Sainsbury's in January.

In December, Shaw's became the first supermarket chain in the North East states of America to establish a presence on the Internet. This was closely followed by the launch in January of Shaw's home delivery shopping service, another first in the area. Customers can place orders by PC, fax or telephone and, as long as orders are placed by midday, groceries are delivered that evening. To meet demand for this service, Shaw's has set up 18 fulfilment operations in existing stores.

Shaw's employs around 18,000 people, called associates: over two-thirds are part time and there is an equal proportion of men and women. A typical Shaw's store employs 160 associates and is open for 121 hours each week.

A new organisational structure introduced in prototype stores last year has encouraged staff to improve their technical expertise through external and internal training programmes. All senior managers have now completed an extensive personal development course.

Expansion of Shaw's

Ten new stores opened during the year, including one replacement store. The company expanded into new territory in the Autumn opening four stores in Connecticut. A major extension was completed at the store at Weymouth, Massachusetts. A further seven stores were remodelled to include the new in-store concept which is now in 11 stores.

Selective acquisition of existing stores from other businesses has helped Shaw's expansion. Two of the stores opened during the year were former Purity stores in New Hampshire acquired from Stop and Shop. Three of the openings planned for 1996/97 will be at former Almac's stores in Rhode Island also acquired during the year.

In all, 11 new stores are planned for 1996/97; two will be the first openings in Vermont. Shaw's opened its 100th store at North Quincy, Massachusetts in April 1996.

GIANT

Analysis

	1996	1995
Sales (incl. taxes)	$3.9bn	$3.7bn
Profit before tax	$167.8m	$155.2m
Group share (16.7%) of profit	£18m (52 weeks)	£7m (15 weeks)
Number of stores	166	161

Giant opened its first store in New Jersey at Cherryhill. It opened a total of seven stores in 1995/96 and plans to open a further eight in 1996/97. Giant is currently celebrating its 60th anniversary.

Directors*
appointed by J Sainsbury plc

David Sainsbury, Rosemary Thorne, Mike Broomfield, Harry Beckner.

*All Non-Executive.

Demonstrating

Air Quality

As part of an overall drive on Air Quality, we have taken a number of initiatives such as making available customer vehicle emission testing equipment at 37 of our petrol filling stations. We have also introduced City Diesel, a reformulated diesel fuel previously available only in Sweden where it has contributed to a significant reduction in air pollutants. It is now available in 156 Sainsbury's and Savacentre outlets. Despite costing 2p per litre more at the pump, it accounts for around a quarter of diesel sales at those outlets. Since February, City Diesel has been used by the fleets operating out of the four distribution depots in the South East owned and managed by Sainsbury's.

Reduction in emissions by using City Diesel instead of standard diesel

City Diesel produces significantly fewer pollutant emissions than other diesel fuels currently on the market in the UK. It already out performs the stricter standards that will be enforced in the UK from October 1996 and demonstrates the quality standard that is achievable.

Pollutant	Concerns	Reduction
Particulate	Breathing problems	40%
Organic Particulates	Cancer risk	60%
Smoke	City grime on buildings	28%
Hydrocarbons	Cancer risk/ ground level ozone & breathing problems	25%
Carbon Monoxide	Harmful gas/ drowsiness	17%
Sulphur Oxides	Acid rain	99%
Oxides of Nitrogen	Breathing problems/ ground level ozone	6%

City Diesel, a cleaner fuel for cleaner air.

Within the Sainsbury Group there is a strong environmental awareness and a commitment to reducing the impact which our activities and our products have on the environment. We have been developing and monitoring our environmental policies for several years and in June will publish an Environmental Report to demonstrate our commitment and to serve as a benchmark for future progress.

An award-winning store

The breadth of our environmental approach is well illustrated by the new Sainsbury's at Horsham. The store is built on the edge of the town centre to which it is linked by a new footpath. Externally, it fits comfortably within its surroundings, which include a nearby conservation area with a medieval church, houses and a small brook and fields.

Inside, the store features the most advanced refrigeration and energy-saving systems. It was the first supermarket to have a new secondary refrigeration system which uses ammonia instead of ozone-depleting CFCs. It also pioneered the use of a high frequency lighting system which results in energy savings of between 10-15%. Energy use at the store is further minimised by a new computer system, RealMT, which was developed by Sainsbury's engineers with financial assistance from the European Commission's Thermie scheme. Some 255 Sainsbury's supermarkets now have Thermie scheme equipment installed.

The release of petrol vapour at petrol filling stations is a significant contributor to poor air quality. Like all our petrol filling stations, Horsham is equipped to capture vapour emissions from its storage tanks which occur when they are being filled. Twenty-five of our outlets, including Horsham, have the Stage Two recovery equipment designed to recover petrol vapour released when customers fill their cars. Horsham was also one of our first petrol filling stations to offer City Diesel, introduced as part of our Air Quality initiative.

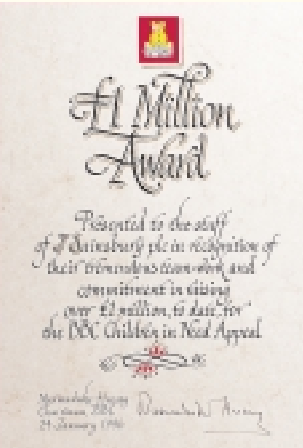
Timbertracker

Concern for the environmental aspects of our products led Sainsbury's to be the first grocery retailer to join the World Wide Fund for Nature's '95 Group. We have established a computer database, Timbertracker, to monitor the 'forest of origin' for all Sainsbury's, Savacentre and Homebase wood-based products. Since February 1996, a small number of products have qualified for the independent Forest Stewardship (FSC) trademark denoting that the 'forests of origin' have been well managed. We aim to achieve the target of full FSC certification for all 13,000 of our paper and wood products by the year 2000.

our concern for the Environment

The environmental features at the new Horsham store have been recognised by awards from Business Commitment for the Environment, The Civic Trust and Horsham District Council.

Playing our part in



The BBC gave special recognition to Sainsbury's and Savacentre's staff and customers for raising over £1 million for the Children In Need Appeal during the last five years.

Whizz Kidz supplies specially adapted mobility aids for disabled children. Laura Harmer (right), with her sister Michelle, enjoys a ride on her specially adapted trike. She is one of 51 children to receive help from donations raised by Texas staff.

The brothers and sisters of handicapped children enjoying an outing arranged by our Plymouth Side By Side volunteers.

We have enhanced our community programme, both nationally and locally in the communities in which our stores trade, in a variety of ways. Corporate contributions to charitable and community causes in the UK totalled £2 million. These included donations to direct appeals and contributions to the funding of voluntary organisations and to town centre improvement schemes.

In addition, substantial sums were raised through store door collections and fund-raising campaigns. Foremost amongst these was the Children In Need campaign for which staff and customers at Sainsbury's and Savacentre raised over £370,000. In America, Shaw's associates successfully raised nearly $500,000 for the United Way Campaign.

The Sainsbury's Penny Back scheme raised over £600,000 for local charities. Schoolbags, which also encourages the re-use of carrier bags, was launched in September. Vouchers collected by our customers can be redeemed by schools against school equipment. Over 14,000 schools are currently registered.

Side By Side local volunteering

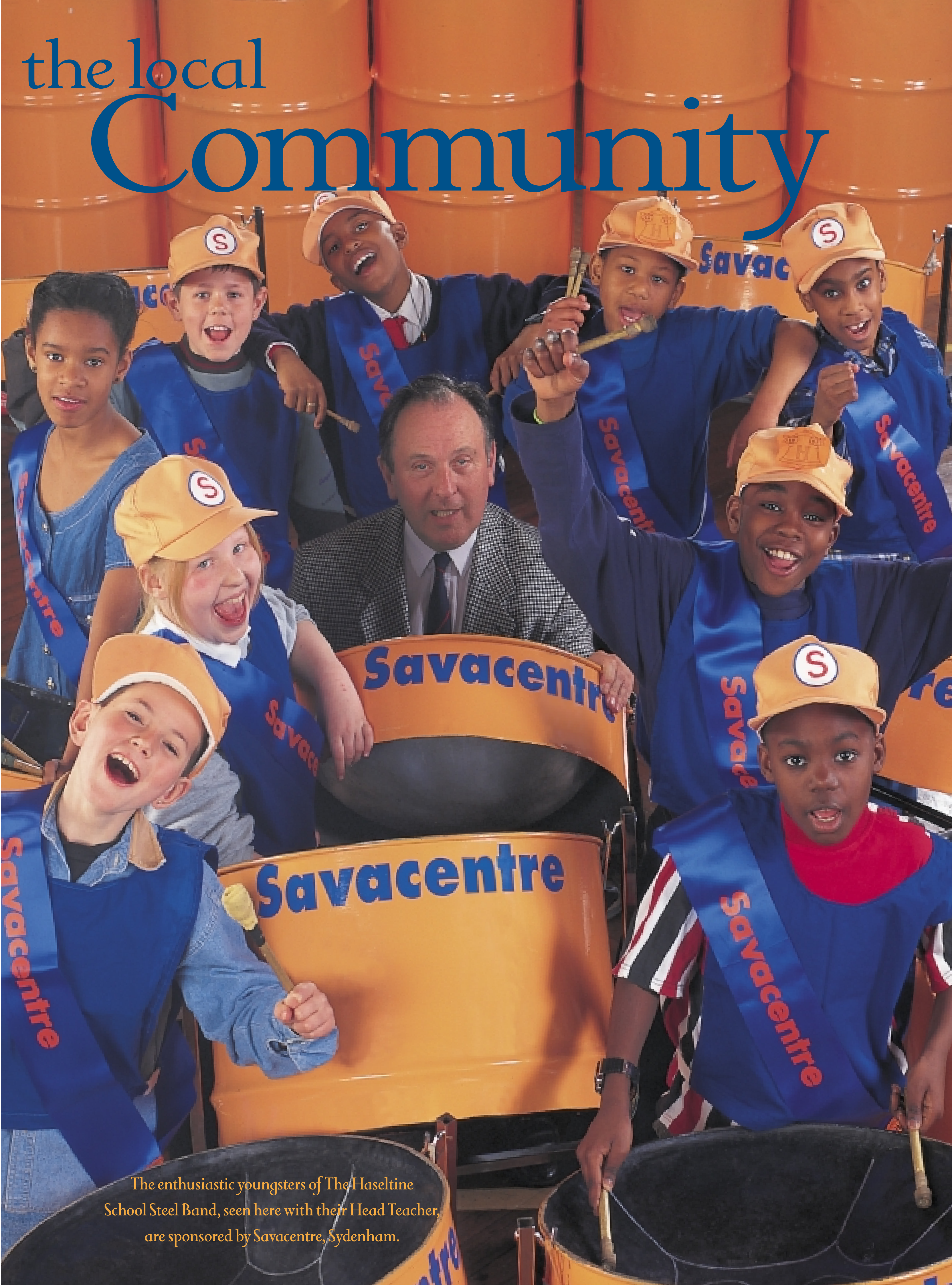
Most importantly, our stores have continued to build supportive links with their local communities drawing on the enthusiasm and energy of our staff.

This year we piloted a new community scheme called Side By Side at 25 Sainsbury's supermarkets. Through meetings with local voluntary organisations, staff identified a variety of worthwhile projects and carried them out partly in their own and partly in Company time. For example, staff at Milton Keynes and Sheffield planted sensory gardens for people with disabilities; staff at Plymouth and Huddersfield organised outings for handicapped children and their families; and staff at Croydon, Derby and Norwich refurbished community and daycare centres.

Our staff volunteers have responded very positively to the chance to get involved and their help has been greatly appreciated by local organisations as shown by the following comments: *"The Sainsbury's staff are wonderful. Not only did they end up decorating three rooms for us but they really got involved and brought their families and friends along too"*, said Len Shillingford, community worker at the Hadhari Project, Derby; and Hazel Wigmore, director of the National Children's Centre, Huddersfield commented *"I feel very positive about the whole thing . . . it has opened Sainsbury's staff's eyes to the everyday difficulties faced by the parents of severely handicapped and traumatised kids . . . it was lovely getting them involved with us."*

Following the success of these initial projects, staff at another 100 stores will become involved in Side By Side initiatives during the coming year.

the local Community



The enthusiastic youngsters of The Haseltine School Steel Band, seen here with their Head Teacher, are sponsored by Savacentre, Sydenham.

