

Take a fresh look



J Sainsbury plc

Annual report and accounts 2000

Financial summary

	2000 52 weeks	1999 ¹ 52 weeks	% change
Sales (including VAT and sales tax) £ million	17,414	16,378	6.3
Underlying profit before tax² £ million	580	755	(23.2)
Underlying earnings per share² pence	20.5p	27.0p	(24.1)
Dividend per share pence³	14.32p	14.32p	-

¹ The audited statutory accounts are for the 56 weeks to 3 April 1999. For the purpose of comparability, the figures for the 52 week period to 3 April 1999 (unaudited) are shown.

² Before amortisation of goodwill, exceptional costs and non-operating items.

³ On a 56 week basis, dividend per share was 15.32p in 1999.

Business summary

- New management team accelerating pace of change.
- Clear leadership and focus on Sainsbury's Supermarkets.
- Strong performance at Shaw's Supermarkets - including Star Markets.
- Strong like-for-like sales growth at Homebase.
- Acceleration of e-commerce strategy across the Group.

1	Chairman's statement	24	Financial review	39	Group profit and loss account
2	J Sainsbury plc at a glance 2000	28	Board of Directors	40	Group statement of total recognised gains and losses
4	Group Chief Executive's review	29	Report of the Directors	40	Reconciliation of movements in equity shareholders' funds
	Themes:	31	Corporate Governance	41	Balance sheets
6	Recapturing a passion for food	33	Report of the Remuneration Committee	42	Group cash flow statement
8	Taking pride in customer service	38	Statement of Directors' responsibilities in respect of the financial statements	43	Accounting policies
10	Seizing e-commerce opportunities	38	Auditors' report to the members of J Sainsbury plc	44	Notes to the financial statements
12	Designing our stores to meet customer needs			63	Five year financial record
	Operating review:			64	Investor information
14	Sainsbury's Supermarkets				Inside back cover
17	Sainsbury's Egypt				Financial calendar, registered office and advisers
17	Sainsbury's Bank				
18	Shaw's Supermarkets				
20	Homebase				
22	Environment and community				

Chairman's statement



Sainsbury's is a great company and a strong brand. Our key concern now is to restore our unique brand values for the benefit of customers and the confidence of staff.

The steps we are taking to speed up the rate of change and improvement in Sainsbury's are clearly necessary in the light of these results. Last year was a difficult year for the Sainsbury Group, in which strong performances at Shaw's and Homebase were unable to compensate for the significant decline in profit at Sainsbury's Supermarkets.

On a comparable basis, Group sales increased by 6.3 per cent to £17.4 billion. Underlying Group profit before tax (before amortisation of goodwill, exceptional costs and property items) was £580 million, 23.2 per cent lower than the previous year. Underlying basic earnings per share was 20.5 pence, a reduction of 24.1 per cent. A final dividend of 10.30 pence is proposed which results in a total dividend for the year of 14.32 pence, unchanged from the previous year after adjusting for the one-off 1.0 pence per share payment to cover the extra weeks in that financial year.

Last year we initiated a major programme of change in our UK supermarkets business. However, it became clear during the year that to deliver shareholder value, we had to step up our pace of change. We therefore recruited Sir Peter Davis as Group Chief Executive who started in March, the final month of the last financial year.

Sir Peter is a respected leader with proven experience in implementing change. He has the confidence of the City and the Sainsbury Group as a whole. Moreover, he has a strong background in retail and 10 years' prior experience with Sainsbury's.

This decision is not a reflection on the contribution of Dino Adriano, who has retired, rather an acknowledgement of the difficulty of the task we face. He deserves special thanks from everyone at Sainsbury's for the significant role he has played in our business over 35 years, particularly in helping establish and grow Homebase.

As we have put in place a new management team, there have been many changes to the Board and these are recorded elsewhere in this report. I would, however, like to welcome Roger Matthews who has joined us from Compass Group as Group Finance Director. I would also like to thank Sir David Scholey, who retired in February, and Sir Terence Heiser, who will retire at the Annual General Meeting, for their valued contribution in their capacity as Non-Executive Directors. We welcome June de Moller and Keith Butler-Wheelhouse who joined the Board in September as Non-Executive Directors.

In April 2000, the Company was very saddened to hear of the death of Sir Robert Sainsbury, after a brief illness, at the age of 93. His death, which followed that of Lord Sainsbury of Drury Lane in October 1998, marked the passing of a generation of the Sainsbury family that laid the foundations for the subsequent success of the supermarkets business.

Our new Group Chief Executive outlines his plans for the Group on page four. I am committed to helping Sir Peter succeed in these and will continue to support him closely in my role as part-time Chairman. With his leadership, drive and vision I am confident we will soon be able to show the world that Sainsbury's is back where we believe it belongs; the brand leader in every sense and people's first choice for food shopping.

A handwritten signature in black ink, which appears to read 'George Bull'. The signature is fluid and cursive, with a long horizontal line underneath.

Sir George Bull
30 May 2000

J Sainsbury plc at a glance 2000

J Sainsbury plc is one of the world's leading retailers, playing From the freshest food to the widest choice of products for the

Sainsbury's

Sainsbury's Supermarkets was established in 1869 by John James and Mary Ann Sainsbury and is Britain's longest standing major food retailing chain. The founders' principles and values guide us as strongly today as they did at the outset - to be the customers' first choice for food shopping by providing high quality, value for money, excellent service and attention to detail.

Our people

Sainsbury's Supermarkets employs over 138,000 people. Of these 70 per cent are part-time and 30 per cent are full-time. 58 per cent of colleagues are women.

Our products

Over 40 per cent of Sainsbury's Supermarkets' products are own brand. In addition to a wide range of quality food and grocery products, many stores offer meat and fish counters, pharmacies, coffee shops, restaurants and petrol stations.

Our stores

We serve nearly 10 million customers at 432 stores throughout the UK each week. Of these stores, 17 are in Scotland, nine in Wales and seven in Northern Ireland. Nearly 60 per cent of our stores are in town-centre or edge-of-centre locations; many of these are built on previously derelict sites.

New store openings 1999-2000

Bourne; Bristol, Clifton Down; Dartford; Derby, Eagle Centre; Edinburgh; Glasgow, Braehead; Greenwich; Huntingdon; Isle of Wight; Linlithgow; Londonderry; North Walsham; Stirling; Tooting, London; Tottenham Court Road, London; Wallington and *Locals* at Camden, Paddington Station, Seven Sisters and Victoria, London, adding a total of 422,000 sq ft.

Store extensions and refurbishments 1999-2000

Extensions and refurbishments at 38 stores added 281,000 sq ft of sales area.

New stores planned 2000-2001

New Sainsbury's supermarkets are planned in 13 locations as well as 25 Sainsbury's *Locals* - an additional 357,000 sq ft of sales area.

Store extensions and refurbishments planned 2000-2001

Extensions at 35 stores will add another 360,000 sq ft of sales area. In addition, we plan to refurbish 15 stores.

Sainsbury's Bank

Sainsbury's Bank opened in February 1997, the first bank to be opened by a British supermarket. It is a joint venture owned 55 per cent by J Sainsbury plc and 45 per cent by Bank of Scotland PLC, offering telephone banking 24 hours a day. To date it has attracted over 1.25 million customers.

Sainsbury's Bank attracts customers via Bank Information Points which have been established in branches of Sainsbury's Supermarkets. Sainsbury's Supermarkets also has 12 Sainsbury's Bank outlets where customers can arrange financial services face to face and obtain information from specially trained staff. Customers will be able to access information at www.sainsburysbank.co.uk, a new website which is due to be launched in June. Customers can call for information free on 0500 40 50 60.

Sainsbury's Bank continues to research and launch new products and its current product portfolio includes instant access savings accounts; bonds; ISAs; investment products; loans; mortgages; credit cards; a car purchase plan and a number of insurance plans, including travel cover; pet insurance; and home and contents insurance.

£13,267m

Sales (incl. taxes) 52 weeks

a part in the lives of 15 million customers a week.
home to the best service and value in banking.



Shaw's Supermarkets Inc. has been fully-owned by J Sainsbury plc since 1987 and prior to that was part-owned from 1983. Shaw's serves over four million customers a week at 168 stores in the six New England states of the USA.

In 1999-2000, Shaw's acquired Star Markets. This acquisition introduced 52 new stores into the Shaw's group of which eight were subsequently sold.

Like Sainsbury's Supermarkets, Shaw's places an emphasis on high quality food at value for money prices, and is constantly improving its range of fresh foods. The Company offers 50,000 different lines with up to 35,000 per store at any one time. Over 5,000 popular own brand products account for almost 40 per cent of sales. Shaw's employs 28,000 associates.

New stores opened 1999-2000

Three new Shaw's stores were opened at Gorham and North Conway in New Hampshire and Barrington, RI creating 113,000 sq ft of sales area.

New stores planned 2000-2001

Gilford, NH; Taunton, MA, and Canton, MA creating an additional 141,000 sq ft of sales area.



Homebase was founded in 1979 and opened its first store in 1981. In 1995 the Company bought Texas Homecare and the acquired stores were converted to the Homebase format.

In 1999-2000 Homebase acquired Hampden Group PLC (previously an associate). Hampden has 10 stores (seven in Northern Ireland and three in the Republic of Ireland).

Homebase serves over 1.5 million customers a week at 297 stores throughout the UK employing 17,000 people of which 12,000 are part-time.

A Homebase store stocks on average 25,000 DIY, home enhancement and gardening products. There is a growing emphasis on lifestyle, design and decorative goods. The Homebase own brand accounts for 35 per cent of sales and has a reputation for quality and value for money.

New stores opened 1999-2000

Hamilton; Dundee and Greenwich creating a total of 191,000 sq ft in new sales area.

New stores planned 2000-2001

Six new large format stores are planned at Bristol; Enfield; Glasgow; Ipswich; Kidderminster and Norwich. A further four standard format stores are planned at Frome, Marston Road; Sittingbourne; Worle and Wrexham, Plas Coch. These will add a total new sales area of 912,000 sq ft.

\$3,857m

£1,428m

Group Chief Executive's review



At the time of writing this report it is three months since I rejoined Sainsbury's. In the 15 years since I left, the market has become increasingly more competitive and we have lost our market leadership. However, the challenge to come back as Chief Executive was irresistible. I am passionate about Sainsbury's and everything that it stands for. One of the things that I said when I was appointed was that my purpose was to make shopping at Sainsbury's special again and also make working at Sainsbury's special too.

In my first three months, I have concentrated on learning what has gone on in the business in recent years and talking a great deal, or rather listening a great deal, both to customers and colleagues. It has become quite clear to me from literally hundreds and hundreds of letters and e-mails from customers and colleagues that there is enormous affection for Sainsbury's and that people want us to get back on top. There is a huge commitment from within to get back to being special.

What do I mean by being special? It's about food of the highest quality, good value for money, outstanding store standards and service. It's also about interesting new ideas in food and advice. What I have outlined in my strategy for the supermarket business going forward is to re-establish our position by doing even better the things we have always been good at. Sainsbury's has always aimed to appeal to all customers and an intention to widen the quality gap against our competitors does not mean losing any price competitiveness. When you improve the quality but remain competitive then you improve the value for money. That has been at the heart of the trading philosophy of Sainsbury's for 130 years.

We need to invest over the next three years to renew and improve our infrastructure. Our better stores are extremely good but there is a bigger gap than there should be between the bottom and the top of the range. We need to accelerate the programme to refurbish and extend stores to improve the quality of shopping wherever possible.

Industry benchmarking studies show that several of our major competitors are more cost-efficient at getting goods to the shelf. The reason for this is because we have not invested sufficiently in our distribution and systems in recent years. We need to re-engineer the business by investing in and upgrading our distribution network and our systems. We have said that this will take a little time to pay back in terms of profits but I am confident that with the other actions we are taking to improve our competitiveness, to streamline the business and to reduce

costs, this will result in an improving trend in profits in the main supermarket business.

We have put in place a robust implementation programme in the Sainsbury's Supermarkets business and I think that with a series of marketing and trading initiatives, as well as a drive to upgrade store standards, you will see a difference during the year. In addition, we are accelerating our home delivery and Internet shopping service to offer much wider geographical coverage.

Our new London Colney store is a good example of how larger stores will operate in the future and our *Central* and *Local* formats, designed with specific customer requirements in mind, have also been successful. Last year we opened 20 stores (including four *Locals*), extended 22 and refurbished 16. We will be accelerating this work, building 13 new supermarkets, 25 new *Locals*, extending 35 stores and refurbishing 15 this year as part of a three year programme of investment in extensions and new stores.

In many ways we regard the issues raised by the Competition Commission as a distraction from our real goal - to have outstanding relationships with our suppliers and partners and provide customers with the greatest choice at the optimum price. However, we are developing our own voluntary suppliers' code of conduct as well as cooperating with an Institute of Grocery Distribution initiative. We do believe that UK food retailing is amongst the most competitive in the world.

J Sainsbury plc is made up of a number of businesses, not just the Sainsbury's Supermarkets business. Homebase has shown real sales growth this year and our US supermarket business, Shaw's, has shown a healthy increase in profit. In addition, the opportunities in Sainsbury's Bank are very exciting.

However, the key priority in the next couple of years must be to turn round the performance of Sainsbury's Supermarkets. I had to make a number of management changes but I am now happy that we have the right team in place, both at the Group level and in the main operating companies, to take the business forward. We have also streamlined the committee structure and clarified the interface between the Group and the operating companies to expedite decision making. As part of this, we are creating a property company to manage our property portfolio more aggressively to create value across our existing estate, including our head office complex, by radically reviewing development potential.

I believe the fundamental attraction of Sainsbury's over the years for its customers has been the ability to offer quality at competitive prices. We are determined to make shopping at Sainsbury's special again. There is a huge commitment in the business to get it right.

E-commerce initiatives

One strategic objective is to increase our e-commerce activities across the Group. I have never, in my career, seen quite as much change taking place in business as now. One area that has not been fully appreciated is the opportunity to streamline processes through the use of business-to-business Internet initiatives. We were the first UK retailer to invest in *GlobalNetXchange* which, through Oracle, already has the technology in place to help us reduce costs, streamline systems and improve product availability. It will also allow us to leapfrog today's systems into the next generation, partly by working with our partners.

The other part of e-commerce, which is about business-to-consumer, is the one that is more visible. In June Sainsbury's Supermarkets will launch a major website, *Taste for Life*, which will be a huge source of recipe ideas and product information for customers and interested consumers.

We've also recently announced our intention to form a joint venture with Carlton Communications. We are seeking to create a world-leading partnership between Sainsbury's with our expertise in food and wine, and Carlton with their expertise in media. Carlton is contributing their website 'Simply Food' as well as their interactive digital TV and cable interests, particularly the Carlton Food Network.

Linked into this will be Sainsbury's new upgraded home delivery and Internet shopping service *Sainsbury's to You*. We are about to open a new highly automated picking centre in West London to serve customers within the M25. We have also announced plans to accelerate development outside London by increasing the number of stores that can serve customers and by the rapid roll-out of intermediate picking centres. Our aim is to cover 60 per cent of the UK within a year.

We are taking the opportunities of e-commerce very seriously throughout the Group and will shortly be launching websites for Homebase and Sainsbury's Bank, which will enable people to shop and arrange personal finance on-line. We are giving a lot of thought to the implications of the growth of Internet shopping on the kind of stores that we operate and what customers will be looking for. I believe that the pattern of shopping will change and that the ability to offer different formats of store, all under the Sainsbury brand, will be a considerable advantage. If people move to more replenishment shopping through home delivery and the Internet, there will always be a significant group of customers who enjoy visiting stores and selecting their own fresh foods. Formats

like *Central*, with a much higher proportion of perishable foods, prepared foods and ready meals, and *Local* offering convenient top-up shopping will, I think, come into their own.

Other Group companies

Homebase produced excellent sales growth during the year and, adjusting for the timing of Easter, which is a key trading period in this sector, operating profit increased by 9.1 per cent. Management is clearly focused on its unique market positioning and successful value positioning. Homebase is now a substantial number two in the UK DIY market with many opportunities for growth, both home and abroad. Its large store trials have been successful and we are embarking on a major roll-out programme. E-commerce will provide another significant growth opportunity.

In the US, Shaw's has benefited enormously from the successful integration of Star Markets to strengthen its position as New England's second largest food retailer. Including Star Markets, operating profits increased by 46 per cent to \$129 million. Shaw's is developing an attractive store format based around a strong fresh produce and food and drug concept, a format which is competing well in the competitive US market. Growth prospects are encouraging with further benefits expected from the Star Markets acquisition.

Sainsbury's Bank has outperformed expectations, reporting its first operating profit of £3 million and there are opportunities to grow. We are very encouraged by the response to the trial of staffed units in certain stores and the opportunities to use more fully the Sainsbury's and Homebase databases.

Together we will make Sainsbury's special again

Returning to my main point, however successful Homebase, Shaw's or Sainsbury's Bank are, we will only get our profits moving upwards again and shareholder value improving, if we can restore the health of our main supermarket business. I recognise the scale of the challenge but I believe that there is a huge commitment in the business to get it right. We are all determined to make Sainsbury's special again for our customers, our staff and our shareholders.



Sir Peter Davis
30 May 2000

1 Rosemary Quadrato bread, one of three new Italian breads from Sainsbury's, is among a new range launched during the year. Most recently launched is Dill Barbari bread, stonebaked, unleavened bread with a strong Middle Eastern influence.

2 Sainsbury's *Indian Takeaway Bag* offers a quick meal for entertaining and is typical of the superb quality and value that has earned us leadership in the ready meals sector.

3 Sales of *Fresh 'n' Ready* products continue to grow. What could be more delicious than this melon and strawberry salad, one of 111 products in the range?

4 North American lobster is sold in all Shaw's locations.



1

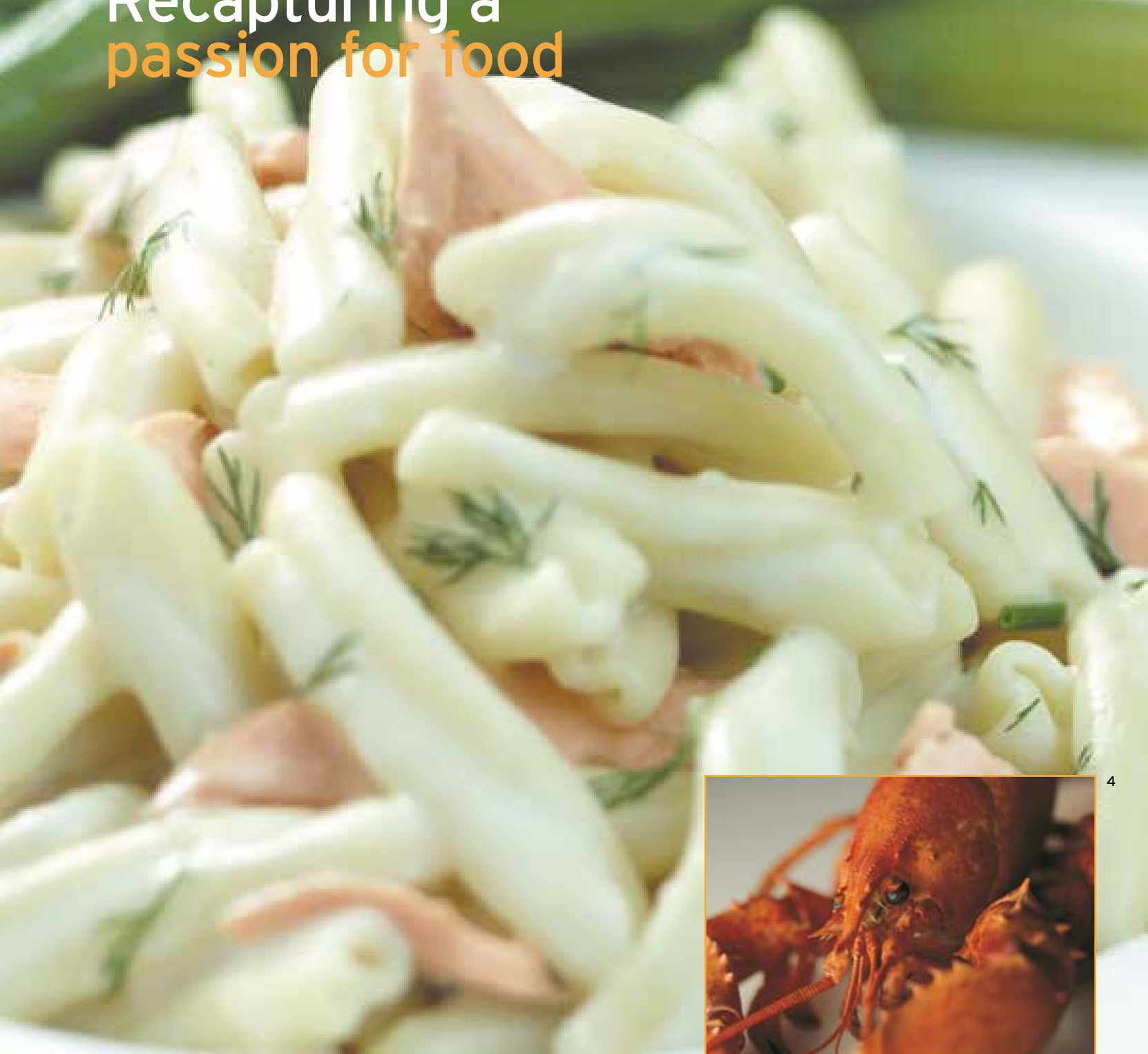
2



3

Customers increasingly want a blend of fresh, quality food that saves them time as well as delivering excellent value. Our passion for creating good food that meets these needs has made us leaders in today's rapidly growing food sectors.

