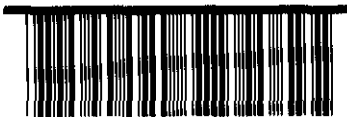


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J Sainsbury plc
33 Holborn, London EC1N 2HT
www.j-sainsbury.co.uk

Report of the Directors

The Directors present their report and audited financial statements for the 52 weeks to 30 March 2002.

Principal activities and review of performance

The Group's principal activities are food retailing and financial services. A review of the performance of the Group and its principal operating subsidiaries during the period is set out in the Operating and Financial Review on pages 2 to 8 of this Report and on pages 3 to 17 of the Annual Review and Summary Financial Statement.

Dividends

The Directors recommend the payment of a final dividend of 10.82 pence per share (2001: 10.30 pence), making a total dividend for the year of 14.84 pence per share (2001: 14.32 pence). Subject to shareholders approving this recommendation at the Annual General Meeting, the dividend will be paid on 26 July 2002 to shareholders on the register at the close of business on 14 June 2002.

The Board

The Directors are listed on page 20 of the Annual Review and Summary Financial Statement.

Sir Clive Thompson and Robin Whitbread retired from the Board on 25 July 2001 and 15 October 2001 respectively. Lord Levene joined the Board on 1 May 2001 and both Stuart Mitchell and Sara Weller were appointed to the Board on 1 January 2002. Bridget Macaskill joined the Board as a Non-Executive Director on 1 February 2002. All the other Directors served throughout the period.

In accordance with the Articles of Association, John Adshead will retire by rotation at the Annual General Meeting and will seek re-election. Stuart Mitchell, Sara Weller and Bridget Macaskill, who were appointed since the last Annual General Meeting, will also retire and seek re-election. Full biographical details of the Directors seeking re-election are set out on pages 20 and 21 of the Annual Review and Summary Financial Statement.

Annual General Meeting

The Annual General Meeting will be held on Wednesday, 24 July 2002 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 11.30am. The Chairman's letter and the Notice of Meeting with explanatory notes on the special business to be transacted at the meeting accompany this Report.

At the Annual General Meeting, resolutions will be proposed to reappoint PricewaterhouseCoopers as auditors and to renew the authority for the Company to make market purchases of its own shares. No such purchase has been made during the period. In addition, shareholders will be asked to approve a new executive share option plan. A detailed summary of the new plan is set out in the Chairman's letter.

Share capital

The changes to the issued share capital of the Group are shown in note 27 to the financial statements.

Major interests in shares

As at 28 May 2002, the Company had been advised of the following notifiable interests in its shares:

Judith Portrait is a trustee of various settlements, including charitable trusts and the blind trust for Lord Sainsbury of Turville. As at 28 May 2002, the total holdings of these trusts amounted to 27 per cent of the Company's issued share capital.

Christopher Stone, Andrew Cahn and John Rosenheim are trustees of various settlements, including charitable settlements. As at 28 May 2002, the total holdings of the settlements of which they are trustees, as notified to the Company, amounted to 5 per cent, 5 per cent and 3 per cent respectively.

As at 28 May 2002, the notifiable interests, held beneficially and as trustees of charitable and other trusts by 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.

All of the above include duplication.

Franklin Resources Inc. has a notifiable interest of 5 per cent.

Directors' interests

The beneficial interests of the Directors and their families in the shares of the Company are shown on page 16. During the year, no Director had any material interest in any contract of significance to the Group's business.

Market value of properties

The Directors believe that the aggregate open market value of Group properties exceeds the net book value of £5 billion by a considerable margin.

Employees, social responsibility and the environment

The Company has well-developed policies for fair and equal treatment of all employees, employment of disabled persons and employee participation as described in the statement of corporate social responsibility set out on pages 18 and 19 of the Annual Review and Summary Financial Statement.

The Company's Environment Report, which is published on the Internet (www.j-sainsbury.co.uk/environment) describes the Company's environmental policies.

Policy on payment of creditors

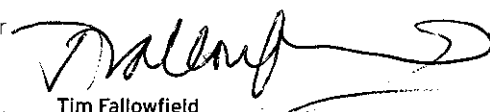
The policy of the Company and its principal operating companies is to agree terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices.

The Company is a holding company and therefore has no trade creditors. The policy and performance of the operating companies in respect of payment to suppliers are set out in their accounts.

Donations

During the year donations to UK charitable organisations and local community projects amounted to £11 million (2001: £14 million); see page 19 of the Annual Review and Summary Financial Statement for further details. There were no political donations.

By order of the Board



Tim Fallowfield
Company Secretary
28 May 2002

Statement of corporate governance

The Company is committed to high standards of corporate governance in its business and has complied throughout the period under review with all the provisions of the Combined Code on Corporate Governance ('the Code'). This statement, together with the Remuneration report, explains how the Company has applied the governance principles of the Code.

The Board

The Board comprises six Executive Directors and six Non-Executive Directors, including the Chairman. Biographical details of the Directors and the changes to the composition of the Board during the year are set out in the Annual Review and Summary Financial Statement on pages 20 and 21. There is a clear division of responsibilities between the Chairman, who is part time, and the Group Chief Executive. All the Non-Executive Directors are considered to be independent. They bring a wide and varied commercial experience to Board deliberations. Lord Levene is the senior Non-Executive Director.

The Board meets 10 times a year, including a two-day strategy conference. There is a formal schedule of matters reserved exclusively for its consideration. It is responsible to shareholders for the strategic development of the Group, the management of assets in a way that maximises performance and the control of the operation of the business. The Board approves the Group's strategic plan 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 Group Executive Committee comprising all of the Executive Directors and certain other senior executives of the Group. The Group Chief Executive also chairs the Boards of Sainsbury's Supermarkets Ltd and Shaw's Supermarkets Inc.

The Company has a programme for meeting Directors' training requirements. Newly appointed Directors who do not have previous public company experience at Board level are provided with appropriate training on their role and responsibilities. New Non-Executive Directors are offered an appropriate induction programme. Subsequent training is available on an ongoing basis to meet particular needs.

The Board has full and timely access to information enabling it to discharge its duties effectively. The Chairman is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings.

All Directors have access to the advice and services of the Company Secretary. There is an agreed procedure by which members of the Board may take independent professional advice at the Company's expense in the furtherance of their duties. The Company Secretary has responsibility for ensuring that Board procedures are followed. The appointment and removal of the Company Secretary is one of the reserved matters for the Board.

Board Committees

The Remuneration, Nomination and Audit Committees have written terms of reference which define their authorities, duties and membership. These committees are made up exclusively of the Non-Executive Directors, other than the Group Chief Executive's membership of the Nomination Committee.

The Remuneration Committee meets four times a year. Its responsibilities include setting remuneration policy for all Executive Directors and determining the remuneration arrangements for individual Executive Directors. The report on Directors' remuneration is set out on pages 12 to 16.

The Nomination Committee advises the Board on the re-election of Directors and meets when necessary. All Directors are required to seek re-election by shareholders at the first opportunity after their appointment and must stand for re-election to the Board every three years under the Company's Articles of Association.

The Audit Committee meets at least three times a year. Its responsibilities include making recommendations on the Company's accounting and reporting policies, reviewing the scope and results of the audit and defining and monitoring internal financial control. It also reviews the performance, independence and objectivity of the auditors. The Committee receives regular reports from the Group internal audit department and the external auditors, and it 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 the Audit Committee. The Company's external auditors attend Committee meetings. The Committee may, at its discretion, meet with the internal and external auditors without management being present.

Internal control

The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It includes all controls including financial, operational and compliance controls and risk management.

The processes used to assess the effectiveness of the internal control systems include the following:

- regular operational and financial reviews of performance against budgets and forecasts by management and the Board;
- regular reviews by management and the Audit Committee of the scope and results of internal audit work across the Group. The scope of the work covers all key activities of the Group and concentrates on high risk areas;
- reviews of the scope of the work of the external auditors by the Audit Committee and any significant issues arising;
- reviews by the Audit Committee and the Board of accounting policies and delegated authority levels; and
- consideration by the Board of the major risks facing the Group and procedures to manage them. These include health and safety, legal compliance, quality assurance, insurance, security and social, ethical and environmental risks.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the Annual Report and Financial Statements and accords with the Turnbull guidance. The effectiveness of the process is reviewed semi-annually by the Audit Committee which then reports to the Board. The process consists of:

- formal identification by management at each level of the Group through a self-assessment process of the key risks to achieving their business objectives and the controls in place to manage them. The likelihood and potential impact of each risk is evaluated;
- certification by management that they are responsible for the risks to their business objectives and that the internal controls are such that they provide reasonable but not absolute assurance that the risks are appropriately identified, evaluated and managed;
- reporting and review by the board of each operating company of risk management activities and action taken to address non-compliance with controls or to improve their effectiveness;
- independent assurance by internal audit as to the existence and effectiveness of the risk management activities described by management.

The system of internal control and risk management is embedded into the operations of the Group, and action to mitigate any weaknesses found is monitored.

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.

Investor relations

The Company is committed to maintaining good communications with shareholders. Institutional investors and analysts are invited to briefings by the Company immediately after the announcement of the Company's interim and full-year results. The content of these briefings is posted on the Company's website (www.j-sainsbury.co.uk/investors/) so as to be available to all shareholders.

Shareholders have the opportunity to meet and question the Board at the Annual General Meeting. At the Annual General Meeting to be held on 24 July 2002, there will be a display of various aspects of the Group's activities and a business presentation by the Group Chief Executive. The Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions. Proxy votes will be announced after each resolution. A detailed explanation of each item of special business to be considered at the Annual General Meeting is included with the Notice of Meeting, which will be sent to shareholders at least 20 working days before the meeting.

Information on matters of particular interest to private shareholders is set out on pages 30 and 31 of the Annual Review and Summary Financial Statement. In addition, the Company's website (www.j-sainsbury.co.uk/investors/) makes available a wide range of information to all shareholders.

Remuneration report

Remuneration Committee

The Remuneration Committee is chaired by Keith Butler-Wheelhouse and comprises all of the Non-Executive Directors. Its constitution and operation comply with the provisions of the Code.