New Sales Area

SAINSBURY'S

New Store Openings 1995/96

Horsham • Watford • Cheadle
Kenton, London • Witney • Hamilton • Wigan
New Cross Gate, London
Street • Straiton, Edinburgh

New stores' sales area – 324,000 sq. ft.

Extensions 1995/96

Tunbridge Wells • Selly Oak • Bridgend
Loughborough • Cobham • Victoria, London
Stratton, Swindon • Rayleigh Weir • Beeston
Bradford • Whitstable • Tonbridge • Braintree
Newport, Gwent • New Barnet, London • East Grinstead
Cheltenham • Lancaster • Dulwich, London
Hedge End, Southampton • Wrexham

Extensions' sales area – 143,000 sq. ft.

Planned Store Openings 1996/97

Dalston, London • Castle Court, Bristol
Sittingbourne • Emersons Green, Bristol
Clapham, London • Aberdeen
Drumchapel, Glasgow • Kirkcaldy • Coleraine
Ballymena • Newtownbreda • March
Melksham • Sale • Winnersh • Stroud

Planned stores' sales area – 460,000 sq. ft.

Planned Extensions 1996/97

Major extensions planned at 25 stores

Planned extensions' sales area – 163,000 sq. ft.

Ten Year Financial

RESULTS (£ MILLION)	1987	1988	1989
Group Sales (including VAT & sales taxes)	**4,044**	**5,010**	**5,915**
Increase on previous year	13.1%	23.9%	18.1%
Group Operating Profit (before profit sharing)			
Sainsbury's supermarkets	229	276	342
Savacentre	–	–	–
Homebase	3	4	9
Texas	–	–	–
Shaw's	–	16	22
Other operating activities	–	–	–
	232	**296**	**373**
Profit sharing	(21)	(24)	(27)
Associates	18	18	16
Interest receivable/(payable)	9	8	(10)
Group Profit before Tax and Property Items	**238**	**298**	**352**
Increase/(decrease) on Previous Year	**27.3%**	**25.2%**	**18.1%**
Profit/(loss) on sale of property	9	10	23
Group Profit before Tax	**247**	**308**	**375**
Increase/(decrease) on Previous Year	**28.0%**	**24.7%**	**21.8%**
EARNINGS PER SHARE*			
Basic	11.04p	13.42p	16.57p
Increase/(decrease) on previous year	22.6%	21.5%	23.5%
Fully diluted (excluding profit/loss on sale of properties)	10.48p	12.90p	14.44p
Increase/(decrease) on previous year	21.6%	23.1%	11.9%
DIVIDEND PER SHARE*	**3.46p**	**4.15p**	**4.99p**

RETAIL STATISTICS	1987	1988	1989
NUMBER OF OUTLETS AT FINANCIAL YEAR END			
Sainsbury's supermarkets –			
over 25,000 sq. ft. sales area	54	74	95
15,000 - 25,000 sq. ft. sales area	119	115	110
under 15,000 sq. ft. sales area	110	94	87
Sainsbury's supermarkets	283	283	292
Savacentre	6	6	7
Homebase/Texas	32	38	48
Shaw's	–	60	61
TOTAL NUMBER OF STORES	**321**	**387**	**408**
SALES AREA ('000 SQ. FT.)			
Sainsbury's supermarkets	5,034	5,463	5,964
Savacentre	433	436	543
Homebase/Texas (approx. 80% covered sales area)	1,424	1,645	1,886
Shaw's	–	1,592	1,693
Group Total	**6,891**	**9,136**	**10,086**
Net increase on previous year**	7.9%	32.6%	10.4%
New Sainsbury's supermarkets openings	15	16	20
Average size of all Sainsbury's supermarkets (sq. ft.)	17,790	19,300	20,430
AVERAGE SAINSBURY'S SUPERMARKETS SALES (including VAT)			
Per square foot (£ per week)	15.43	16.30	16.50
Share of national trade in predominantly food stores and pharmaceutical, medical, cosmetic and toilet goods outlets***	**9.6%**	**9.9%**	**10.1%**

* *Adjusted in respect of capitalisation issues in 1984 and 1987 and rights issue in 1991.*
** *Excluding Texas the net increase in sales area was 8.4%.*
*** *Based on Central Statistical Office/Office for National Statistics (Re-based during 1995) and Sainsbury's and Savacentre sales, excluding petrol.*

Record

1990	1991	1992†	1993	1994††	1995	1996†††
7,257	**8,201**	**9,202**	**10,270**	**11,224**	**12,065**	**13,499**
22.7%	13.0%	12.2%	11.6%	9.3%	7.5%	11.9%
409	516	604	716	697	784	744
17	23	28	36	38	41	34
11	13	15	18	23	31	36
–	–	–	–	–	–	(10)
34	30	21	19	31	40	51
–	3	(2)	(4)	7	3	(1)
471	**585**	**666**	**785**	**796**	**899**	**854**
(34)	(44)	(49)	(59)	(56)	(61)	(50)
1	–	1	–	–	6	19
(18)	(36)	13	9	(9)	(36)	(59)
420	**505**	**631**	**735**	**731**	**808**	**764**
19.3%	**20.2%**	**25.0%**	**16.5%**	**(0.5)%**	**10.5%**	**(5.4)%**
31	13	(3)	(2)	7	1	(4)
451	**518**	**628**	**733**	**738**	**809**	**760**
20.3%	**14.9%**	**21.2%**	**16.7%**	**0.7%**	**9.6%**	**(6.1)%**
20.57p	23.11p	25.69p	28.47p	28.0p	29.8p	26.8p
24.1%	12.4%	11.2%	10.8%	(1.6)%	6.3%	(10.1)%
18.15p	21.74p	25.34p	28.07p	27.0p	29.0p	27.8p
25.7%	19.7%	16.6%	10.8%	(3.7)%	7.4%	(4.1)%
6.03p	**7.27p**	**8.75p**	**10.0p**	**10.6p**	**11.7p**	**12.1p**

1990	1991	1992	1993	1994	1995	1996
116	136	159	177	193	208	227
106	102	98	99	99	98	87
69	61	56	52	49	49	49
291	299	313	328	341	355	363
8	9	9	9	10	10	12
55	61	64	70	76	83	310
66	70	73	79	87	87	96
420	**439**	**459**	**486**	**514**	**535**	**781**
6,434	6,951	7,632	8,303	8,827	9,338	9,767
665	798	798	798	864	864	1,034
2,107	2,317	2,406	2,609	2,810	3,082	11,272
1,928	2,107	2,229	2,448	2,740	2,762	3,137
11,134	**12,173**	**13,065**	**14,158**	**15,241**	**16,046**	**25,210**
10.4%	9.3%	7.3%	8.4%	7.6%	5.3%	57.1%
22	20	21	23	23	20	10
22,110	23,250	24,380	25,310	25,890	26,304	26,906
17.26	18.17	18.51	18.84	18.60	18.53	18.59
10.8%	**11.3%**	**11.7%**	**12.3%**	**12.4%**	**12.6%**	**12.5%**

† *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 but after changes in accounting for depreciation of £38.7 million.*
††† *1996 figures for profits and earnings per share are stated before exceptional costs of £48 million.*

New Sales Area

SAINSBURY'S Savacentre

New Store Openings 1995/96

Sydenham, London • Stockton

New stores' sales area – 170,000 sq. ft.

HOMEBASE

New Store Openings 1995/96

Preston • Staines • Wolverhampton
Winchester • Hermiston Gait, Edinburgh
South Ruislip • Hedge End, Southampton
Aintree, Liverpool • Falkirk • Wigan

New stores' sales area – 435,000 sq. ft.

Planned Store Openings 1996/97

Marsh Mills, Plymouth • Cannock
Altrincham • Warrington • Christchurch
Sevenoaks • Blackhall, Edinburgh
Dagenham • Watford • Newport, Gwent

Planned stores' sales area – 401,000 sq. ft.

shaw's

New Store Openings 1995/96

Royal Ridge • North Providence
Fairhaven • Upper Valley • Northbridge
Manchester • Bristol • Vernon
New Britain • Ellsworth

New stores' sales area – 399,000 sq. ft.

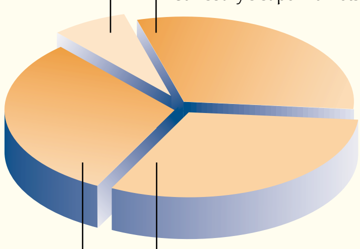
Planned Store Openings 1996/97

North Quincy • Cranston • Riverside
Newport • Colchester • Berlin Corness
Bangor • Waterford • Newington
Johnston • Westerly

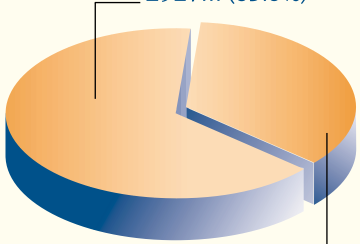
Planned stores' sales area – 417,000 sq. ft.

Financial Review

Group
Capital Expenditure
Total £759 million



Currency Composition of Debt



**Sterling equivalent: £499m*

Group Financial Performance

The Group increased sales by 11.9% to £13.5 billion. Group operating profit, before profit sharing and exceptional integration costs, decreased by 5.0% to £854 million.

Operating profit of Sainsbury's supermarkets decreased by 5.1% to £744.3 million, and operating profit of Savacentre decreased by 15.9% to £34.4 million. These reductions were partly offset by an increase in Shaw's operating profit of 26.3% to £50.9 million and an increase in Homebase's operating profit of 17.5% to £36.2 million. The Texas Homecare business acquired at the start of the financial year made an operating loss of £10.4 million before exceptional integration costs.

The Group's share of associates' profits increased from £6 million to £19 million reflecting the full year contribution of Giant Food Inc. compared to fifteen weeks' contribution in the previous year.

Profit sharing reduced to £50 million (1995: £61 million) reflecting the decrease in UK profits. To those employees eligible to participate in the scheme, this represents a distribution rate of approximately 7.1% of pay (1995: 9.6%).

Group net interest payable increased from £36 million to £59 million due mainly to the financing costs of the acquisition of Texas (£19 million) and the full year cost of funding the Group's investment in Giant Food Inc.

Group profit before tax, exceptional costs, and property items decreased by 5.4% to £764 million.

Exceptional costs of £48 million were provided for in the year for the anticipated revenue costs of converting 150 Texas stores to the Homebase store format by Spring 1999, the cost of changing Texas stores to Homebase livery in Autumn 1996 and other associated conversion costs. Of the total exceptional costs of £48 million, £5 million was incurred in the year to 9th March 1996 and the remainder relates to costs identified and committed for future periods. After charging these exceptional costs, group profit before tax decreased by 12% to £712 million.

Fully diluted earnings per share, before exceptional costs and property items amounted to 27.8p which represents a fall of 4.1% from 1995. The operating loss (before exceptional costs) of Texas and financing costs of the acquisition reduced earnings per share by 0.6p or 2.1%. Dividends per share of 12.1p (with an interim of 3.4p and a proposed final of 8.7p) compare with 11.7p for 1995, an increase of 3.4%. The total dividend for 1996 is covered 2.3 times by earnings before exceptional costs.

Cash Flow and Capital Expenditure

The Group generated cash from operating activities of £1,012 million (1995: £1,070 million), of which £550 million was expended on dividends, interest and tax.

Group capital expenditure was £759 million compared to £492 million in the previous year. This increase resulted from higher expenditure in Savacentre, Homebase and Shaw's, a larger programme of Sainsbury store extensions and refurbishments and the increasing number of new Sainsbury's supermarkets to open in 1996/97. The higher capital expenditure along with the acquisition of Texas contributed to an overall increase in net Group borrowing of £523 million. In the current year, Group capital expenditure is expected to total approximately £700 million.

Capital Structure

Total shareholders' funds as at 9th March 1996 amounted to £3,534 million (1995: £3,289 million). Movements for the year comprised retained profits of £266 million, a deduction from reserves of £103 million for goodwill on the purchase of Texas, new share capital subscriptions of £80 million and currency translation differences of £2 million.