Recapturing a passion for food



The growing popularity of organic food reflects people's desires for simpler, less processed foods. Asparagus, salmon and pasta are just three of more than 600 organic products now available in this growing sector which Sainsbury's leads.



Our aim is to give our staff the tools, the time and above all the confidence to serve our customers well. The confidence to catch the customer's eye and work with a smile. We believe if we look after the customer, success will follow.

Taking pride in customer service



1 David Simons, a specialist electrician at Greenwich Homebase, one of the team of specialists in areas ranging from interior design to gardening that we employ to help our customers make the right choice.

2 Meat cutter Michael Haslam in the Shaw's Barrington, RI store proudly displays his latest creation, steak florentine, offered to customers from the meat service counter.

3 People like to discuss their financial affairs with informed staff. Louise Haggas, customer service assistant, at our London Colney store, works in one of 12 in-store units currently being tested by Sainsbury's Bank.

4 Sainsbury's Choices programme offers colleagues the opportunity to learn new skills - and put them into practice at work. Karen Bush from Hampden Park store in Eastbourne, uses her newly-acquired signing skills to communicate with hearing-impaired customers and colleagues.



2



Rachel Swain, customer services assistant, at our Greenwich store wears one of the headsets we introduced into 200 Sainsbury's stores. They really help speed things up at the checkouts by reducing queue lengths and resolving customer queries quickly.

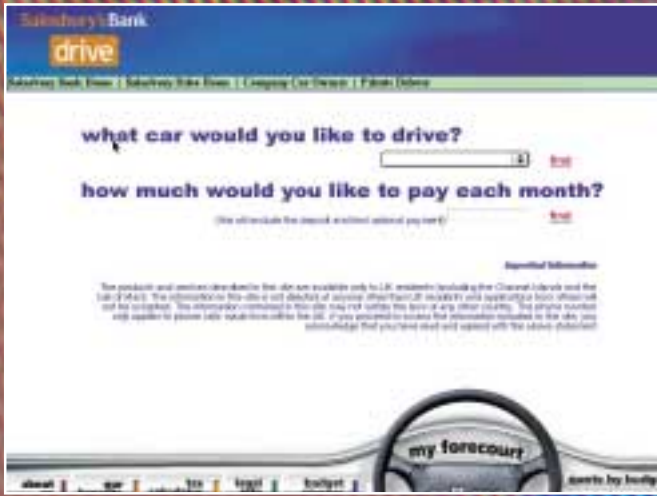


3



4

1



- 1 On Sainsbury's Bank's new website www.sainsburysbank.co.uk, due to be launched in June, customers will be able to obtain quotations, receive additional information and apply for loans on-line.
- 2 Our membership of *GlobalNetXchange* is a step change in the way we and our suppliers conduct business and it will create greater efficiencies for buyer and seller. Sainsbury's has already held a number of global on-line reverse auctions. We aim to purchase 75 per cent of our goods in this way.
- 3 *Sainsbury's to You*, our revamped home shopping service, provides customers with an easy, time-efficient way to do their weekly shopping - guaranteed to deliver Sainsbury's quality direct to the doorstep. www.sainsburystoyou.co.uk is a simple, fast, easy-to-use new website where customers can use ready-made shopping lists, uniquely customised for them. It also provides useful information on new products and promotions.
- 4 Sainsbury's has invested £11 million in revolutionising the way we interact with our customers on-line - www.tasteforlife.co.uk is an easy-to-use and inspiring website containing 4,000 recipes, a comprehensive wine section and an essential guide to organic food in the 'Organic Village'. This new site will be launched in June and provides a superb platform for the future as we work with Carlton Communications to establish a leading presence in the new Internet and interactive TV channels of communication and commerce with our customers.
- 5 Homebase is developing an £8 million home and garden website which will feature home shopping.

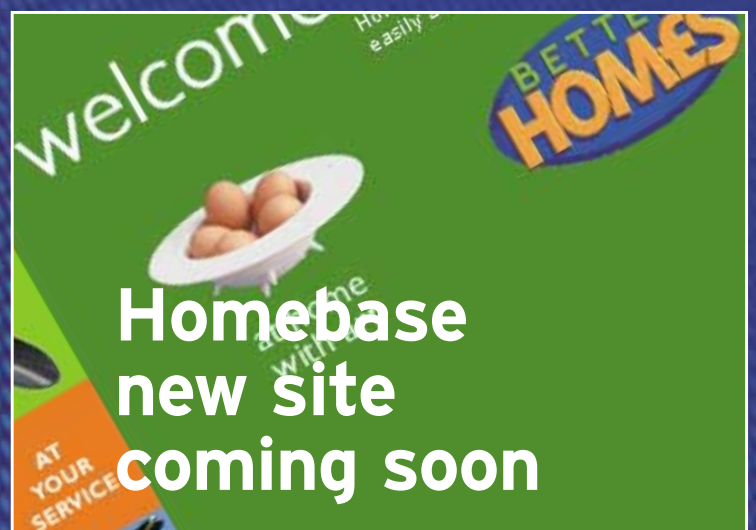
2



3

We're expanding our business on-line, enhancing the ways customers can shop and bank with us. We've launched a bold business-to-business venture that will radically change the way we buy goods, creating greater efficiencies and cost savings.

Seizing e-commerce opportunities





Our award winning store on the Greenwich peninsula is a leading edge energy saving design. Winner of the environmental category at the Property Awards 2000, it uses natural ventilation and daylight to create a bright and comfortable shopping environment. Solar and wind power are just two of the environmentally-friendlier technologies employed.



- 1 When Sainsbury's opened its *Local* store on London's Paddington station it became the first major supermarket to serve the public from a railway concourse. The store serves the 71,000 busy people who pass through the station each day and are looking for quick and easy meals.
- 2 The Shaw's Barrington, RI store design fits comfortably into a traditional New England village and sells around 35,000 different products to the local community.
- 3 Our new large format Homebase is a home improver's dream come true. Spurred on by popular TV makeover programmes people are decorating more often and more adventurously. Our 68,000 sq ft store at Greenwich offers inspirational ideas for home and garden with new textile, flooring and lighting ranges.
- 4 The stock in our *Central* store in London's Tottenham Court Road changes throughout the day. Aisles bearing sandwiches for city workers are restocked with ready meals and wine for homebound shoppers. The store's layout is also designed to make top up shopping a simple task.
- 5 Our newly refurbished store at London Colney in Hertfordshire is setting the style for our large supermarkets. The accent is on choice and ease of shopping. The new layout enables both express shopping and full weekly shopping. The store has the widest choice of any Sainsbury's in the country.



Today's changing lifestyles mean we are shopping in different ways. From a quick top up visit to weekly bulk shop, for a lunchtime snack or a quick evening meal . . . not to mention that complete home makeover . . . our store portfolio is meeting the needs of every kind of customer with some of the most innovative stores around.

Designing our stores to meet customer needs



4

5

Sainsbury's

We are working hard to refresh the Sainsbury's brand, developing new formats to suit our customers' changing shopping habits. We are recapturing our passion for food and working to improve the service we give to customers.

Sainsbury's Supermarkets - responding to customer needs

Sainsbury's Supermarkets experienced a difficult year in an increasingly competitive environment. Underlying operating profit of £541.5 million was 27.2 per cent lower than the comparative 52 week period, despite sales increasing by 1.8 per cent to £13.3 billion.

Our aim is to make Sainsbury's special again and, last year, we began our programme of refreshing our brand. The foundations were laid by responding to our customers' desire for more healthy foods, fresh foods, ready meals and organic foods. We also developed a range of store formats, such as Sainsbury's *Local* and Sainsbury's *Central*, to meet customers' needs in specific locations. We continue to encourage our colleagues to use their own individual talents in the workplace for the benefit of our customers.

Maintaining a lead on quality

Sainsbury's customers want and expect a high standard of food. We go to great lengths to ensure that they get the very best, with ingredients of the highest quality and exacting technical standards. This policy has put us in a leading position in the major growth areas of food retailing.

Perhaps the best example is the lead we have taken in the fast-growing organics market. Over 600 products, which we plan to

raise to 1,000 during this year, bring us sales of over £3 million a week. Sainsbury's sells nearly one-third of all organic products bought in the UK, giving us clear market leadership. The range grows ever broader - we were the first in the world to sell organic gin, for example. The range is increasingly popular - for example, over 30 per cent of our baby food sales, and in many stores over 20 per cent of milk sales, are now organic. Underpinning this success is our encouragement and support for suppliers, ranging from financial guarantees to milk producers and SOuRCe (Sainsbury's Organic Resourcing Club), our networking partnership with organic suppliers, to smaller initiatives like our work with banana planters in the Windward Isles.

In response to the growing trend for healthier foods, we've also been actively reducing the amount of salt in our own brand ranges. Our low fat *Be Good To Yourself* range, launched in May 1999, has sales of over £100 million a year, placing it in the UK's top 20 consumer brands. We also gained market leadership in ready meals, one of the fastest growing areas of our industry, and we will continue to develop quality meals in response to customer demand. Another success is our partnership with leading sushi company *Yo! Sushi* to put our *Yo to Go Sushi* into 200 stores. This venture is delivering exceptional results.

Other notable hits with our customers last year (all with sales increases of over 30 per cent) include our market leading *Fresh 'n' Ready* range of prepared produce, Italian breads, our

Now the UK's leading retailer of champagne, our market share of beers, wines and spirits increased over the year. Particularly successful was Australian wine.



Sushi - this year's most fashionable food - is enjoying fast growing sales and is set to become even more popular.



Launched in May 1999, our *Be Good to Yourself* range has gone from strength to strength thanks to its superlative quality. So good in fact that Best magazine named Sainsbury's as 'Healthy Eating Retailer of the Year'.



A successful local product, Hermitage Farms Herefordshire organic Red Pippin apple juice demonstrates our skill in working with small suppliers.

Sainsbury's Supermarkets analysis

	2000	1999 ¹
Sales (incl. taxes)	£13,266.7m	£13,033.5m
Operating profit ²	£541.5m	£743.8m
Number of stores	432	418
Sales area (000 sq ft)	13,055	12,571
Full-time employees	40,900	42,883
Part-time employees	97,646	96,327

¹ 52 weeks to 3 April 1999.

² Before e-commerce costs, Year 2000 costs, profit sharing and exceptional costs.

competitively priced CD selection, and southern hemisphere wines, especially Australian. Our floral range was relaunched, and last Mother's Day over one million mums received plants or flowers bought from Sainsbury's. We also introduced a policy of stocking more regional lines from small suppliers. This has been particularly successful in sales of local sausages, and even extends to items like organic Red Pippin apple juice. Only available at our Hereford store, we sell three times as much there as our standard organic apple juice.

Taking a lead on issues

We've always recognised the need for large retailers to be responsible in their relationship with suppliers and the environment, and on other issues close to customers' hearts. In response to consumer concerns, Sainsbury's Supermarkets became one of the first retail chains to eliminate genetically-modified (GM) ingredients from all its own brand products.



We also enjoy a good relationship with British farmers and we've been working very hard with the National Farmers Union (NFU) to maintain this, supporting them in many ways. Our commitment to buying British wherever we can remains, and at prices realistic for all parties. Of the food that can be grown in this country, we source 90 per cent from Britain and customers can choose British meat at all times. We've been fully supportive of the NFU's British Farm Standard Red Tractor logo by promoting it in our stores.

Closer relationships with customers

Our *Reward Card* goes from strength to strength, and last year we issued a new look card with special promotions and extra benefits available with third party companies. Our interactive

Reward Point terminals feature in many stores offering customers discounts relating specifically to their regular shopping habits. Our loyalty clubs and magazines are another way we offer customers information, advice and special offers on items we know they care about. During the year we added the *Drinks Club* to our successful *0-5s Club* and *Pet Club*. Our bright new branding and *Making Life Taste Better* strapline has given a fresh and consistent look to all our communications. This has been well received by colleagues and customers alike.

Putting a smile on colleagues' faces

During the year we continued our programme of change aimed at releasing the talents of our colleagues, helping them to focus on the customer, and restoring their pride in working for Sainsbury's. It's clear to us that new and exciting working environments add to this pride. This will grow as we increase the pace of our programme of developing and extending stores. It is also why we're keen to tell everybody about our acknowledged successes, such as organics and ready meals, our record in protecting the environment and supporting farmers, and new initiatives, such as our innovations in e-commerce.

Meanwhile we're also concentrating hard on the changes we make in store. We're increasing the number of colleagues available to deal with customer enquiries. We're stepping up investment in management and colleague training, and simplifying our processes and back room operations, so that when we do identify



Our Islington store in North London was one of 38 stores which were either extended or refurbished during the year and which are now enjoying increased sales.

Operating review: Sainsbury's Supermarkets



The *wellbeing* section at our London Colney store brings together over 300 products normally found in specialist health stores. The unique layout with wooden flooring and contemporary signage creates a calming environment from which to select a diverse range of products.

opportunities for cost savings, customer service is enhanced rather than affected.

Efficiency through e-commerce

We have joined Sears, Carrefour and Oracle as an equity holding Charter Member of *GlobalNetXchange*, a worldwide Internet based exchange for retailers. This will rapidly increase cost savings and efficiencies in our business while increasing choice and value for customers. *GlobalNetXchange* is just one of a series of advances which will make e-commerce an integral part of our business.

A new generation of Sainsbury's stores

We're determined to ensure that there is a Sainsbury's to suit everyone - from home delivery ordered by Internet or phone, to a whole variety of types and sizes of store. In keeping with our commitment to open stores which suit distinct locations and shoppers, we were delighted to open a 3,000 sq ft Sainsbury's *Local* in the very same month that we reopened our 86,000 sq ft store in London Colney.

The new look London Colney store is a good example of how our larger stores will operate in the future. It draws heavily on knowledge gained from our successfully remodelled Calcot store, with the focus well and truly on fresh food and prepared meals. There is also the widest choice of any Sainsbury's in the country, with non-food ranges like stylish childrenswear, games and toys, all part of today's regular family shopping trip. London Colney also incorporates our first *wellbeing* shop - an idea developed in our American supermarkets - a collection of organic foods, herbal remedies and household products normally found only in specialist health stores.

Following the natural theme, our award-winning new supermarket in Greenwich is the trial for many ingenious techniques and designs aimed at reducing in-store energy consumption by as much as 50 per cent. The store makes use of solar and wind power, natural ventilation and lighting. As well as being environmentally-friendlier, these technologies have the added benefit of making Greenwich a very pleasant place to shop.

We are applying the knowledge gained from our experience at Greenwich as we build new stores and remodel others.

Two smaller styles of Sainsbury's store, *Local* and *Central*, both had successful years beating tough sales targets. Both are good examples of releasing the talents of colleagues within our business. Colleagues all feel part of something new and successful and the attitude is infectious. *Centrals* exist to serve people working or living in busy urban locations, with a layout designed to cater efficiently for customers wishing to do either full grocery shopping or just a top up, and for the thousands of customers simply buying lunch daily. The format is flexible - for instance part of the sandwich display reverts to ready meals after lunch in preparation for late afternoon shoppers. We'll be adding to our portfolio of *Centrals* during the year ahead.

A Sainsbury's *Local* store is on average just 3,000 sq ft and, like a *Central*, is designed for a specific location and set of shoppers. For instance, the Victoria *Local* is trading very successfully without it taking sales from our existing supermarket just 400 yards away. *Locals* aim to succeed by bringing a quality and value for money option into the large convenience store market, and we plan to open 25 more in the year ahead.

Completing our range of store formats are *Small Supermarkets*. Very often situated in country towns, the focused range of goods on offer in the 12-20,000 sq ft of sales area varies enormously from shop to shop depending on the specific requirements of customers in each town.



KidZone, the new 2,000 sq ft section at our extended Kiln Lane, Epsom store, is the first complete children's shop in a UK supermarket.



The successful relaunch of our floral range saw sales grow by 10 per cent.

A new way to shop at Sainsbury's

The other way of shopping with Sainsbury's is to have goods delivered by *Sainsbury's to You*. Customers within the M25 area will be served from our new picking centre in Park Royal which opens in the summer. From a combination of warehouses and in-store order picking, we'll soon be able to offer the service across a wider area. Customers are able to telephone their orders as well as visiting www.sainsburystoyou.co.uk. We'll also be using the website to offer information, advice and deliveries for special product areas, such as wine, organics and entertaining at home.

Significant improvements from extensions

As well as devising new types of store for Sainsbury's customers, we are accelerating our programme of extending or refurbishing older stores with 22 extensions last year and 35 planned for the current year. The changes are far more than cosmetic - we add to choice and services, giving greater prominence to fresh foods, and with more space we also make it easier to shop. As a result of applying what we learn from each new store and extension, both in terms of building costs and sales patterns, sales increases have been well ahead of expectations and well ahead of the amounts needed to justify the extensions.

Sainsbury's Egypt

Sainsbury's Egypt operates 100 stores, nine of which now bear the Sainsbury's name on their fascia. All are situated in and around the Cairo metro area. The first of the Sainsbury's branded stores opened in September 1999, testing the *Neighbourhood Store* concept based on convenience and value, and all openings have shown strong sales.

In January 2000, we opened our first *Food, Family & Home* store, which is much larger, and has a focus on quality and choice. Our own brand ranges have been very popular, with one of the largest successes being freshly squeezed juices such as orange, strawberry and mango.

Sainsbury's Bank

Our rapidly expanding product portfolio, Internet site and increasing in-store presence, are all part of our commitment to provide a comprehensive range of easy-to-use financial services.

Sainsbury's Bank - instant access to great products adds up to a healthy profit

Over the last three years, Sainsbury's Bank has attracted deposits of £1.6 billion and lent or made commitments of £1.5 billion with 1.25 million customers. As expected, we made a profit last year, the first supermarket bank to do so. Under Chief Executive Hamish Taylor, we also added many new products to our portfolio during the year, and will continue to expand our innovative product range over the coming year.

To make our offer even more consumer-friendly, we've made access to the Bank's products even easier. To complement our Bank Information Points in supermarkets and free phone lines, we are testing 12 staffed in-store sales units which are receiving very positive feedback. If successful, we intend to roll-out this additional in-store presence, offering a solution for customers unable to visit a High Street bank. Our new Internet site at www.sainsburysbank.co.uk, due to be launched in June 2000, will also offer customers another way to conduct their financial affairs. We are continuing to install more Sainsbury's Bank cash machines, and believe firmly in not charging for withdrawals.

We're not just popular because we're convenient - our products win awards. *Your Money* magazine named us as best direct home and contents insurance for the second successive year, and best direct personal loans provider. Sales and administration of our loans now takes place in a new call centre in Chester, where we've employed experienced financial services telesales staff.

The product portfolio itself now offers five choices of fixed or variable rate mortgages, four different savings bonds, and we are testing an ISA.

We launched *drive*, a popular car purchase plan, which includes sourcing the car as well as arranging the innovative financing scheme.





Shaw's focus on fresh food and its highly successful own brand programme, combined with the best ideas and knowledge from Star Markets, has contributed to Shaw's strengthening its position as the second largest food retailer in New England.

Shaw's - fresh ideas delivering outstanding success

Shaw's Supermarkets in New England has again delivered excellent results in the face of significant competition. Under Ross McLaren, Chief Executive Officer, we achieved nearly \$4 billion sales and over \$100 million profits. Highlight of the year was the acquisition of Star Markets in June 1999, which added 44 stores in the Greater Boston area. This strengthened our position as the second largest retailer in the New England market.

Greater choice for customers

Integration of Star Markets has been successfully completed. The key to this achievement was our ability to blend the best ideas from both companies to improve our overall offer to customers. The acquisition brought their wealth of knowledge of pharmacy operations, natural foods, prepared foods and, to meet the diverse needs of shoppers, micro merchandising. This is the method of offering different products - such as popular ethnic foods - store by store, to best meet local demands.



All new Shaw's stores feature spotlighting in produce sections which, with over 850 lines on offer, makes for a dramatic display.

Shaw's Supermarkets analysis (including Star Markets)

	2000	1999 ¹
Sales (incl. taxes)	\$3,856.7m	\$3,069.0m
Operating profit ²	\$128.9m	\$88.3m
Number of stores	168	127
Sales area (000 sq ft)	5,617	4,410
Full-time associates	8,864	7,675
Part-time associates	19,019	12,796

¹ 52 weeks to 3 April 1999.

² Before Year 2000 costs, amortisation of goodwill and exceptional costs.



A range of traditionally popular American squashes appeals to New England customers.

With Star Markets came the *Wild Harvest* brand which provides natural and organic foods in selected stores to a rapidly growing market. This concept is now being tested at Sainsbury's London Colney store in the UK as *wellbeing*. Another successful introduction from Star Markets is the *A La Carte* range of prepared meals. This range offers high quality fresh foods that require a minimum of preparation time - a relatively new concept to American consumers even though it is already popular in the UK.

During the past year, Shaw's introduced its first bi-lingually labelled range of Hispanic beans. This range further demonstrates the growing diversity of the communities we serve and our ability to respond to a changing market place. The *World Market* is a grocery section dedicated to offering a variety of ethnic products. Hispanic, Italian and Indian are just a few of the choices for ethnic shoppers and adventurous cooks in search of new ingredients.



Responding to the continuing demand for salsa, now outselling ketchup in the US, Shaw's introduced three new flavours to their own range of 15 salsas during the year.



Among the most popular convenience foods available from the *A La Carte* range of prepared meals is pizza. In addition to pizza, in-store chefs prepare foods on grills and in woks for customers looking for ready-to-eat meals.