The Committee takes professional advice in setting the remuneration policy for Executive Directors and in determining their individual remuneration levels. It considers the views of the Group Chief Executive and the Group HR Director when reviewing the remuneration of the other Executive Directors, but neither are involved in discussions concerning their own remuneration.

Remuneration policy

The Remuneration Committee has adopted a remuneration policy consistent with the Company's business objectives and which:

- attracts, retains and motivates high calibre Directors and senior management;
- in general terms, sets base salary broadly in line with median market practice, whilst moving total remuneration towards upper quartile market levels for superior performers;
- creates overall packages in which performance-related elements form a significant proportion;
- reinforces the performance orientated culture by providing enhanced rewards for stretch performance;
- supports a short-term and long-term incentive plan which is targeted at both personal and Company performance;
- aligns the interests of Directors and senior management with those of the shareholders by linking share and cash incentive payments to performance; and
- is based on information from independent remuneration sources which takes into account 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 by taking into account assessments of the Director's performance, experience and responsibilities, together with market factors which provide the best possible benchmark for the Director's specific position.

ii) Incentive arrangements

In addition to basic salary, the Company maintains incentive arrangements which combine an Annual Bonus Plan with long-term incentive share plans. The Committee believes that these arrangements provide for rewards which reflect an appropriate balance between personal 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 Plan

A cash bonus is payable conditional upon the achievement of business and individual targets which are key to the businesses' performance. The bonus is a percentage of salary, with a maximum of 50 per cent for Executive Directors for the period under review, and a lower maximum for other senior executives, and is calculated according to performance against profit before tax and individual targets. Bonuses are not pensionable.

Performance Share Plan

This Plan allows shares to be allocated to individuals on a conditional basis, but not released unless the performance criterion is met. The number of shares actually released depends upon the Company's performance compared with 12 comparator companies (namely Ahold, Boots, Carrefour, Dixons, GUS, Kingfisher, Marks & Spencer, Morrison, Next, Safeway, Somerfield and Tesco).

The Company's relative performance is determined by reference to total shareholder return, being the increase in the value of a share, including reinvested dividends, over a three-year period. The conditional share allocation to each individual participant is set as a percentage of their salary, being up to 50 per cent for Executive Directors for the three conditional awards to date.

In respect of these allocations, no shares will be released if the Company's position in the comparator group at the end of the three-year period is below the median; 50 per cent of the shares will be released at median performance; the full award will be released at upper quartile performance, and between median and upper quartile performance a pro rata award will be made.

The Remuneration Committee has reviewed the performance criterion relating to the conditional allocation made in 1999 and has determined that 83.3 per cent of the award should be released to participants on 29 May 2002 in the form of an option over the appropriate number of shares.

Executive Share Option Scheme

Grants under the Company's Executive Share Option Scheme have normally been made annually to a value of one times annual basic salary for Directors and senior executives (and to a lesser value for other executives). In 2001/02, shareholders approved an additional grant of up to one times annual basic salary to participants. Since 1995, options have been subject to a performance criterion. Under the current performance criterion, Executive Directors will only be able to exercise options granted in 1999-2001 if the Company achieves an average of 3 per cent per annum real (above inflation) growth in earnings per share (EPS) over three years. If the criterion is not achieved, it is retested at the end of the fourth year using the year of the grant as the fixed starting point. If 3 per cent average real EPS growth per annum is still not achieved after the fourth year, the option will lapse. For options granted from July 2001, a further testing at the end of the fifth year is permitted. Where, following a grant of options, the total value of a Director's outstanding share options exceeds four times annual remuneration, a more stringent performance criterion determined by the Remuneration Committee will apply in respect of such options.

Changes to incentive arrangements

Professional advisors have carried out a full review of the Company's incentive arrangements and concluded that the plans, both annual and longer term, have fallen behind market practice. The Remuneration Committee has therefore considered improving the Company's incentive arrangements in a manner which will establish more fully a performance culture in Sainsbury's and which will be extended to all levels of management who participate in the incentive schemes. The Committee has approved changes to the Annual Bonus Plan and the Performance Share Plan for 2002/03 and is seeking shareholder approval for the implementation of a new Executive Share Option Plan. The background to and details of the changes to each of the plans are set out in the Chairman's letter which accompanies this Report.

The result of the changes is that the Executive Directors and the management team have the potential to earn higher rewards, but only for superior performance, thereby further aligning their interests with those of shareholders.

iii) Other share schemes

Employee share ownership is an important aspect of the Company's culture. Share schemes provide colleagues with an additional focus on the Company's financial performance, align colleagues' interests directly with shareholders' interests and enable colleagues to benefit directly from increases in the Company's share price. Approximately 52,000 colleagues hold shares in the Company's Employee Profit Sharing Scheme Trust, 6,000 in the Share Purchase Plan Trust and 30,000 participate in the Savings-Related Share Option Scheme. Directors may participate in these plans in the same way as all other colleagues.

Profit sharing in respect of the year ended 30 March 2002 is expected to amount to approximately 1.1 per cent (2001: 1 per cent) of qualifying pay. The last payment under the Employee Profit Sharing Scheme will be made in August 2002 and the Company has introduced a free share element under the Company's Share Incentive Plan for all colleagues with one complete financial year's service, with the first allocation of shares taking place in mid 2003.

iv) Pensions

Executive Directors are members of the J Sainsbury Executive Pension Scheme, 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 dependents on death and a lump sum is payable if death occurs in service. Members contribute 4.25 per cent of their salaries to the scheme.

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 obligation is unfunded, although full provision of £1,616,000 has been made in respect of the year ended 30 March 2002 (2001: £762,000).

New appointments will be eligible to become members of the recently announced Executive Stakeholder Pension Plan which is a defined contribution arrangement.

Remuneration report continued

The pension entitlements of the Directors who served during the year were as follows:

	Age	Length of service years	Additional pension earned in the year £000	Transfer value of increase £000	Accrued entitlements at year-end £000
John Adshead CBE	57	13	20	315	174
Ian Coull	51	15	16	190	136
Sir Peter Davis	60	2	25	371	52
Roger Matthews	47	2	15	141	31
Stuart Mitchell ¹	41	18	32	238	101
Sara Weller ¹	40	2	12	80	21
Robin Whitbread ²	51	33	13	143	160

1 Appointed as a Director 1 January 2002.

2 Retired as a Director on 15 October 2001.

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.

v) Benefits

Other benefits for Executive Directors include the provision of a company car and free medical insurance.

Service contracts

All service contracts for Executive Directors are on a 12 month rolling basis. Sir Peter Davis is also on a 12 month rolling contract which, 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. Non-Executive Directors, including the Chairman, do not have service contracts.

Directors' remuneration

The remuneration of the Directors for the year was as follows:

	Note	Salary £000	Bonus ⁸ £000	Profit sharing £000	Benefits £000	Compensation for loss of office £000	Total 2002 £000	Total 2001 £000
Executive Directors								
John Adshead CBE		320	130	3	23	-	476	429
Ian Coull		320	130	3	16	-	469	459
Sir Peter Davis	1	750	320	7	21	-	1,098	1,074
Roger Matthews		380	158	3	21	-	562	565
Stuart Mitchell	2	75	30	-	5	-	110	-
Sara Weller	2	76	30	-	4	-	110	-
Robin Whitbread	3	300	116	3	16	525	960	386
Non-Executive Directors								
Sir George Bull		225	-	-	20	-	245	242
Keith Butler-Wheelhouse		29	-	-	-	-	29	25
June de Moller		25	-	-	-	-	25	25
Jamie Dundas	4	30	-	-	-	-	30	16
Lord Levene	5	23	-	-	-	-	23	-
Bridget Macaskill	6	4	-	-	-	-	4	-
Sir Clive Thompson	7	11	-	-	-	-	11	35
Directors who left the Board before the start of the financial year								1,430
Total 2002		2,568	914	19	126	525	4,152	
Total 2001		2,445	852	24	128	1,237		4,686

1 Highest paid director.

2 Appointed as a Director on 1 January 2002.

3 Retired as a Director on 15 October 2001. Compensation for loss of office has been accrued but not paid in the financial year.

4 Appointed as a Director on 1 September 2000.

5 Appointed as a Director on 1 May 2001.

6 Appointed as a Director on 1 February 2002.

7 Retired as a Director on 25 July 2001. The fees of Sir Clive Thompson were remitted to Rentokil Initial plc.

8 Includes performance bonuses earned in the period under review but not paid in the financial year. Bonuses have been apportioned for Directors appointed since 1 April 2001.

Performance Share Plan

Under the Plan, shares conditionally allocated to individuals are released to them in the form of options if a future performance criterion, based on a comparator group of companies, is met at the end of the three-year performance period. Sir Peter Davis does not participate in this Plan. The Remuneration Committee has reviewed the performance criterion relating to the conditional allocation made in 1999 and determined that 83.3 per cent of the award should be released to participants on 29 May 2002 in the form of an option over the appropriate number of shares. This is shown below together with the conditional allocations for 2000 and 2001.

	26 July 1999	2 June 2000	7 June 2001
John Adshead CBE	30,067	55,146	37,470
Ian Coull	31,738	55,146	37,470
Roger Matthews	-	62,500	44,496
Stuart Mitchell	9,977	37,223	28,981
Sara Weller	-	41,359	30,035

The above figures for 2000 and 2001 show the maximum award that would be released provided that the Company achieves the upper quartile position within the comparator group at the end of the three-year performance period.