Group net debt of £1,212 million gives a balance sheet gearing (net debt as a percentage of shareholders' funds) of 34.3% at 9th March 1996 (1995: 20.9%) which is below the Group's desired maximum for balance sheet gearing of 40%. Net interest before interest capitalised is covered 11 times by profit before net interest, exceptional costs and taxation (1995:16).

Treasury Management

Treasury policy and significant treasury transactions are reviewed and approved by the Board.

Foreign currency transactions are actively hedged 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 translation effects by matching overseas investments with liabilities of the same currency. Movements on foreign currency borrowings used for balance sheet 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 sources including a series of committed bank facilities with maturities of between two and five years.

It is the Group's policy to provide a degree of protection against interest rate volatility. It is normally planned that 50% of borrowing should be at fixed rates, although the actual mix may vary with market conditions. As at 9th March 1996 the overall fixed rate component of gross borrowings was 44%.

The senior long-term debt of J Sainsbury plc is rated 'AA–' by Standard & Poor's Ratings Group. Short-term indebtedness is rated 'A1+' by Standard & Poor's Ratings Group.

Summary Financial

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, as laid down in the Listing Rules of the London Stock Exchange.

The Directors present the Summary Financial Statement of the Group for the 52 weeks ended 9th March 1996. 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 1996, 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 4 to 7 and in the Review on pages 10 to 31. A review of the Group's financial performance and dividends payable is given on pages 34 and 35.

The Board

The Board of Directors meets regularly and is responsible for the effective management of the business. During the year a number of changes were made to the executive structure of the Board. Tom Vyner became Chief Executive of Sainsbury's supermarkets. Dino Adriano, whilst remaining Chairman of Homebase, became Deputy Chief Executive of Sainsbury's supermarkets and will succeed Tom Vyner who will be retiring at the end of 1997. Kevin McCarten joined the Board as Marketing Director. These appointments and the existing Directors, together with the recruitment of David Bremner as Chief Executive, New Businesses, will form a strong team to lead the Group to future success. 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. The Chairman and the Non-Executive Directors do not have service contracts. 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 Committee is responsible for advising on Executive Directors' pay and benefits. The full report of this Committee is included in the Annual Accounts. The Nomination Committee advises the Board on the appointment of Executive Directors. The Audit Committee

Statement

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. In line with the changes to the executive structure of the Board outlined on page 36, a new Supermarket Executive Committee has been established to concentrate specifically on the running of the business of Sainsbury's supermarkets. The membership of these Committees is shown on pages 8 and 9 of this Review.

Directors

The Directors are shown on pages 8 and 9. All the Directors shown held office throughout the year except Kevin McCarten who was appointed on 2nd December 1995 and The Rt Hon Sir Timothy Sainsbury MP and Clive Thompson who were appointed as Non-Executive Directors on 5th July 1995. Angus Clark retired on 28th April 1995, Lady Eccles retired on 5th July 1995, Ivor Hunt retired on 7th March 1996 and David Quarmby retired on 26th April 1996. The emoluments of the Executive Directors are determined by the Board on the advice of the Remuneration Committee. The aggregate emoluments of the Directors of the Company were £4.2 million (1995: £4.4 million).

Group Balance Sheet 9th March 1996

	1996 £m	1995 £m
Fixed Assets		
Tangible assets	5,458	4,852
Investments	117	98
	5,575	4,950
Current Assets		
Stocks	761	509
Debtors	204	172
Investments	5	2
Cash at bank and in hand	209	199
	1,179	882
Creditors: due within one year	(2,519)	(1,836)
Net Current Liabilities	(1,340)	(954)
Total Assets less Current Liabilities	4,235	3,996
Creditors: due after one year		
Convertible Capital Bonds	(156)	(200)
Other	(480)	(469)
Provisions for Liabilities and Charges	(54)	(17)
Minority Equity Interest	(11)	(21)
	3,534	3,289
Capital and Reserves		
Called up share capital	458	452
Share premium account	1,074	1,000
Revaluation reserve	43	39
Profit and loss account	1,959	1,798
Equity Shareholders' Funds	3,534	3,289

The Summary Financial Statement on pages 36 to 38 was approved by the Board of Directors on 7th May 1996, and is signed on its behalf by **David Sainsbury** *Chairman*

Group Profit and Loss Account

for the 52 weeks to 9th March 1996

	Continuing Operations 1996 £m	Acquisitions 1996 £m	Total 1996 £m	Total 1995 £m
Group Sales including VAT & sales taxes	12,821	678	13,499	12,065
VAT & sales taxes	771	101	872	708
Group Sales excluding VAT & sales taxes	12,050	577	12,627	11,357
Cost of sales	10,949	572	11,521	10,241
Exceptional cost of sales – Texas Homecare integration costs	–	48	48	–
Gross Profit	1,101	(43)	1,058	1,116
Administrative expenses	237	15	252	217
Group Operating Profit before profit sharing	864	(58)	806	899
Profit sharing	48	2	50	61
Group Operating Profit	816	(60)	756	838
Associated undertakings – share of profit	19	–	19	6
(Loss)/profit on sale of property	(4)	–	(4)	1
Profit on Ordinary Activities before Interest	831	(60)	771	845
Net interest payable			59	36
Profit on Ordinary Activities before Tax			712	809
Tax on profit on ordinary activities			234	270
Profit on Ordinary Activities after Tax			478	539
Minority equity interest			10	(4)
Profit for the Financial Year			488	535
Dividends			222	211
Retained Profit			266	324
Earnings Per Share			26.8p	29.8p
Exceptional cost of sales			1.3p	–
Loss/(profit) on sale of property			0.2p	(0.1p)
Earnings Per Share before exceptional cost of sales and loss/profit on sale of property			28.3p	29.7p
Fully Diluted Earnings Per Share			26.4p	29.0p
Fully Diluted Earnings Per Share before exceptional cost of sales and loss/profit on sale of property			27.8p	29.0p

Statement by the Auditors to the Shareholders of J Sainsbury plc on the Summary Financial Statement

We have examined the Summary Financial Statement set out on pages 36 to 38.

Respective Responsibilities of Directors and Auditors

The Summary Financial Statement is the responsibility of the Directors. Our responsibility is to report our opinion on its preparation and consistency with the Annual Accounts and Directors' Report.

Basis of Opinion

We conducted our work in accordance with Auditing Guideline 'The auditors' statement on the summary financial statement' adopted by the Auditing Practices Board.

Opinion

In our opinion the Summary Financial Statement is consistent with the Annual Accounts and the Directors' Report of J Sainsbury plc for the 52 weeks ended 9th March 1996 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
7th May 1996

Annual Review and Summary Financial Statement

This Annual Review and the Summary Financial Statement on pages 36 to 38 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 1996, which, together with this publication, comprise the full Annual Report and Accounts of J Sainsbury plc for 1996. Copies may be obtained, free of charge, by telephoning Freephone 0800 387504.

Shareholders wishing to receive the Annual Accounts as well as the Annual Review and Summary Financial Statement in future years should write to the Registrars at the address on page 42.

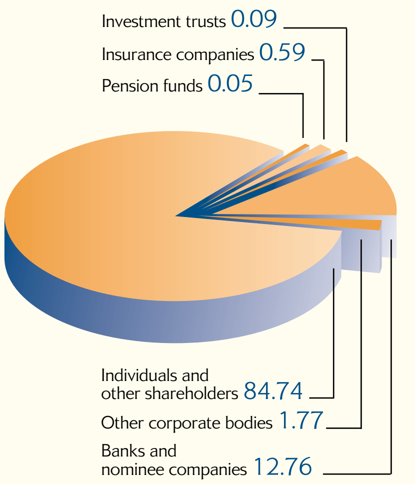
Investor Information

Shareholders' Interests at 9th March 1996

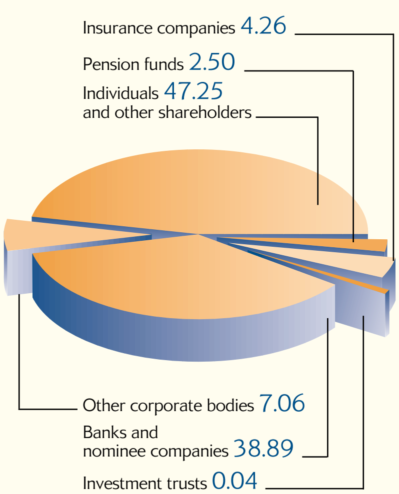
Number of Shareholders: 111,012 (1995: 110,820)

Range of Shareholdings	Shareholders %		Shares %	
	1996	1995	1996	1995
500 and under	39.38	36.47	0.45	0.43
501 to 1,000	20.55	21.56	0.95	1.01
1,001 to 10,000	36.99	38.94	5.73	6.08
10,001 to 100,000	2.31	2.34	3.78	3.77
100,001 to 1,000,000	0.58	0.49	11.83	10.31
over 1,000,000	0.19	0.20	77.26	78.40
	100.00	100.00	100.00	100.00

Shareholders % 1996



Shares % 1996



At the year end, the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 19.5 million shares (1995: 20.1 million) on behalf of 43,472 participants (1995: 41,749). The Trustees' holding is included in 'other shareholders'.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Wednesday 3rd July 1996 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.

American Depositary Receipts (ADRs)

In the US, the Company's ordinary shares are traded in the over-the-counter markets ('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 addressed to: Citibank, N.A., ADR Shareholder Services, 111 Wall Street, New York, NY 10043.

Share Dividend Alternative

The Company is again offering the option of a share dividend alternative to holders of ordinary shares. An 'evergreen' system is now in operation so shareholders who have already completed a mandate and wish to receive shares for the final dividend 1995/96 need take no action.

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 SBC Warburg, 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, a Single Company PEP and a General PEP are now operated by The Royal Bank of Scotland. For further information contact The Royal Bank of Scotland plc, PEP Unit, Registrar's Department, PO Box 1840, 8 Bankhead, Crossway North, Edinburgh EH11 4BS. Telephone number: 0131 523 6101.

Entry into CREST System

CREST, the new computerised system for settling sales and purchases of shares will be introduced by the Stock Exchange in July 1996. The Board has resolved to join the CREST system and expects to do so in October 1996. The Company will be assisting private shareholders to join the CREST system through the services of a CREST Nominee to be run by the Company Registrar. Full details of this service will be circulated with the interim announcement in November. Shareholders need not join CREST and will be able to retain their share certificates if they so wish.

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 9th March 1996 was 379p per share and the range during the year was 477p to 367p. The Company's market capitalisation on 9th March 1996 was £6,942 million in comparison with £7,497 million on 11th March 1995.

Further Information

Below are some useful telephone numbers:

Information about shareholdings, dividends and changes to personal details .... The Royal Bank of Scotland 0117 930 6600.

Information about low cost dealing facilities .... The Share Centre 01442 890844.

An audio tape of this Annual Review can be obtained by calling .... 01435 866102.

The Company's Environment Report is available by calling .... 0800 387504.

For any other enquiries please contact our Customer Services .... 0800 636262.