Shaw's *Safe Science* products enjoyed high sales thanks to customer satisfaction with their cleaning performance.



Own brand improvements and innovations

We evaluated over 800 non-perishable Star Markets and Shaw's own brand products for quality and value, and are now in the process of converting all of the best product specifications and packaging to the Shaw's brand. Introduction of Shaw's own brand products into Star Markets will be completed over the next two years.

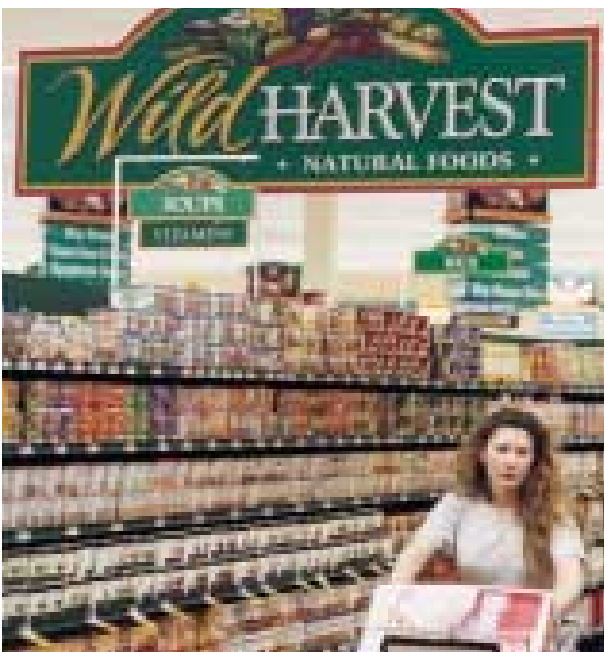
A good example of our own brand innovation is the Shaw's *Safe Science* range, eight cleaners and detergents launched in September 1999. These unique products were well received by our customers and we aim to introduce similar ranges into other own brand categories.

With own brand innovations plus product introductions from Star Markets, there has been a large increase in choice for customers, with the balance continuing to move in favour of fresh foods - all stores now offer over 850 lines of fresh produce. We are also introducing our new range and store format ideas to all extended and remodelled stores and we have incorporated them very successfully in new stores such as Barrington, RI.

Commitment to associates

Shaw's is committed to developing its associates with comprehensive training and also has a number of initiatives under way to strengthen the leadership abilities of our management team. These include Shaw's University 2000 offering specific career tracks for the various areas of the business and competency models which identify traits and abilities appropriate to key positions.

Cathy Leet of our Cedarville Star Market is a candidate for the President's Award that recognises outstanding customer service, teamwork and overall performance. Starting with the company 24 years ago, Bill Oliver, now manages consumer research for Shaw's.



Shaw's quickly introduced Star Markets' highly successful *Wild Harvest* brand and store-within-a-store format into selected Shaw's stores during the year.





HOMEBASE

More and more people are turning to Homebase for ideas and solutions to enhance their homes and gardens. We're making their lives easier by offering outstanding choice, excellent value for money and inspirational new products and services.

Homebase - clear differentiation in a growing market

Homebase, under Managing Director, Kate Swann, enjoyed another successful year in a buoyant market, with like-for-like sales growth ahead of our main competitors and the market in general. This was delivered by building on a market positioning distinctly different to that of our competitors, combined with our strong value for money platform which we introduced at the start of the year.

Sales at Homebase increased by 10.0 per cent to £1,428 million with a decrease in operating profit before e-commerce costs of 13.4 per cent to £64.6 million. Given the importance of Easter trade to Homebase, it is necessary to look at comparable trading periods. On this basis, sales show an increase of 13.2 per cent on the previous year, including an increase in like-for-like sales of 12.1 per cent and an increase in operating profit of 9.1 per cent. (See Financial review, page 24).

The market is still expanding as the level of consumer interest in home and garden enhancement continues to grow, especially at the more inspirational end, which encompasses interior design and furnishings. More people are decorating more rooms, more frequently and want to find everything to complete the job in one place. Our positioning - home enhancement rather than traditional 'nuts and bolts' DIY, makes us uniquely placed to take advantage of this by offering a complete home enhancement solution and pleasurable shopping experience. We are developing this opportunity still further by moving to larger stores.

Our new outlets at Dundee and Greenwich are around 70,000 sq ft, and offer more expansive ranges in home enhancement and gardening as well as specialist advisers, and a new layout with substantially improved merchandising concepts. Both stores launched very successfully and are trading ahead of targets, with sales intensities far greater than our previous stores in the same areas. Initial consumer research results reinforce the

Homebase analysis

	2000	1999 ¹
Sales (incl. taxes)	£1,428.1m	£1,297.9m
Operating profit ²	£64.6m	£74.6m
Number of stores	297	288
Sales area (000 sq ft)	11,339	10,851
Full-time employees	5,215	6,006
Part-time employees	12,005	12,219

¹ 52 weeks to 3 April 1999.

² Before e-commerce costs, Year 2000 costs, profit sharing and exceptional costs.

The garden is now an outdoor room. Our garden centres stock a range of stylish garden decorations and plants, like this cactus.



The home enhancement market is growing thanks to consumer interest in interior design. We have added curtains, textiles, bedding and flooring ranges at our larger stores.



Quarry tiles are one of the 400 products in our *Value Basics* range which is positioning Homebase as a value brand in a price conscious market.



New layouts and new merchandising concepts, like this cookshop, are a feature of our larger stores.



clear opportunity that exists to provide all DIY, gardening and home enhancement needs in a one-stop-shop concept.

Building on our experiences at Dundee and Greenwich, and strengthening this still further, we opened the first Homebase megastore at Braehead, Glasgow on 26 May. This store has around 100,000 sq ft of internal sales area and features major increases in our DIY range as well as substantial improvements in our new home enhancement categories. In the autumn we will open a megastore at Ipswich with 130,000 sq ft of indoor space and an outdoor garden centre with 18,000 sq ft of space. Further megastores will follow.

Improved ranges and better value

New ranges and promotional activity on *Outdoor Living* products, garden furniture, as well as Christmas products gained us substantial market share in these areas. Our TV campaign, aimed at both men and women and featuring Neil Morrissey and Leslie Ash, produced our best-ever awareness ratings; it continues to emphasise our positioning as a store to visit for all home and garden enhancement needs.

We have also been watching customers' priorities closely and adjusting our ranges in response to their needs and changing market dynamics. We closed our loss making kitchen business to make room for more flooring, rugs, cookshop items and textiles.

The market remains extremely price conscious and we have successfully underpinned our value position by launching our *Value Basics* entry price products. We have successfully combined a clear price challenge statement with excellent value seasonal promotions which meet the demands of key markets at key times of the year. We have supported our new value offer both in-store and through advertising.

Focus on infrastructure

We are also investing heavily in the business infrastructure required to manage our multiple channels. Recognising the need for flexibility in the supply chain, we have transferred the operation of two depots to Tibbett & Britten, who also operate an international supply centre to manage our imported goods for us. We continue to improve efficiency in our business – for instance establishing partnerships in low-cost sourcing. We have restructured many of our business processes which will reduce our cost base by a total of around £30 million over the next three years, as well as enabling us to simplify our activity in-store and so improve our focus on serving the customer at the point of purchase.



More than traditional DIY, Homebase's home enhancement market position provides a pleasurable shopping experience with Costa Coffee bars in larger stores.

Operating review:

Environment and community

Reducing our impact on the environment

We recognise that almost every activity we undertake, from the way we source and transport food, to the design and operation of our stores, has some impact on the environment.

Our aim is to reduce this impact through a programme of continuous improvement - a programme that has led to us achieving national recognition. In 2000 J Sainsbury plc was named as the leading food retailer in the Index of Corporate Environmental Engagement and Performance published by Business in the Environment, ranking seventh of the 76 FTSE 100 companies surveyed. A key highlight of the activity which led to this ranking was the opening of a low-energy Sainsbury's supermarket on the Greenwich peninsula.

The Index acknowledges Group performance. Typical of our sharing of best practice across the Group is support for the Marine Stewardship Council (MSC) to prevent over-fishing. Sainsbury's Supermarkets and Shaw's were among the first companies in the world to offer public support to the MSC. As Britain's largest fishmonger, Sainsbury's is proud to offer the first products to be certified as sustainable by the MSC: Western Australian rock lobster and Thames herring. Sainsbury's and Shaw's are looking forward to launching canned Alaskan salmon certified as sustainable later in the year.



Marine Stewardship Council-endorsed Thames herring, one of the world's first sustainable seafood products, sold for the first time in Sainsbury's.



Homebase is forging ahead with stocking timber products endorsed by the Forest Stewardship Council. We now sell 1,600 products.

Another global issue is timber sourcing, and we have increased the number of products we sell that are endorsed by the Forest Stewardship Council (FSC) - the independent organisation that certifies forests as well-managed. Homebase now sells 1,600 FSC-endorsed products including 500 individual lines of chipboard most of which is UK-sourced thanks to the Forestry Commission gaining certification for all UK state-owned forests. Sainsbury's also sells the world's first FSC paper product - its *Soft* range of toilet tissue.

Sainsbury's and Shaw's donate surplus food to charities. Sainsbury's Supermarkets is working with UK charities Crisis FareShare and Grocery Aid to donate fresh, surplus food - past its 'sell by' date but within its 'use by' date - to homeless people. More than 100 Sainsbury's stores and three depots take part and during the year we donated around 800 tonnes of food. We anticipate that all Sainsbury's stores will take part within two years. Our food donation scheme won the Food Industry Award for social commitment in 1999.

Shaw's is a founding member of the Greater Boston Food Bank and active in six other food banks throughout New England. The donated food is redistributed to over 3,000 programmes, providing food to 1.3 million people each month.



Sainsbury's supports Express Link-up a charity which provides computers, printers and software to children's wards. Carol Vorderman (centre), the charity's patron, receives our donation at Manchester Children's Hospital.



Community volunteers, above, sort donated food products to be distributed to food pantries, homeless shelters and safe havens for families from domestic violence.

Adrian Harris, right, is seconded from Sainsbury's to Grocery Aid to assist with their food donation project.



Our main focus is on families and young children with particular emphasis on educational and caring projects, including disability. Before deciding upon projects, we seek the opinion of colleagues and customers to ensure we support the charities and initiatives closest to their interests.

Ambitious nationwide projects include the Homebase *Woodlands for the Millennium* scheme which aims to plant 165,000 trees in 20 new community woods by 2001. To date the programme has planted 66,000 trees in eight 15-acre sites. There's also Sainsbury's *Equipment for Schools* scheme launched in 1995, which has presented schools with 380,000 pieces of equipment, from crayons to computers, worth a total of £24 million.

As well as the successful food donation scheme, Sainsbury's and Homebase also donate to charities many items of second-hand equipment and furniture when these are replaced due to store refits. As an example of this, generators, cold rooms, paint and other equipment were sent to Streetwise, a charity in Humberside which was opening a detox unit. Sainsbury's has recently appointed a Resources Manager to oversee the donation of equipment to charity, one of the very few UK companies to do so.

Naturally, we encourage staff to share our caring approach - and we succeed! Over the last three years alone 6,000 staff at Sainsbury's Supermarkets have donated £1 million to charity under our *Give As You Earn* scheme. And during the past year, Shaw's and its associates pledged \$1.9 million to its preferred charity, United Way. This organisation co-ordinates financial assistance for people of all ages and income levels whose needs are not covered by traditional healthcare and community service programmes. Over the last three years, Shaw's has contributed more than \$4.5 million to the United Way.

We are investigating alternative fuels and renewable energy and have added two further solar-powered refrigerated trailers to our original prototype. These are now delivering from our depots at Charlton, Basingstoke and Buntingford. In addition to selling Liquefied Petroleum Gas from three petrol stations at Beckton, Cobham and London Colney, Sainsbury's is trialling Compressed Natural Gas (CNG) for its delivery fleet. Homebase has taken delivery of a fleet of two CNG trucks and 36 trailers.

We also gained certification under the European Management and Audit Scheme for our distribution depot at Basingstoke - the first UK distribution depot to achieve this. While our Charlton depot gained certification to ISO 14001.

Our 1999 Interim Environment Report is available at www.j-sainsbury.co.uk or by calling 0800 387504.

Imaginative support for communities

One of our most worthwhile achievements is creating a rich and varied community involvement programme that draws on our retail strengths. We give everything from cash and equipment to the time and expertise of our staff supporting local and national causes as diverse as Talking Newspapers, the National Asthma Campaign and Help the Hospices.



In the *Side-by-side* programme Sainsbury's colleagues give their money and time to help the community. Bolton store donated £1,000 and helped decorate the Sunday School room in a local church.



Homebase has a fleet of Compressed Natural Gas powered trucks and trailers which it uses to deliver plants to its garden centres.

Financial review

Group sales (inc VAT and sales tax) £ billion

2000	17.4
1999	16.4
1998	15.5
1997	14.3
1996	13.5

Group underlying profit before tax* £ million

2000	580
1999	755
1998	728
1997	651
1996	764

* Before amortisation of goodwill, exceptional costs and non-operating items.

1 Review of performance

The Group has experienced a difficult year with underlying profit before tax (i.e. before amortisation of goodwill, exceptional costs and non-operating items) declining to £580 million, a reduction of 23.2 per cent on the comparative 52 week period. This was entirely due to the reduction in profit in Sainsbury's Supermarkets of £210 million or 28.7 per cent year-on-year. Shaw's, including the first contribution from Star Markets, performed well and Homebase delivered strong like-for-like sales growth. Total dividend per share of 14.32 pence is at the same level as last year (after adjusting for the additional payment for the four extra weeks in that year).

Accounting periods

The previous financial year ending 3 April 1999 covered a period of 56 weeks. Unless otherwise stated, references to profit and loss items for the previous financial year including earnings per share information relate to the 52 week accounting period ended 3 April 1999 (unaudited), whereas references to cash flow items relate to the 56 week accounting period.

The movement of the date of Easter from year to year distorts trading comparisons, particularly in Homebase. Whilst sales and operating profit in 1999 benefited from two pre-Easter build-up weeks there were none in the financial year just ended. The underlying trend, adjusted for Easter, is also commented on where appropriate.

Analysis of operating results

Group sales increased by 6.3 per cent to £17.4 billion. Group operating profit before Year 2000 costs, amortisation of goodwill, exceptional costs, and profit sharing was £667 million, £200 million or 23.1 per cent lower than in the previous year.

Sales in **Sainsbury's Supermarkets** (including the integrated Savacentre stores in both years) increased by 1.8 per cent to £13.3 billion. The underlying trend is distorted by the timing of Easter and using comparable trading weeks for the previous year shows that after an underlying like-for-like sales decline of

0.9 per cent in the first half, performance improved in the second half with an increase of 1.4 per cent. Sales in the third quarter benefited from a strong Christmas trading period which was boosted by sales generated by the Millennium celebrations. Sales growth in Sainsbury's Supermarkets was impacted by price competition and, during the second half, by food price deflation. During the year, price inflation was around 1 per cent and in the fourth quarter was 0.6 per cent, due primarily to petrol price inflation, with underlying food inflation being negative.

The overall cost base increased largely due to inflation in labour and rents. This, combined with slightly lower sales volumes and low price inflation, resulted in a decrease in underlying operating profit (before e-commerce costs, Year 2000 costs and exceptional costs) to £542 million, a reduction of 27.2 per cent compared to the previous year. The underlying operating margin was 4.1 per cent of sales compared to 5.7 per cent in 1998-99. E-commerce development costs amounted to £19.7 million.

Sales in **Homebase** increased by 10.0 per cent to £1,428 million with a decrease in underlying operating profit before e-commerce costs of 13.4 per cent to £65 million. Given the importance of Easter trade to Homebase it is necessary to look at comparable trading periods. The most recent year that includes a full Easter trading period in both the current and comparative years is the 52 weeks to the 4 March 2000 (i.e. four weeks earlier than the statutory reporting period end). Sales for this period show an increase of 13.2 per cent on the previous year, including an increase in like-for-like sales of 12.1 per cent, and an increase in operating profit of 9.1 per cent. The improvement from the figures set out above is partly due to the timing of Easter and partly due to a particularly strong trading performance in the four weeks to 3 April 1999. The very strong like-for-like sales growth was a result of a repositioning on price supported by a strong promotional campaign with the associated price reductions and advertising impacting first half profitability. On an Easter adjusted basis, however, underlying operating profit increased

Analysis of operating results

	Sales (inc VAT)		Operating profit*		Operating profit* (pre e-commerce)
	£m	% change	£m	% change	% change
Sainsbury's Supermarkets	13,267	1.8	522	(28.7)	(27.2)
Homebase	1,428	10.0	57	(23.6)	(13.4)
Sainsbury's Bank	136	(7.2)	3	-	-
JS Developments	165	422.8	16	82.2	-
UK total	14,996	3.3	598	(26.6)	(24.3)
Shaw's Supermarkets	2,394	29.0	80	49.8	-
Sainsbury's Egypt	24	-	(11)	-	-
Overseas total	2,418	30.4	69	29.6	-
Total	17,414	6.3	667	(23.1)	(21.0)

* Operating profit before Year 2000 costs, amortisation of goodwill, exceptional costs and profit sharing.

Dividend per share pence

2000	14.32
1999	14.32*
1998	13.90
1997	12.30
1996	12.10

* Excludes a one-off 1.0 pence per share payment to cover the extra four weeks in that financial year.

in the second half compared to the previous year. E-commerce development costs amounted to £7.6 million.

On a combined basis the **US operations** increased operating profit in local currency by 46.0 per cent to \$129 million (£80 million) including \$14 million (£9 million) of synergies from merging the two operations. Star Markets contributed \$8 million (£5 million) to operating profit before amortisation of goodwill and exceptional costs. Shaw's performed very well with growth in like-for-like sales of 3.1 per cent and an increase in operating profit of 37.3 per cent to \$121 million (£75 million). The synergies were ahead of expectations with central functions now combined in one head office and the distribution function fully integrated so allowing the former Star Markets distribution facility at Norwood to be closed. Eight stores have been disposed of in accordance with the requirements of the Federal Trade Commission following the acquisition.

Sainsbury's Bank significantly improved profitability with a profit of £3 million compared with a loss of £5 million in the previous year. Turnover declined by 7.2 per cent as, although commissions grew significantly, interest income declined as a consequence of a lower average base rate. This was, however, more than offset by the impact of lower interest rates on costs. Sainsbury's Bank is trialling a new in-store presence at 12 Sainsbury's stores with a prospective roll-out during the course of the current year.

Sainsbury's Egypt (EDGE) was an associate company (25.1 per cent ownership) until 20 October 1999, from which time it has been consolidated as a subsidiary (80.1 per cent ownership). The operating loss of £11 million reflected a drive for market share and the costs associated with opening new stores. Annualised sales of £77 million at the year-end were substantially ahead of the levels achieved the year before. The new Sainsbury's store at El Haram has had an impressive sales performance since opening in January 2000.

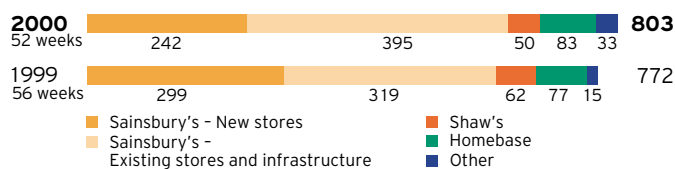
JS Developments successfully completed and sold on six major developments tenanted by Group companies and a number of other retailers. It increased its operating profit from £9 million to £16 million. The most prestigious development was at Greenwich, which included an award-winning Sainsbury's supermarket and a large, new format, Homebase store.

Group profit before tax

During the year, there was a significant amount of change across the Group which was reflected in a number of exceptional costs and profits. Consequently, in reviewing the performance of the Group it is relevant to focus on underlying profit before tax, amortisation of goodwill, exceptional costs and non-operating items.

Underlying Group profit before tax declined by 23.2 per cent to £580 million. The decrease was in line with the 23.1 per cent decline in Group operating profit as reductions in Year 2000 costs and profit sharing were offset by an increase in finance costs and a reduced contribution from associated undertakings.

Group capital expenditure £ million



The Year 2000 project was successfully completed with no disruption to the business or in our ability to serve customers. Profit sharing fell significantly due to the high gearing of the profit sharing formula to the profitability of the UK retailing businesses. Finance costs increased due to net debt rising from £704 million as at 3 April 1999 to £1,264 million as at 1 April 2000.

	2000 52 weeks £m	1999 52 weeks £m	% change
Group operating profit	667	867	(23.1)
Year 2000 costs	(6)	(28)	
Profit sharing	(10)	(45)	
Associated undertakings	1	11	
Net interest payable	(72)	(50)	
Underlying Group profit before tax*	580	755	(23.2)
Amortisation of goodwill	(11)	-	
Exceptional costs	(112)	(21)	
Property profits	52	11	
Profit on sale of associate	-	84	
Group profit before tax	509	829	(38.6)

* Group profit before tax, amortisation of goodwill, exceptional costs and non-operating items.

The exceptional operating costs of £112 million were incurred in connection with simplifying central and store operations in Sainsbury's Supermarkets and Homebase; integrating Savacentre into Sainsbury's Supermarkets; closing all kitchen studios within Homebase; integrating the Star Markets acquisition and providing for a number of store closures and onerous leases across the Group.