Options over ordinary shares

As at the end of the year under review, the Directors' share options were as follows:

	Number of options					Weighted average exercise price pence	Range of exercise prices pence	Date	
	1 April 2001	Granted during the year	Exercised during the year	Lapsed during the year	30 March 2002			From which exercisable	Of expiry
Executive Share Option Scheme									
John Adshead CBE	119,437	-	-	-	119,437	393	359-447	28.08.95	12.03.04
Ian Coull	101,062	-	-	-	101,062	425	359-447	28.08.95	12.03.04
Stuart Mitchell	10,290*	-	-	-	10,290	447	447	28.08.95	28.08.02
Executive Share Option Scheme (With performance criteria attached)									
John Adshead CBE	351,407	153,565	-	-	504,972	400	272-545	08.09.98	26.07.11
Ian Coull	374,402	153,565	-	-	527,967	401	272-545	08.09.98	26.07.11
Sir Peter Davis	3,009,596	-	-	-	3,009,596	260.5	260.5	01.03.03	01.03.10
Roger Matthews	231,333	182,358	-	-	413,691	348	272-427	24.11.02	26.07.11
Stuart Mitchell	319,385*	-	-	-	319,385	384	272-545	08.09.98	26.07.11
Sara Weller	316,315*	-	-	-	316,315	346	272-427	17.01.03	26.07.11
Savesave scheme									
John Adshead CBE	2,473	427	-	820	2,080	289	253-416	01.03.03	31.08.05
Ian Coull	4,295	723	141	-	4,877	276	253-301	01.03.05	31.08.07
Sir Peter Davis	-	4,384	-	-	4,384	301	301	01.03.07	31.08.07
Roger Matthews	1,879	692	-	-	2,571	300	299-301	01.03.04	31.08.05
Stuart Mitchell	4,371*	-	141	-	4,230	318	253-416	01.02.04	31.08.07

* As at date of appointment, including options granted during the year, but prior to appointment.

The options outstanding under the Company's Executive Share Option Scheme and Savings-Related Share Option Scheme are exercisable at prices between 253.0 pence and 545.0 pence.

Details of options held at 30 March 2002, split between those with exercise prices below and above the market value of the Company's shares on that date, are set out below.

Remuneration report continued

Options over ordinary shares continued

	Unexercised options at prices below market value				Unexercised options at prices above market value	
	Range of option prices pence	Number of options		Inherent profit £000	Range of option prices pence	Number of options
John Adshead CBE	253 -377.5	290,690		199	407-545	335,799
Ian Coull	253 -377.5	258,033		187	407-545	375,873
Sir Peter Davis	260.5-301	3,013,980		4,187	-	-
Roger Matthews	272 -319.75	233,904		246	407-427	182,358
Stuart Mitchell	253 -377	146,855		125	407-545	187,050
Sara Weller	272 -319.5	179,547		191	407-427	136,769

The inherent profit figures have been calculated by reference to a mid-market price of the Company's shares on 30 March 2002 of 399.5 pence (2001: 385.0 pence) and assume that all unexercised options with exercise prices below that mid-market price were exercised on that date, on the basis that all performance conditions had been satisfied. In the period from 31 March 2001 to 30 March 2002 the highest mid-market price of the Company's shares was 447.75 pence and the lowest mid-market price was 326.75 pence.

Details of share options exercised by Directors during the period are as follows:

	Date of exercise	Number of shares exercised	Option price pence	Mid-market price on date of exercise pence	Gains on options exercised £
Ian Coull	06.02.2002	141	292	403	156.51
Stuart Mitchell	06.02.2002	141	292	403	156.51
					313.02

Gains on exercised options have been calculated using the difference between the share option price and the mid-market price on the date of the exercise. In each case, the shares have been retained by the individual and the gain shown is the notional gain at the date of exercise.

Directors' interests

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

	Ordinary shares ¹		Ordinary shares ³
	1 April 2001	30 March 2002	28 May 2002
Executive Directors			
John Adshead CBE	54,732	69,345	69,401
Ian Coull	32,434	46,101	46,157
Sir Peter Davis	100,000	101,106	101,162
Roger Matthews	50,000	50,391	50,391
Stuart Mitchell	12,179 ²	12,407	12,463
Sara Weller	187 ²	243	299
Non-Executive Directors			
Sir George Bull	17,500	20,000	20,000
Keith Butler-Wheelhouse	3,300	3,300	3,300
Jane de Moller	1,500	1,500	1,500
Jamie Dundas	1,200	1,200	1,200
Lord Levene	- ²	2,500	2,500
Bridget Macaskill	- ²	-	-

¹ Ordinary shares 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 his minor children are beneficiaries or potential beneficiaries. They also include the beneficial interests in shares which are held in trust under the J Sainsbury Profit Sharing Scheme and the Sainsbury's Share Purchase Plan.

² At date of appointment.

³ Changes to the Directors' interests in ordinary shares between 31 March 2002 and 28 May 2002 occurred as a result of purchases under the Sainsbury's Share Purchase Plan.

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.

The maintenance and integrity of the J Sainsbury plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' report to the members of J Sainsbury plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, and the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 Companies Act 1985. We also report to you if, in our opinion, the report of the Directors 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. The other information comprises the annual review and summary financial statements, the operating and financial review, the report of the Directors, the remuneration report and the statement of corporate governance.

We review whether the statement of corporate governance reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 Company's or 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 30 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors

London
28 May 2002

Group profit and loss account

for the 52 weeks to 30 March 2002

	Note	2002 £m	Restated 2001A £m
Turnover including VAT and sales tax^B		18,206	18,441
VAT and sales tax		(1,044)	(1,197)
Continuing operations		17,154	15,954
Discontinued operations		8	1,290
Turnover excluding VAT and sales tax	2,3	17,162	17,244
Cost of sales (including exceptional costs)	3	(15,905)	(16,082)
Gross profit		1,257	1,162
Group administrative expenses (including exceptional costs)	3	(632)	(629)
Continuing operations - operating profit before exceptional costs and amortisation of goodwill		679	615
Exceptional operating costs	3	(38)	(78)
Amortisation of goodwill	13	(14)	(12)
Continuing operations - operating profit		627	525
Discontinued operations - operating (loss)/profit		(2)	8
Operating profit	3	625	533
Share of loss in joint ventures		(1)	(3)
(Loss)/profit on sale of properties	4	(4)	70
Disposal of operations - discontinued	5	-	(87)
Profit on ordinary activities before interest		620	513
Net interest payable	6	(49)	(76)
Underlying profit on ordinary activities before tax^C		627	549
Exceptional items		(42)	(96)
Amortisation of goodwill		(14)	(16)
Profit on ordinary activities before tax		571	437
Taxation	10	(200)	(157)
Profit on ordinary activities after tax		371	280
Equity minority interest		(7)	(4)
Profit for the financial year		364	276
Equity dividends	11	(285)	(274)
Retained profit for the financial year		79	2
Basic earnings per share	12	19.1p	14.5p
Underlying earnings per share^C	12	21.5p	18.8p
Diluted earnings per share	12	18.9p	14.4p
Underlying diluted earnings per share^C	12	21.3p	18.7p

A Restated for change in accounting policy for deferred tax (see notes 1, 5 and 10).

B Including VAT at Sainsbury's Supermarkets and Homebase and sales tax at Shaw's Supermarkets.

C Before exceptional items and amortisation of goodwill.

Notes to the financial statements are on pages 22 to 43.

Group statement of total recognised gains and losses

for the 52 weeks to 30 March 2002

	2002 £m	2001* £m
Profit for the financial year	364	276
Currency translation differences on foreign currency net investments	1	10
Total recognised gains relating to the financial year	365	286
Change in accounting policy for deferred tax	(160)	
Total recognised gains since last annual report	205	

* Restated for change in accounting policy for deferred tax (see notes 1, 5 and 10).

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

Reconciliation of movements in equity shareholders' funds

for the 52 weeks to 30 March 2002

	Group		Company	
	2002 £m	2001* £m	2002 £m	2001 £m
Profit for the financial year	364	276	131	174
Equity dividends	(285)	(274)	(285)	(274)
	79	2	(154)	(100)
Currency translation differences	1	10	-	62
Goodwill on disposal of subsidiaries charged to profit for the year	-	149	-	-
Proceeds from ordinary shares issued for cash (note 27)	21	24	21	24
Amounts deducted in respect of shares issued to the QUEST	(4)	(2)	(4)	(2)
Net movement in equity shareholders' funds	97	183	(137)	(16)
Opening equity shareholders' funds as restated*	4,751	4,568	4,419	4,435
Closing equity shareholders' funds	4,848	4,751	4,282	4,419

* Restated for change in accounting policy for deferred tax (see notes 1, 5 and 10). Shareholders' funds as published were £4,911 million at 31 March 2001 before deducting prior year adjustment of £160 million (£4,742 million at 1 April 2000 before deducting prior year adjustment of £174 million).

Notes to the financial statements are on pages 22 to 43.

Balance sheets

at 30 March 2002 and 31 March 2001

	Note	Group		Company	
		2002 £m	2001* £m	2002 £m	2001 £m
Fixed assets					
Intangible assets	13	263	278	-	-
Tangible assets	14	6,906	6,215	471	535
Investments	15	174	164	6,285	5,370
		7,343	6,657	6,756	5,905
Current assets					
Stock	18	751	763	-	-
Debtors	19	398	546	208	380
Sainsbury's Bank	20	2,193	1,914	-	-
Investments	21	16	12	-	-
Cash at bank and in hand		370	475	1	222
		3,728	3,710	209	602
Creditors: amounts falling due within one year					
Sainsbury's Bank	20	(2,060)	(1,796)	-	-
Other	22	(2,648)	(2,529)	(747)	(762)
		(4,708)	(4,325)	(747)	(762)
Net current liabilities		(980)	(615)	(538)	(160)
Total assets less current liabilities		6,363	6,042	6,218	5,745
Creditors: amounts falling due after more than one year	22	(1,223)	(1,000)	(1,907)	(1,266)
Provisions for liabilities and charges	26	(231)	(238)	(29)	(60)
Total net assets		4,909	4,804	4,282	4,419
Capital and reserves					
Called up share capital	27	484	483	484	483
Share premium account	27	1,421	1,401	1,421	1,401
Revaluation reserve	28	39	39	-	-
Profit and loss account	29	2,904	2,828	2,377	2,535
Equity shareholders' funds		4,848	4,751	4,282	4,419
Equity minority interest		61	53	-	-
Total capital employed		4,909	4,804	4,282	4,419

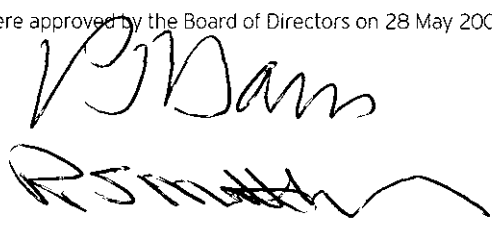
* Restated for change in accounting policy for deferred tax (see notes 1 and 10).

Notes to the financial statements are on pages 22 to 43.