Contact via the Internet:

Information about the Company may be found on the Internet at................................ http://www.j-sainsbury.co.uk

Shaw's has its own Internet site at........... http://www.shopat.com/shaw's

Key dates in respect of the Share Dividend Alternative: Final 1995/96

Calculation period for share dividend price	20th May to 24th May 1996
Ordinary shares record date	29th May 1996
Last date for receipt by Registrars of mandates/revocations (Return Date)	19th June 1996
Share Dividend Alternative certificates posted	25th July 1996
First date of dealing in new shares	26th July 1996

The cash equivalent of the new shares is as follows:

Dividend	Cash Equivalent	Gross Income for UK Tax Purposes*
Final 1994/95 (paid 28th July 1995)	436.4p	545.5p
Interim 1995/96 (paid 17th January 1996)	391.2p	489.0p

** Cash equivalent grossed up for tax at 20%*

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

Dividend	Interim Payment Date	Issue Price	Final Payment Date	Issue Price
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	28th July 1995	436.4
1995/96	17th January 1996	391.2		

Financial Calendar
1996/97

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 82

Caxton House, Redcliffe Way

Bristol BS99 7NH

AUDITORS

Coopers & Lybrand

1 Embankment Place, London WC2N 6NN

SOLICITORS

Denton Hall

Five Chancery Lane, Clifford's Inn

London EC4A 1BU

STOCKBROKERS

SBC Warburg

1 Finsbury Avenue, London EC2M 2PP

Dividend and Interest Payments

Ordinary Dividend	Final	payable 26th July 1996	
	Interim	payable January 1997	
8% Irredeemable Unsecured Loan Stock		1st March	1st September
$9\frac{1}{8}$% Notes 1996		2nd October	
$8\frac{1}{2}$% Convertible Capital Bonds 2005		6th March	6th September
\$150m $7\frac{3}{8}$% MTN 1997		17th November	
£150m $8\frac{1}{4}$% Notes 2000		22nd December	

Other Dates

Results for half year	announced 30th October
Interim Report circulated	1st November
Results for the year	announced in May
Report and Accounts	circulated in June
Annual General Meeting	July

Designed and Produced by
McBain, Noel-Johnson & Co Ltd.
Printed in England by Royle Print Limited.
Printed on Zanders Mega-Matt paper made from
100% chlorine-free bleached pulp and awarded the
Nordic Swan environmental label.

Sainsbury's supermarket at Braintree, Essex
is one of 21 existing stores extended during the year.
Its sales area was increased by 12,000 sq. ft. to
26,000 sq. ft. and so far sales have increased by over 60%.
Extensions at a further 25 supermarkets are planned
for the coming year.

J Sainsbury plc
Stamford House Stamford Street London SE1 9LL

J Sainsbury plc

Annual Accounts 1996

Contents

Annual Accounts

This publication includes the Directors' Report, the Report of the Remuneration Committee, the Accounts and the Auditors' Reports for the period ended 9th March 1996. The Chairman's Statement and review of the business are contained in a separate publication entitled Annual Review 1996 and Summary Financial Statement.

These Annual Accounts together with the Annual Review 1996 and Summary Financial Statement comprise the full Annual Report and Accounts of J Sainsbury plc for 1996, in accordance with the Companies Act 1985. Copies may be obtained, free of charge, by telephoning Freephone 0800 387504.

Report of the Directors

for the 52 weeks to 9th March 1996

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 Annual 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, as laid down in the Listing Rules of the London Stock Exchange.

The Board

The Board of Directors meets regularly and is responsible for the effective management of the business. During the year a number of changes were made to the executive structure of the Board. R T Vyner became Chief Executive of Sainsbury's supermarkets. D B Adriano, whilst remaining Chairman of Homebase, became Deputy Chief Executive of Sainsbury's supermarkets and will succeed R T Vyner who will be retiring at the end of 1997. K McCarten joined the Board as Marketing Director. These appointments and the existing Directors, together with the recruitment of D M Bremner as Chief Executive, New Businesses, will form a strong team to lead the Group to future success. 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. The Chairman and the Non-Executive Directors do not have service contracts. 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 Committee is responsible for advising on Executive Directors' pay and benefits. The report of this committee is set out on pages 4 to 7. The Nomination Committee advises the Board on the appointment of Executive Directors. 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. In line with the changes to the executive structure of the Board outlined above, a new Supermarket Executive Committee has been established to concentrate specifically on the running of the business of Sainsbury's supermarkets. The membership of these Committees is shown on page 3.

Internal Financial Control

The Directors are responsible for the Group's system of internal financial control. In order to meet that responsibility the Board has established an organisational structure with clear responsibilities and authorities, corporate standards and procedures and a thorough system of internal financial reporting.

The Board has carried out a formal review of the effectiveness of the system of internal financial control using a Risk Self Assessment process. This was carried out in all major Group companies and the results reviewed and signed off by the Board.

The Directors believe that proper accounting records are maintained and that financial information used within the business and for publication is reliable.

The system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement and loss.

The key elements of the system of internal financial control are:–

Control Framework

There is an organisational structure with clear accountabilities and levels of authority. Group financial control standards are set out in statements to the business and are supported by procedures manuals.

Process

There are well-established planning processes which include detailed operational budgets for the year ahead and projections for future years. These are approved by the Board.

Performance against these budgets is reviewed by the Board monthly. More detailed performance reviews are carried out by management.

There are clear policies and procedures for capital expenditure. These include investment appraisals, authorisation procedures and post-implementation reviews.

Treasury policy changes and significant treasury transactions are reviewed and approved by the Board. Foreign exchange transactions are actively managed to reduce or eliminate exchange rate exposure and are used solely for the operation of the business.

Review

The Audit Committee has responsibility for ensuring that internal financial control is defined and monitored. It reviews interim and annual financial statements and receives regular reports from management, internal audit and external audit.

Report of the Directors – continued

The Group has a well-established internal audit function. Homebase/Texas and Shaw's have their own internal audit departments, whilst Group Internal Audit covers Sainsbury's supermarkets and other Group companies. The Head of Group Internal Audit has overall responsibility for coverage and reports significant matters and has direct access to the Audit Committee.

The Risk Self Assessment process established by the Group allows management to consider internal financial control. This will continue to be used as a regular management tool and will be formally reviewed and signed off by the Board annually.

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.

Profit and Dividend

The profit on the ordinary activities of the Group before tax amounted to £712 million (1995: £809 million).

The Directors are proposing the payment of a final dividend of 8.7p per share on 26th July 1996 to shareholders on the Register at the close of business on 29th May 1996; together with the interim dividend paid of 3.4p per share, this makes a total dividend for the year of 12.1p (1995: 11.7p) per share.

Share Capital

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

- 10.2 million shares were allotted and further options granted under the Company's share schemes for employees;
- 1.9 million shares were allotted under the terms of the share dividend alternative to shareholders;
- 13.1 million shares were allotted following the conversion of £44 million of the Convertible Capital Bonds 2005.

Further details are given in Note 12.

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.

Resolutions will also be proposed at the Annual General Meeting to enable the Company to make market purchases of its own shares up to a maximum of 182,960,000 shares, to establish new employee share schemes and renew/update existing schemes and to establish an Employee Share Ownership Trust to facilitate the provision of shares to employee schemes.

The full text of the Resolutions is set out in the Notice of Meeting.

Share Dividend Alternative

Around 27,000 shareholders elected to take shares instead of cash for both the final dividend for 1995 and the interim dividend for 1996. Shareholders are to be offered a similar choice in respect of the final dividend payable in July 1996 and the interim dividend for 1997.

Acquisition of Texas Homecare

On 14th March 1995, Homebase Limited acquired the whole of the issued share capital of Home Charm Group PLC from Ladbroke Group PLC. The principal operating business within Home Charm Group PLC is Texas Homecare. Full details of the acquisition are set out in Note 4.

Market Value of Properties

The Directors believe that the aggregate open market value of Group properties exceeds the net book value of £4,224 million by a considerable margin.

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 Company has been awarded the usage of the symbol "Positive about disabled people". This shows the Company's commitment to improving employment opportunities for disabled applicants or employees who become disabled. The services of any existing employee who becomes disabled are retained wherever possible. The Group also has an 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 million (1995: £2 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 140 people and has an annual expenditure of £6 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 Directors' Interests

The Directors are as follows:– D J Sainsbury (Chairman), R T Vyner (Deputy Chairman and Chief Executive Sainsbury's supermarkets), D B Adriano (Deputy Chief Executive Sainsbury's supermarkets), I D Coull, R Cooper, J E Adshead, C I Harvey, R P Whitbread, R P Thorne, D J Clapham, K McCarten, Sir Terence Heiser GCB (Non-Executive), Dr J M Ashworth (Non-Executive), Rt Hon Sir Timothy Sainsbury MP (Non-Executive) and C M Thompson (Non-Executive).

Committee membership	Audit	Remuneration	Nomination	Supermarket Executive
D J Sainsbury			*	
R T Vyner			*	*
D B Adriano				*
I D Coull				*
R Cooper				*
J E Adshead				*
R P Whitbread				*
D J Clapham				*
K McCarten				*
Sir Terence Heiser GCB	*	*	*	
Dr J M Ashworth	*	*	*	
Rt Hon Sir Timothy Sainsbury MP	*	*	*	
C M Thompson	*	*	*	

All Directors held office throughout the period except K McCarten who was appointed on 2nd December 1995 and the Rt Hon Sir Timothy Sainsbury MP and C M Thompson who were appointed as Non-Executive Directors on 5th July 1995. R A Clark retired on 28th April 1995, Lady Eccles retired on 5th July 1995, I J Hunt retired on 7th March 1996 and D A Quarmby retired on 26th April 1996.

In accordance with the Articles of Association the following Directors will retire by rotation and seek re-appointment at the Annual General Meeting on 3rd July 1996:– D B Adriano, J E Adshead, C I Harvey and R P Whitbread. K McCarten was appointed during the period and will be proposed for re-appointment at the Annual General Meeting. All the Directors who are being proposed for re-appointment at the Annual General Meeting have service contracts on a rolling 24-month basis.

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 set out in the Report of the Remuneration Committee.

Substantial Interests

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

Miss J S Portrait and C T S Stone are trustees of various settlements, including charitable settlements. At 7th May 1996 the total holdings of the trusts of which the above are trustees amounted to 18% and 6% respectively.

At 7th May 1996 the interests, as trustees of charitable and other trusts and beneficially, of D J Sainsbury, the Hon S D Sainsbury, Lord Sainsbury of Preston Candover and the Rt Hon Sir Timothy Sainsbury MP were 17%, 5%, 4% and 4% respectively.

Annual General Meeting

The 1996 Annual General Meeting of shareholders will take place at 12 noon on Wednesday 3rd July 1996 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of Meeting and proxy card accompany these Annual Accounts.

CREST

CREST, the new computerised system for settling sales and purchases of shares, will begin during 1996. The Board has resolved to join the CREST system and arrangements are being made for shareholders to have the opportunity to join the electronic system if they wish to do so. A formal notice to members of the Board's action in passing this resolution is included in the Chairman's letter accompanying the notice of the Annual General Meeting.

Auditors

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

7th May 1996

Report of the Remuneration Committee

Composition and Terms of Reference

The Remuneration Committee has been reconstituted following the Report of the Greenbury Committee and now consists entirely of Non-Executive Directors. D J Sainsbury has stepped down from membership and C M Thompson has become Chairman of the Committee. The membership of the Committee is shown on page 3.

The Committee's terms of reference provide for it to make recommendations to the Board on all matters relating to the remuneration of the Executive Directors of the Company. These recommendations are considered by the Board but no Director participates in the decision relating to his or her own remuneration.

Policy on Remuneration of Executive Directors

Total Level of Remuneration

In framing its remuneration policy the Committee has given full consideration to Section B of the best practice provisions on Directors' remuneration, annexed to the Listing Rules of the London Stock Exchange. The Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate Executive Directors of the highest calibre. In doing so, the Committee takes account of information from internal and independent sources on the remuneration for similar jobs in similar companies in the retail sector and other large companies in the FTSE 100 Index.

The main components of Executive Directors' remuneration are:–

i) Basic Salary

Basic salary for each Director is determined taking into account recommendations on individual performance.

ii) Performance-Related Bonus

A 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 and the profit or loss on the sale of property. It is subject to a maximum of 35% of basic salary which is achieved when real profit growth is 20%. No bonus is payable in respect of the period ended 9th March 1996 (1995: 17.8%). It is proposed to replace these arrangements with new arrangements explained in paragraph iv) below.

iii) Share Options

Directors hold options under the SAYE Scheme and the Executive Share Option Scheme. Under the latter scheme it has been the practice to grant options to Executive Directors at intervals of approximately 18 months to a value of one and a half times salary and subject to an overall maximum value of outstanding options of four times taxable emoluments. Exercises of options granted on 8th September 1995 and after are subject to the condition that over a period of three years the Company must achieve an average of 2.5% per annum real growth in earnings per share before the options may be exercised. Details of Directors' options are set out on page 7.

iv) New Share Option Schemes and Long Term Incentive Scheme

Proposals to replace the Executive Share Option Scheme and the Directors' bonus arrangements are to be put to shareholders for their approval at the Annual General Meeting. The proposed arrangements reflect the Company's belief that share ownership by Executive Directors and Senior Executives strengthens the link between their personal interests and those of the shareholders as well as incentivising personal performance.