£m	Exceptional items		
	First half	Second half	Full year
Exceptional operating items			
Severance and reorganisation	(55)	(11)	(66)
Closure costs	-	(46)	(46)
	(55)	(57)	(112)
Exceptional non-operating items			
Property profits	-	52	52
	(55)	(5)	(60)

At the half year stage, exceptional costs of £55 million were disclosed relating to severance and reorganisation costs. These increased to £66 million for the full year. In the second half, value was released from the store portfolio through an innovative sale and leaseback of 16 supermarket properties generating proceeds of £325 million, a level one third over book value, to give a property profit of £82 million. A review of the store portfolio identified several properties that produced insufficient economic profit. As a result, in order to generate future value, a number of stores were closed across the Group resulting in a further

Financial review

exceptional operating cost of £46 million, and a commitment was made to sell 19 shopping centres owned by Shaw's with proceeds of £72 million resulting in a loss of £15 million. A number of other property disposals resulted in a loss of £15 million. As a consequence, total exceptional items increased by only £5 million from the level at the half year to £60 million.

Acquisitions

Three acquisitions were made during the year. Disclosure of trading performance, fair values and goodwill arising is set out in note 33. Star Markets was acquired on 28 June 1999 for a consideration of £311 million including debt acquired. Star Markets is a leading supermarket chain operating mainly in the Greater Boston area and the acquisition enabled Shaw's to strengthen its position as No. 2 in the New England market. Full ownership of Hampden was achieved on 7 January 2000 through the acquisition of the 70.8 per cent of ordinary shares not previously owned for a consideration of £14 million. Hampden operates seven Homebase stores in Northern Ireland and three stores in the Republic of Ireland through a franchise agreement. A further 55 per cent of the share capital of Egyptian Distribution Group (EDGE) was acquired for £40 million (including contingent consideration of £11 million).

The goodwill arising on the acquisition of Star Markets, Hampden and EDGE is being amortised over 20 years with £11 million being charged since acquisition.

Taxation

The Group tax charge of £162 million for the year results in an effective underlying tax rate of 32.0 per cent (1999: 31.7 per cent). The effective rate for the Group exceeds the nominal rate of UK corporation tax due to the higher rate of tax incurred on US profits and the lack of effective tax relief on depreciation of UK retail properties, amortisation of goodwill and start-up losses in Egypt.

Earnings per share and dividends

Basic earnings per share decreased by 37.3 per cent to 18.3 pence on a comparable basis. Basic earnings per share before amortisation of goodwill, exceptional costs and non-operating items decreased by 24.1 per cent to 20.5 pence.

A final dividend of 10.30 pence is proposed which results in a total dividend for the year of 14.32 pence, unchanged from the previous year after adjusting for the one-off 1.0 pence per share payment to cover the extra four weeks in the previous financial year.

Cash flow

Summary of cash flow	2000 52 weeks £m	1999 56 weeks £m
Operating cash flows	838	1,322
Net interest paid	(80)	(83)
Taxation	(218)	(287)
Dividends	(294)	(249)
Payments for fixed assets	(761)	(803)
Purchase of own shares	(68)	(2)
Sale of fixed assets	385	107
Cash flow before corporate activity and financing	(198)	5
Acquisition of businesses	(293)	-
Sale of businesses	-	348
Other items	3	1
Net cash flow before financing	(488)	354

The figures for 1999 relate to the 56 week period. Whilst impacted by reduced profits, particularly at Sainsbury's Supermarkets,

operating cash inflow remained strong at £838 million. The tax payment reduced, mainly reflecting the inclusion in the 1999 payment of £40 million relating to the disposal of the stake in Giant Food Inc.. Payments for fixed assets were £761 million, a spend which was below that of the previous 56 week year. There was a continuing emphasis on improving Sainsbury's Supermarkets' estate with 22 extensions and 16 refurbishments having been completed during the year. The trading performance of these stores is very encouraging indicating a good prospective return on investment. The purchase of own shares is to satisfy obligations arising under the employee share schemes.

The sale and leaseback of 16 supermarket stores resulted in a cash inflow of £325 million which comprised the majority of the cash inflow of £385 million generated by the sale of fixed assets. The three acquisitions in the year resulted in a cash outflow of £293 million (excluding debt acquired of £76 million).

Capital structure and finance

Total Group shareholders' funds as at 1 April 2000 increased to £4,742 million from £4,644 million as at 3 April 1999, largely due to retained profits of £75 million. Group net debt at the year end amounted to £1,264 million (1999: £704 million) giving a balance sheet gearing (net debt to equity) of 27 per cent (1999: 15 per cent).

2 Accounting policies

Software

The previous policy was to write off software costs as incurred unless they formed an integral part of a purchased tangible asset. Costs incurred in acquiring and developing computer software are now capitalised as fixed assets where the software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset. Computer software assets are depreciated over their expected useful lives. This is common practice for major retailers and increasingly the Group purchases ready-made applications software for clearly defined projects from which benefits are derived over a number of years.

Expenditure on projects which has been capitalised as fixed assets in the 52 weeks to 1 April 2000 amounted to £18 million and depreciation where the software assets were already in use amounted to £3 million so giving a net impact of £15 million. It is not practicable to restate prior years as the required detail covering previous years is not available across all Group companies.

Goodwill

There has been a change in emphasis on accounting for goodwill. As is common with most other companies, goodwill will be amortised over a finite life of a maximum of 20 years and, only under specific circumstances, will it be assumed that goodwill has an indefinite life. Accordingly, the goodwill arising on the acquisitions made during the year is being amortised over an estimated economic life of 20 years.

3 Treasury management

Treasury policy and significant treasury transactions are reviewed and approved by the Board and the Finance Committee of the Board is responsible for monitoring treasury activity and performance. Disclosures regarding derivatives and other financial instruments are contained in note 23 to the financial statements.

Treasury operations in respect of Sainsbury's Bank are managed separately through Bank of Scotland which has a conservative approach to treasury management. Sainsbury's Bank does not undertake any trading activities and only uses derivative instruments to hedge risk. Credit limits have been established

for all counterparties and these are reviewed and approved by Sainsbury's Bank's Board and the Risk Management Committee, a subcommittee of the Board. Details of Sainsbury's Bank's interest rate repricing gaps are set out in note 23 to the financial statements.

The Group's other major treasury activities are centralised in the Group Treasury function. Group Treasury operates as a cost centre with Group wide responsibilities for cash management, funding and interest rate and currency risk management. In this context Group policy permits the use of derivative instruments but only for reducing exposures arising from underlying business activity and not for speculative purposes.

Financial instruments

The Group holds or issues financial instruments to finance its operations and to manage the interest rate and currency risks arising from its sources of finance. In addition, various financial instruments eg. trade debtors, trade creditors, accruals and prepayments arise directly from the Group's operations.

The Group finances its operations by a combination of cash generated by operating subsidiaries, bank loans, commercial paper, private placements, public debt issues, leases and share capital. The Group's long-term borrowings are raised centrally by the parent company and on-lent to operating subsidiaries on commercial terms. The Group borrows in a range of currencies at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired currency and interest rate profile. The derivatives used for this purpose are principally interest rate swaps and options, cross currency swaps and forward contracts.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and the policies remain unchanged since 3 April 1999.

Interest rate risk

The Group's exposure to interest rate fluctuations is managed by using interest rate swaps and options. The Group's objective is to provide a degree of protection against interest rate volatility by holding a proportion of the Group's net debt portfolio at fixed or capped rates of interest. Group policy allows the proportion of fixed rate borrowing to vary between 20 per cent and 80 per cent of net debt. As at the year end, and after taking into account interest rate swaps, the proportion of the Group's net debt at fixed rates was 44 per cent (1999: 79 per cent). The average period for which the fixed rate financial liabilities, including finance leases, were fixed as at 1 April 2000 was 5.5 years (1999: 6.3 years).

Liquidity risk

The Group's exposure to liquidity risk is managed by promoting a diversity of funding sources and a spread of debt maturities.

The Group's principal debt raising operations are arranged through the Group's £750 million Euro Commercial Paper Programme and £1 billion Euro Medium Term Note Programme. In addition the Group maintains a portfolio of committed bank facilities amounting to £765 million as at 1 April 2000 (1999: £815 million). Of this total, £135 million expires within one year; £555 million expires also within one year but has 12 month term out options; £35 million in more than one year and less than two years; and £40 million in more than two years. The facilities act as a store of liquidity as well as providing support for the Group's commercial paper programme and other borrowing activity. As at 1 April 2000 there were no drawings under these facilities (1999: £nil).

The Group aims to structure debt issues so that not more than 25 per cent of borrowings mature in any one financial year. The repayment analysis of the Group's borrowings is set out in note 22. As at 1 April 2000 the weighted average maturity of the Group's borrowings was 2.7 years (1999: 3.1 years).

Currency risk

The Group has two principal overseas subsidiaries, Shaw's Supermarkets in the USA and Sainsbury's Egypt, whose revenues and expenses are denominated exclusively in US dollars and Egyptian pounds respectively. The Group's policy is to limit the effects of exchange rate translation on Group shareholder funds by maintaining, where practicable, foreign currency liabilities equivalent to at least the value of foreign currency tangible net assets. Exchange movements on foreign currency liabilities created for this purpose are taken directly to reserves. The Group does not actively hedge exchange rate movements on the translation of overseas profits except where those profits are matched by foreign currency interest costs.

The Group incurs transactional foreign currency exposures arising from overseas purchases made predominantly in currencies other than the operating subsidiaries' functional currency. Forward contracts are used to hedge future overseas purchases, which may be either contracted or uncontracted. Gains and losses on these contracts are deferred until recognition of the purchase, which is normally within one year.

Credit risk

Group policy requires that credit exposures may only be taken on a limited basis with banks or financial institutions that maintain a strong credit rating. Counterparty positions are monitored on a regular basis. The Group controls its dealing activity by providing dealing mandates to, and operating standard settlement instructions with, its banking counterparties.

Euro

The position regarding UK membership of EMU remains uncertain but the Group continues its preparations for the possibility of the UK joining. The Group is considering the impact the EMU may have on all new systems development and equipment specifications. During the course of this year, the Group will develop an internal conversion plan in order to respond to EMU requirements as necessary.

4 Shareholder return

The share price declined from 384.75 pence at the start of the financial year to 283 pence at 1 April 2000 and the range was 239 pence to 453 pence. The Company's equity market capitalisation at 1 April 2000 was £5.4 billion.

Total shareholder return (the increase in the value of a share including reinvested dividends) decreased by 21 per cent over the year, with Sainsbury's ranked seventh in its peer group of 14 European retailers.

During the year, the Group adopted value-based management principles to provide a rigorous framework for managing the business. This framework has generated valuable insights into economic profit by store, store format, and product category. It has also supported the decision to release value from the property portfolio and puts the Group in a stronger position to make value based decisions in the future. In this context, the Group recently announced a decision to create a property company within the Sainsbury's Group focusing on maximising the value from the existing portfolio of property assets.

Board of Directors



Sir George Bull



Sir Peter Davis



Sir Terence Heiser



Ian Coull



Sir Clive Thompson



June de Moller



John Adshead



Roger Matthews



Keith Butler-Wheelhouse



Robin Whitbread

Sir George Bull

Non-Executive Chairman
Appointed to the Board April 1998, succeeded Lord Sainsbury of Turville as Chairman in July 1998. Chairman of the Nomination Committee and member of the Audit and Remuneration Committees. Former Chairman of Diageo plc. Previously Group Chief Executive and then Chairman of Grand Metropolitan PLC. Director of the Marketing Council. Age 63.

Sir Clive Thompson

Non-Executive Director
Appointed to the Board July 1995. Chairman of the Remuneration Committee. Member of the Audit and Nomination Committees. Chief Executive of Rentokil Initial plc. Non-Executive Director of Kleeneze PLC. President of the CBI, Vice President of the Chartered Institute of Marketing. Deputy Chairman of the Financial Reporting Council. Age 57.

Keith Butler-Wheelhouse

Non-Executive Director
Appointed to the Board September 1999. Member of the Audit, Nomination and Remuneration Committees. Currently Chief Executive of Smiths Industries plc which he joined in 1996, prior to which he was President of SAAB Automobile Sweden. From 1987-1992 he was Chairman and Chief Executive of Delta (MBO of General Motors South African). He remains on the Delta Board as a Non-Executive Director. Age 54.

Sir Peter Davis

Group Chief Executive
Chairman and Managing Director of Sainsbury's Supermarkets Ltd. Chairman of Homebase Limited and Director of Sainsbury's Bank plc. Member of the Nomination Committee. Formerly Group Chief Executive of Prudential plc since 1995. From 1986 to 1994 he was Chief Executive and then Chairman of Reed International. He became Chairman of Reed Elsevier following the merger of Reed International and Elsevier. Sir Peter worked previously for Sainsbury's, from 1976 until 1986, latterly as Assistant Managing Director with responsibility for all buying and marketing activities. Age 58.

June de Moller

Non-Executive Director
Appointed to the Board September 1999. Member of the Audit, Nomination and Remuneration Committees. Was a Director of Carlton Communications from 1983 until January 1999 and served as Managing Director from 1993. Non-Executive Director, British Telecommunications plc, Lynx Group plc and the Cookson Group plc. Age 52.

Robin Whitbread

Director
Retail Director, Sainsbury's Supermarkets Ltd. Director of Sainsbury's Bank plc. Non-Executive Director, Shaw's Supermarkets Inc from 1987-2000. Joined Sainsbury's in 1969 serving in a variety of senior retail and commercial positions before joining the Board in 1990. Age 49.

Sir Terence Heiser ccb

Non-Executive Director
Appointed to the Board October 1992. Chairman of the Audit Committee. Member of the Remuneration and Nomination Committees. Director, J Sainsbury Pension Trustees. Non-Executive Director, Abbey National plc. Board member, PIA. Trustee of the Victoria and Albert Museum. Trustee of the Prince of Wales Phoenix Trust. Member of the Executive Council of the National Trust. Governor of Birkbeck College, University of London. Freeman of the City of London. Permanent Secretary, Department of the Environment 1985-92. Age 68.

John Adshead cbe

Director
Group Human Resources and Information Systems Director. Director, Sainsbury's Supermarkets Ltd responsible for information systems and human resources and supply chain. Chairman, J Sainsbury Pension Trustees. Joined Sainsbury's and appointed to the Board 1989. Non-Executive Director of the Tablet Publishing Company. Age 55.

Ian Coull

Director
Group Property and Environmental Affairs Director. Director, Sainsbury's Supermarkets Ltd with responsibility for property. Director, J Sainsbury Pension Trustees. Joined Sainsbury's and appointed to the Board 1988. Fellow of the Royal Institution of Chartered Surveyors. Member of the Scottish Valuation and Rating Council. Member of the Government's Property Industry Forum. Chairman, the South Bank Employers' Group. Age 49.

Roger Matthews

Director
Group Finance Director. Director, Sainsbury's Supermarkets Ltd, Homebase Limited, Sainsbury's Bank plc and Shaw's Supermarkets Inc. Joined Sainsbury's and appointed to the Board in November 1999. Formerly Group Managing Director and Finance Director of Compass Group Plc. Age 45.

President
Lord Sainsbury of
Preston Candover KG

Report of the Directors

for the 52 weeks to 1 April 2000

J Sainsbury plc

An outline of the Group's principal activities and the performance of the main operating subsidiaries during the period is contained in the Chairman's Statement, the Group Chief Executive's Review and the Operating and Financial Reviews on pages 1 to 27.

The financial year is for the 52 weeks to 1 April 2000 compared to the 56 weeks to 3 April 1999.

The profit on the ordinary activities of the Group before tax amounted to £509 million (1999: £888 million). The Directors are proposing the payment of a final dividend of 10.30 pence per share on 28 July 2000 to shareholders on the Register at the close of business on 16 June 2000; together with the interim dividend paid of 4.02 pence per share, this makes a total dividend for the year of 14.32 pence per share (1999: 15.32 pence per share including a one-off 1.0 pence per share payment to cover the extra four weeks).

Star Markets

In November 1998, the Group agreed to acquire Star Markets Holdings Inc., the fifth largest food retailer in New England. Federal Trade Commission approval of this agreement was subsequently received and the transaction completed on 28 June 1999.

Hampden

Following a public offer in October 1999, the Group acquired full ownership of Hampden Group PLC in which it previously had a holding of 29.2 per cent. Hampden operates seven Homebase stores in Northern Ireland and three stores in the Republic of Ireland through a franchise agreement.

Sainsbury's Egypt

On 20 October 1999, the Group increased its ownership in the Egyptian Distribution Group SAE (EDGE) from 25.1 per cent to 80.1 per cent.

Changes to the Board

On 14 May 1999, David Clapham retired as a Director.

On 21 July 1999, the Rt Hon Sir Timothy Sainsbury retired after 25 years on the Board. June de Moller and Keith Butler-Wheelhouse joined the Board on 23 September 1999 as Non-Executive Directors.

Roger Matthews joined the Board as Group Finance Director on 15 November 1999. Rosemary Thorne retired from the Board on 30 November 1999.

Sir David Scholey resigned as a Non-Executive Director on 1 February 2000.

Sir Peter Davis joined the Board as Group Chief Executive on 1 March 2000 and assumed responsibility for the UK supermarket business on 10 March. David Bremner and Kevin McCarten retired as Directors on 9 March 2000. Dino Adriano retired from the Board on 26 May 2000.

Details of the Board structure and its responsibilities are given on pages 31 and 32.

Share capital

Principal changes

A total of 6.3 million shares were allotted for the Group's employee share schemes (note 26). Additionally, 21.6 million shares were purchased in the market for £77 million to satisfy obligations under these schemes. Of these, 19.5 million are held in trust as described in note 14.

A resolution will be put to the Annual General Meeting to increase the authorised share capital of the Company by 10 per cent to 2.2 billion ordinary shares of 25 pence each.

The Dividend Reinvestment Plan operated for the first time in conjunction with the final dividend paid on 18 August 1999. No new shares are allotted under this Plan but the cash dividend of participating shareholders is used to purchase shares in the market. Some 24,500 shareholders have taken advantage of this scheme.

Directors' interests

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

Details of Directors' interests in the ordinary shares and options over ordinary shares of the Company are set out in the Report of the Remuneration Committee on pages 36 and 37.

Substantial interests

The substantial interests in shares notified to the Company, all of which include duplications, are as follows:

Judith Portrait is a trustee of various settlements, including charitable trusts and a blind trust for Lord Sainsbury of Turville. As at 27 May 2000, the total holding of these trusts amounted to 29 per cent.

Christopher Stone, Andrew Cahn and John Rosenheim are trustees of various settlements, including charitable settlements. As at 27 May 2000, the total holdings of the trusts of which the above are trustees amounted to 5 per cent, 5 per cent and 3 per cent respectively.

As at 27 May 2000, the interests, beneficially and as trustees of charitable and other trusts, of Lord Sainsbury of Preston Candover KG, the Hon Simon Sainsbury and the Rt Hon Sir Timothy Sainsbury were 4 per cent, 3 per cent and 3 per cent respectively.

Market value of properties

The Directors believe that the aggregate open market value of Group properties exceeds the net book value of £5.1 billion by a considerable margin.

Year 2000

As expected the Year 2000 computer issue did not have a significant impact on the Group's activities. During the year costs of £6 million (1999: £30 million) were incurred by the Group.

Report of the Directors

Staff, social responsibility and the environment

Employment policies

We continue to place great emphasis on effective communication, regular performance reviews and offering career and other development opportunities.

One key indicator of our success in this area is that 170 (1999: 48) of our Sainsbury's Supermarkets stores, five central departments and three distribution centres have gained the Investors in People (iP) award. All Sainsbury's supermarkets, depots and central departments are targeted to achieve iP by March 2001.

Both Sainsbury's Supermarkets and Homebase conduct regular employee attitude surveys and value this important feedback as a measure of how 'well we are doing' in managing our people. The Staff Council framework at local and company level is being used increasingly for two-way communication and discussion, to encourage all colleagues to contribute towards making business improvements.

The Company is committed to providing fair and equal treatment for all colleagues and recognises the importance of diversity within the organisation. During 1999, Sainsbury's Supermarkets was highly commended in the 'Ease' awards from the Queen Elizabeth's Foundation for Disabled People as the Best Supermarket for Customers with Disabilities, and at the 'Opportunity Now' awards for our Women in Retail Management Group and our new Fair Treatment Policy, 'Allsorts'. For the third year running, Homebase achieved the '✓✓' symbol awarded by Employment Services, a Government agency, in recognition of its commitment to employing disabled people.

Employee share ownership

We have always encouraged colleagues to own shares in the Company. One half of UK colleagues are shareholders either directly or through the Profit Sharing Scheme Share Trust. In August 1999, we introduced a new scheme offering share options to all 111,000 eligible UK colleagues with one financial year's service who did not otherwise participate in our executive schemes.

In December 1999, the Company received a prestigious ProShare award for 'Employee Participation and Involvement' for its employee share schemes.

Policy on payment of suppliers

The policy of the Company and its principal operating subsidiaries is to agree terms of payment prior to commencing trade with a supplier and to abide by those terms based on the timely submission of satisfactory invoices. The Company subscribes to the DTI's Better Payment Practice Code on the prompt payment of suppliers. This replaced the CBI Code of Good Practice to which the Company previously subscribed. A copy of the guide can be obtained from the DTI, 1 Victoria Street, London SW1H 0ET. The creditor days of the principal operating subsidiaries in respect of payment to suppliers are contained in their accounts.

Donations

Donations to charitable organisations and local community projects amounted to £5 million which included contributions of money, materials and time to enterprise agencies, job creation and educational schemes, town centre management initiatives, community projects and the arts. Sainsbury's Supermarkets is working with the charity Crisis FareShare for the distribution of surplus food to those in need. There were no political donations.