The financial statements on pages 18 to 43 were approved by the Board of Directors on 28 May 2002, and are signed on its behalf by

Sir Peter Davis Group Chief Executive

Roger Matthews Group Finance Director



Group cash flow statement

for the 52 weeks to 30 March 2002

	Note	2002 £m	2001 £m
Net cash inflow from operating activities	30	1,067	922
Returns on investments and servicing of finance			
Interest received		66	55
Interest paid		(114)	(130)
Interest element of finance lease payments		(21)	(20)
Net cash outflow from returns on investments and servicing of finance		(69)	(95)
Taxation		(171)	(168)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,070)	(951)
Sale of tangible fixed assets		218	453
Purchase of own shares		-	(18)
Purchase of intangible fixed assets		(3)	(9)
Net cash outflow from capital expenditure and financial investment		(855)	(525)
Acquisitions and disposals			
Investment in joint ventures		(6)	(45)
Investment in Sainsbury's Bank by minority shareholder		-	4
Sale of subsidiary undertakings		3	636
Proceeds from disposal of other fixed asset investments		-	5
Net cash (outflow)/inflow for acquisitions and from disposals		(3)	600
Equity dividends paid to shareholders		(275)	(274)
Net cash (outflow)/inflow before use of liquid resources and financing		(306)	460
Financing			
Issue of ordinary share capital		17	24
Decrease in short-term borrowings		(116)	(497)
Increase/(decrease) in long-term borrowings		434	(36)
Capital element of finance lease payments		(4)	(3)
Net cash inflow/(outflow) from financing		331	(512)
Increase/(decrease) in net cash		25	(52)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in net cash		25	(52)
Cash (outflow)/inflow from increase/(decrease) in debt and lease financing		(314)	536
Movement in finance leases		(8)	(28)
Exchange adjustments		-	(51)
Movement in net debt in the year	25	(297)	405
Net debt at the beginning of the year	25	(859)	(1,264)
Net debt at the end of the year	25	(1,156)	(859)

Notes to the financial statements are on pages 22 to 43.

Notes to the financial statements

1 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, in accordance with applicable accounting and financial reporting standards. No profit and loss account is presented for the Company as permitted by Section 230(3) of the Companies Act 1985. The financial year represents the 52 weeks ended Saturday 30 March 2002 (prior year the 52 weeks ended Saturday 31 March 2001).

The Group has adopted Financial Reporting Standard (FRS) 18 'Accounting Policies', FRS 19 'Deferred tax' and the transitional provisions of FRS 17 'Retirement benefits' in the financial statements. Details of the changes arising from the adoption of FRS 17 and FRS 19 are given below.

The adoption of FRS 18 did not require any change in accounting policies. Accounting policies are periodically reviewed to ensure that they continue to be the most appropriate for the Group.

Consolidation

The Group's financial statements combine the results of the Company and all its subsidiaries, associated undertakings and joint ventures, to the extent of group ownership.

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 of disposal.

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 own assets, liabilities and cash flows measured according to the terms of the agreement governing the arrangement.

The Group agreed to sell its Homebase business in December 2000 and the Egyptian business in May 2001. These businesses have been treated as discontinued operations in the profit and loss account, but the comparative figures on the 'Group cash flow statement' include the cash flows of these businesses.

Goodwill

Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises and, subject to impairment reviews, is amortised on a straight line basis over its finite life, a maximum of 20 years, and only under specific circumstances will it be assumed that goodwill has an indefinite economic life.

Goodwill arising on acquisitions prior to 8 March 1998 has been set off against reserves.

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

FRS 19 'Deferred tax' has been adopted with effect from 1 April 2001. FRS 19 requires that deferred tax be recognised in respect of all timing differences that have originated, but not reversed, by the balance sheet date. Prior to 1 April 2001 the Group's accounting policy was to provide the deferred tax which was likely to be payable or recoverable. The effect of this change on prior year earnings and net assets is disclosed in note 10 on page 27.

Intangible fixed assets

Pharmacy licences are included in intangible assets and amortised on a straight line basis over their useful economic life of 15 years. Other licences are amortised over three years.

Tangible fixed assets

Depreciation is provided on a straight line basis over the anticipated useful economic lives of the assets using the following rates:

Freehold buildings and leasehold properties - 50 years, or the lease term if shorter

Fixtures, equipment (including computer software) and vehicles - 3 to 15 years

Freehold land is not depreciated.

Capitalisation of interest

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

Leased assets

Assets 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 using the projected unit cost method.

The Group has adopted the transitional balance sheet disclosure requirements of FRS 17. Full compliance with this standard is not required until the year ended 27 March 2004.

Stock

Stocks are valued at the lower of cost and net realisable value. Stocks at warehouses are valued on a first in first out basis. 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 net 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

Trading transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction.

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 over the period of the contract. Any premia or discounts arising are amortised over the life of the instruments.

Forward currency contracts entered into with respect to trading transactions are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

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.

2 Segmental analysis of turnover, profit and net assets

2002	Turnover ¹ £m	Profit on ordinary activities before tax			Net assets ² £m
		Before exceptional items £m	Exceptional items £m	Group total £m	
Food retailing and financial services - UK	14,006	537	(30)	507	5,274
Property development - UK	112	15	-	15	174
Food retailing - US	3,036	137	(8)	129	960
Profit sharing - Food retailing UK		(10)	-	(10)	
Continuing operations	17,154	679	(38)	641	6,408
Discontinued operations - Food retailing Egypt	8	(2)	-	(2)	-
Total	17,162	677	(38)	639	6,408
Joint ventures		(1)	-	(1)	44
Loss on sale of properties - Food retailing UK		-	(4)	(4)	
Net interest payable		(49)	-	(49)	
Underlying profit before tax		627	(42)	585	
Amortisation of goodwill - US		(14)	-	(14)	
Group profit before tax		613	(42)	571	
Non-operating assets and liabilities (not allocated)					(387)
Net borrowings (not allocated) ³					(1,156)
Group net assets					4,909

2001	Turnover ¹ £m	Profit on ordinary activities before tax			Net* assets ² £m
		Before exceptional items £m	Exceptional items* £m	Group total* £m	
Food retailing and financial services - UK	13,085	483	(68)	415	4,847
Property development - UK	149	25	-	25	114
Food retailing - US	2,720	115	(10)	105	932
Profit sharing - Food retailing UK		(8)	-	(8)	
Continuing operations	15,954	615	(78)	537	5,893
DIY retailing - UK	1,210	48	(1)	47	-
Food retailing - Egypt	80	(35)	-	(35)	-
Discontinued operations	1,290	13	(1)	12	-
Total	17,244	628	(79)	549	5,893
Joint ventures		(3)	-	(3)	22
Profit on sale of properties - Food retailing UK		-	27	27	
Disposal of Homebase operations		-	67	67	
Impairment of Egyptian business		-	(111)	(111)	
Net interest payable		(76)	-	(76)	
Underlying profit before tax		549	(96)	453	
Amortisation of goodwill - US		(12)	-	(12)	
- Egypt		(4)	-	(4)	
Amortisation of goodwill		(16)	-	(16)	
Group profit before tax		533	(96)	437	
Non-operating assets and liabilities (not allocated)					(252)
Net borrowings (not allocated) ³					(859)
Group net assets					4,804

* Restated for change in accounting policy for deferred tax (see notes 1, 5 and 10).

1 Excludes VAT at Sainsbury's Supermarkets and Homebase and sales tax at Shaw's Supermarkets.

2 Excludes borrowings and intercompany assets and liabilities.

3 Net borrowings include cash and current asset investments, excluding those of financial services.

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

Notes to the financial statements continued

3 Analysis of operating profit

	2002			2001		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	17,154	8	17,162	15,954	1,290	17,244
Cost of sales	(15,867)	(10)	(15,877)	(14,862)	(1,175)	(16,037)
Exceptional cost of sales	(28)	-	(28)	(45)	-	(45)
Gross profit	1,259	(2)	1,257	1,047	115	1,162
Administrative expenses	(598)	-	(598)	(469)	(102)	(571)
Exceptional administrative expenses	(10)	-	(10)	(33)	(1)	(34)
Profit sharing (note 8)	(10)	-	(10)	(8)	-	(8)
Amortisation of goodwill	(14)	-	(14)	(12)	(4)	(16)
Group administrative expenses	(632)	-	(632)	(522)	(107)	(629)
Operating profit	627	(2)	625	525	8	533

The exceptional operating costs comprise the following:

	2002 £m	2001 £m
Sainsbury's Supermarkets	20	37
Shaw's Supermarkets	8	8
Exceptional cost of sales	28	45
Sainsbury's Supermarkets	10	31
Shaw's Supermarkets	-	2
Discontinued operations	-	1
Exceptional administrative expenses	10	34
Total exceptional operating costs	38	79

The costs in Sainsbury's Supermarkets relate to the business transformation programme which involves upgrading its IT systems, supply chain and store portfolio. These costs are exceptional operating costs due to the scale, scope and pace of the transformation programme. These costs primarily relate to the closure of depots and stores and associated reorganisation costs. The cost of closure of the Taste joint venture of £5 million is also included in Sainsbury's Supermarkets' exceptional administrative expenses.

At Shaw's Supermarkets, the exceptional costs relate to the closure of a depot during the year.

4 (Loss)/profit on sale of properties

	2002 £m	2001 £m
Sale and leaseback of UK supermarket freeholds	-	51
Disposal of Shaw's supermarket freeholds	1	-
Disposal of Homebase properties	-	43
Other	(5)	(24)
	(4)	70

5 Disposal of operations - discontinued

	2002 £m	2001 £m
Disposal of Homebase operations ¹	-	24
Impairment of Egyptian business	-	(111)
	-	(87)

¹ Restated for FRS 19.

The Egyptian business was sold during the current year for a cash consideration of £14 million (net proceeds £3 million). The trading results of the business up to the date of sale have been shown in discontinued operations.