The proposals may be summarised as follows:–

It is intended to continue to grant options to Directors and Senior Executives at intervals of approximately 18 months and, for Directors, to a value of one times salary only instead of one and a half times.

Accordingly, the existing approved Executive Share Option Scheme will be replaced by a new approved scheme under which options will be granted to the maximum value permitted by the Inland Revenue, currently £30,000. Grants of options above the value of £30,000 will be made under a new unapproved Executive Share Option Scheme which will take into account the relevant institutional guidelines. For any individual the maximum value of outstanding options at any time under both schemes will be four times total annual remuneration. The performance criterion to be satisfied prior to exercise of options will be an average over a three-year period of 2% per annum real growth in earnings per share.

In addition to the new share option schemes it is intended to introduce a long term incentive scheme to come into effect from the 1997 financial year. This scheme will provide Executive Directors with a bonus established by a formula related to real growth in earnings per share. No bonus will be earned in respect of any year unless real growth in earnings per share as against the previous year reaches 2%. Bonuses will be paid partly in cash and partly in shares. The shares will be held in trust for three years and may be augmented at the end of that period depending on performance measured in relation to real growth in earnings per share.

Full particulars of the proposals for the share option schemes and the long term incentive scheme are contained in the letter from the Chairman to shareholders which accompanies the Notice of Meeting.

v) Profit Sharing

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 on a paid basis in the table of Directors' Emoluments on page 5.

Profit sharing in respect of the period ended 9th March 1996 which will be paid in August 1996 is expected to amount to approximately 7.1% of basic salary (1995: 9.6%).

vi) Benefits

Benefits include the provision of a company car and medical insurance premiums.

Contracts of Service

With the exception of the Chairman, who does not have a service contract, the service contracts for the Executive Directors are on a rolling 24-month basis, or have less than 24 months to run. The notice period is in line with the market and there are no current plans to reduce it. All the Directors who are being proposed for re-appointment at the Annual General Meeting have service contracts on a rolling 24-month basis.

Company Pension Policy regarding Executive Directors

The Group's policy is to offer its most senior employees membership of the J Sainsbury Executive Pension Scheme.

The scheme is a funded, Inland Revenue approved, final salary, occupational pension scheme. 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 40 years service or ill health, of up to two-thirds of their pensionable earnings (defined as salary in the last 12 months of service plus the average of the performance-related bonus paid in the Company's last three financial years), 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 three 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, although full provision has been made in respect of the period ended 9th March 1996 (£147,000) and in respect of prior periods (£269,000).

In principle the Remuneration Committee does not think that variable payments should be pensionable and accordingly cash payments under the new long term incentive scheme will not be pensionable. The Committee is currently examining the need to compensate senior executives for this alteration to present arrangements.

Pending the outcome of further official guidance on disclosure of pension values the Company has retained the method of disclosure used last year. With the exception of I J Hunt, for whom details are given in note 5 to the tables, the pension contributions included in the tables of Directors' emoluments are 8.5% (1995: 8.2%) of pensionable earnings which was the level of Company contribution into the J Sainsbury Executive Pension Scheme.

Directors' Emoluments

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

	1996 £000	1995 £000
Executive Directors		
Salary	**2,951**	2,919
Performance-related bonus	–	525
Profit sharing	**270**	247
Benefits	**149**	183
	3,370	3,874
Compensation for loss of office	**271**	–
Pension contributions	**465**	449
	4,106	4,323
Non-Executive Directors		
Fees	**79**	59
	4,185	4,382

The emoluments of each of the Executive Directors are set out below:–

	Salary		Performance-related bonus		Profit sharing		Benefits		Sub totals		Compensation for loss of office		Pension contribution		Totals	
	1996 £000	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000
D J Sainsbury[1]	296	276	Nil	51	27	24	11	11	334	362	–	–	25	27	359	389
R T Vyner[2]	405	373	Nil	69	36	31	16	14	457	487	–	–	34	36	491	523
D B Adriano	212	185	Nil	35	18	15	13	13	243	248	–	–	18	18	261	266
D A Quarmby[3]	345	320	Nil	59	31	27	8	13	384	419	–	–	29	31	413	450
R A Clark[4]	65	258	Nil	48	25	22	1	15	91	343	–	–	3	114	94	457
I D Coull	225	210	Nil	38	20	18	8	10	253	276	–	–	19	20	272	296
R Cooper	227	207	Nil	38	20	17	14	11	261	273	–	–	19	20	280	293
J E Adshead	204	184	Nil	34	18	15	14	14	236	247	–	–	17	18	253	265
C I Harvey	177	170	Nil	31	16	15	8	10	201	226	–	–	15	17	216	243
R P Whitbread	184	168	Nil	31	16	14	12	14	212	227	–	–	16	16	228	243
R P Thorne	196	177	Nil	33	17	15	10	12	223	237	–	–	17	17	240	254
D J Clapham	157	145	Nil	27	14	12	13	13	184	197	–	–	13	14	197	211
I J Hunt[5]	145	127	Nil	23	12	9	16	23	173	182	271	–	236	12	680	194
K McCarten[6]	113	–	Nil	–	–	–	5	–	118	–	–	–	4	–	122	–
K C Worrall[7]	–	119	–	8	–	13	–	10	–	150	–	–	–	89	–	239
	2,951	2,919	Nil	525	270	247	149	183	3,370	3,874	271	–	465	449	4,106	4,323

Report of the Remuneration Committee – continued

The emoluments of each of the Non-Executive Directors are set out below:–

	Fees 1996 £000	Fees 1995 £000
Sir Terence Heiser GCB	22	18
Dr J M Ashworth	21	17
Rt Hon Sir Timothy Sainsbury MP[8]	15	–
C M Thompson[8]	15	–
Lady Eccles[9]	6	19
Sir James Spooner[10]	–	5
	79	59

Notes to the tables:–

1. Chairman. 2. Highest paid Director.

3. Retired as a Director on 26th April 1996. The accounts include a provision of £336,000 for compensation for loss of office and £556,000 in respect of additional pension contributions. However, these amounts are not included within Directors' emoluments as they were due and paid after the period end. Following his retirement D A Quarmby retains the right to exercise outstanding share options as set out in the table of Directors' options over Ordinary Shares on page 7.

4. Retired as a Director on 28th April 1995. Following retirement R A Clark received £124,000 of fees as Chairman of NewMarket Foods Limited and for other services, which are not included above. 1995 includes an additional pension contribution of £89,000.

5. Retired as a Director on 7th March 1996. 1996 pension contribution includes £225,000 in respect of compensation for loss of office. In addition, I J Hunt retains the right to exercise 112,680 options over Ordinary Shares previously granted under the Company's option schemes. These options have exercise prices ranging from 237.1p to 475.0p. The average exercise price is 419.0p.

6. Appointed 2nd December 1995. 1996 salary includes £62,000 in respect of acceptance of office.

7. K C Worrall became a Non-Executive Director on 3rd July 1994 and retired on 31st December 1994. 1995 emoluments include £85,000 of fees as a Non-Executive Director and an additional pension contribution of £79,000.

8. Appointed 5th July 1995. The fees of C M Thompson are remitted to Rentokil Group PLC.

9. Retired 5th July 1995. 10. Retired 6th July 1994.

Directors' Interests

Details of the Directors' interests in the ordinary shares of the Company are as follows:–

Ordinary Shares	9th March 1996	12th March 1995
D J Sainsbury	321,674,572	321,674,572
R T Vyner	16,683	14,433
D B Adriano	37,764	23,991
D A Quarmby	53,441	63,330
I D Coull	23,674	11,288
R Cooper	81,535	77,499
J E Adshead	29,504	21,022
C I Harvey	88,386	54,951
R P Whitbread	40,574	31,097
R P Thorne	7,653	5,657
D J Clapham	39,056	31,701
K McCarten	1,310	– *
Sir Terence Heiser GCB	1,000	1,000
Dr J M Ashworth	2,112	2,054
Rt Hon Sir Timothy Sainsbury MP	13,431,900	13,731,900*
C M Thompson	881	881*

* At date of appointment.

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 4,703,759 (1995: 4,902,737) shares and £43,974 (1995: £2,095) 8% Irredeemable Unsecured Loan Stock held by trusts, including a charitable trust, of which he is a trustee.

The Rt Hon Sir Timothy Sainsbury MP has a non-beneficial interest in holdings of 66,538,569 (73,688,569 at date of appointment) shares.

There were no changes to the Directors' interests shown above between 9th March 1996 and 7th May 1996.

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 12th March 1995	Number granted	Number exercised	Date exercised	Option price Pence	Market price on exercise Pence	**Total 9th March 1996**
D J Sainsbury	222,564	89,683 (a)	–				312,247
R T Vyner	293,565	122,526 (a)	–				416,487
		396 (b)					
D B Adriano	165,894	61,894 (a)	32,594 (a)	7.6.95	322.1	449	195,590
		396 (b)					
D A Quarmby	377,570	71,110 (a)	51,500 (a)	7.6.95	322.1	449	396,157
		308 (b)	1,331 (b)	1.9.95	205.5	471	
I D Coull	211,572	68,210 (a)	46,564 (a)	7.6.95	322.1	449	233,526
		308 (b)					
R Cooper	244,787	67,894 (a)	16,333 (a)	7.6.95	322.1	449	244,011
		529 (b)	31,166 (a)	7.6.95	272.7	449	
			21,700 (a)	23.8.95	322.1	471	
J E Adshead	183,691	60,631 (a)	18,500 (a)	3.8.95	447.0	465	223,514
		1,234 (b)	3,542 (b)	8.3.96	237.1	379	
C I Harvey	206,884	54,947 (a)	15,623 (a)	7.6.95	281.6	449	191,328
		440 (b)	23,459 (a)	7.6.95	217.4	449	
			31,166 (a)	7.6.95	272.7	449	
			695 (b)	8.3.96	237.1	379	
R P Whitbread	182,316	54,947 (a)	10,000 (a)	7.6.95	272.7	449	168,402
		220 (b)	55,928 (a)	3.8.95	447.0	465	
			3,153 (b)	14.6.95	205.5	450	
R P Thorne	142,821	58,105 (a)	–				200,926
D J Clapham	145,852	47,368 (a)	22,732 (a)	7.6.95	272.7	449	142,753
		529 (b)	27,316 (a)	7.6.95	322.1	449	
			948 (b)	6.3.96	237.1	379	
K McCarten	– *	73,834 (a)	–				73,834

* At date of appointment.

Outstanding options above and below the market price of 379p on 9th March 1996 are set out in the table below:–

		Options outstanding below market price		Options outstanding above market price	
	Number of options outstanding	Number	Weighted average price Pence	Number	Weighted average price Pence
D J Sainsbury	312,247	222,564	330.2	89,683	475.0
R T Vyner	416,487	153,624	357.7	262,863	459.9
D B Adriano	195,590	77,768	355.9	117,822	461.7
D A Quarmby	396,157	196,412	256.2	199,745	457.0
I D Coull	233,526	89,254	357.7	144,272	460.2
R Cooper	244,011	106,176	349.4	137,835	460.6
J E Adshead	223,514	116,885	345.1	106,629	462.7
C I Harvey	191,328	73,226	357.1	118,102	459.8
R P Whitbread	168,402	112,681	308.7	55,721	473.9
R P Thorne	200,926	75,707	356.3	125,219	460.0
D J Clapham	142,753	62,500	356.2	80,253	463.5
K McCarten	73,834	–		73,834	386.0

No options lapsed during the period. The options outstanding are exercisable at prices between 237.1p and 475p. In the period from 12th March 1995 to 9th March 1996 the highest middle market price was 477p and the lowest middle market price was 367p.

Approved by the Board on 7th May 1996.

C M Thompson
Chairman of the Remuneration Committee

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 J Sainsbury plc on Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Directors' statement on pages 1 and 2 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of Opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control on pages 1 and 2 and going concern on page 2, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on pages 1 and 2 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants, London, 7th May 1996.

Report of the Auditors to the Shareholders of J Sainsbury plc

We have audited the accounts on pages 9 to 28.

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 9th March 1996 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, 7th May 1996.

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.

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 and Development

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.

Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks at warehouse are valued at cost, 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

9th March 1996

	Note	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Fixed Assets					
Tangible assets	1	5,458	4,852	4,281	3,981
Investments	2	117	98	1,565	887
		5,575	4,950	5,846	4,868
Current Assets					
Stocks	6	761	509	357	303
Debtors	7	204	172	174	160
Investments	8	5	2	–	–
Cash at bank and in hand		209	199	84	89
		1,179	882	615	552
Creditors: due within one year	9	(2,519)	(1,836)	(2,280)	(1,607)
Net Current Liabilities		(1,340)	(954)	(1,665)	(1,055)
Total Assets less Current Liabilities		4,235	3,996	4,181	3,813
Creditors: due after one year					
Convertible Capital Bonds	9	(156)	(200)	–	–
Other	9	(480)	(469)	(483)	(666)
Provisions for Liabilities and Charges	11	(54)	(17)	(15)	(7)
Minority Equity Interest		(11)	(21)		
		3,534	3,289	3,683	3,140
Capital and Reserves					
Called up share capital	12	458	452	458	452
Share premium account	13	1,074	1,000	1,074	1,000
Revaluation reserve	14	43	39	44	40
Profit and loss account	15	1,959	1,798	2,107	1,648
Equity Shareholders' Funds		3,534	3,289	3,683	3,140

Notes to the accounts are on pages 14 to 28.

The Accounts on pages 9 to 28
were approved by the Board of Directors on
7th May 1996, 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 9th March 1996

	Note	Continuing Operations 1996 £m	Acquisitions 1996 £m	Total 1996 £m	Total 1995 £m
Group Sales including VAT & sales taxes	16	12,821	678	13,499	12,065
VAT & sales taxes		771	101	872	708
Group Sales excluding VAT & sales taxes		12,050	577	12,627	11,357
Cost of sales	16	10,949	572	11,521	10,241
Exceptional cost of sales – Texas Homecare integration costs	4	–	48	48	–
Gross Profit		1,101	(43)	1,058	1,116
Administrative expenses	16	237	15	252	217
Group Operating Profit before profit sharing	16	864	(58)	806	899
Profit sharing	17	48	2	50	61
Group Operating Profit		816	(60)	756	838
Associated undertakings – share of profit	5	19	–	19	6
(Loss)/profit on sale of property		(4)	–	(4)	1
Profit on Ordinary Activities before Interest		831	(60)	771	845
Net interest payable	18			59	36
Profit on Ordinary Activities before Tax	19			712	809
Tax on profit on ordinary activities	22			234	270
Profit on Ordinary Activities after Tax				478	539
Minority equity interest				10	(4)
Profit for the Financial Year				488	535
Dividends	23			222	211
Retained Profit				266	324
Earnings Per Share	24			26.8p	29.8p
Exceptional cost of sales				1.3p	–
Loss/(profit) on sale of property				0.2p	(0.1p)
Earnings Per Share before exceptional cost of sales and loss/profit on sale of property	24			28.3p	29.7p
Fully Diluted Earnings Per Share	24			26.4p	29.0p
Fully Diluted Earnings Per Share before exceptional cost of sales and loss/profit on sale of property	24			27.8p	29.0p

Group Cash Flow Statement

for the 52 weeks to 9th March 1996

	Note	1996 £m	1995 £m
Net cash inflow from operating activities	25	1,012	1,070
Returns on investments and servicing of finance			
Interest received		11	13
Interest paid		(73)	(69)
Interest element of finance lease rental payments		(9)	(8)
Dividends received from Associated undertaking		5	–
Dividends paid		(208)	(169)
Net cash outflow from returns on investments and servicing of finance		(274)	(233)
Tax			
Corporation tax paid		(261)	(208)
Overseas tax paid		(10)	(13)
Tax paid		(271)	(221)
Investing activities			
Payments for tangible fixed assets		(709)	(494)
Receipts from sale of tangible fixed assets		50	33
(Purchase)/sale of investments		(4)	7
Purchase of Texas Homecare net of cash acquired	4	(300)	–
Purchase of other subsidiaries net of cash acquired	4	(21)	–
Purchase of investment in Giant Food Inc.		–	(214)
Investment in other Associated undertakings		(4)	7
Net cash outflow from investing activities		(988)	(661)
Net cash outflow before financing		(521)	(45)
Financing			
Issue of ordinary share capital		22	14
Proceeds of long term borrowing		182	98
Repayment of long term borrowing to Associated undertaking		–	(8)
Repayment of other long term borrowing		(31)	(103)
Capital element of finance lease rental payments		(6)	(1)
Net cash inflow from financing	26	167	–
Decrease in cash and cash equivalents	27	(354)	(45)

Notes to the accounts are on pages 14 to 28.

Group Statement of Recognised Gains and Losses

for the 52 weeks to 9th March 1996

	1996 £m	1995 £m
Profit for the Financial Year	488	535
Currency translation differences on foreign currency net investments	2	–
Total recognised gains and losses relating to the Financial Year	490	535

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	
	1996 £m	1995 £m	1996 £m	1995 £m
Profit for the Financial Year	488	535	576	484
Dividends	(222)	(211)	(222)	(211)
	266	324	354	273
Currency translation differences	2	–	–	–
Goodwill deducted from reserves (Note 4)	(103)	(129)	–	–
New share capital subscribed less expenses of capital issues	80	54	80	54
Other (Note 15)	–	–	109	–
Net movement in Shareholders' Funds	245	249	543	327
Opening shareholders' funds	3,289	3,040	3,140	2,813
Closing Shareholders' Funds	3,534	3,289	3,683	3,140

Notes to the Accounts

at 9th March 1996

Note 1 Tangible Fixed Assets

	Group			Company		
	Properties £m	Fixtures, Equipment & Vehicles £m	Total £m	Properties £m	Fixtures, Equipment & Vehicles £m	Total £m
Cost or Valuation						
At 12th March 1995	4,341	1,988	6,329	3,538	1,556	5,094
Assets acquired on purchase of subsidiaries	166	161	327			
Additions (see below)	417	342	759	314	240	554
Disposals	59	38	97	59	34	93
Exchange adjustments	13	5	18	–	–	–
At 9th March 1996	4,878	2,458	7,336	3,793	1,762	5,555
Depreciation						
At 12th March 1995	518	959	1,477	377	736	1,113
Cumulative depreciation of assets acquired on purchase of subsidiaries	71	86	157			
Provided in the period	69	209	278	41	150	191
Disposals	8	33	41	7	23	30
Exchange adjustments	4	3	7	–	–	–
At 9th March 1996	654	1,224	1,878	411	863	1,274
Net Book Value						
At 9th March 1996	4,224	1,234	5,458	3,382	899	4,281
At 11th March 1995	3,823	1,029	4,852	3,161	820	3,981
Capital Work-in-Progress included above						
At 9th March 1996	98	85	183	65	66	131
At 11th March 1995	61	46	107	39	38	77

The amount included in the additions of £759 million in respect of interest capitalised during the period ended 9th March 1996 amounted to £9 million after deducting tax relief of £4 million (Company £7 million after deducting tax relief of £3 million). Accumulated interest capitalised net of tax relief included in the cost or valuation total above amounts to £241 million (1995: £233 million) for the Group, and £217 million (1995: £211 million) for the Company.

Included in the net book value of fixed assets for the Group is £84 million (1995: £59 million) for assets held under finance leases, of which £75 million (1995: £59 million) relates to properties and £9 million (1995: £Nil) to fixtures.

Analysis of Properties
At 9th March 1996

		Group		Company	
		Cost £m	Valuation £m	Cost £m	Valuation £m
Freehold:	Cost	3,750		3,143	
	1973 valuation		2		2
	1992 valuation		65		63
Long leasehold:	Cost	645		490	
	1973 valuation		4		4
	1992 valuation		22		22
Short leasehold:	Cost	389		68	
	1992 valuation		1		1
		4,784	94	3,701	92

If the properties included at valuation had been included at cost, the cost and accumulated depreciation figures at 9th March 1996 would have been:–

	Group		Company	
	Cost £m	Depreciation £m	Cost £m	Depreciation £m
Freehold	3,780	384	3,170	304
Long leasehold	662	114	507	85
Short leasehold	393	154	72	20
	4,835	652	3,749	409

Note 2 Fixed Asset Investments

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Subsidiaries (Note 3)			1,553	878
Associated undertakings (Note 5)				
Listed on a UK Stock Exchange	3	–	–	–
Listed on a US Stock Exchange	98	88	–	–
Other	13	9	12	9
	114	97	12	9
Other investments	3	1	–	–
	117	98	1,565	887

The net increase in Other investments consists of additions of £2 million.

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
Texas Homecare 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., Savacentre Limited and Texas Homecare Limited which are held by other Subsidiaries. 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 12th March 1995	303
Transfers to other group companies	(224)
Acquisitions and other additions	31
At 9th March 1996	110
Long term capital advances	
At 12th March 1995	575
Additions	782
Write back of provision against advances	86
At 9th March 1996	1,443
Total Net Investment 9th March 1996	1,553
11th March 1995	878

Total net investment by the Company in Subsidiaries at 9th March 1996 consists of total cost of shares and capital advances of £1,556 million (1995: £990 million) less £3 million (1995: £112 million) for cumulative amounts deducted from reserves.

Note 4 Acquisitions of Subsidiaries

4.1 Texas Homecare

On 14th March 1995 Homebase Limited completed the purchase of Home Charm Group PLC from Ladbroke Group PLC. This has been accounted for as an acquisition. Home Charm Group PLC is the holding company of Texas Homecare Limited together with a number of other Subsidiaries and has a 29.9% shareholding in Hampden Group PLC.

(a) Assets and liabilities acquired

The fair value of net assets and consideration at the date of acquisition were as follows:–

	Book Value	Fair Value Adjustments		Fair Value
		Revaluations	Alignment to Group Policy	
	£m	£m	£m	£m
Tangible fixed assets	168	(23)	(16)	129
Investments	2	1	–	3
Stocks	185	(16)	(24)	145
Debtors	42	5	(10)	37
Cash at bank and in hand	9	–	–	9
Creditors (within one year)	(52)	(38)	–	(90)
Creditors (over one year)	(3)	–	(17)	(20)
Ladbroke liability	(143)	–	–	(143)
Provision for store rationalisation	(23)	(16)	–	(39)
Deferred tax	–	24	8	32
	185	(63)	(59)	63
Goodwill				103
Consideration for shares, including costs and fees				166

Notes:

1. In addition to the purchase consideration for the shares of Home Charm Group PLC, an additional amount of £143 million was paid to Ladbroke Group PLC on completion, representing the amount of intercompany indebtedness between the Texas businesses and Ladbroke Group PLC. The total amount paid of £309 million represents the provisional total consideration of £290 million previously announced, fees and other costs of £3 million, (including £1.3 million payable to the Company's auditors, Coopers & Lybrand) together with an adjustment of £16 million relating to additional funding provided by Ladbroke Group PLC to Texas Homecare prior to Completion.

   The consideration is provisional pending agreement of the completion accounts and other matters. Agreement has not been reached and therefore the consideration is subject to arbitration in line with the terms of the contract.

2. The book values of the assets and liabilities shown above have been taken from the management accounts of the acquired businesses at the date of acquisition.

3. Fair value adjustments in respect of the revaluation of fixed assets represent the restatement of the freehold and long leasehold properties acquired at their estimated market values and the write-off of obsolete store fixtures and fittings. Fair value adjustments for stocks reflect the write down to their estimated net realisable value.

4. The adjustments to creditors relate to liabilities which the Group considers were not adequately reflected in the balance sheets of Texas businesses on acquisition. These include provisions for liabilities under onerous contracts and liabilities in respect of legal claims against the acquired businesses which have subsequently been settled.

5. In the year ended 31st December 1994, an exceptional charge of £51 million for reorganisation and restructuring was made in the financial statements of Texas Homecare Limited, relating principally to a store rationalisation programme and other business reorganisation costs. Of this charge, £28 million was utilised during that year, including £16 million applied to write down the book value of fixed assets at the stores included within the closure programme, leaving a provision of £23 million in the balance sheet on acquisition.