Research and development

The Technical Division employs 185 people and has an annual expenditure of £8 million. It works in close co-operation with suppliers to achieve the highest standards of product quality, integrity, hygiene and safety and to maintain these throughout the Group's distribution chain and stores. The Division also develops and co-ordinates policies to address issues of concern and interest to our customers, for example environmental management and healthy eating. The Company Environment Report, produced by the Division, describes the environmental policies adhered to by the Company and outlines our progress in achieving our objectives.

Annual General Meeting

The Annual General Meeting of shareholders will take place at 11.30 am on Wednesday 26 July 2000 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the Meeting and proxy card are sent to registered shareholders with these annual accounts.

At the AGM, resolutions will be proposed to increase the authorised share capital, to amend the Articles of Association, to renew the general authority of the Directors to issue shares together with the authority to issue shares without applying the statutory pre-emption rights, to enable the Company to make market purchases of its own shares up to a maximum of 192 million shares, to approve the new all employee share scheme arrangements and to re-appoint PricewaterhouseCoopers as auditors. Further details of these resolutions are contained in the Chairman's letter which accompanies the Notice of Meeting.

In accordance with the Articles of Association, Sir George Bull will retire by rotation and will seek re-appointment. Sir Peter Davis, Keith Butler-Wheelhouse, June de Moller and Roger Matthews who were appointed since the last AGM, will also be retiring and will seek re-appointment. Sir Peter Davis and Roger Matthews have service contracts on a rolling 12 month basis. Sir Peter who joined the Company on 1 March 2000 may not be given notice before 1 March 2001. Sir Terence Heiser will be retiring and will not be seeking re-appointment.

By order of the Board

Nigel Matthews

Secretary
30 May 2000

Corporate Governance

J Sainsbury plc is committed to high standards of corporate governance in its business.

The Company has complied throughout the period under review with all the provisions of the Combined Code of good practice in corporate governance as laid down in the Listing Rules of the London Stock Exchange.

This statement together with the Report of the Remuneration Committee explains how the Company has applied the governance principles set out in Section 1 of the Combined Code.

The Company and its subsidiaries have clear terms of reference to guide the operations of the various boards in their decision making processes and in maintaining appropriate corporate governance standards.

The Board Composition

The Board currently comprises five Executive Directors and five Non-Executive Directors, including the Chairman. All the Non-Executive Directors (NEDs) are considered independent and Sir Terence Heiser is the nominated senior NED. New NEDs are appointed for an initial term of two years and, subject to re-election, serve thereafter on a mutually agreed basis. On appointment they follow a process of induction to familiarise themselves with the Group's operations.

Biographical details of the Directors are set out on page 28. Changes to the composition of the Board which occurred during the year are detailed on page 29.

A change in the Articles of Association will be proposed at the Annual General Meeting to require re-election every three years. Under the present Articles of Association concerning retirement of Directors by rotation, it is possible in certain circumstances for a Director to serve for four years before retiring.

There is an agreed procedure by which members of the Board may take independent professional advice in the furtherance of their duties. All Directors have access to the advice and services of the Company Secretary.

Responsibilities

The Board is responsible to the shareholders for the strategic development of the Company, the management of the Company's assets in a way that maximises performance, and the control of the operation of the business.

The Board meets ten times a year and there is a list of matters reserved exclusively for its consideration. These, and the levels and nature of delegated authority, are reviewed annually. The Board approves the strategic plans of the Group and its annual budget and, throughout the year, reviews the performance of the operating subsidiaries against their budgets and targets.

The Group Chief Executive has authority delegated by the Board for implementing the strategy and for managing the Group. In doing so, he works with the Executive Committee comprising all the Executive Directors and certain other senior executives of the Group.

The Group Chief Executive also chairs the Board of Sainsbury's Supermarkets Ltd, the Company's principal operating subsidiary.

Other Board Committees

The Remuneration, Nomination and Audit Committees have written terms of reference which define their authorities and duties, as well as detailing composition and membership of each committee. Details of membership are shown on page 28.

The Remuneration Committee is comprised solely of the Non-Executive Directors and is responsible for making recommendations on the remuneration framework for all Executive Directors and determining the remuneration arrangements for individual Executive Directors. The report of the Committee is set out on pages 33 to 37.

The Nomination Committee, whose membership includes a majority of Non-Executive Directors, advises the Board on the appointment of Directors.

The Audit Committee is comprised solely of Non-Executive Directors. It is responsible inter alia for making recommendations on the accounting and reporting policies of the Company and on defining and monitoring internal financial control. The Committee receives regular reports from the Group Internal Audit Department and the external auditors. It also reviews the interim and annual financial statements before they are considered by the Board.

The Head of Group Internal Audit has direct access to the Chairman of this Committee. The Company's external auditors attend Committee meetings and also have the opportunity of a private meeting with the Committee.

Internal control

The Company maintains a well established control framework comprising clear structures and accountabilities, well understood policies and procedures and budgeting and review processes.

Internal control continued

In addition, the Group has developed a Risk Self Assessment (RSA) process which it has used for several years at Group level and in each of the operating subsidiaries. This process defines the significant business risks and the controls in place to manage them. New areas are introduced for assessment as the business risk profile changes. The controls are monitored by each operating subsidiary through the RSA process itself, internal audit coverage and routine management review. The results are reviewed by the Boards of each of the operating subsidiaries and following review by the Audit Committee, by the Group Board. Action is taken to address areas of non-compliance or to improve the effectiveness of controls. In the light of the guidance issued by the Stock Exchange in September 1999, following the Turnbull Committee's report, the Audit Committee was charged by the Board to review the process for monitoring the effectiveness of internal control. As a result, a number of changes have been made to the RSA process designed to improve the consistency of the assessments across the operating subsidiaries and to monitor and manage risk more effectively. Accordingly, the Company is confident that its procedures satisfy the guidance and that it will be able to comply with Section D2 of the Combined Code in respect of the Company's financial year commenced on 2 April 2000.

For this report, the Company has adopted the transitional approach to Section D2 and is reporting only in respect of internal

financial controls. The system of internal financial control can only provide reasonable and not absolute assurance against material misstatements. Nevertheless, following the review of the system described above, the Directors believe that proper accounting records are maintained and that financial information used within the business and for external publication is reliable.

Going concern

The Directors confirm that they are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group Financial Statements.

Shareholder relations

The Company maintains a regular programme of meetings with major institutional shareholders to discuss information that is publicly available and the progress of the business. Developments in our internet site have allowed us to make a great deal of published material, including results information and presentations, more accessible to our shareholders and customers at all times. At the Annual General Meeting the Directors welcome the opportunity to gather the views of private shareholders. Many of our shareholders are also customers and about half of our UK colleagues are shareholders.

Report of the Remuneration Committee

The following is a report by the Remuneration Committee which has been approved by the Board for submission to shareholders.

Composition and terms of reference

The Remuneration Committee's composition and terms of reference are in line with the Combined Code of the London Stock Exchange's Listing Rules. The Company complies fully with Section B of the Combined Code provisions on Directors' remuneration and Schedule B to the Code in respect of the Remuneration Report content. The Committee is chaired by Sir Clive Thompson; the other members are Sir George Bull, Sir Terence Heiser, June de Moller and Keith Butler-Wheelhouse.

Remuneration of Executive Directors

The Remuneration Committee recommends to the Board a remuneration framework for Executive Directors and determines the remuneration arrangements for individual Executive Directors.

The Committee aims to maintain a remuneration policy consistent with the Company's business objectives which:

- attracts, retains and motivates high calibre Directors;
- is responsive to both personal and Company performance;
- aligns the interests of Directors with those of the shareholders by linking share and cash incentive payments to performance; and
- is based on information from independent remuneration sources and from within the retail sector, as well as other large companies of a comparable size and complexity.

The main components of Executive Directors' remuneration are:

i) Basic salary

Basic salary for each Director is determined taking into account assessments of the Director's performance, experience and responsibility, together with market factors.

ii) Incentive arrangements

In addition to basic salary, the Company maintains incentive arrangements which combine an annual bonus plan with a long term performance share plan and an executive share option scheme.

The Committee believes that these arrangements, introduced following shareholder approval in 1999, provide for rewards which reflect an appropriate balance between personal performance and Company performance. As such, they align the rewards of Directors with the Company's immediate business priorities and the long-term interests of shareholders.

The arrangements may be summarised as follows:

Annual Bonus Scheme - a cash bonus is payable subject to the achievement of both business and individual targets which are key to the businesses' performance. The bonus will be a percentage of salary (up to a maximum of 50 per cent for Executive Directors

with lower maxima for other senior executives) calculated according to performance against achievement of profit before tax targets and individual business targets.

Performance Share Plan - this long term incentive plan allows shares to be allocated to individuals but not released to them unless future performance criteria are met. The number of shares allocated will depend on the Company's long-term performance compared with a sample of comparator companies. The measure used to compare the Company's relative performance is total shareholder return (being the increase in the value of a share, including reinvested dividends) over a three year period. Initial share allocation will be based on a percentage of salary (up to 50 per cent for Executive Directors). After three years have elapsed and subject to the Company's position in the comparator group, some or all of the initial allocation may be released to the individual. An initial allocation was made on 26 July 1999 for the financial period ended 1 April 2000. The first release of these shares will occur after the end of the 2001-02 financial year subject to the Company's position in the comparator group.

Executive Share Option Scheme - grants are normally made annually to a value of annual basic salary for Directors and senior executives (and to a lesser value for other executives). The current performance criterion for the exercise of options is the achievement by the Company of an average of three per cent per annum real growth in earnings per share (EPS) over three years. If this criterion is not achieved, a fourth year is added. If three per cent average real EPS growth per annum is still not achieved after the fourth year, the option will lapse. Where following a grant of options, the total value of a Director's outstanding share options exceeds four times annual remuneration then a more stringent performance criterion, determined by the Remuneration Committee, will apply in respect of such options.

iii) Other share options

Directors may hold options under the Savings-Related Share Option Scheme.

iv) Employee profit sharing

Directors participate in the Company's Employee Profit Sharing Scheme in the same way as all other employees. Although profit sharing is accounted for on an accruals basis, payments are not finally calculated and paid until after the Annual General Meeting. Accordingly, Directors' profit sharing is included on a paid basis in the table of Directors' emoluments on page 34, based on the profitability of the Group in the previous year.

Profit sharing in respect of the 52 week period ended 1 April 2000 will be paid in August 2000 and is expected to amount to approximately 1.1 per cent of qualifying pay (1999: 4.5 per cent of qualifying pay).

v) Benefits

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

Report of the Remuneration Committee

Contracts of service for Directors

Non-Executive Directors including the Chairman do not have service contracts. All service contracts for Executive Directors are on a 12 month rolling basis – save that in the case of Sir Peter Davis, who joined the Company on 1 March 2000, notice may not be given before 1 March 2001. Sir Peter's contract (unless otherwise terminated or renewed) will automatically terminate on 27 March 2004 at which point Sir Peter will be aged 62. In all other cases Executive Directors will normally retire on their 60th birthday. Also exceptionally, on joining the Company, Sir Peter was granted an option over 3,009,596 shares at a price of 260.5 pence per share. This option was granted under the Company's Executive Share Option Scheme and is subject to the normal performance criterion. The Committee was of the view that the extension of the contract terms and the grant of options above one year's salary were necessary in order to attract Sir Peter to the Company.

Company pension policy regarding Executive Directors

The Group's policy is to offer its most senior executives 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, Directors are entitled after a minimum of 20 years of pensionable service 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) 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 four Directors, 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 of £269,000 has been made in respect of the period ended 1 April 2000 (1999: £404,000).

Directors' emoluments

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

	2000 £000	1999 £000
Executive Directors		
Basic salary	2,346	2,882
Profit sharing	108	138
Benefits	143	147
Compensation for loss of office	2,201	231
	4,798	3,398
Non-Executive Directors		
Fees	349	285
Benefits	15	8
	5,162	3,691

The emoluments set out above and in the following tables cover a 52 week period in 2000 compared to a 56 week period in 1999.

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

	Note	Basic salary £000	Profit sharing £000	Benefits £000	Compensation for loss of office £000	Total 2000 £000	Total 1999 £000
Dino Adriano	1	500	24	22	-	546	579
John Adshead CBE		276	13	18	-	307	321
Ian Coull		285	14	15	-	314	333
Sir Peter Davis	2	66	-	2	-	68	-
Roger Matthews	3	131	-	9	-	140	-
Robin Whitbread		245	12	15	-	272	286
David Bremner	4	368	12	19	788	1,187	424
David Clapham	5	45	10	9	486	550	234
Bob Cooper	6	-	-	-	-	-	469
Kevin McCarten	4	256	12	19	525	812	294
David Sainsbury	7	-	-	-	-	-	182
Rosemary Thorne	8	174	11	15	402	602	276
		2,346	108	143	2,201	4,798	3,398

No amounts were payable under the Annual Bonus Scheme because the performance criterion was not achieved.

Directors' emoluments continued

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

	Note	Fees	
		2000 £000	1999 £000
Sir George Bull	9	225	177
Keith Butler-Wheelhouse	10	13	-
June de Moller	10	13	-
Sir Terence Heiser GCB		31	30
Sir Clive Thompson	11	35	24
Rt Hon Sir Timothy Sainsbury	12	7	24
Sir David Scholey CBE	13	25	30
		349	285

Notes to the tables:

- Highest paid Director. Retired as a Director 26 May 2000. Compensation for loss of office, payable in the financial year commenced 2 April 2000, has been agreed at £1,237,000 and includes a pension contribution of £237,000.
- Appointed as a Director 1 March 2000.
- Appointed as a Director 15 November 1999.
- Retired as a Director 9 March 2000. Compensation for loss of office has been provided for at year end.
- Retired as a Director 14 May 1999. Compensation for loss of office includes a pension contribution of £171,000.
- Retired as a Director 20 November 1998. Continued to be employed until 5 March 1999 during which time he received a salary of £87,000.
- Retired as a Director 30 July 1998. Chairman until date of retirement.
- Retired as a Director 30 November 1999. Compensation for loss of office includes a pension contribution of £102,000.
- In addition, benefits in kind of £15,000 (1999: £8,000). Annual fees unchanged since becoming Chairman in August 1998.
- Appointed as a Director 23 September 1999.
- Fees are paid to Rentokil Initial plc. Invoices are remitted quarterly, which distorts year-on-year comparisons.
- Retired as a Director 21 July 1999.
- Resigned as a Director 1 February 2000.

Directors' pension entitlements

The pension entitlements of the Directors who served during the 52 week period ended 1 April 2000 were as follows:

	Age	Length of service	Additional pension earned in the year £000	Transfer value of increase £000	Accrued entitlements at year end £000
Dino Adriano	57	36	6	78	306
John Adshead CBE	55	11	13	198	128
Ian Coull	49	13	8	104	104
Sir Peter Davis*	58	-	-	-	-
Roger Matthews*	45	-	5	55	5
Robin Whitbread	49	31	4	42	123
David Bremner*	42	4	15	135	39
David Clapham*	54	35	-	-	82
Kevin McCarten*	42	5	6	55	33
Rosemary Thorne*	48	7	-	83	55

- ◆ Less than one year's service
- * At date of retirement as a Director

The transfer value represents the capital sum that would be necessary to acquire the incremental annual pension earned in the year which would be payable each year from normal retirement age and therefore cannot be meaningfully added to annual remuneration. The accrued pension entitlement shown is the amount that would be paid each year following retirement based on retirement at age 60 (or at the date of retirement for Directors who have retired during the year). The increase in the additional pension earned during the year excludes any increase for inflation. Members of the scheme have the option of paying Additional Voluntary Contributions. Neither these contributions nor the resulting benefits are shown in the above table.

Report of the Remuneration Committee

Directors' interests

Directors' interests in the ordinary shares of the Company and shares held in trust on behalf of Directors are as follows:

	Ordinary shares ¹		Long Term Incentive Plan ²	Performance Share Plan ³
	1 April 2000	4 April 1999		
Dino Adriano	59,474	44,966	30,406	66,844
John Adshead CBE	50,679	45,914	18,613	36,096
Ian Coull	30,963	25,218	20,144	38,101
Sir Peter Davis	100,000	85,000*	-	-
Roger Matthews	25,000	-*	-	-
Robin Whitbread	57,102	43,163	16,723	32,754
Sir George Bull	12,500	10,000	-	-
Keith Butler-Wheelhouse	-	-*	-	-
June de Moller	1,500	-*	-	-
Sir Terence Heiser GCB	1,000	1,000	-	-
Sir Clive Thompson	881	881	-	-

* At date of appointment

- The ordinary shares above are beneficial holdings which 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 minor children are beneficiaries or potential beneficiaries. They also include the beneficial interest in shares which are held in trust under the J Sainsbury Profit Sharing Scheme.
- Shares held in trust represent shares awarded to Directors under the Long Term Incentive Plan. Under the Plan, half of the bonus award in respect of the year ended 7 March 1998 was used to purchase shares at a price of 518.0 pence in May 1998. Subject to the rules of the Plan, these shares will vest with the Director on the third anniversary of the award.
- The Plan allows shares to be allocated to individuals, to be released to them in the form of options if the future criterion is met. Subject to performance the first release will occur in 2002.

There were no changes to the Directors' interests in ordinary shares shown above between 1 April 2000 and 30 May 2000.

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 below:

	Total 4 April 1999	Number granted	Number exercised	Date exercised	Option price p	Market price on exercise p	Gains on options exercised £	Total 1 April 2000
Dino Adriano	395,375	133,439	2,126 ^(b)	15/03/00	331.0	254.0	(1,637)	526,688
John Adshead CBE	291,866	71,997	494 ^(b)	02/02/00	292.0	312.5	101	
			291 ^(b)	02/03/00	331.0	269.75	(178)	363,078
Ian Coull	293,833	78,003	3,710 ^(b)	02/03/00	331.0	269.75	(2,272)	368,126
Sir Peter Davis	-	3,009,596						3,009,596
Roger Matthews	-	106,333						106,333
Robin Whitbread	272,798	65,711	12,366 ^(a)	27/07/99	272.69	371.75	12,249	326,143
David Bremner	220,711	230,911						451,622
David Clapham	172,794	-	1,710 ^(b)	12/11/99	331.0	349.75	320	
			364 ^(b)	12/11/99	313.0	349.75	133	
			196 ^(b)	12/11/99	292.0	349.75	113	
			51 ^(b)	12/11/99	398.0	349.75	(24)	
			1,280*					169,193
Kevin McCarten	181,987	65,086						247,073
Rosemary Thorne	225,946	60,927	284,319*					2,554
							8,805	

* Options lapsed not exercised

Gains on options exercised have been calculated using the differences between the share option price and the market price on the date of the exercise. Where shares have been retained by the individual, rather than sold, the gain shown is the notional gain at the date of exercise.

The Company's Register of Directors' Interests contains full details of Directors' shareholdings and options to subscribe.

Options over ordinary shares continued

Options outstanding above and below the market price of 283.0 pence on 1 April 2000 are set out in the table below:

	Options outstanding below market price		Options outstanding above market price		Total number of options outstanding
	Number	Weighted average price p	Number	Weighted average price p	
Dino Adriano	989	253.0	525,699	420.8	526,688
John Adshead CBE	474	253.0	362,604	428.7	363,078
Ian Coull	2,507	253.0	365,619	439.4	368,126
Sir Peter Davis	3,009,596	260.5	-	-	3,009,596
Roger Matthews	-	-	106,333	319.75	106,333
Robin Whitbread	811	253.0	325,332	406.1	326,143

The options outstanding under the Company's Executive Share Option Scheme and Savings-Related Share Option Scheme have been made at various dates between 28 February 1991 and 1 March 2000 as listed in note 26 on pages 58 and 59 and are exercisable at prices between 253.0 pence and 545.0 pence. In the period from 4 April 1999 to 1 April 2000 the highest middle market price was 453.0 pence and the lowest middle market price was 239.0 pence.

Approved by the Board on 30 May 2000

Sir Clive Thompson

Chairman of the Remuneration Committee

Statement of Directors' responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements 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 financial statements, 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 financial statements; and

- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for the safeguarding of the assets of the Company and for taking reasonable steps for the prevention of fraud and other irregularities.

Auditors' report to the members of J Sainsbury plc

We have audited the financial statements on pages 39 to 62.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 31 and 32 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the

Group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 1 April 2000 and of the profit and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

30 May 2000

Group profit and loss account

for the 52 weeks to 1 April 2000

	Note	2000 52 weeks			1999 56 weeks		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Turnover including VAT and sales taxes		17,414	-	17,414	17,587	-	17,587
VAT and sales taxes		(1,143)	-	(1,143)	(1,154)	-	(1,154)
Turnover excluding VAT and sales taxes	1	16,271	-	16,271	16,433	-	16,433
Continuing operations		15,784	-	15,784	16,433	-	16,433
Acquisitions		487	-	487	-	-	-
Group turnover excluding VAT and sales taxes		16,271	-	16,271	16,433	-	16,433
Cost of sales	2	(15,118)	(83)	(15,201)	(15,095)	(21)	(15,116)
Gross profit		1,153	(83)	1,070	1,338	(21)	1,317
Administrative expenses	2	(486)	(29)	(515)	(406)	-	(406)
Amortisation of goodwill	12	(11)	-	(11)	-	-	-
Year 2000 costs	2	(6)	-	(6)	(30)	-	(30)
Profit sharing	3	(10)	-	(10)	(45)	-	(45)
Total administrative expenses		(513)	(29)	(542)	(481)	-	(481)
Operating profit		640	(112)	528	857	(21)	836
Continuing operations		659	(96)	563	857	(21)	836
Acquisitions		(19)	(16)	(35)	-	-	-
Group operating profit		640	(112)	528	857	(21)	836
Associated undertakings - share of profit		1	-	1	12	-	12
Profit on sale of properties	4	-	52	52	-	11	11
Profit on disposal of an associate		-	-	-	-	84	84
Profit on ordinary activities before interest		641	(60)	581	869	74	943
Net interest payable	5	(72)	-	(72)	(55)	-	(55)
Profit on ordinary activities before tax	1,6	569	(60)	509	814	74	888
Underlying profit on ordinary activities before tax		580	(60)	520	814	74	888
Amortisation of goodwill		(11)	-	(11)	-	-	-
Group profit on ordinary activities before tax		569	(60)	509	814	74	888
Tax on profit on ordinary activities	9	(189)	27	(162)	(258)	(34)	(292)
Profit on ordinary activities after tax		380	(33)	347	556	40	596
Equity minority interest		2	-	2	2	-	2
Profit for the financial year		382	(33)	349	558	40	598
Dividends	10			(274)			(294)
Retained profit	28			75			304
Earnings per share	11			18.3p			31.4p
Underlying earnings per share*	11			20.5p			29.2p
Diluted earnings per share	11			18.2p			31.1p
Underlying diluted earnings per share*	11			20.5p			29.0p

* Before amortisation of goodwill, exceptional costs and non-operating items.