6 Net interest payable

	2002 £m	2001 £m
Interest receivable	79	63
Interest payable and similar charges:		
Bank loans and overdrafts	3	20
Other loans	120	123
Finance leases	21	20
	144	163
Interest capitalised - tangible fixed assets (note 14)	(12)	(16)
- land held for and in the course of development (note 18)	(4)	(8)
	128	139
Net interest payable	49	76

Total interest receivable amounted to £202 million (2001: £187 million), including interest receivable attributable to Sainsbury's Bank of £123 million (2001: £124 million) included in sales. Total interest payable amounted to £224 million (2001: £249 million) including interest payable attributable to Sainsbury's Bank of £80 million (2001: £86 million) included in cost of sales. Interest is capitalised at the weighted average cost of related borrowings.

7 Profit on ordinary activities before tax

	2002 £m	2001 £m
Profit on ordinary activities before tax is stated after charging/(crediting):		
Depreciation of tangible fixed assets - owned assets	350	402
- assets under finance leases	8	7
Amortisation of intangible assets	18	17
Pension costs (see note 33)	71	66
Operating lease rentals - properties	252	305
- fixtures, equipment and vehicles	7	7
- receivable	(26)	(10)

The Auditors' remuneration for audit services amounted to £0.5 million (2001: £0.7 million) for the Group including £0.1 million (2001: £0.1 million) for the Company. The Auditors also received £2.2 million (2001: £12.9 million) for non-audit services relating to consultancy fees for business process reviews, systems implementation and taxation advice.

Notes to the financial statements continued

8 Employees

	2002 £m	2001 £m
Employees' and Executive Directors' remuneration and related costs during the year amounted to:		
Wages and salaries	1,725	1,785
Social security costs	104	105
Other pension costs	71	66
	1,900	1,956
Profit sharing	10	8
	1,910	1,964

The amount provided for profit sharing for the UK retail companies is calculated based on the operating profits and net interest reflected in the financial statements of the participating companies. Employees participate in the Profit Sharing Scheme after completing one financial year's service and obtain full benefits after the third year. Profit sharing may be taken in cash under the Cash Trust or, subject to the statutory maximum, in shares under the Share Trust. At 30 March 2002, the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 5.7 million shares (2001: 7.9 million) on behalf of 52,600 participants (2001: 56,800) in the Scheme.

	2002 Number 000's	2001 Number 000's
The average numbers of employees during the year were:		
Full-time	53.4	55.9
Part-time	121.3	129.3
	174.7	185.2
Full-time equivalent	108.5	111.6

9 Advances to Directors and connected persons

As at 30 March 2002, authorisations, arrangements and agreements entered into by Directors and connected persons in the normal course of business with Sainsbury's Bank amounted to £36,000 (2001: £29,000) (number of persons: 5 (2001: 4)).

The details of Directors' emoluments and interests are set out in the Remuneration Report on pages 12 to 16.

10 Tax on profit on ordinary activities

	2002 £m	2001* £m
The tax charge based on the profit for the year is:		
UK Corporation tax at 30 per cent (2001: 30 per cent)	151	162
Over provision in prior periods - UK	(1)	(6)
	150	156
Deferred tax	26	7
Overseas tax - current	38	30
- deferred	(4)	(6)
Taxation on exceptional items - current	(7)	(13)
- deferred	(3)	(17)
Tax on profit on ordinary activities	200	157

* Restated for change in accounting policy for deferred tax (see note 1).

The taxation credit on exceptional items comprises a tax credit of £10 million (2001: £21 million) on the exceptional operating costs and a tax credit of £9 million in 2001 on the divestment of Homebase.

Compliance with FRS 19 'Deferred tax' results in an additional tax charge of £10 million in the current financial year, which reduces profit after tax from £381 million to £371 million and earnings per share by 0.5 pence.

The prior year comparatives have been restated to comply with FRS 19 'Deferred tax'. The effect is to increase profit after tax by £14 million from £266 million to £280 million and to reduce opening net assets by £160 million to £4,751 million. Earnings per share have been restated from 13.8 pence to 14.5 pence. Underlying earnings per share have been restated from 19.2 pence to 18.8 pence.

A reconciliation of the standard tax rate to the effective tax rate is as follows:

	2002 %	2001 %
Tax on profit at UK standard rate of 30 per cent (2001: 30 per cent)	30.0	30.0
Effects of:		
Higher tax rate on US profits	0.7	0.3
Disallowed depreciation on UK properties	3.6	4.6
Amortisation of goodwill	0.8	0.9
Property profits	-	(3.5)
Discontinued operations	0.1	4.5
Prior year items	(0.3)	(1.5)
Other items	0.1	0.6
Effective tax rate	35.0	35.9

11 Dividends

	2002 pence per share	2001 pence per share	2002 £m	2001 £m
Interim	4.02	4.02	78	77
Final proposed	10.82	10.30	207	197
	14.84	14.32	285	274

Notes to the financial statements continued

12 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 15) 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.

	2002 million	2001 million
Weighted average number of shares in issue	1,907.5	1,901.5
Weighted average number of dilutive share options	16.0	9.9
Total number of shares for calculating diluted earnings per share	1,923.5	1,911.4

The alternative measure of earnings per share is provided because it reflects the Group's underlying trading performance by excluding the effect of exceptional items and amortisation of goodwill.

	2002		2001*	
	Earnings £m	Per share amount pence	Earnings £m	Per share amount pence
Basic earnings	364	19.1	276	14.5
Exceptional items net of tax:				
Included in operating profit	28	1.5	64	3.4
Profit on sale of properties, disposal of operations and impairment write down	4	0.2	2	0.1
Amortisation of goodwill	14	0.7	16	0.8
Underlying earnings before exceptional items and amortisation of goodwill	410	21.5	358	18.8
Diluted earnings	364	18.9	276	14.4
Underlying diluted earnings before exceptional items and amortisation of goodwill	410	21.3	358	18.7

* Restated for change in accounting policy for deferred tax (see notes 1 and 10).

13 Intangible fixed assets

	Goodwill £m	Pharmacy and other licences £m	Total £m
Cost			
At 1 April 2001	327	32	359
Additions	-	3	3
Disposal of subsidiary - Egypt	(55)	-	(55)
At 30 March 2002	272	35	307
Amortisation			
At 1 April 2001	78	3	81
Charge for the year	14	4	18
Disposal of subsidiary - Egypt	(55)	-	(55)
At 30 March 2002	37	7	44
Net book value			
At 30 March 2002	235	28	263
At 31 March 2001	249	29	278

14 Tangible fixed assets

	Group			Company
	Properties £m	Fixtures, equipment and vehicles £m	Total £m	Properties £m
Cost or valuation				
At 1 April 2001	5,855	3,124	8,979	544
Additions (see below)	598	558	1,156	-
Disposals	(110)	(86)	(196)	(60)
Disposal of subsidiary - Egypt	(37)	(19)	(56)	-
Exchange adjustments	(1)	-	(1)	-
At 30 March 2002	6,305	3,577	9,882	484
Accumulated depreciation				
At 1 April 2001	895	1,869	2,764	9
Charge for the year	102	256	358	5
Disposals	(12)	(78)	(90)	(1)
Disposal of subsidiary - Egypt	(37)	(19)	(56)	-
At 30 March 2002	948	2,028	2,976	13
Net book value				
At 30 March 2002	5,357	1,549	6,906	471
At 31 March 2001	4,960	1,255	6,215	535
Capital work-in-progress included above				
At 30 March 2002	306	73	379	-
At 31 March 2001	132	16	148	-

Interest capitalised included in additions amounted to £12 million (2001: £16 million). Accumulated interest capitalised included in the cost or valuation total above amounts to £263 million (2001: £251 million) for the Group and £nil (2001: £nil) for the Company.

Notes to the financial statements continued

14 Tangible fixed assets continued

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
The net book value of properties comprised:				
Freehold	4,024	3,852	248	284
Long leasehold	704	647	223	251
Short leasehold	629	461	-	-

	2002 £m	2001 £m
Analysis of property finance leases - Group		
Cost	196	185
Depreciation	65	56
Net book value	131	129

	Group		Company	
	Cost £m	Valuation £m	Cost £m	Valuation £m
Analysis of properties				
At 30 March 2002				
Freehold				
Cost	4,482		252	
1973 valuation		2		-
1992 valuation		62		-
Long leasehold				
Cost	869		232	
1973 valuation		3		-
1992 valuation		22		-
Short leasehold				
Cost	865			
	6,216	89	484	-

The Group has followed the transitional provisions in FRS 15, 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.

The Directors believe that the aggregate open market value of Group properties exceeds the net book value of £5 billion by a considerable margin.

If the properties included at valuation had been included at cost, the cost and accumulated depreciation figures at 30 March 2002 would have been:

	Group		Company	
	Cost £m	Depreciation £m	Cost £m	Depreciation £m
Freehold	4,503	519	252	4
Long leasehold	885	181	232	9
Short leasehold	865	239	-	-

15 Fixed asset investments

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Subsidiaries (note 16)			6,227	5,320
Joint ventures (note 17)	44	22	33	9
Own shares at cost ¹	88	88	-	-
Other unlisted investments at cost	42	54	25	41
	174	164	6,285	5,370

¹ The Group owned 25,140,223 (2001: 25,482,870) shares at 30 March 2002 with a nominal value of £6.3 million (2001: £6.4 million).

802,640 shares (2001: 704,164) are held by an Employee Share Ownership Trust 'ESOT' on behalf of certain Directors and senior employees under the Group's Performance Share Plan. Under the Plan, shares conditionally allocated to participants are released to them in the form of a £1 option if a future performance criterion, based on a comparator group of companies, is met at the end of the three-year performance period. The Remuneration Committee has reviewed the performance criterion relating to the allocation made in 1999 and determined that 83.3 per cent of that award should be released to participants on 29 May 2002 in the form of an option over the appropriate number of shares. A charge is taken to the profit and loss account only when it becomes clear that a grant of options will be made.

24,337,583 shares (2001: 24,345,409) are held by an ESOT for the Colleague Share Option Plan (see note 27). There is no charge to the profit and loss account because the options are granted at market value.

The market value of the shares held by the ESOTs at 30 March 2002 was £100.4 million (2001: £98.1 million).

The ESOTs waive the rights to the dividends receivable in respect of the shares held under all the above schemes.

Unlisted investments include a 17.8 per cent equity investment in the Homebase business at a cost of £1 million (2001: £1 million) and 10 per cent loan notes of £25 million (2001: £22 million) due from Homebase.