   Following the acquisition a review of the costs of completing the store rationalisation programme was undertaken. The result of this review was that provisions of £39 million were required to cover the net occupancy costs of the stores during the period from closure to assignment or surrender of each lease, and the expected level of reverse premiums payable at that time. In consequence an increase of £16 million has been included in the fair value adjustments.

6. A deferred tax asset of £32 million has been recognised as a fair value adjustment on acquisition. This represents expected tax relief on losses on ordinary activities for the period from 1st January 1995 to 13th March 1995 and on the fair value adjustments.

7. The fair value adjustments for alignment to accounting policies reflect the restatement of assets in accordance with the policies of the Group, which are generally more prudent than those previously adopted by the acquired businesses. For fixed assets, the adjustments include a restatement of store fixtures and fittings at depreciated replacement cost under the asset lives used by the Group. Additionally, certain leased assets have now been accounted for as being held under finance leases. The fair value adjustments for conformity of accounting policies include an increase in fixed assets of £13 million to reflect the net book value of such assets, with the outstanding finance obligation of £16 million being included within creditors.

   The Group's accounting policies are now being consistently applied by Texas Homecare.

Note 4 Acquisitions of Subsidiaries – continued

(b) Cash Flow

The net cash outflow in respect of the acquisition was:–

	£m
Consideration for shares	166
Settlement of loans at acquisition	143
Cash at bank and in hand acquired	(9)
	300

The contribution of Texas Homecare to the Group's cash flow for the period was an outflow of £31 million consisting of £5 million for operating activities, £2 million for the servicing of finance, £20 million on investing activities and £4 million for financing.

(c) Integration

The costs of reorganising, restructuring and integrating the Texas Homecare businesses included in the Group Profit and Loss Account for the period totalled £48 million. This consists of £5 million charged as incurred and a £43 million provision for expenditure identified and committed for future periods.

(d) Pre-acquisition results of the Texas Homecare businesses

For the year to 31st December 1994 the Texas Homecare businesses reported a loss on ordinary activities after tax of £54 million including an exceptional charge for a fundamental reorganisation of £51 million.

For the period from 1st January 1995 to 13th March 1995 a loss on ordinary activities after tax of £3 million has been calculated from management accounting information.

4.2 Other subsidiaries

The Company acquired Objectrevise Limited (later renamed J Sainsbury Distribution Limited) on 31st March 1995 and Ballyowan Limited on 29th August 1995 and has accounted for them as acquisitions. These were not material acquisitions and therefore the acquisition details shown below are in aggregate.

(a) Assets and liabilities acquired

The fair value of net assets and consideration at the dates of acquisitions were as follows:–	Book Value	Fair Value Adjustments	Fair Value
		Revaluations	
	£m	£m	£m
Tangible fixed assets	23	18	41
Stocks	1	–	1
Debtors	1	–	1
Creditors	(4)	–	(4)
Loans	(18)	–	(18)
	3	18	21
Goodwill			–
Consideration for shares, including costs and fees			21

£18 million of the consideration was met by the issue of 6% Loan Stock which was redeemed after the period end on 1st April 1996. The remaining £3 million was paid in cash financed by bank borrowings and cash resources.

(b) Cash Flow

The net cash outflows in respect of the acquisitions were:–

	£m
Consideration for shares	21
Less met by issue of Loan Stock	(18)
	3
Settlement of acquired loans	18
	21
Cash at bank and in hand acquired	–
	21

The contribution to Group cash flows for the period was not material.

(c) Integration

There were no material costs incurred in integrating these acquisitions.

Note 5 Investment in Associated undertakings

The Company's principal Associated undertakings are:–

	Share of Allotted Capital	Share of Profit/(Loss) before Tax 1996 £m	1995 £m
Breckland Farms Limited (Pig Farming – UK)			
200,000 "B" Ordinary Shares of £1 each 141,532 1% Redeemable Preference Shares of £1 each	50%	1	–
(other shareholder Pauls plc)			
Giant Food Inc. (Food Retailing – US)			
125,000 Voting Common Stock of $1 each	50%		
9,779,931 Non-Voting Common Stock of $1 each	16.6%	18	7
Hampden Group PLC (DIY Retailing – UK)			
4,470,000 Ordinary Shares of 10p each	29.9%	–	–
acquired on purchase of Texas Homecare			
Other		–	(1)
		19	6

Summary of movements

	Group £m	Company £m
Shares		
At 12th March 1995	92	7
Acquired on purchase of Texas Homecare	3	–
Exchange adjustments	3	–
At 9th March 1996	98	7
Share of post acquisition reserves		
At 12th March 1995	3	
Share of retained profit for the period	7	
At 9th March 1996	10	
Long term capital advances		
At 12th March 1995	2	2
Additions in period	4	3
At 9th March 1996	6	5
Total Net Investment 9th March 1996	114	12
11th March 1995	97	9

The Group's investment in shares in Associated undertakings at 9th March 1996 represented £224 million (1995: £221 million) in respect of the cost of shares, less goodwill of £129 million set off against reserves (1995: £129 million), together with accumulated exchange adjustments of £3 million (1995: £Nil). The Company's investment in shares in Associated undertakings at 9th March 1996 represented cost of shares of £7 million (1995: £7 million).

At 9th March 1996 the market value of shares listed on a recognised US Stock Exchange was £206 million (1995: £146 million), and on a recognised UK Stock Exchange £4 million (1995: £Nil).

The proportion of the profits 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.

The investments in Associated undertakings are held directly by J Sainsbury plc with the exception of Giant Food Inc. and Hampden Group PLC which are held by Subsidiaries. The 29.9% shareholding in Hampden Group PLC is held by Homecharm Group PLC which is a Subsidiary in which the Company has a 75% interest.

Giant Food Inc. has been classified as an Associated undertaking in view of the proportion of voting stock held.

Note 6 Stocks

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Goods for resale and consumable stores	699	469	357	303
Land held for development	62	40	–	–
	761	509	357	303

Note 7 Debtors

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Trade debtors	52	31	9	12
Advance corporation tax recoverable in more than one year	40	38	40	38
Amounts owed by Subsidiaries			76	43
Other debtors (including for the Group £16 million (1995: £7 million) due in more than one year)	66	61	25	34
Prepayments	46	42	24	33
	204	172	174	160

Note 8 Current Asset Investments

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Investments listed on a recognised stock exchange at cost (equivalent to market value)	5	2	–	–

Note 9 Creditors

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Due within one year:				
Borrowings:				
Bank loans and overdrafts	581	221	539	184
Short term notes	3	–	–	–
$8\frac{1}{2}$% Bonds 1996	98	–	98	–
$9\frac{1}{8}$% Notes 1996	98	–	98	–
6% Loan Stock	18	–	18	–
Unsecured loan notes	3	3	–	–
Current portion of long term indebtedness including obligations under finance leases	8	2	–	–
Loan to Homebase Limited from minority shareholder	–	5		
Total short term borrowings	809	231	753	184
Trade creditors	816	725	674	624
Amounts due to Subsidiaries			191	43
Corporation tax	216	265	171	239
Social security and other taxes	47	32	27	22
Other creditors	319	334	275	302
Accruals	152	95	29	39
Proposed dividend	160	154	160	154
	2,519	1,836	2,280	1,607
Due after one year:				
$8\frac{1}{2}$% Convertible Capital Bonds 2005	156	200	–	–
Other:				
Secured loans	2	2	–	–
Unsecured loan notes	166	129	148	114
Term bank loans	26	52	26	176
$8\frac{1}{4}$% Notes 2000	150	–	150	–
$8\frac{1}{2}$% Bonds 1996	–	95	–	95
$9\frac{1}{8}$% Notes 1996	–	95	–	95
8% Irredeemable Unsecured Loan Stock	3	3	3	3
Obligations under finance leases	101	75	–	–
Amounts due to Subsidiaries			156	183
Loan to Homebase Limited from minority shareholder	13	8		
Other creditors	19	10	–	–
	480	469	483	666

The $8\frac{1}{2}$% Convertible Capital Bonds were issued by J Sainsbury (Channel Islands) Limited, and are guaranteed on a subordinated basis by the Company. These bonds are convertible, at any time prior to November 2005, into $2\frac{1}{2}$% Exchangeable Redeemable Preference Shares of the issuer which are 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). Alternatively, the bonds may be redeemed

Note 9 Creditors – continued

at par on maturity. The issuer is entitled to redeem the bonds in certain circumstances or if 80% of the bonds have been converted or redeemed. As at 9th March 1996 22% (£44 million) had been exchanged for ordinary shares in the Company.

The secured loans and £18 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, US $150 million and £30 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%. The £30 million Notes, which mature in April 2000, bear interest based on sterling LIBOR.

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 £150 million Notes which are repayable in December 2000 bear interest at 8.25% but this has been swapped for a floating rate based on sterling LIBOR.

The 8½% Bonds 1996 represent US $150 million repayable in May 1996 and the 9⅛% 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 and the US $150 million Euro Medium Term Notes included under Unsecured Loan Notes by entering into forward swaps of floating interest 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, 7.685% for US $150 million for five years starting in October 1996 and 6.95% for US $150 million for five years starting in November 1997.

The loans to Homebase Limited due after one year are unsecured loans and bear interest at base rate.

Note 10 Summary of Borrowings

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Due within one year:				
Bank and other loans	801	229	753	184
Obligations under finance leases	8	2	–	–
Due after one and within two years:				
Bank and other loans	163	192	144	190
Obligations under finance leases	5	1	–	–
Due after two and within five years:				
Bank and other loans	193	186	180	190
Obligations under finance leases	10	5	–	–
Due wholly or in part by instalments after five years:				
Bank and other loans	1	1	156	–
Obligations under finance leases	86	69	–	–
Due otherwise than by instalments after five years:				
Bank and other loans	3	5	3	286
Convertible Capital Bonds	156	200	–	–
	1,426	890	1,236	850

Note 11 Provisions for Liabilities and Charges

	Group			Company		
	Total **£m**	Other **£m**	Deferred Tax **£m**	Total **£m**	Other **£m**	Deferred Tax **£m**
At 12th March 1995	17	23	(6)	7	23	(16)
Balance at date of acquisition of Texas Homecare	7	39	(32)			
Transfer to corporation tax	3	–	3	–	–	–
Profit and Loss Account						
Property – provision released	(3)	(3)	–	(3)	(3)	–
Texas Homecare integration	48	48	–			
Deferred tax – UK	3	–	3	17	–	17
Utilised	(21)	(21)	–	(6)	(6)	–
At 9th March 1996	54	86	(32)	15	14	1

Note 11 Provisions for Liabilities and Charges – continued

The total of other provisions of £86 million consists of £14 million relating to unutilised provisions made in 1994 for losses on realisation of surplus land and stores due for closure, £29 million representing the balance of the provision for store closure costs of Texas Homecare and £43 million representing the provision for the integration costs of Texas Homecare.

The provided and unprovided liabilities for deferred tax are as follows:–

	Group				Company			
	1996		1995		**1996**		1995	
	Provided £m	**Unprovided £m**	Provided £m	Unprovided £m	**Provided £m**	**Unprovided £m**	Provided £m	Unprovided £m
Timing differences between depreciation and capital allowances	11	182	9	178	–	157	–	149
Other timing differences	(43)	5	(15)	6	1	–	(16)	–
	(32)	187	(6)	184	1	157	(16)	149

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	Aggregate Nominal Value	Consideration
	Number	**£m**	**£m**
Ordinary shares of 25p each			
Authorised – 2,000,000,000 shares		500	
At 12th March 1995	1,806,449,480	452	
Shares allotted:			
Profit sharing scheme	1,350,723	–	6
Savings-related share option scheme	6,410,194	2	14
Executive share option scheme	2,472,425	1	8
Scrip dividend	1,915,093	–	8
Capital Bond conversion	13,069,690	3	44
At 9th March 1996	1,831,667,605	458	80

Contingent rights to the allotment of 46,277,448 ordinary shares in the Company at 337p (after adjustment to take account of the rights issue in July 1991) exist until November 2005 under the terms of the issue of 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 10 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 9th March 1996 employees held 76,248 savings contracts in respect of options over 40.7 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 10 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 9th March 1996 1,280 employees had outstanding options over 24.8 million shares.