Group statement of total recognised gains and losses

for the 52 weeks to 1 April 2000

	2000 52 weeks £m	1999 56 weeks £m
Profit for the financial year	349	598
Currency translation differences on foreign currency net investments	3	5
Total recognised gains and losses relating to the financial year	352	603

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

Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2000 52 weeks £m	1999 56 weeks £m	2000 52 weeks £m	1999 56 weeks £m
Profit for the financial year	349	598	262	779
Dividends	(274)	(294)	(274)	(294)
	75	304	(12)	485
Currency translation differences	3	5	4	2
Goodwill on disposals charged to profit for the financial year	-	148	-	-
New share capital subscribed for less expenses of capital issues	21	68	21	68
Amounts deducted in respect of shares issued to the QUEST	(1)	(6)	(1)	(6)
Other	-	(2)	-	-
Net movement in equity shareholders' funds	98	517	12	549
Opening equity shareholders' funds	4,644	4,127	4,423	3,874
Closing equity shareholders' funds	4,742	4,644	4,435	4,423

Balance sheets

1 April 2000 and 3 April 1999

	Note	Group		Company	
		2000 £m	1999 £m	2000 £m	1999 £m
Fixed assets					
Intangible assets	12	316	-	-	-
Tangible assets	13	6,563	6,409	394	226
Investments	14	98	41	6,131	5,726
		6,977	6,450	6,525	5,952
Current assets					
Stocks	17	986	843	-	-
Debtors	18	320	249	120	72
Investments	19	18	17	-	-
Sainsbury's Bank	20	1,718	1,766	-	-
Cash at bank and in hand		533	725	237	1
		3,575	3,600	357	73
Creditors: due within one year					
Sainsbury's Bank	20	(1,607)	(1,669)	-	-
Other	21	(3,113)	(2,880)	(1,035)	(835)
		(4,720)	(4,549)	(1,035)	(835)
Net current liabilities					
		(1,145)	(949)	(678)	(762)
Total assets less current liabilities					
		5,832	5,501	5,847	5,190
Creditors: due after one year					
	21	(993)	(804)	(1,412)	(767)
Provisions for liabilities and charges					
	25	(48)	(8)	-	-
Total net assets					
		4,791	4,689	4,435	4,423
Capital and reserves					
Called up share capital	26	481	480	481	480
Share premium account	26	1,379	1,359	1,379	1,359
Revaluation reserve	27	39	38	-	-
Profit and loss account	28	2,843	2,767	2,575	2,584
Equity shareholders' funds					
		4,742	4,644	4,435	4,423
Equity minority interest		49	45	-	-
Total capital employed					
		4,791	4,689	4,435	4,423

Notes to the financial statements are included on pages 44 to 62.

The financial statements on pages 39 to 62 were approved by the Board of Directors on 30 May 2000, and are signed on its behalf by

Sir George Bull Chairman

Roger Matthews Group Finance Director

Group cash flow statement

for the 52 weeks to 1 April 2000

	Note	2000 52 weeks £m	1999 56 weeks £m
Net cash inflow from operating activities	29	838	1,322
Dividends received from associated undertakings		-	3
Returns on investments and servicing of finance			
Interest received		46	46
Interest paid		(109)	(113)
Interest element of finance lease rental payments		(17)	(16)
Net cash outflow from returns on investments and servicing of finance		(80)	(83)
Taxation		(218)	(287)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(755)	(803)
Receipts from sale of tangible fixed assets		385	107
Purchase of own shares		(68)	(2)
Payments to acquire intangible fixed assets		(6)	-
Net cash outflow from capital expenditure and financial investment		(444)	(698)
Acquisitions and disposals			
Acquisition of and investment in subsidiary and associated undertakings	33	(293)	(11)
Investment in Sainsbury's Bank by minority shareholder		4	9
Proceeds from disposal of associate		-	345
(Investment in)/proceeds from disposal of other fixed asset investments		(1)	3
Net cash (outflow)/inflow from acquisitions and disposals		(290)	346
Equity dividends paid		(294)	(249)
Net cash (outflow)/inflow before management of liquid resources and financing		(488)	354
Management of liquid resources		-	3
Financing			
Issue of ordinary share capital		16	38
Increase in short-term borrowings		79	188
Increase/(decrease) in long-term borrowings		173	(9)
Capital element of finance lease rental payments		(4)	(6)
Net cash inflow from financing		264	211
(Decrease)/increase in cash in the period		(224)	568
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(224)	568
Cash inflow from increase in debt and lease financing		(248)	(173)
Debt in subsidiaries acquired		(76)	-
New finance leases		(7)	(17)
Currency translation difference		(5)	(5)
Movement in net debt in the period	24	(560)	373
Net debt at the beginning of the period	24	(704)	(1,077)
Net debt at the end of the period	24	(1,264)	(704)

Accounting policies

Basis of the financial statements

These financial statements 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. Accounting policies have been consistently applied, with exception of the change noted below. No profit and loss account is presented for the Company as provided by Section 230(3) of the Companies Act 1985.

Change in accounting policy

The Company has changed its accounting policy in respect of computer software as from 4 April 1999. Costs incurred in acquiring and developing computer software are now capitalised as fixed assets where the software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset. Computer software assets are depreciated over their expected useful lives.

In the 52 weeks to 1 April 2000, additions to computer software assets which would previously have been charged to the profit and loss account amounted to £18 million and depreciation where the software assets were already in use amounted to £3 million so giving a net impact of £15 million. It is not practicable to restate prior years as the required detail covering previous years is not available across all Group companies.

Consolidation

The Group financial statements combine the results of the parent undertaking and all its subsidiaries, associated undertakings and joint ventures, to the extent of Group ownership and after eliminating intra-group transactions.

The results of subsidiaries and associated undertakings are included in the Group profit and loss account from the date of acquisition, or in the case of disposals, up to the effective date at which the investment is sold.

Goodwill arising in connection with the acquisition of shares in subsidiaries and associated undertakings is calculated as the excess of the purchase price over the fair value of the net assets acquired. Under the transitional arrangements of FRS10, goodwill arising on acquisitions prior to 8 March 1998 has been set off against reserves. For subsequent acquisitions, goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises and amortised on a straight line basis over a finite life of a maximum of 20 years and, only under specific circumstances, will it be assumed that goodwill has an indefinite life.

The Group's interests in its joint ventures are accounted for using the gross equity method. The Group's interests in its associated undertakings are accounted for using the equity method. In a joint arrangement that is not an entity, the Group accounts for its share of assets, liabilities and cash flows measured according to the terms of the agreement governing the arrangement.

Turnover

Turnover consists of sales through retail outlets, sales of completed development properties and, in the case of Sainsbury's Bank plc, interest receivable, fees and commissions.

Cost of sales

Cost of sales consists of all costs to the point of sale including warehouse and transportation costs, all the costs of operating retail outlets and, in the case of Sainsbury's Bank plc, interest payable.

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

Fixed assets

Freehold land is not depreciated. Freehold buildings, and leasehold buildings with more than 50 years unexpired, are depreciated in equal annual instalments at the rate of 2 per cent 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.

Fixtures, equipment (including computer software) 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.

Acquired pharmacy licences are included in intangible assets and are stated at cost less amortisation. These are amortised on a straight line basis over a useful economic life of 15 years.

Fixed assets are subject to review of impairment in accordance with FRS11, Impairment of Fixed Assets and Goodwill. Any impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

Research and development

Research and development expenditure is written off as incurred, except where it fulfils the criteria as laid out in SSAP13.

Capitalisation of interest

Interest incurred on borrowings for the financing of specific property developments is capitalised.

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 are charged direct to the profit and loss account. Rentals under operating leases are charged on a straight line basis up to the date of the next rental review.

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.

Stocks

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

Foreign currencies

On consolidation, assets and liabilities of foreign undertakings are translated into sterling at year end exchange rates. The results of foreign undertakings are translated into sterling at average rates of exchange for the year.

Exchange differences arising from the retranslation at year end exchange rates of the investment in foreign undertakings, less exchange differences on foreign currency borrowings or forward contracts which finance or hedge those undertakings, are taken to reserves and are reported in the statement of total recognised gains and losses.

Financial instruments

The derivative financial instruments used by the Group to manage its interest rate and currency risks are interest rate swaps and swap options, cross currency swaps, forward rate contracts and currency options.

Interest payments or receipts arising from derivative instruments are recognised within net interest payable. Any premia or discounts arising are amortised over the life of the instrument.

Termination payments made or received in respect of derivatives are spread over the life of the underlying exposure in cases where the underlying exposure continues to exist and taken to the profit and loss account where the underlying exposure ceases to exist.

Notes to the financial statements

for the 52 weeks to 1 April 2000

1 Segmental analysis of turnover, profit and net assets

The statutory comparatives are for the 56 weeks to 3 April 1999. The Financial Review on pages 24 to 27 compares underlying operating profit (before amortisation of goodwill, Year 2000 costs and exceptional items) to the equivalent 52 weeks to 3 April 1999. The Review also analyses the impact of e-commerce development costs and the timing of Easter.

	Profit on ordinary activities before tax				
	Turnover (excluding VAT) £m	Before exceptional items £m	Exceptional items £m	Group total £m	Net assets* £m
52 weeks to 1 April 2000					
Food retailing - UK	12,353	509	24	533	4,750
DIY retailing - UK	1,217	55	(51)	4	522
Banking - UK	136	3	-	3	113
Property development - UK	165	16	-	16	123
Other - UK	-	-	6	6	(35)
Total - UK	13,871	583	(21)	562	5,473
Food retailing - US	2,376	79	(39)	40	796
Food retailing - Egypt	24	(11)	-	(11)	18
Total overseas	2,400	68	(39)	29	814
Group total	16,271	651	(60)	591	6,287
Goodwill amortisation		(11)	-	(11)	
		640	(60)	580	
Associated undertakings		1	-	1	26
Net interest payable		(72)	-	(72)	
Group profit before tax		569	(60)	509	
Non-operating assets and liabilities (not allocated)					(258)
Net borrowings (not allocated)**					(1,264)
Group net assets					4,791

* Excluding net borrowings and intercompany assets and liabilities.

** Net borrowings include cash and current asset investments, excluding those of Banking.

	Profit on ordinary activities before tax				
	Turnover (excluding VAT) £m	Before exceptional items £m	Exceptional items £m	Group total £m	Net assets* £m
56 weeks to 3 April 1999					
Food retailing - UK	13,074	731	6	737	4,554
DIY retailing - UK	1,187	65	(23)	42	442
Banking - UK	158	(6)	-	(6)	101
Property development - UK	32	9	-	9	130
Other - UK	12	3	7	10	10
Total - UK	14,463	802	(10)	792	5,237
Food retailing - US	1,970	55	84	139	505
Group total	16,433	857	74	931	5,742
Goodwill amortisation		-	-	-	
		857	74	931	
Associated undertakings		12	-	12	38
Net interest payable		(55)	-	(55)	
Group profit before tax		814	74	888	
Non-operating assets and liabilities (not allocated)					(387)
Net borrowings (not allocated)**					(704)
Group net assets					4,689

* Excluding net borrowings and intercompany assets and liabilities.

** Net borrowings include cash and current asset investments, excluding those of Banking.

Sales between the Group's business segments are not material. Turnover is disclosed by origin. There is no material difference in turnover by destination.

2 Cost of sales and operating expenses

	Continuing		Group	
	Before acquisitions £m	Acquisitions £m	2000 52 weeks Total £m	1999 56 weeks Total £m
Turnover excluding VAT and sales taxes	15,784	487	16,271	16,433
Cost of sales	(14,651)	(467)	(15,118)	(15,095)
Exceptional cost of sales	(78)	(5)	(83)	(21)
Gross profit	1,055	15	1,070	1,317
Administrative expenses	(458)	(28)	(486)	(406)
Exceptional administrative expenses	(18)	(11)	(29)	-
Amortisation of goodwill	-	(11)	(11)	-
Year 2000 costs	(6)	-	(6)	(30)
Profit sharing	(10)	-	(10)	(45)
Operating profit	563	(35)	528	836

The exceptional costs comprise the following:

	Severance and reorganisation costs £m	Store closures £m	2000 Total £m	1999 Total £m
Sainsbury's Supermarkets	19	8	27	-
Homebase	18	27	45	21
Shaw's Supermarkets	4	7	11	-
Exceptional cost of sales	41	42	83	21
Sainsbury's Supermarkets	12	-	12	-
Homebase	-	4	4	-
Shaw's Supermarkets	13	-	13	-
Exceptional administrative expenses	25	4	29	-
Total exceptional costs	66	46	112	21

The reorganisation costs incurred in Sainsbury's Supermarkets were the result of simplifying central and store operations and streamlining the store management structure. The integration of Savacentre into Sainsbury's Supermarkets is now complete.

Homebase has closed 99 kitchen studios which were loss making and is utilising the space released for extending its own range of products. The severance and reorganisation costs of closure and simplification of operations amounted to £15 million. Restructuring costs at Hampden, which was acquired during the year, amounted to £2 million.

The exceptional severance costs in US operations all relate to the integration of Star Markets (see note 33).

The costs of store closures include a programme of 14 Homebase closures.

3 Profit sharing

The amount provided for profit sharing for the UK retail companies is calculated based 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 £470 million (1999: £806 million). £9 million (1999: £42 million) has been provided for the profit fund and £1 million (1999: £3 million) for Employers' National Insurance payable thereon.

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 52 week period ended 1 April 2000, 117,320 employees are eligible. A distribution rate is calculated 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 2000 is expected to be approximately 1.1 per cent of qualifying pay (1999: 4.5 per cent).

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 1999 is set out in note 26.

At 1 April 2000, the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 9.8 million shares (1999: 9.9 million) on behalf of 55,284 participants (1999: 52,105) in the Scheme.

Notes to the financial statements

4 Profit on sale of properties

	Group	
	2000 52 weeks £m	1999 56 weeks £m
Sale and leaseback of UK supermarket freeholds	82	-
Disposal of Shaw's Supermarkets shopping centres	(15)	-
Other	(15)	11
	52	11

An amount of £82 million is included in property profits resulting from the sale of 16 supermarket freehold properties for proceeds of £325 million to a property company not related to the Group. The supermarkets have been leased back by Sainsbury's Supermarkets for a period of 23 years at a market rental which will increase by 1 per cent per annum over the lease period. The leases have been treated as operating leases. The Company has provided a guarantee to the purchasers of the freeholds that the properties will realise at least £170 million at the end of the lease period. In view of the relatively low amount of this guarantee when compared to the present market value of the freehold interests, it is believed that the likelihood of this guarantee being invoked is remote.

Provision was made for a loss of £15 million on the sale of 19 shopping centres owned by Shaw's Supermarkets. The transaction generated net proceeds of £72 million. In 15 of these shopping centres, Shaw's Supermarkets will enter into a lease, but only for the area from which it trades.

The proceeds from these exceptional items are included in the cash flow statement on page 42 in Receipts from sale of tangible fixed assets.

5 Net interest payable

	Group	
	2000 52 weeks £m	1999 56 weeks £m
Interest receivable	36	45
Interest payable and similar charges:		
Bank loans and overdrafts	28	17
Other loans	77	82
Finance leases	17	16
	122	115
Interest capitalised	(14)	(15)
	108	100
Net interest payable	72	55

Including interest receivable attributable to Sainsbury's Bank of £111 million (1999: £139 million), included in sales, and interest payable attributable to Sainsbury's Bank of £74 million (1999: £108 million), included in cost of sales, total interest receivable for the 52 weeks ended 1 April 2000 amounted to £147 million (1999: £184 million) and total interest payable amounted to £196 million (1999: £223 million). Interest is capitalised at the weighted average cost of related borrowings, and of the interest capitalised, £10 million (1999: £12 million) has been capitalised into fixed assets (see note 13) and £4 million (1999: £3 million) has been capitalised into stocks during the financial year.

6 Profit on ordinary activities before tax

	Group	
	2000 52 weeks £m	1999 56 weeks £m
Profit on ordinary activities before tax is stated after charging/(crediting):		
Depreciation		
- owned assets	394	380
- assets under finance leases	16	8
Amortisation of intangible assets	12	-
Pension costs	64	70
Auditors' remuneration		
- audit fee (Company £0.1 million, (1999: £0.1 million))	0.7	0.6
- other services (see below)	5.2	2.9
Operating lease rentals		
- properties	257	249
- fixtures, equipment and vehicles	11	12
- receivable	(15)	(19)

Non-audit fees paid to PricewaterhouseCoopers include consultancy fees for business process reviews, systems implementation and taxation advice.

7 Employees

	Group	
	2000 52 weeks £m	1999 56 weeks £m
Employees' remuneration and related costs during the period amounted to:		
Wages and salaries	1,634	1,696
Social security costs	103	108
Other pension costs	63	70
	1,800	1,874
Profit sharing	10	45
	1,810	1,919

	Group	
	2000 Number	1999 Number
The average number of employees during the period was:		
Full-time	60,207	55,956
Part-time	129,020	123,002
	189,227	178,958
Full-time equivalent	116,946	109,245

8 Advances to Directors and connected persons

As at 1 April 2000, authorisations, arrangements and agreements entered into by Directors and connected persons in the normal course of business with Sainsbury's Bank amounted to £37,000 (1999: £52,132) (number of persons: 5 (1999: 10)).

The details of Directors' emoluments and interests are set out in the Report of the Remuneration Committee on pages 33 to 37.

9 Tax on profit on ordinary activities

	Group	
	2000 52 weeks £m	1999 56 weeks £m
The tax charge based on the profit for the period is:		
UK Corporation tax at 30% (1999: 31%)	180	238
Over provision in prior periods - UK	-	(8)
Deferred tax	3	9
Overseas tax - current	10	19
Overseas tax - deferred	(4)	(4)
Taxation on exceptional items	(27)	34
Share of associated undertakings' tax	-	4
	162	292

10 Dividends

	2000 pence per share	1999 pence per share	2000 52 weeks £m	1999 56 weeks £m
Interim	4.02	4.02	77	77
Final proposed	10.30	11.30	197	217
	14.32	15.32	274	294

The 1999 final dividend included a one-off payment of 1.0 pence per share (amounting to £19 million in total) to cover the extra four weeks in that financial year.

Notes to the financial statements

11 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Share Ownership Trusts (see note 14) which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

	2000 52 weeks million	1999 56 weeks million
Weighted average numbers of shares in issue	1,913.5	1,909.4
Weighted average number of dilutive share options	4.1	17.0
Total number of shares for calculating diluted earnings per share	1,917.6	1,926.4

The alternative measure of earnings per share is provided because it reflects the Group's underlying trading performance by excluding the effect of amortisation of goodwill, exceptional costs, the profit or loss on the sale of properties, and any profits or losses on disposal of associated undertakings or subsidiaries.

	2000 52 weeks		1999 56 weeks	
	Earnings £m	Per share amount pence	Earnings £m	Per share amount pence
Basic earnings per share	349	18.3	599	31.4
Amortisation of goodwill	11	0.6	-	-
Exceptional costs	84	4.4	14	0.7
Profit on sale of properties and disposal of an associate	(52)	(2.8)	(55)	(2.9)
Basic earnings per share before amortisation of goodwill, exceptional costs and profit on sale of properties and disposal of an associate	392	20.5	558	29.2
Diluted earnings per share	349	18.2	599	31.1
Diluted earnings per share before amortisation of goodwill, exceptional costs and profit on sale of properties and disposal of an associate	392	20.5	558	29.0

12 Intangible fixed assets

	Goodwill £m	Other £m	Total £m
Cost			
At 4 April 1999	-	-	-
Reclassification of pharmacy licences as intangible assets	-	10	10
Acquisitions at fair value	6	-	6
Additions	307	6	313
At 1 April 2000	313	16	329
Amortisation			
At 4 April 1999	-	-	-
Reclassification of pharmacy licences as intangible assets	-	1	1
Charge for the year	11	1	12
At 1 April 2000	11	2	13
Net book value			
At 1 April 2000	302	14	316
At 3 April 1999	-	-	-

Goodwill arising on the acquisitions of Star Markets, Hampden and EDGE is being amortised on a straight line basis over their economic life, which in each case, having regard to the nature of the business, is estimated to be 20 years.

Other intangible assets comprise acquired pharmacy licences, which are amortised over 15 years.