16 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
J Sainsbury Developments Ltd (property development)	100%	England
J Sainsbury Distribution Ltd (logistical services)	100%	England
JS Insurance Ltd ¹ (insurance services)	100%	Isle of Man
Shaw's Supermarkets Inc. ¹ (food retailing)	100%	USA
Sainsbury's Card Services Ltd ¹ (card handling services)	100%	England
Sainsbury's Bank plc (financial services)	55%	England

¹ Not directly owned by J Sainsbury plc.

All principal operating subsidiaries operate in the countries of their registration or incorporation.

Sainsbury's Bank plc's audited financial statements are drawn up to 28 February 2002 to conform with HBoS (the 45 per cent shareholder) and Shaw's Supermarkets Inc's audited financial statements are drawn up to 2 March 2002. Management accounts have been used to include the Sainsbury's Bank plc and Shaw's Supermarkets Inc. results up to 30 March 2002. All other principal operating subsidiaries have been included up to 30 March 2002.

Summary of movements - Company	Shares (at cost) £m	Long-term capital advances £m	Total net investment £m
At 1 April 2001	4,858	462	5,320
Movement in long term capital advances	-	907	907
At 30 March 2002	4,858	1,369	6,227

Notes to the financial statements continued

17 Investment in joint ventures

The Group's principal joint ventures were:

	Year-end	Share of ordinary allotted capital	Country of registration or incorporation
Hedge End Park Limited (property investment - UK)	30 March	50%	England
The HSPUT - Homebase Limited Partnership (property investment - UK)	30 March	50%	England

Hedge End Park Limited

For the year ended 30 March 2002, the Group's share of turnover amounted to £1 million (2001: £2 million) and its share of profit before tax amounted to £1 million (2001: £1 million). At 30 March 2002, the Group's share of gross assets amounted to £21 million (2001: £13 million) and its share of gross liabilities amounted to £3 million (2001: £3 million). The investment in Hedge End Park Limited is held directly by the Company.

HSPUT - Homebase Limited Partnership ('HSPUT')

For the year ended 30 March 2002, the Group's share of turnover amounted to £1 million (2001: £nil) and its share of profit before tax amounted to £1 million (2001: £nil). At 30 March 2002 the Group's share of gross assets amounted to £25 million and its share of gross liabilities amounted to £24 million. The investment in HSPUT 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 1 April 2001	6	13	3	22
Advances	-	-	5	5
Share of retained loss	-	(2)	-	(2)
Transfer from other unlisted investments - HSPUT	-	-	19	19
At 30 March 2002	6	11	27	44
Company				
At 1 April 2001	6		3	9
Advances	-		5	5
Transfer from other unlisted investments - HSPUT	-		19	19
At 30 March 2002	6		27	33

The Group share of retained loss includes operating losses of £4 million relating to the Taste joint venture up to the date of its closure.

18 Stock

	2002 £m	2001 £m
Goods for resale	586	631
Land held for and in the course of development	135	132
Property held for resale	30	-
	751	763

19 Debtors

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Trade debtors	82	80	-	-
Amounts owed by subsidiaries			-	16
Other debtors due in less than one year	116	297	125	289
Other debtors due in more than one year ¹	104	87	83	75
Prepayments	96	82	-	-
	398	546	208	380

¹ Other debtors due in more than one year includes £83 million (2001: £75 million) of vendor loan notes received on the sale of Homebase.

20 Current assets and creditors of Sainsbury's Bank

	2002 £m	2001 £m
Current assets		
Cash	57	30
Treasury bills and other eligible bills	56	59
Loans and advances to banks	602	605
Loans and advances to customers ¹	959	781
Debt securities	500	422
Prepayments and accrued income	19	17
	2,193	1,914
Creditors: due within one year		
Customer accounts	2,023	1,766
Accruals and deferred income	37	30
	2,060	1,796

¹ Loans and advances to customers include £416 million (2001: £333 million) of loans and advances repayable in more than one year (see note 24).

In addition to the above assets and liabilities, Sainsbury's Bank had fixed assets of £7 million at 30 March 2002 (2001: £6 million) included in tangible fixed assets (note 14).

21 Current asset investments

	2002 £m	2001 £m
Investments listed on a recognised stock exchange at cost (equivalent to market value)	16	1
Unlisted investments at cost	-	11
	16	12

Notes to the financial statements continued

22 Creditors

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Due within one year				
Bank loans and overdrafts	65	159	65	119
US \$200m 6.25% Notes - March 2002	-	141	-	141
£200m 7.25% Notes - June 2002	200	-	200	-
Short-term notes	76	70	76	70
Obligations under finance leases	4	4	-	-
Total short-term borrowings	345	374	341	330
Trade creditors	1,139	1,054	-	-
Amounts due to subsidiaries	-	-	98	106
Corporation tax	140	127	49	35
Social security and other taxes	76	121	-	42
Other creditors	535	460	4	5
Accruals	206	196	48	47
Proposed dividend	207	197	207	197
	2,648	2,529	747	762
Due after more than one year				
Bank and other loans	-	360	-	360
Medium-term notes	227	233	227	233
£200m 7.25% Notes - June 2002	-	200	-	200
Euro 800m 5.625% Notes	487	-	487	-
£300m 6.5% Notes	300	-	300	-
8% Irredeemable unsecured loan stock	3	3	3	3
Obligations under finance leases	180	176	-	-
Total borrowings due after one year:	1,197	972	1,017	796
Amounts due to subsidiaries	-	-	890	470
Other creditors	26	28	-	-
	1,223	1,000	1,907	1,266

23 Summary of borrowings

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Due within one year				
Bank and other loans	341	370	341	330
Obligations under finance leases	4	4	-	-
Due after one and within two years				
Bank and other loans	50	217	50	217
Obligations under finance leases	6	10	-	-
Due after two and within five years				
Bank and other loans	177	405	177	405
Obligations under finance leases	20	20	-	-
Due after five years				
Bank and other loans	790	174	790	174
Obligations under finance leases	154	146	-	-
	1,542	1,346	1,358	1,126

Obligations under finance leases due after five years at 30 March 2002 are repayable by instalments. Bank and other loans due after five years are not repayable by instalments.

Subsequent event

Subsequent to the year-end, the Company issued a dual tranche sterling bond comprising £250m 6.125% Notes due 2017 and £350m 6.0% Notes due 2032 and Sainsbury's Supermarkets Ltd entered into a £200 million sale and finance leaseback transaction in respect of various store equipment. Proceeds from these transactions will be used to repay maturing borrowings and finance ongoing capital expenditure.

24 Financial instruments

The financial assets and financial liabilities which are analysed below include fixed rate financial assets of £115 million (2001: £105 million), financial assets on which no interest is paid (i.e. debtors receivable in more than one year) of £14 million (2001: £6 million) and financial liabilities on which no interest is paid of £26 million (2001: £28 million) not included in Group net debt, as analysed in note 23. 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 in the operating and financial review on pages six and seven.

Fair values of financial assets and financial liabilities	2002		2001	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance				
Group operations				
Borrowings due within one year	(345)	(346)	(374)	(376)
Borrowings due after one year	(1,197)	(1,207)	(972)	(995)
Other creditors	(26)	(26)	(28)	(28)
Deposits maturing within one year	386	386	487	487
Deposits maturing after one year	115	115	105	105
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate and currency swaps	-	13	-	19

Fair values of financial assets and financial liabilities have been calculated by discounting future cash flows at prevailing interest and exchange rates.

The above analysis includes finance leases with a capitalised value of £184 million (2001: £180 million). These leases primarily finance stores in the Group's US operations. Included in deposits are vendor Loan Notes, with a value of £115 million (2001: £105 million) arising from prior year disposals. It is not considered practicable to estimate the fair value of these financial liabilities and financial assets as no appropriate external benchmark is available. They are therefore included in the above analysis at book value.

Financial assets

After taking into account various interest rate and currency swaps the interest rate profile of the Group's financial assets was:

	Total £m	Floating rate financial assets £m	Fixed rate financial assets £m	Financial assets on which no interest is paid £m
Sterling	1,140	1,014	115	11
US Dollar	108	105	-	3
At 30 March 2002	1,248	1,119	115	14
Sterling	982	877	105	-
US Dollar	142	136	-	6
At 31 March 2001	1,124	1,013	105	6

Floating rate financial assets comprise bank balances linked to bank base rate and money market fund balances, money market deposits, commercial paper investments and currency swaps bearing interest rates linked to LIBOR. The fixed rate financial assets have a weighted average interest rate of 9.86 per cent (2001: 9.85 per cent) fixed for an average period of 10.5 years (2001: 11.4 years). The financial assets on which no interest is paid have a weighted average period until maturity of three years.

Notes to the financial statements continued

24 Financial instruments continued

Financial liabilities

After taking into account various interest rate and currency swaps, the interest rate profile of the Group's financial liabilities was:

	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Financial liabilities on which no interest is paid £m	Fixed rate debt	
					Weighted average interest rate %	Average time for which rate is fixed years
Sterling	1,314	961	353	-	6.91	3.3
US Dollar	987	671	290	26	9.35	10.0
At 30 March 2002	2,301	1,632	643	26	8.01	6.3
Sterling	860	657	203	-	7.26	1.9
US Dollar	943	630	285	28	9.52	7.0
Other	97	97	-	-	-	-
At 31 March 2001	1,900	1,384	488	28	8.58	4.9

Floating rate financial liabilities comprise bank borrowings, commercial paper and short term currency swaps linked to bank base rate and LIBOR, and fixed-rate long-term borrowings swapped into floating rate LIBOR. Financial liabilities on which no interest is paid do not have predetermined dates of payment and therefore a weighted average period of maturity cannot be calculated.

The above analysis excludes a cancellable swap in a notional principal amount of £150 million under which the Company pays a fixed rate of 4.09 per cent and receives floating rate LIBOR. The counter-party may exercise an option to cancel the swap on quarterly dates through to August 2030.

In addition to the above, the Group's provision of £19 million (2001: £18 million) 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 is re-appraised 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.

Currency exposures

After taking into account forward contracts the Group held euro denominated monetary assets of £40 million (2001: £36 million), US dollar denominated monetary assets of £4 million (2001: £7 million) and Australian dollar monetary assets of £1 million (2001: £nil). Excluded from these figures are non-sterling borrowings undertaken by the Company to hedge investments in overseas operations.