Note 12 Called Up Share Capital – continued

Details of these options at 9th March 1996 are set out below:–

(a) Savings-Related Share Option Scheme

Date of Grant	Price	Options outstanding at the end of the period	
	pence	**1996**	1995
9th January 1990	205.504	2,662	3,734,947
19th December 1990	237.120	3,031,709	5,731,163
30th December 1991	276.000	6,526,099	6,945,343
4th December 1992	393.000	6,183,522	6,729,833
6th December 1993	301.000	7,320,631	8,106,108
16th December 1994	331.000	8,036,213	8,687,825
20th December 1995	313.000	9,593,123	–
		40,693,959	39,935,219

(b) Executive Share Option Scheme

Date of Grant	Price	Options outstanding at the end of the period	
	pence	**1996**	1995
14th July 1986	193.648	85,232	132,323
7th March 1987	238.602	2,495	18,730
13th July 1987	281.580	200,205	375,729
9th February 1988	217.360	316,939	467,276
31st July 1989	272.688	1,052,225	1,648,219
28th February 1991	322.088	2,803,014	4,179,283
28th August 1992	447.000	5,067,550	5,401,322
12th March 1994	359.000	8,364,987	8,587,030
8th September 1995	475.000	6,880,011	–
1st December 1995	386.000	73,834	–
		24,846,492	20,809,912

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

Note 13 Share Premium Account

	Company
	£m
At 12th March 1995	1,000
Profit sharing scheme	6
Savings-related share option scheme	12
Executive share option scheme	7
Scrip dividend	8
Capital Bond conversion	41
At 9th March 1996	1,074

Note 14 Revaluation Reserve

	Group	Company
	£m	**£m**
At 12th March 1995	39	40
Transfer from Profit and Loss Account in respect of property disposals during the period (Note 15)	4	4
At 9th March 1996	43	44

Note 15 Profit and Loss Account

	Group	Company
	£m	£m
At 12th March 1995	1,798	1,648
Profit retained for the period	266	354
Goodwill in respect of the acquisition of subsidiaries	(103)	–
Transfer to Revaluation Reserve (Note 14)	(4)	(4)
Currency movements	2	–
Other	–	109
At 9th March 1996	1,959	2,107

The cumulative goodwill deducted from the reserves of the Group at 9th March 1996 amounted to £375 million (1995: £272 million).

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

The other adjustment of £109 million for the Company consists of the reversal of a provision of £86 million against advances to a Subsidiary, originally offset directly to reserves, and £23 million transferred to profit and loss account for the period following the transfer of a Subsidiary to another Group company.

Note 16 Segmental Analysis of Turnover, Profit and Net Assets

The basis of the segmental analysis of turnover has been changed to show gross turnover including intra-group sales in order to provide a more meaningful comparison with segmental profits and net assets. Additionally the investment in Associated undertakings previously included within the net asset totals for each segment has been excluded and reported separately alongside the Group's share of Associated undertakings' profits. Prior year comparisons have been restated accordingly.

	Group									
	1996					1995				
	Turnover			**Net Assets excl. Borrow-ings**	**Borrow-ings & Minority Interest**	Turnover			Net Assets excl. Borrow-ings	Borrow-ings & Minority Interest
	Incl. Taxes	**Excl. Taxes**	**Profit**			Incl. Taxes	Excl. Taxes	Profit		
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Food retailing – UK	10,909	10,214	779	3,839		10,295	9,655	825	3,370	
Food retailing – US	1,462	1,449	51	437		1,346	1,334	40	338	
DIY retailing – UK										
Continuing operations	426	363	36	163		377	321	31	154	
Acquisition	678	577	(58)	157		–	–	–	–	
Food manufacturing – UK	118	118	(5)	17		117	117	(3)	24	
Property development and other – UK	19	19	3	30		30	30	6	16	
Gross Turnover	13,612	12,740				12,165	11,457			
Intra-group sales*	(113)	(113)				(100)	(100)			
Group Turnover	13,499	12,627				12,065	11,357			
Group Operating Profit before profit sharing			806					899		
Profit sharing			(50)					(61)		
Associated undertakings										
– share of profit			19					6		
– net group investment				114					97	
(Loss)/profit on sale of property			(4)					1		
Net interest payable			(59)					(36)		
Group Profit before Tax			712					809		
Capital employed				4,757					3,999	
Net borrowings					(1,212)					(689)
Minority interest					(11)					(21)
Net assets					3,534					3,289

Note 16 Segmental Analysis of Turnover, Profit and Net Assets – continued

Total administrative expenses amounted to £302 million (1995: £278 million) including provision for profit sharing. Total cost of sales amounted to £11,569 million (1995: £10,241 million) including exceptional cost of sales.

Group financing is undertaken centrally and in consequence the Group's net interest payable has not been attributed to classes of business or geographical areas.

* Intra-group sales relate to Food retailing – UK, £10 million (1995: £Nil), Food manufacturing – UK, £95 million (1995: £94 million) and Property development and other – UK, £8 million (1995: £6 million).

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

	Group	
	1996	1995
Net margin on tax inclusive sales:*		
UK	**6.67%**	8.01%
US	**3.49%**	2.99%
Group	**6.33%**	7.45%
Net margin on tax exclusive sales:*		
UK	**7.18%**	8.57%
US	**3.52%**	3.02%
Group	**6.76%**	7.91%

*Based on Operating Profit before profit sharing and exceptional cost of sales, and sales excluding intra-group sales.

Note 17 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 £770 million (1995: £837 million). £47 million (1995: £57 million) has been provided for the profit fund and £3 million (1995: £4 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 9th March 1996 approximately 100,000 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 1996 is expected to be approximately 7.1% (1995: 9.6%).

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 1995 is set out in Note 12.

At 9th March 1996 the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 20 million shares (1995: 20 million) on behalf of 43,472 participants (1995: 41,749) in the Scheme.

Note 18 Net Interest Payable

	Group	
	1996 £m	1995 £m
Interest receivable	**9**	13
Interest payable:		
Bank and other interest on loans wholly repayable within five years	**56**	38
On loans not wholly repayable within five years:		
Term bank loan	**2**	2
Finance leases	**9**	8
Convertible Capital Bonds	**15**	17
	82	65
Interest capitalised	**(14)**	(16)
	68	49
Net Interest Payable	**59**	36

Note 19 Profit on Ordinary Activities before Tax

		Group 1996 £m	Group 1995 £m
This has been arrived at after charging/(crediting):			
Depreciation	– owned assets	270	224
	– finance leases	8	4
Pension costs		42	38
Auditors' remuneration	– audit fee (Company £0.2 million (1995: £0.2 million))	0.5	0.5
	– other services	0.6	0.7
Operating lease rentals	– plant and equipment	11	9
	– other	194	113
	– receivable	(19)	(17)

Note 20 Directors' Emoluments and Interests

The details of Directors' emoluments and interests are set out in the Report of the Remuneration Committee on pages 4 to 7.

Note 21 Employees

	Group 1996 £m	Group 1995 £m
Employees' remuneration and related costs during the period amounted to:		
Wages and salaries	1,236	1,074
Social security costs	77	72
Other pension costs	42	38
	1,355	1,184
Profit sharing	50	61
	1,405	1,245

	1996 Number	1995 Number
The average number of employees during the period was:		
Full-time	49,764	44,129
Part-time	104,897	87,169
	154,661	131,298
Full-time equivalent	95,519	82,345

Note 22 Tax on Profit on Ordinary Activities

	Group 1996 £m	Group 1995 £m
The tax charge based on the profit for the period is:		
Corporation tax at 33% (1995: 33%)	211	259
Deferred tax	3	2
Overseas tax – current	12	11
Over provision in prior periods	–	(5)
Share of Associated undertakings' tax	8	3
	234	270

Note 23 Dividends

	Company	
	1996 £m	1995 £m
Interim	62	57
Proposed final	160	154
	222	211

The interim dividend of 3.4p per share paid on 17th January 1996, together with the related tax credit, is equal to 4.25p and the proposed final dividend of 8.7p per share, together with the related tax credit, is equal to 10.875p.

Note 24 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 1,817,446,080 (1995: 1,798,290,637).

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; and

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 adjusted weighted average number of ordinary shares arising from these calculations totalled 1,933,046,030 (1995: 1,918,382,949).

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

Note 25 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Group	
	1996 £m	1995 £m
Operating profit before profit sharing	806	899
Profit sharing	(50)	(61)
Provision for exceptional cost of sales	48	–
Depreciation	270	228
Loss on sales of fixtures, equipment and vehicles	3	2
Release of provision	(3)	(4)
Increase in stocks	(103)	(53)
Decrease/(increase) in debtors	24	(14)
Increase in creditors	38	100
Net cash inflow from operating activities before payment against provisions	1,033	1,097
Payment against provisions	(21)	(27)
Net cash inflow from operating activities	1,012	1,070

Note 26 Analysis of Changes in Financing during the Period

	Group			
	Share Capital (including premium)		Loans and Finance Lease Obligations	
	1996 £m	1995 £m	**1996 £m**	1995 £m
At 12th March 1995	1,452	1,397	669	714
Cash flows from financing	22	14	145	(14)
Non cash transactions:				
Additional amount offset against term loan			–	(11)
Scrip dividend	8	25		
Profit sharing	6	16		
Conversion of Capital Bonds	44	–	(44)	–
Finance leases and loans acquired with Texas Homecare			20	–
Loan note issued as settlement for acquisition			18	–
Inception of finance leases			18	–
Effect of foreign exchange rate changes			16	(20)
At 9th March 1996	1,532	1,452	842	669
Comprising:				
Share capital (Note 12)	458	452		
Share premium (Note 13)	1,074	1,000		
Borrowings (Note 10)			1,426	890
Less included in cash and cash equivalents (Note 28)			(584)	(221)
At 9th March 1996	1,532	1,452	842	669

Cash flows from financing comprise £22 million (1995: £14 million) inflow from share capital and share premium and £145 million inflow (1995: £14 million outflow) from loans and finance lease obligations, resulting in an inflow of £167 million (1995: £Nil), as shown in the cash flow statement.

Note 27 Analysis of Changes in Cash and Cash Equivalents during the Period

	Group	
	1996 £m	1995 £m
At 12th March 1995	(22)	24
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(354)	(45)
Effect of foreign exchange rate changes	1	(1)
At 9th March 1996	(375)	(22)

Note 28 Analysis of the Balances of Cash and Cash Equivalents as shown in the Balance Sheet

	1996 £m	1995 £m	1994 £m	**Change in 1996 £m**	Change in 1995 £m
Investments	–	–	42	–	(42)
Cash at bank and in hand	209	199	171	10	28
Bank loans and overdrafts	(581)	(221)	(154)	(360)	(67)
Short term notes	(3)	–	(35)	(3)	35
	(375)	(22)	24	(353)	(46)

Note 29 Future Capital Expenditure

	Group		Company	
	1996	1995	**1996**	1995
	£m	£m	**£m**	£m
Contracted for but not provided for in the Accounts	**247**	268	**236**	240

Note 30 Contingent Liabilities and Financial Commitments

The Company has guaranteed borrowing facilities for Associated undertakings to the extent of £1 million (1995: £1 million).

The Company has guaranteed the borrowings of a Subsidiary which, at 9th March 1996, amounted to £156 million (1995: £200 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 between 1 and 5 years	**2**	**1**
Leases which expire after 5 years	**190**	**93**
Other Leases		
Leases which expire within the year	**2**	**–**
Leases which expire between 1 and 5 years	**8**	**6**

Note 31 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, £35 million (1995: £32 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 Scheme 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 ongoing 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.

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 82

Caxton House, Redcliffe Way, Bristol BS99 7NH

AUDITORS

Coopers & Lybrand

1 Embankment Place, London WC2N 6NN

SOLICITORS

Denton Hall

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

STOCKBROKERS

SBC Warburg

1 Finsbury Avenue, London EC2M 2PP

Designed and Produced by McBain, Noel-Johnson & Co Ltd. Printed in England by Royle Print Limited.
Printed on Zanders Mega-Matt paper made from 100% chlorine-free bleached pulp and awarded the Nordic Swan environmental label.

J Sainsbury plc
Stamford House Stamford Street London SE1 9LL