13 Tangible fixed assets

	Group			Company	
	Properties £m	Fixtures, equipment and vehicles £m	Total £m	Properties £m	Total £m
Cost or valuation					
At 4 April 1999	5,831	3,306	9,137	229	229
Reclassification of pharmacy licences as intangible	(10)	-	(10)	-	-
Additions (see below)	431	372	803	495	495
Acquisitions at fair value	67	85	152	-	-
Disposals	(354)	(99)	(453)	(325)	(325)
Exchange adjustments	3	-	3	-	-
At 1 April 2000	5,968	3,664	9,632	399	399
Depreciation					
At 4 April 1999	830	1,898	2,728	3	3
Reclassification of pharmacy licences as intangible	(1)	-	(1)	-	-
Charge for the year	96	314	410	2	2
Acquisitions at fair value	12	48	60	-	-
Disposals	(33)	(95)	(128)	-	-
At 1 April 2000	904	2,165	3,069	5	5
Net book value					
At 1 April 2000	5,064	1,499	6,563	394	394
At 3 April 1999	5,001	1,408	6,409	226	226
Capital work-in-progress included above					
At 1 April 2000	124	125	249	-	-
At 3 April 1999	76	61	137	-	-

The amount included in the additions of £803 million in respect of interest capitalised during the period ended 1 April 2000 amounted to £10 million (1999: £12 million). Accumulated interest capitalised included in the cost or valuation total above amounts to £247 million (1999: £242 million) for the Group and £nil (1999: £nil) for the Company.

Analysis of finance leases - Group

	2000			1999		
	Properties £m	Fixtures, equipment and vehicles £m	Total £m	Properties £m	Fixtures, equipment and vehicles £m	Total £m
Cost	145	1	146	116	25	141
Depreciation	45	1	46	31	23	54
Net book value	100	-	100	85	2	87

13 Tangible fixed assets continued**Analysis of properties**

	Group		Company	
	Cost £m	Valuation £m	Cost £m	Valuation £m
At 1 April 2000				
Freehold				
Cost	4,269		170	
1973 valuation		3		-
1992 valuation		64		-
Long leasehold				
Cost	922		229	
1973 valuation		3		-
1992 valuation		22		-
Short leasehold				
Cost	685		-	
	5,876	92	399	-

The Group has followed the transitional provisions in FRS15, Tangible Fixed Assets, to retain the book value of land and buildings, certain of which were revalued in 1973 and 1992, without updating the valuations. The 1973 valuation, covering substantially the whole of the Group's properties at that time, was made on the basis of open market values by Healey & Baker and G. L. Hearn and Partners. The 1992 valuation, covering a number of non-retail properties, was made on the basis of open market values by J. Trevor & Sons.

If the properties included at valuation had been included at cost, the cost and accumulated depreciation figures at 1 April 2000 would have been:

	Group		Company	
	Cost £m	Depreciation £m	Cost £m	Depreciation £m
Freehold	4,294	536	170	-
Long leasehold	938	149	229	5
Short leasehold	687	210	-	-
	5,919	895	399	5

14 Fixed asset investments

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Subsidiaries (note 15)			6,115	5,698
Joint ventures and associated undertakings (note 16)				
Listed on a UK stock exchange	-	3	-	-
Other	26	35	16	28
	26	38	16	28
Purchase of own shares at cost*	70	2	-	-
Other unlisted investments at cost	2	1	-	-
	98	41	6,131	5,726

* The Group owned 19,469,350 (1999: 398,783) shares at 1 April 2000 with a nominal value of £4.9 million (1999: £0.1 million).

14 Fixed asset investments continued

415,186 shares (1999: 398,783 shares) are held in an Employee Share Ownership Trust (ESOT) on behalf of certain Directors and senior executives under the Group's Long Term Incentive Plan in respect of an award dated 29 May 1998. Under this scheme, awards under which have now ceased, an amount equal to 50 per cent of the annual bonus of participating Directors and senior executives was retained and used by the Company to purchase shares in the Company. It is a condition of the scheme that the shares are held by the ESOT for a period of three years from the date of the award. On the third anniversary of the award, beneficial ownership of the shares will transfer to those Directors and senior executives who remain in the Company's employment or who have left for certain permitted reasons. The cost for the long-term incentive scheme is reflected in the relevant year's profit and loss account and shares are purchased at fair value from the market.

704,164 shares (1999: nil) are held by an ESOT on behalf of certain Directors and senior executives under the Group's Long Term Performance Share Plan in respect of an award dated 26 July 1999. All participants remaining in the Company's employment, or leaving for certain permitted reasons, are entitled to receive a grant of option after a period of three years to purchase the shares awarded to them for the sum of £1, at any time during the 10 years following the date of grant. The participants' entitlement to receive the grant depends on the Company's total shareholder return (TSR), compared to a peer group of companies, over the three year period from the original award. If the appropriate level of TSR is not achieved, the entitlement to receive a grant of option will lapse. A charge is taken to the profit and loss account only when it becomes clear that a grant will be made.

18,350,000 shares (1999: nil) are held by an ESOT for the Colleague Share Option Plan (see note 26). There is no charge to the profit and loss account because substantially all UK employees are entitled to participate in the Plan.

The market value of the shares held by the ESOTs at 1 April 2000 was £55.1 million (1999: £1.5 million). The Directors do not consider the shortfall between cost and market value to be a permanent impairment in value.

The ESOTs waive the rights to the dividends receivable in respect of the shares held under all the above schemes except for the Long Term Incentive Plan.

15 Investment in subsidiaries

The Company's principal operating subsidiaries are:

	Share of ordinary allotted capital and voting rights	Country of registration or incorporation
Sainsbury's Supermarkets Ltd (food retailing)	100%	England
Homebase Limited* (DIY retailing)	100%	England
J Sainsbury Developments Ltd (property development)	100%	England
Shaw's Supermarkets Inc.* (food retailing)	100%	USA
Sainsbury's Bank plc (banking)	55%	England
Egyptian Distribution Group SAE (food retailing)	80.1%	Egypt

* Shares are held by other subsidiaries.

All principal operating subsidiaries operate in the countries of their registration or incorporation. Sainsbury's Bank plc's audited accounts are drawn up to 29 February 2000 to conform with Bank of Scotland (the 45 per cent shareholder). Management accounts have been used to include Sainsbury's Bank plc's results up to 1 April 2000. All other principal operating subsidiaries have been included up to 1 April 2000.

Summary of movements - Company

	Shares (at cost) £m	Long-term capital advances £m	Total net investment £m
At 4 April 1999	4,313	1,385	5,698
Investment in subsidiaries	534	-	534
Net repayment of long-term capital advances	-	(117)	(117)
At 1 April 2000	4,847	1,268	6,115

Notes to the financial statements

16 Investment in joint ventures and associated undertakings

The Company's joint venture is:

	Year-end	Share of ordinary allotted capital	Country of registration or incorporation
Hedge End Park Limited (property investment - UK)			
Ordinary shares (other shareholder Marks & Spencer p.l.c.)	1 April	50%	England

The Company's share of turnover amounted to £2 million for the 52 weeks to 1 April 2000 (56 weeks to 3 April 1999: £2 million) and its share of operating profit amounted to £1 million for the 52 weeks to 1 April 2000 (56 weeks to 3 April 1999: £1 million). The Company's share of the gross assets of its joint venture amounted to £26 million at 1 April 2000 (1999: £25 million) and its share of the gross liabilities of its joint venture amounted to £11 million at 1 April 2000 (1999: £11 million). The investment in Hedge End Park Limited is held directly by the Company.

Summary of movements	Shares (at cost) £m	Group share of post acquisition reserves £m	Long term capital advances £m	Total £m
Group				
At 4 April 1999	19	8	11	38
Share of retained profit	-	1	-	1
Movement relating to acquisitions	(13)	1	(1)	(13)
At 1 April 2000	6	10	10	26
Company				
At 4 April 1999	17	-	11	28
Transfer to investment in subsidiaries	(11)	-	(1)	(12)
At 1 April 2000	6	-	10	16

The investments in Hampden and EDGE were consolidated as subsidiaries from 16 October 1999 and 20 October 1999 respectively.

17 Stocks

	Group	
	2000 £m	1999 £m
Goods for resale	868	702
Land held for and in the course of development	118	141
	986	843

18 Debtors

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Trade debtors	54	54	-	-
Amounts owed by subsidiaries			-	62
Other debtors due in less than one year	142	96	117	10
Other debtors due in more than one year	24	17	-	-
Prepayments	100	82	3	-
	320	249	120	72

19 Current asset investments

	Group	
	2000 £m	1999 £m
Investments listed on a recognised stock exchange at cost (equivalent to market value)	4	2
Unlisted investments at cost	14	15
	18	17

20 Current assets and creditors of Sainsbury's Bank

	Group	
	2000 £m	1999 £m
Current assets		
Treasury bills and other eligible bills	64	83
Loans and advances to banks	542	1,212
Loans and advances to customers*	684	398
Debt securities	399	48
Prepayments and accrued income	29	25
	1,718	1,766
Creditors: due within one year		
Customer accounts	1,590	1,653
Accruals and deferred income	17	16
	1,607	1,669

* Loans and advances to customers include £329 million (1999: £100 million) of loans and advances repayable in more than one year (see note 23).

In addition to the above assets and liabilities, Sainsbury's Bank had other assets of £5 million at 1 April 2000 (3 April 1999: £4 million) and other liabilities of £4 million (3 April 1999: £nil).

21 Creditors

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Due within one year:				
Borrowings:				
Bank loans and overdrafts	178	293	13	174
8.25% Bond - Dec 2000	150	-	150	-
Short-term notes	523	368	523	368
Current portion of long-term indebtedness including obligations under finance leases	4	4	-	-
Total short-term borrowings	855	665	686	542
Trade creditors	1,147	1,084	-	-
Amounts due to subsidiaries			34	33
Corporation tax	128	185	26	8
Social security and other taxes	132	89	57	-
Other creditors	428	469	16	13
Accruals	226	171	19	22
Proposed dividend	197	217	197	217
	3,113	2,880	1,035	835
Due after one year:				
Bank and other loans	385	43	350	-
Medium-term notes	115	132	115	132
US\$ 200 million 6.25% Notes - March 2002	125	125	125	125
7.25% Bond - June 2002	200	200	200	200
8.25% Bond - Dec 2000	-	150	-	150
8% Irredeemable Unsecured Loan Stock	3	3	3	3
Obligations under finance leases	133	128	-	-
Amounts due to subsidiaries			597	127
Other creditors	32	23	22	30
	993	804	1,412	767

Bank and other loans includes a debt of £350 million (1999: £nil) which is repayable in December 2003 and on which interest is payable at a fixed rate of 6.54 per cent per annum.

22 Summary of borrowings

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Due within one year:				
Bank and other loans	852	661	686	542
Obligations under finance leases	3	4	-	-
Due after one and within two years:				
Bank and other loans	192	199	167	187
Obligations under finance leases	4	3	-	-
Due after two and within five years:				
Bank and other loans	566	384	556	353
Obligations under finance leases	18	13	-	-
Due after five years:				
Bank and other loans	70	70	70	70
Obligations under finance leases	111	112	-	-
	1,816	1,446	1,479	1,152

Obligations under finance leases due after five years at 1 April 2000 are repayable by instalment. Bank and other loans due after five years are not repayable by instalment.

23 Financial instruments

The financial assets and financial liabilities analysed below include fixed rate financial assets of £7 million (1999: £7 million), financial assets on which no interest is paid (i.e. debtors receivable in more than one year) of £15 million (1999: £10 million) and financial liabilities on which no interest is paid of £32 million (1999: £35 million) which are not included in Group net debt as analysed in note 24. Debtors receivable and creditors payable in less than one year, and the current assets and current liabilities of Sainsbury's Bank are excluded from the analysis. The Group's policies and procedures in relation to its treasury management, including management of interest rate and currency risk, are set out on pages 26 and 27 of the Financial Review.

	2000		1999	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Fair values of financial assets and financial liabilities				
Primary financial instruments held or issued to finance Group operations				
Borrowings due within one year	(855)	(857)	(665)	(666)
Borrowings due after one year	(961)	(953)	(781)	(800)
Other creditors	(32)	(32)	(35)	(35)
Deposits maturing within one year	551	551	742	742
Deposits maturing after one year	7	7	7	8
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	-	2.6	-	5.8
Swaptions	-	(2.4)	-	0.1
Forward contracts	-	(0.4)	-	(2.1)

Fair values of financial assets and financial liabilities have been calculated by discounting future cash flows at the relevant Group borrowing spread over LIBOR equivalent rates at 1 April 2000 and 3 April 1999.

The above analysis includes finance leases with a capitalised value of £136 million (1999: £132 million). These leases primarily finance stores in the Group's US operations and it is not practicable to estimate the fair value of these loans as no appropriate external benchmark is available. They are therefore included at book value.

Analysis of interest rate profile and currency of financial assets and financial liabilities

There are no material monetary assets or liabilities that are not denominated in the functional currency of the entity concerned, other than certain non-sterling borrowings which are hedges for investments in overseas operations.

23 Financial instruments continued

Financial assets

After taking into account various interest rate swaps and forward currency contracts for £340 million (1999: £140 million) the interest rate profile of the Group's financial assets was:

Currency	Total £m	Floating rate financial assets £m	Fixed rate financial assets £m	Financial assets on which no interest is paid £m
Sterling	767	747	7	13
US dollar	140	138	-	2
Other	6	6	-	-
At 1 April 2000	913	891	7	15
Sterling	453	437	7	9
US dollar	444	443	-	1
Other	2	2	-	-
At 3 April 1999	899	882	7	10

Floating rate financial assets comprise bank balances linked to bank base rate, and money market fund balances and commercial paper investments bearing interest rates linked to LIBOR. The fixed rate financial asset has an interest rate of 7.75 per cent fixed for an average of 5.2 years. The financial assets on which no interest is paid have a weighted average period until maturity of two years.

Financial liabilities

After taking into account various interest rate swaps and forward foreign currency contracts for £340 million (1999: £140 million), the interest rate profile of the Group's financial liabilities was:

	Total £m	Financial liabilities on which no interest is paid £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Fixed rate debt	
					Weighted average interest rate %	Average time for which rate is fixed years
Sterling	1,296	13	1,079	204	7.26	2.9
US dollar	861	19	486	356	8.82	7.0
Other	31	-	31	-	-	-
At 1 April 2000	2,188	32	1,596	560	8.25	5.5
Sterling	821	25	591	205	7.3	3.8
US dollar	799	10	440	349	8.7	7.8
At 3 April 1999	1,620	35	1,031	554	8.2	6.3

Floating rate financial liabilities comprise bank borrowings, linked to bank base rate and LIBOR, and commercial paper, floating rate notes and fixed rate long term debt issues swapped into floating rates, all bearing interest rates linked to LIBOR. Financial liabilities on which no interest is paid do not have pre-determined dates of payment and, therefore, a weighted average period of maturity cannot be calculated.

The above analysis includes three interest rate swaps which convert nominal fixed rate financial liabilities of £350 million at 6.54 per cent, £150 million at 8.25 per cent and £32 million at 7.36 per cent into floating rates based on sterling LIBOR, and one interest rate swap which converts nominal floating rate LIBOR linked debt of \$150 million into fixed rate financial liabilities at 6.95 per cent.

The above analysis excludes two swap options in an aggregate amount of \$200 million which, if exercised by the counterparty, would require the Group to enter into a swap under which it would receive fixed rate interest at 6.40 per cent and pay floating rate LIBOR on a nominal amount of \$200 million for a period to November 2002. The options may be exercised by the counterparty on quarterly dates through to August 2002.

The above analysis does not include a put option on two million shares in the Company which was sold to a counterparty in relation to the hedging of share options granted to employees (see note 26). The option was exercised on 19 April 2000 at the exercise price of 377.5 pence per share.

In addition to the above, the Group's provision of £40 million (1999: £nil) for onerous leases meets the definition of a financial liability. This financial liability is considered to be a floating rate financial liability as, in establishing the provision, the cash flows have been discounted. The discount rate will be reappraised at each half yearly reporting date to ensure that it reflects current market assessments of the time value of money and the risks specific to the liability.

Including Sainsbury's Bank (see below), there were no material recognised or unrecognised gains or losses on interest rate hedging instruments or forward foreign currency contracts at the beginning, end or during the 52 week period ended 1 April 2000 other than the interest rate swap and forward foreign currency contracts disclosed above.

23 Financial instruments continued**Financial instruments - Sainsbury's Bank**

The financial assets and financial liabilities of Sainsbury's Bank are shown separately as current assets and current liabilities in the Group Balance Sheet (see note 20). The management of Sainsbury's Bank's treasury operations is separate from that of the Group, as described on pages 26 and 27 of the Financial Review.

Sainsbury's Bank's exposure to movements in interest rates is shown in the following table which discloses the interest rate repricing profile of assets and liabilities as at 1 April 2000. Any asset (or positive) gap position reflects the fact that Sainsbury's Bank's financial assets reprice more quickly, or in greater proportion than liabilities in a given time period, and will tend to benefit net interest rate income in a rising interest rate environment. A liability (or negative) gap exists when liabilities reprice more quickly or in greater proportion than assets during a given period and tends to benefit net interest income in a declining rate environment. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Interest rate sensitivity table of Sainsbury's Bank as at 1 April 2000

	Not more than 3 mths £m	Over 3 mths but not over 6 mths £m	Over 6 mths but not over 1 year £m	Over 1 year but not over 3 years £m	Over 3 years but not over 5 years £m	Over 5 years £m	Non-interest bearing £m	Total £m
Assets:								
Eligible bank bills	64	-	-	-	-	-	-	64
Loans and advances to banks	499	10	33	-	-	-	-	542
Loans and advances to customers	350	1	4	119	197	13	-	684
Debt securities	399	-	-	-	-	-	-	399
Other assets	-	-	-	-	-	-	34	34
Total assets	1,312	11	37	119	197	13	34	1,723
Liabilities:								
Customer accounts	1,533	-	8	40	9	-	-	1,590
Other liabilities	-	-	-	-	-	-	21	21
Shareholders' funds	-	-	-	-	-	-	112	112
Total liabilities	1,533	-	8	40	9	-	133	1,723
On balance sheet gap	(221)	11	29	79	188	13	(99)	-
Interest rate swaps	88	-	5	(76)	(17)	-	-	-
Net interest rate sensitivity gap	(133)	11	34	3	171	13	(99)	-
Cumulative gap	(133)	(122)	(88)	(85)	86	99	-	-

Interest rate sensitivity table of Sainsbury's Bank as at 3 April 1999

	Not more than 3 mths £m	Over 3 mths but not over 6 mths £m	Over 6 mths but not over 1 year £m	Over 1 year but not over 3 years £m	Over 3 years but not over 5 years £m	Non-interest bearing £m	Total £m
Assets:							
Treasury bills and other eligible bills	83	-	-	-	-	-	83
Loans and advances to banks	1,033	179	-	-	-	-	1,212
Loans and advances to customers	294	1	3	47	53	-	398
Debt securities	48	-	-	-	-	-	48
Other assets	6	1	-	-	-	22	29
Total assets	1,464	181	3	47	53	22	1,770
Liabilities:							
Customer accounts	1,653	-	-	-	-	-	1,653
Other liabilities	-	-	-	-	-	16	16
Shareholders' funds	-	-	-	-	-	101	101
Total liabilities	1,653	-	-	-	-	117	1,770
Interest rate sensitivity gap	(189)	181	3	47	53	(95)	-
Cumulative gap	(189)	(8)	(5)	42	95	-	-

As set out above, Sainsbury's Bank has entered into interest rate swaps on a notional principal amount of £186 million. The underlying risks involved are significantly lower than the contract or notional principal amounts, as shown by the risk weighted amounts calculated using the Financial Services Authority's capital adequacy rules (total of £0.1 million) and their fair value represented by replacement cost (total of £0.4 million).

24 Analysis of net debt

	At 3 April 1999 £m	Cash flow £m	Debt in subsidiaries acquired (excluding cash and overdrafts) £m	Other non-cash movements £m	Exchange movements £m	At 1 April 2000 £m
Cash and liquid funds	742	(190)			(1)	551
Overdrafts	(128)	(34)			-	(162)
		(224)				
Debt due within 1 year	(532)	(79)	(76)	-	(2)	(689)
Debt due after 1 year	(653)	(173)	-	-	(2)	(828)
Finance leases	(133)	4	-	(7)	-	(136)
		(248)				
Total	(704)	(472)	(76)	(7)	(5)	(1,264)

25 Provisions for liabilities and charges

	Group		
	Deferred tax £m	Other £m	Total £m
At 4 April 1999	(4)	12	8
Profit and loss account			
Deferred tax - UK	3		3
Deferred tax - US	(4)		(4)
New provisions		46	46
Utilised		(7)	(7)
Transfer to corporation tax	2		2
At 1 April 2000	(3)	51	48

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

	Group			
	2000 Provided £m	2000 Unprovided £m	1999 Provided £m	1999 Unprovided £m
Timing differences between depreciation and capital allowances	9	178	12	172
Other timing differences	(12)	(27)	(16)	4
	(3)	151	(4)	176

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.

The total of other provisions of £51 million includes a new provision of £46 million relating to store closures, of which £40 million is for onerous leases and £6 million for other store closure costs. The provision for onerous leases covers residual lease commitments, of up to 80 years, after allowance for existing or anticipated sublet rental income. It has been calculated by applying a pre-tax discount rate to the anticipated cash flows over the remainder of the leases. The other store closure costs will crystallise in the financial year commenced 2 April 2000.