Gains and losses on hedges

The Group's off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of hedges, excluding Sainsbury's Bank (see below), were:

	Unrecognised			Deferred		
	Gain £m	Loss £m	Total gain/(loss) £m	Gain £m	Loss £m	Total gain/(loss) £m
Gains and losses on hedges at 1 April 2001	25	(6)	19	1	(11)	(10)
Arising in previous years included in 2002 income	(15)	-	(15)	(1)	11	10
Gains and losses not included in 2002 income:						
Arising in previous years	10	(6)	4	-	-	-
Arising in 2002	11	(2)	9	-	(4)	(4)
Gains and losses on hedges at 30 March 2002	21	(8)	13	-	(4)	(4)
Of which:						
Gains expected to be included in 2003 income	3	(3)	-	-	(4)	(4)
Gains and losses expected to be included in 2004 income or later	18	(5)	13	-	-	-

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 the Bank's treasury operations is separate from that of the Group, as described on page 6 of the operating and financial review.

Sainsbury's Bank's exposure to movements in interest rates is shown in the following table which discloses the interest rate re-pricing profile of assets and liabilities as at 30 March 2002. Any asset (or positive) gap position reflects the fact that the Bank's financial assets re-price 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 re-price 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 re-pricing date and the maturity date.

Interest rate sensitivity table of Sainsbury's Bank at 30 March 2002	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	56	-	-	-	-	-	-	56
Loans and advances to banks	530	-	72	-	-	-	-	602
Loans and advances to customers	433	46	64	316	95	5	-	959
Debt securities	500	-	-	-	-	-	-	500
Other assets	-	-	-	-	-	-	83	83
Total assets	1,519	46	136	316	95	5	83	2,200
Liabilities:								
Customer accounts	1,961	7	32	23	-	-	-	2,023
Other liabilities	-	-	-	-	-	-	39	39
Shareholders' funds	-	-	-	-	-	-	138	138
Total liabilities	1,961	7	32	23	-	-	177	2,200
On-balance sheet gap	(442)	39	104	293	95	5	(94)	-
Derivative instruments	322	(53)	(20)	(209)	(40)	-	-	-
Net interest rate sensitivity gap	(120)	(14)	84	84	55	5	(94)	-
Cumulative gap	(120)	(134)	(50)	34	89	94	-	-

Interest rate sensitivity table of Sainsbury's Bank at 31 March 2001	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	59	-	-	-	-	-	-	59
Loans and advances to banks	535	40	30	-	-	-	-	605
Loans and advances to customers	390	18	40	191	141	1	-	781
Debt securities	422	-	-	-	-	-	-	422
Other assets	-	-	-	-	-	-	53	53
Total assets	1,406	58	70	191	141	1	53	1,920
Liabilities:								
Customer accounts	1,693	5	14	44	10	-	-	1,766
Other liabilities	-	-	-	-	-	-	33	33
Shareholders' funds	-	-	-	-	-	-	121	121
Total liabilities	1,693	5	14	44	10	-	154	1,920
On-balance sheet gap	(287)	53	56	147	131	1	(101)	-
Derivative instruments	212	(7)	(37)	(89)	(79)	-	-	-
Net interest rate sensitivity gap	(75)	46	19	58	52	1	(101)	-
Cumulative gap	(75)	(29)	(10)	48	100	101	-	-

As set out above, the Bank has entered into interest rate swaps on a notional principal amount of £371 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 £4 million) and their fair value represented by replacement cost (total of £1 million).

Notes to the financial statements continued

25 Analysis of net debt

	At 1 April 2001 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	At 30 March 2002 £m
Current asset investments	12	4	-	-	16
Cash at bank and in hand	475	(105)	-	-	370
Bank overdrafts	(140)	126	-	-	(14)
	347	25	-	-	372
Due within one year:					
Borrowings	(230)	116	(213)	-	(327)
Finance leases	(4)	-	-	-	(4)
Due after one year:					
Borrowings	(796)	(434)	213	-	(1,017)
Finance leases	(176)	4	(8)	-	(180)
	(1,206)	(314)	(8)	-	(1,528)
Total net debt	(859)	(289)	(8)	-	(1,156)

26 Provisions for liabilities and charges

	Group				Company	
	Deferred tax £m	Onerous leases £m	Closure; disposal and business transformation costs £m	Unfunded pension liabilities £m	Total £m	Disposal costs £m
At 1 April 2001 - as published	(4)	18	60	4	78	60
Change in accounting policy for deferred tax	160	-	-	-	160	-
At 1 April 2001 - as restated*	156	18	60	4	238	60
Deferred tax - UK	23	-	-	-	23	-
Deferred tax - US	(4)	-	-	-	(4)	-
Transfer to corporation tax	(3)	-	-	-	(3)	-
Utilised	-	(4)	(47)	-	(51)	(47)
Charge to the profit and loss account	-	5	23	-	28	16
At 30 March 2002	172	19	36	4	231	29

* Restated for change in accounting policy for deferred tax (see notes 1 and 10).

The provisions for onerous leases cover residual lease commitments of up to 80 years, after allowance for existing or anticipated sublet rental income. The provisions for closure and disposal costs (£29 million) relate to indemnities and warranties arising from the disposal of subsidiaries. The provisions for business transformation costs (£7 million) relate to supply chain commitments (see note 3). The provisions for closure, disposals and business transformation costs are expected to crystallise in the year ended 29 March 2003.

The provision for deferred tax comprises:

	2002 £m	2001* £m
Timing differences between depreciation and capital allowances	180	164
Other timing differences	(8)	(8)
	172	156

* Restated for change in accounting policy for deferred tax (see notes 1 and 10).

27 Called up share capital and share premium account

	Allotted fully paid shares million	Aggregate nominal value £m	Share premium £m	Consideration £m
Shares authorised				
Ordinary shares of 25 pence each - 2,200 million shares (2001: 2,200 million)		550		
Shares allotted				
At 1 April 2001	1,930.8	483	1,401	
SAYE Share Option Scheme	4.2	1	16	17
Executive Share Option Scheme	1.3	-	4	4
At 30 March 2002	1,936.3	484	1,421	21

Further details of these schemes at 30 March 2002 are set out below:

(a) SAYE 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. At 30 March 2002, UK employees held 41,000 five-year savings contracts in respect of options over 21.1 million shares and 38,600 three-year savings contracts in respect of options over 12.4 million shares.

Details of these options at 30 March 2002 are set out below:

Date of grant	Date of expiry	Price pence	Options outstanding	
			2002 million	2001 million
20 December 1995 (5 year period)	31 July 2001	313	-	2.7
11 December 1996 (5 year period)	31 July 2002	292	0.5	4.7
10 December 1997 (3 year period)	31 July 2001	398	-	1.9
10 December 1997 (5 year period)	31 July 2003	398	3.5	4.8
10 December 1998 (3 year period)	31 July 2002	416	1.7	2.7
10 December 1998 (5 year period)	31 July 2004	416	3.5	5.0
7 January 2000 (3 year period)	31 August 2003	253	2.6	3.9
7 January 2000 (5 year period)	31 August 2005	253	3.9	5.3
28 November 2000 (3 year period)	31 August 2004	299	3.7	4.2
28 November 2000 (5 year period)	31 August 2006	299	4.7	5.4
20 December 2001 (3 year period)	31 August 2005	302	4.4	-
20 December 2001 (5 year period)	31 August 2007	302	5.0	-
			33.5	40.6

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

Of the 4.2 million ordinary shares allotted in relation to the Savings-Related Share Option Scheme, 4.1 million ordinary shares were subscribed for by the QUEST at a market value of £16.4 million. These shares were allocated to employees, including Directors, in satisfaction of options exercised under the Scheme. The Company provided £4.2 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 29).

Notes to the financial statements continued

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

Date of grant	Date of expiry	Price pence	Options outstanding	
			2002 million	2001 million
28 August 1992	27 August 2002	447	3.3	3.4
12 March 1994	11 March 2004	359	2.4	2.8
8 September 1995	7 September 2005	475	5.0	5.2
1 December 1995	30 November 2005	386	0.1	0.1
20 May 1997	19 May 2007	367	6.1	7.1
11 November 1997	10 November 2007	489	0.4	0.4
10 November 1998	9 November 2007	545	7.5	7.8
2 August 1999	1 August 2008	378	10.1	10.5
24 November 1999	23 November 2009	320	0.1	0.1
17 January 2000	16 January 2009	320	0.2	0.2
1 March 2000	28 February 2010	261	3.0	3.0
2 June 2000	1 June 2010	272	16.6	16.4
27 July 2000	26 July 2010	315	0.1	-
2 June 2001	1 June 2011	427	8.9	-
26 July 2001	25 July 2011	407	9.7	-
			73.5	57.0

These options were held by 2,644 executives (2001: 2,144).

(c) Colleague Share Option Plan

The Colleague Share Option Plan operates under the rules of the Inland Revenue Approved Discretionary Share Option Scheme. A total of 92,900 (2001: 123,800) UK employees participate in the Plan and hold options over 31.3 million shares (2001: 39.8 million). There have been a total of 17 options exercised in respect of 7,826 ordinary shares during the year by executors of deceased participants. 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 no further options granted under this plan.

28 Revaluation reserve

	Group £m	Company £m
At 31 March 2001 and 30 March 2002	39	-

29 Profit and loss account

	Group £m	Company £m
At 1 April 2001 - as published	2,988	2,535
Change in accounting policy for deferred tax	(160)	-
At 1 April 2001 - as restated*	2,828	2,535
Profit/(loss) retained for the period	79	(154)
Currency translation differences	1	-
Amounts deducted in respect of shares issued to the QUEST	(4)	(4)
At 30 March 2002	2,904	2,377

* Restated for change in accounting policy for deferred tax (see notes 1 and 10).

The cumulative goodwill deducted from the reserves of the Group at 30 March 2002 amounted to £140 million (2001: £140 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 £131 million (2001: £174 million).