26 Called up share capital and share premium account

	Allotted fully paid shares million	Aggregate nominal value £m	Share premium £m	Consideration £m
Ordinary shares of 25 pence each authorised - 2,000 million shares		500		
At 4 April 1999	1,918.2	480	1,359	
Shares allotted:				
Profit Sharing Scheme	1.3	-	5	5
Savings-Related Share Option Scheme	4.6	1	14	15
Executive Share Option Scheme	0.4	-	1	1
At 1 April 2000	1,924.5	481	1,379	

Further details of these Schemes at 1 April 2000 are set out below:

(a) Savings-Related Share Option Scheme

The Company operates a Savings-Related Share Option Scheme for all UK 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 1996. At 1 April 2000, UK employees held 63,604 five-year savings contracts in respect of options over 31.4 million shares and 41,125 three-year savings contracts in respect of options over 10.6 million shares.

Details of these options at 1 April 2000 are set out below:

Date of grant	Price pence	Options outstanding at the end of the period	
		2000 million	1999 million
6 December 1993 (5 year period)	301.0	-	1.0
16 December 1994 (5 year period)	331.0	3.5	6.3
20 December 1995 (5 year period)	313.0	6.4	7.3
11 December 1996 (3 year period)	292.0	0.9	2.4
11 December 1996 (5 year period)	292.0	5.1	5.8
10 December 1997 (3 year period)	398.0	2.3	2.8
10 December 1997 (5 year period)	398.0	5.3	6.1
10 December 1998 (3 year period)	416.0	3.0	3.8
10 December 1998 (5 year period)	416.0	5.5	6.2
7 January 2000 (3 year period)	253.0	4.4	-
7 January 2000 (5 year period)	253.0	5.6	-
		42.0	41.7

The J Sainsbury plc Qualifying Employee Share Ownership Trust (the QUEST) was established under a deed of trust dated 11 December 1998. The purpose of the QUEST is to acquire shares for UK employees, including Directors, in satisfaction of their options under the Savings-Related Share Option Scheme.

Of the 4.6 million ordinary shares allotted in relation to the Savings-Related Share Option Scheme, 2.1 million ordinary shares were subscribed for by the QUEST at a market value of £6.2 million. These shares were allocated to employees, including Directors, in satisfaction of options exercised under the Scheme. The Company provided £1 million to the QUEST for this purpose. The cost of this contribution has been transferred by the Company directly to the Profit and Loss Account reserve (see note 28).

26 Called up share capital and share premium account continued
(b) Executive Share Option Scheme

Date of grant	Price pence	Options outstanding at the end of the period	
		2000 million	1999 million
31 July 1989	272.7	-	0.2
28 February 1991	322.1	0.8	0.9
28 August 1992	447.0	3.5	3.6
12 March 1994	359.0	3.1	3.3
8 September 1995	475.0	5.4	5.6
1 December 1995	386.0	0.1	0.1
20 May 1997	367.0	7.9	8.1
11 November 1997	489.0	0.4	0.5
10 November 1998	545.0	8.0	8.3
2 August 1999	377.5	10.9	-
24 November 1999	319.75	0.1	-
17 January 2000	319.5	0.2	-
1 March 2000	260.5	3.0	-
		43.4*	30.6

* These options were held by a total number of 1,873 executives.

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

(c) Colleague Share Option Plan

In July 1999 the Company established a Colleague Share Option Plan to operate under the rules of the Inland Revenue Approved Discretionary Share Option Scheme. A total of 111,000 UK employees participated in the Plan and on 2 August 1999 were awarded options over 36 million shares, at the option price of 377.5 pence per share. The options will normally be exercisable between three and ten years from the date of the grant of option. It is intended that there will be a further option granted under this plan in June 2000 for those UK employees who did not qualify for the first grant.

27 Revaluation reserve

	Group £m	Company £m
At 4 April 1999	38	-
Transfer from Group profit and loss account	1	-
At 1 April 2000	39	-

28 Profit and loss account

	Group £m	Company £m
At 4 April 1999	2,767	2,584
Profit retained for the period	75	(12)
Currency translation differences	3	4
Amounts deducted in respect of shares issued to the QUEST	(1)	(1)
Transfer to Revaluation reserve	(1)	-
At 1 April 2000	2,843	2,575

The cumulative goodwill deducted from the reserves of the Group at 1 April 2000 amounted to £289 million (1999: £289 million). This goodwill will be charged to the profit and loss account on disposal of the businesses to which it relates.

The profit for the financial year of the Company was £262 million (1999: £779 million).

29 Reconciliation of operating profit to net cash inflow from operating activities

	Group	
	2000 52 weeks £m	1999 56 weeks £m
Operating profit	528	836
Depreciation	410	388
Amortisation of intangible assets	12	-
(Profit)/loss on sale of equipment, fixtures and vehicles	(4)	6
Increase in stocks	(86)	(75)
Increase in debtors	(47)	(73)
Increase in creditors and provisions	39	256
Decrease/(increase) in Sainsbury's Bank current assets	48	(182)
(Decrease)/increase in Sainsbury's Bank creditors	(62)	166
	838	1,322

30 Future capital expenditure

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Contracted for but not provided for in the accounts	260	184	-	-

31 Contingent liabilities and financial commitments

The Company has no guarantees for the borrowings of subsidiaries at 1 April 2000 (1999: £nil). The Company has guaranteed Group annual commitments under lease obligations on land and buildings of £25 million, which increase by one per cent per annum.

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

	Land and buildings		Other leases	
	2000 £m	1999 £m	2000 £m	1999 £m
Leases which expire within 1 year	3	2	1	1
Leases which expire between 1 and 5 years	6	5	10	12
Leases which expire after 5 years	310	259	-	13

The Company has no annual commitments.

32 Pension costs

The pension costs for the UK mainly relate to two funded defined benefit pension schemes, the J Sainsbury Pension and Death Benefit Scheme (JSPDBS) and the J Sainsbury Executive Pension Scheme (JSEPS). The assets of these schemes are held separately from the Group's assets by trustee companies.

In June 1998, the Group introduced a defined contribution Group Personal Pension Plan to meet the requirements of a modern work force and in order to manage pension costs for the Group in the future. New employees are eligible to join only the Group Personal Pension Plan but may join the JSPDBS after five years' service. New Directors and senior executives will continue to join the JSEPS.

The pension cost for the period ending 1 April 2000 is based on the results of a triennial valuation carried out by Watson Wyatt, the Group's independent actuaries, as of 8 March 1997, on the projected unit basis.

32 Pension costs continued

The principal actuarial assumptions used in the actuarial valuations are:

	%
Long term rate of return on investments	8.5
Annual increase in dividends	4.75
Average annual increase in total pensionable salary (excluding promotional increments)	5.5
Average annual increase in present and future payments	4.0
Average rate of inflation	4.0

As at March 1997, the market value of the UK schemes was £1,999 million (1994: £1,435 million). The actuarial value was sufficient to cover 109 per cent (1994: 122 per cent) of the liabilities of the JSPDBS, a surplus of £111 million (1994: £181 million) and 115 per cent (1994: 120 per cent) of the JSEPS, a surplus of £44 million (1994: £44 million).

Total pension contribution costs for the Group were £64 million for the 52 week period ended 1 April 2000 (1999: £70 million for 56 weeks) of which the pension contribution costs of the UK schemes amounted to £53 million (1999: £61 million for 56 weeks). There is a variation from the regular cost because of scheme surpluses. These surpluses are being amortised over a period using a method which reduces the amount of variation from the regular cost until 2005 for the JSPDBS and 2011 for the JSEPS. Total costs for 2000 are after taking account of an amortisation of scheme surpluses of £22 million (1999: £26 million for 56 weeks). The Group's UK pension cost is not expected to increase until the results of the triennial valuation which is currently being undertaken are known.

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 of £11 million (1999: £9 million for 56 weeks) has been calculated in accordance with US accounting principles but would not have been materially different had UK accounting principles been applied.

33 Acquisition of and investment in subsidiary and associated undertakings

During the financial year, the Group purchased Star Markets Holdings Inc. and increased its investment in Egyptian Distribution Group SAE (EDGE) from 25.1 per cent to 80.1 per cent, and its investment in Hampden Group PLC from 29.2 per cent to 100 per cent.

	Group				1999
	2000			Total £m	
	Cash consideration plus costs £m	Cash balances acquired £m	Overdrafts acquired £m		
Star Markets Holdings Inc.	(235)	1	-	(234)	-
Hampden Group PLC	(14)	3	-	(11)	-
Egyptian Distribution Group SAE	(40)	-	(8)	(48)	(11)
	(289)	4	(8)	(293)	(11)

All of the purchases have been accounted for using acquisition accounting.

The total adjustments required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values in accordance with Group accounting principles were £26 million.

From the dates of acquisition to 1 April 2000, the acquisitions contributed £487 million to turnover and an operating loss of £35 million (after exceptional costs of £16 million and a charge of £11 million for amortisation of goodwill).

a) Acquisition of Star Markets Holdings Inc.

On 28 June 1999, Shaw's Supermarkets acquired Star Markets for a total consideration of £311 million, including debt acquired. Star Markets now operates 44 supermarkets, mainly in the Greater Boston area.

From the date of acquisition to 1 April 2000, Star Markets contributed £446 million to turnover, an operating loss of £19 million (after exceptional costs of £14 million and amortisation of goodwill of £10 million). Star Markets contributed £11 million to the Group's net operating cash flow, paid £5 million in respect of interest and utilised £3 million for capital expenditure.

The pre-acquisition figures quoted below are stated before any adjustment for Group accounting policies and were prepared under local accounting principles.

In the financial year to 30 January 1999, Star Markets reported turnover of \$1.06 billion, earnings before interest, tax and depreciation of \$55 million and a loss before tax and after financing costs of \$5 million and a loss after tax of \$6 million. From the period since that date to the date of acquisition, Star Markets made a loss after tax of \$10 million.

Notes to the financial statements

33 Acquisition of and investment in subsidiary and associated undertakings continued

a) Acquisition of Star Markets Holdings Inc. continued

Details of the transaction, showing the fair value adjustments, are set out in the table below:

	Book value £m	Fair value adjustments		Fair value to the Group £m
		Revaluations £m	Accounting policy alignments £m	
Tangible fixed assets	100	(22)	-	78
Stocks	40	-	-	40
Other current assets	43	-	-	43
Creditors	(100)	-	-	(100)
Net assets acquired	83	(22)	-	61
Consideration				311
Goodwill				250
Consideration satisfied by:				
Cash (including £2 million acquisition costs)				235
Debt acquired				76
Total consideration				311

The book values of the assets and liabilities have been taken from the management accounts of Star Markets at 26 June 1999. The fair value adjustments contain some provisional adjustments which will be finalised in the financial statements at 31 March 2001 when the detailed acquisition investigation has been completed.

b) Other acquisitions

	£m
Book value of net assets acquired (includes net overdrafts of £5 million)	11
Fair value adjustments	(4)
Net assets acquired	7
Consideration	64
Goodwill	57

Hampden and EDGE were consolidated as subsidiaries from 16 October 1999 and 20 October 1999 respectively. Provisional fair value adjustments of £2 million have been made to align accounting policies in respect of fixed assets (£1 million) and stock (£1 million). Provisional adjustments of £2 million to reflect the revaluation of fixed assets have been made.

The provisional fair value adjustments will be finalised in the financial statements at 31 March 2001 when the detailed acquisition investigations have been completed.

Consideration comprised cash and a further potential payment of up to £11 million contingent on the future profit performance of EDGE.

34 Related party transactions

The following transactions fall to be disclosed under the terms of FRS8.

Sainsbury's Bank is a subsidiary of the Company, and has as joint shareholders the Company and Bank of Scotland, which hold 55 per cent and 45 per cent respectively of the issued share capital. In the year ended 1 April 2000, Bank of Scotland provided both management and banking services to Sainsbury's Bank. In the same period the Group provided management services and reward points (relating to customer loyalty cards) to Sainsbury's Bank.

The amounts in respect of management, banking services and reward points payable during the year were:

	2000 £m	1999 £m
Payable to Bank of Scotland	19	19
Payable to the Group	10	12

In addition, Sainsbury's Bank made loans and advances to and entered into interest rate swaps with Bank of Scotland Treasury Services plc and operated a current account at Bank of Scotland during the year, all under normal commercial terms. Included in loans and advances to banks at 1 April 2000 of £542 million (1999: £1,211 million) are loans and advances to Bank of Scotland Group of £376 million (1999: £395 million).

Five year financial record

	1996 ^(b)	1997 ^(c)	1998 ^(d)	1999 ^(e)	2000 ^(f)
Financial results (£ million)					
Group turnover (including VAT and sales taxes)	13,499	14,312	15,496	16,378	17,414
Increase on previous year	11.9%	6.0%	8.3%	5.7%	6.3%
Group operating profit (before Year 2000 costs and profit sharing)					
Sainsbury's Supermarkets	778	692	766	732	522
Homebase	26	16	55	75	57
Shaw's	-	41	38	53	80
Sainsbury's Bank	-	(6)	(15)	(5)	3
Sainsbury's Egypt	-	-	-	-	(11)
Other operating activities	(1)	2	10	12	16
	803	745	854	867	667
Year 2000 costs	-	-	(20)	(28)	(6)
Profit sharing	(50)	(37)	(44)	(45)	(10)
Associated undertakings	19	19	16	11	1
Interest receivable/(payable)	(59)	(76)	(78)	(50)	(72)
Group profit before tax, amortisation of goodwill, exceptional costs and non-operating items	764	651	728	755	580
(Decrease)/increase on previous year	(5.4)%	(14.8)%	11.8%	3.7%	(23.2)%
Earnings per share					
Basic	26.8p	22.0p	25.1p	29.2p	18.3p
(Decrease)/increase on previous year	(10.1)%	(17.9)%	14.1%	16.3%	(37.3)%
Diluted (before amortisation of goodwill, exceptional costs and non-operating items)	27.8p	23.1p	26.6p	26.8p	20.5p
(Decrease)/increase on previous year	(4.1)%	(16.9)%	15.2%	0.8%	(23.5)%
Dividend per share	12.1p	12.3p	13.9p	14.32p^(a)	14.32p
Retail statistics					
Number of outlets at financial year-end					
Sainsbury's Supermarkets - over 40,000 sq ft sales area	28	33	39	42	61
- 25,000-40,000 sq ft sales area	211	223	229	233	225
- 15,000-25,000 sq ft sales area	87	87	93	98	99
- under 15,000 sq ft sales area	49	47	43	45	47
Sainsbury's Supermarkets	375	390	404	418	432
Homebase	310	297	298	288	297
Shaw's	96	115	121	127	168
Sainsbury's Egypt	-	-	-	-	100
Total number of stores	781	802	823	833	997
Sales area (000 sq ft)					
Sainsbury's Supermarkets	10,801	11,421	11,979	12,571	13,055
Homebase (approx. 80% covered sales area)	11,632	11,246	11,201	10,851	11,339
Shaw's	3,137	3,822	4,119	4,410	5,617
Sainsbury's Egypt	-	-	-	-	378
Group total	25,570	26,489	27,299	27,832	30,389
Net increase on previous year:					
Sainsbury's Supermarkets	4.6%	6.3%	4.6%	4.9%	3.9%
Group	59.1%	3.6%	3.1%	2.0%	9.2%
New Sainsbury's Supermarkets openings	10	18	19	20	20
Sainsbury's Supermarkets' sales intensity (including VAT)^(g)					
Per square foot (£ per week)	17.86	18.09	18.26	18.04	16.98
Share of national trade in predominantly food stores and pharmaceutical, medical, cosmetic and toilet goods outlets^(h)	12.2%	12.3%	12.5%	12.3%	11.9%

^(a) Excludes a 1.0 pence per share payment to cover the extra four weeks in 1999.

^(b) 1996 figures for profits and diluted earnings per share are stated before exceptional costs of £48 million (£5 million as restated under FRS12).

^(c) 1997 figures for profits and diluted earnings per share are stated before exceptional costs of £50 million (£44 million as restated under FRS12).

^(d) 1998 figures for profits, basic earnings per share and diluted earnings per share are restated to comply with FRS12 and FRS14 and are before exceptional costs of £28 million and a loss of £12 million on the disposal of a subsidiary.

^(e) 1999 figures for profits and diluted earnings per share are for the 52 week period to 3 April 1999 and are stated before exceptional costs of £21 million and a profit of £84 million on the sale of an interest in an associate.

^(f) 2000 figures for profits and diluted earnings per share are before amortisation of goodwill of £11 million, exceptional costs of £112 million and a profit on disposal of properties of £52 million.

^(g) Including Savacentre, excluding petrol.

^(h) Based on Office for National Statistics data and Sainsbury's Supermarkets sales, excluding petrol.

Investor information

Shareholders' interests at 1 April 2000

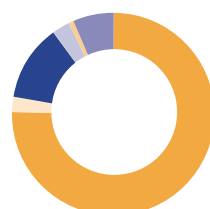
Number of shareholders: 121,512 (1999: 113,403)

Number of shares in issue: 1,924,493,253 (1999: 1,918,215,654)

Range of shareholdings

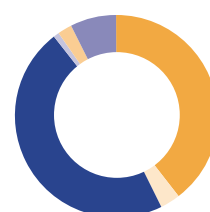
	Shareholders %		Shares %	
	2000	1999	2000	1999
500 and under	52.42	49.45	0.55	0.50
501 to 1,000	17.73	18.67	0.84	0.83
1,001 to 10,000	27.56	29.23	4.38	4.39
10,001 to 100,000	1.68	1.93	2.75	3.09
100,001 to 1,000,000	0.44	0.52	9.25	10.07
over 1,000,000	0.17	0.20	82.23	81.12
	100.00	100.00	100.00	100.00

2000 Shareholder %



Individual and other shareholders	92.68
Insurance companies	0.16
Banks and nominees	5.51
Investment trusts	0.20
Pension funds	0.02
Other corporate bodies	1.43
Total	100.00

2000 Shares %



Individual and other shareholders	43.15
Insurance companies	1.14
Banks and nominees	51.01
Investment trusts	0.16
Pension funds	0.82
Other corporate bodies	3.72
Total	100.00

At the year-end, the Trustees of the J Sainsbury Profit Sharing Scheme Trust held 9.8 million shares (1999: 9.9 million) on behalf of 55,284 participants (1999: 52,105). The Trustees' holding is included in 'individual and other shareholders'.

Annual General Meeting

The Annual General Meeting will be held at 11.30 am on Wednesday 26 July 2000 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the Meeting and the proxy card accompany this Annual Report.

American Depository Receipts (ADRs)

In the US, the Company's ordinary shares are traded in the form of American Depository Shares, evidenced by ADRs, and trade under the symbol JSNSY. Each American Depository Share represents four ordinary shares. Citibank is the authorised Depository 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

Low cost dealing service

The Company offers a share dealing service for J Sainsbury plc ordinary shares through The Share Centre Ltd. in conjunction with UBS Warburg. Dealing commission on both purchases and sales of J Sainsbury plc ordinary shares is one per cent. Purchases are subject to a minimum charge of £5.

For further information contact The Share Centre. Details are shown in the 'Useful Contacts' section on the back cover.

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.

Individual Savings Account (ISA)

On the Company's behalf, a corporate ISA is being operated by Sainsbury's Bank plc in association with the Bank of Scotland. The plans being offered are a Maxi ISA to include shares and cash and a Mini shares ISA. The contact address and telephone number are included in the 'Useful Contacts' section on the back cover.

Tax information - Capital Gains Tax

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

Dividend Reinvestment Plan

The Company has a dividend reinvestment plan for the forthcoming and future dividends which allows shareholders to reinvest their cash dividend in shares bought on the London Stock Exchange through a specially arranged sharedealing service. Details of how the plan works and the charges, together with a mandate for shareholders to complete if they wish to join the plan are available from our Registrar, Computershare Services PLC. See the 'Useful Contacts' section on the back cover for their address.

Last date for return or revocation of plan mandates	7 July 2000
Plan shares purchased for shareholders	28 July 2000
Plan share certificates issued	11 August 2000

Financial calendar, registered office and advisers

Financial calendar 2000/2001

Dividend and interest payments

Ordinary dividend:	
Final payable	28 July 2000
Interim payable	January 2001
<hr/>	
8% Irredeemable Unsecured Loan Stock	1 March/1 September
<hr/>	
£150m 8.25% Notes 2000	22 December
<hr/>	
\$200m 6.25% Notes 2002	27 March
<hr/>	
£200m 7.25% Notes 2002	7 June

Other dates

Interim results announced	November 2000
<hr/>	
Interim report circulated	November 2000
<hr/>	
Results for the year announced	May 2001
<hr/>	
Report and accounts circulated	June 2001
<hr/>	
Annual General Meeting	July 2001

Registered office

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

Registrars

Computershare Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Auditors

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6NN

Solicitors

Denton Wilde Sapte
One Fleet Place
London EC4M 7WS

Stockbrokers

UBS Warburg
1 Finsbury Avenue
London EC2M 2PP

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Useful contacts

For information about the AGM, shareholdings, dividends and changes to personal details all shareholders should contact:

Computershare Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 702 0106

For information about low cost dealing facilities contact:

The Share Centre
PO Box 1000
Tring
Hertfordshire HP23 4JR
Telephone: 01442 890844

Institutional investors may wish to contact Investor Relations:
020 7695 6215/6227

Information about ISAs can be obtained from:

Sainsbury's Corporate ISA
Bank of Scotland
101 George Street
Edinburgh EH2 3JH
Telephone: 0131 442 8271

An audio tape of the Annual Review and Summary Financial Statement can be obtained by calling: 01435 862737

The Group's Environment Report is available on the Internet and by calling: 0800 387504

For general enquiries about Sainsbury's Bank call: 0500 405060

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

Information about the Group may be found on the Internet at:

www.j-sainsbury.co.uk