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

	2002 £m	2001 £m
Operating profit	625	533
Depreciation	358	409
Amortisation of intangible assets	18	17
Loss on sale of equipment, fixtures and vehicles	3	2
Decrease/(increase) in stocks	23	(36)
Increase in debtors	(2)	(147)
Increase in creditors and provisions	57	151
Increase in Sainsbury's Bank current assets	(279)	(196)
Increase in Sainsbury's Bank creditors	264	189
Net cash inflow from operating activities	1,067	922

31 Contingent liabilities and financial commitments

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

	Land and buildings		Other leases	
	2002 £m	2001 £m	2002 £m	2001 £m
Leases which expire within one year	1	1	-	-
Leases which expire between one and five years	5	6	7	7
Leases which expire after five years	270	305	-	-

Operating lease commitments include payments in respect of 16 supermarket properties which were sold in March 2000 for £325 million and leased back by Sainsbury's Supermarkets for a period of 23 years at a market rental, which increases by 1 per cent per annum over the lease period. Under the arrangement the Company has provided a residual value guarantee 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, the likelihood of this guarantee being invoked is regarded by the Directors as remote and, therefore no contingency is recognised in the accounts.

Operating lease commitments include payments in respect of 10 Sainsbury's Supermarkets properties which were sold in July 2000 for £226 million and leased back by Sainsbury's Supermarkets for a period of 23 years at a market rental, which increases by 1 per cent per annum over the lease period. A residual value guarantee of £39 million has been given by the Company in respect of this transaction. In view of the relatively low amount of this guarantee when compared to the present market value of the relevant freehold interests, the Directors believe that the likelihood of this guarantee being invoked is remote and, therefore, no contingency is recognised in the accounts.

Sainsbury's Supermarkets has an executory contract with Swan Infrastructure plc 'Swan' (a wholly owned subsidiary of Barclays UK Infrastructure Fund) for the provision of IT services, which expires on 12 November 2007. Swan subcontracts to Accenture. In the very unlikely event of a credit rating downgrade of the Company below investment grade, Sainsbury's Supermarkets would be liable to lodge, with Swan, an advance against future service charges equivalent to Swan's prevailing net borrowings, which are capped at a maximum of £540 million. The likelihood of this event materialising is regarded by the Directors as remote, therefore no contingency is recognised in the accounts.

There are a number of contingent liabilities relating to disposals and other contractual liabilities under which it is not considered any liability will arise.

Notes to the financial statements continued

32 Future capital expenditure

	2002 £m	2001 £m
Contracted but not provided for	380	240

33 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). These schemes were closed to new employees on 31 January 2002. The assets of these schemes are held separately from the Group's assets.

The Group Personal Pension Plan was closed on 31 January 2002. Two new Stakeholder Pension Schemes were launched in April 2002.

The pension cost for the year ended 30 March 2002 is based on the results of a triennial valuation carried out by Watson Wyatt, the schemes' independent actuaries, as at 1 April 2000, on the projected unit basis. The assumptions underlying this valuation were subsequently updated in April 2001 to take account of the change in economic circumstances. The principal actuarial assumptions used in the revised actuarial valuations are:

	%
Long term rate of return on investments – before retirement	6.75
– after retirement	5.00
Average annual increase in total pensionable salary (excluding promotional increments)	3.75
Average annual increase in present and future payments	2.25
Average rate of inflation	2.25

As at 1 April 2001, the market value of the UK schemes was £2,687 million (2000: £2,943 million). The market value was sufficient to cover 106 per cent (2000: 113 per cent) of the total liabilities of the schemes, a surplus of £145 million (2000: £346 million).

Total pension contribution costs for the Group were £71 million for the year ended 30 March 2002 (2001: £66 million) of which the pension contribution costs of the UK defined benefit schemes and UK defined contribution schemes amounted to £59 million and £4 million respectively (2001: £53 million and £2 million respectively). 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 2010 for the JSPDBS and 2006 for the JSEPS. Total costs for 2002 are after taking account of an amortisation of scheme surpluses of £19 million (2001: £19 million). The Group's UK pension cost is not expected to change until the results of the next triennial valuation in April 2003.

The Group also operates defined benefit pension schemes in the US. The pension costs relating to the US benefit schemes have been determined with the advice of independent actuaries. The charge to the profit and loss account of £8 million (2001: £11 million) has been calculated in accordance with US accounting principles but would not have been materially different had UK accounting principles been applied.

FRS 17 disclosures

Actuarial valuations at 30 March 2002 were carried out by Watson Wyatt for the UK schemes and Fidelity Employer Services Company LLC doing business as Fidelity Investments Actuarial and Consulting Services for the US schemes using the following assumptions:

	UK Schemes %	US Schemes %
Average annual increase in total pensionable salary	3.75–4.00	4.25
Average annual increase in pensions	2.50	3.25
Discount rate	6.00	7.28
Average rate of inflation	2.50	3.25

The assets in the schemes and their expected returns were:

	UK Schemes		US Schemes	
	Expected long-term rate of return %	Value £m	Expected long-term rate of return %	Value £m
Equities - UK	8.25	1,232	-	-
- overseas	8.25	812	9.20	101
Bonds	5.00	581	7.25	56
Other	5.00	32	-	-
	7.50	2,657	8.50	157
		£m		£m
Total market value of assets		2,657		157
Present value of schemes' liabilities		(3,023)		(159)
Deficit in schemes		(366)		(2)
Related deferred tax asset		110		1
Net pension schemes' liabilities		(256)		(1)

If the above net pension assets/(liabilities) had been recognised in the financial statements, the Equity shareholders' funds and profit and loss reserve at 30 March 2002 would be as follows:

	£m
Equity shareholders' funds excluding pension liability	4,848
Net pension schemes' liabilities	(257)
Equity shareholders' funds including pension asset liability	4,591
Profit and loss reserve excluding pension liability	2,904
Net pension schemes' liabilities	(257)
Profit and loss reserve	2,647

34 Related party transactions

The following transactions fall to be disclosed under the terms of FRS 8.

Sainsbury's Bank is a subsidiary of the Company and has as joint shareholders the Company and HBoS, which hold 55 per cent and 45 per cent respectively of the issued share capital. In the year ended 30 March 2002, HBoS 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:

	2002 £m	2001 £m
Payable to HBoS	27	21
Payable to the Group	10	10

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 30 March 2002 of £602 million (2001: £605 million) are loans and advances to HBoS Group of £437 million (2001: £429 million).

Five year financial record

	1998 ¹	1999 ²	2000	2001 ³	2002
Financial results (£m)					
Group turnover⁴	15,496	16,378	17,414	18,441	18,206
Turnover – continuing operations	14,261	15,080	15,962	16,940	18,198
Operating profit					
Sainsbury's Supermarkets	751	711	518	470	515
Sainsbury's Bank	(15)	(5)	3	13	22
Shaw's Supermarkets	37	52	79	115	137
Other operating activities	10	12	16	25	15
Profit sharing	(39)	(40)	(9)	(8)	(10)
Discontinued operations	46	64	44	13	(2)
	790	794	651	628	677
Interest payable	(78)	(50)	(72)	(76)	(49)
Joint ventures	16	12	1	(3)	(1)
Group underlying profit before tax⁵	728	756	580	549	627
(Decrease)/increase on previous year	11.8%	3.9%	(23.2)%	(5.3)%	14.2%
Earnings per share					
Basic	25.1p	29.2p	18.3p	14.5p	19.1p
(Decrease)/increase on previous year	14.1%	16.3%	(37.3)%	(20.8)%	31.7%
Underlying ⁵	26.6p	26.8p	20.5p	18.8p	21.5p
(Decrease)/increase on previous year	15.2%	0.8%	(23.5)%	(8.3)%	14.4%
Dividend per share	13.9p	14.32p ⁶	14.32p	14.32p	14.84p
Retail statistics for UK and US food retailing					
Number of outlets at financial year-end					
Sainsbury's Supermarkets – over 40,000 sq ft sales area	39	42	61	86	121
– 25,000 – 40,000 sq ft sales area	229	233	225	209	184
– 15,000 – 25,000 sq ft sales area	93	98	99	93	84
– under 15,000 sq ft sales area	43	45	47	65	74
Sainsbury's Supermarkets	404	418	432	453	463
Shaw's Supermarkets	121	127	168	185	185
Total number of stores – continuing operations	525	545	600	638	648
Sales area (000 sq ft)					
Sainsbury's Supermarkets	11,979	12,571	13,055	13,746	14,349
Shaw's Supermarkets	4,119	4,410	5,617	6,124	6,261
Group total – continuing operations	16,098	16,981	18,672	19,870	20,610
Net increase on previous year:					
Sainsbury's Supermarkets	4.9%	4.9%	3.9%	5.3%	4.4%
Shaw's Supermarkets	7.8%	7.1%	27.4%	9.0%	2.2%
New Sainsbury's Supermarkets openings	19	20	20	27	25
Sainsbury's Supermarkets' sales intensity (including VAT)⁷					
Per square foot (£ per week)	18.26	18.04	16.98	16.79	17.54
Share of national trade in predominantly food stores and pharmaceutical, medical, cosmetic and toilet goods outlets⁸					
	12.4%	12.2%	11.9%	11.9%	11.9%

1 Restated under FRS 12 and FRS 14.

2 Turnover, profit and diluted earnings per share are for the 52 week period to 3 April 1999.

3 Earnings per share in 2001 has been restated under FRS 19. Published basic earnings per share was 13.8 pence and published underlying earnings per share was 19.2 pence.

4 Includes VAT at Sainsbury's Supermarkets and Homebase and sales tax at Shaw's Supermarkets.

5 Underlying profit before tax and diluted earnings per share are stated before exceptional costs of £37 million in 1998, £60 million in 2000, £96 million in 2001 and £42 million in 2002 and exceptional profits of £76 million in 1999 and before amortisation of goodwill of £11 million in 2000, £16 million in 2001 and £14 million in 2002.

6 Excludes a one penny per share payment to cover the extra four weeks in 1999.

7 Including Savacentre, excluding petrol.

8 Based on Office for National Statistics data and Sainsbury's Supermarkets sales, excluding petrol.

Visit our websites

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

For information about Sainsbury's Supermarkets log on to:
www.sainsburys.co.uk

For information about Sainsbury's Bank log on to:
www.sainsburysbank.co.uk

For information about Shaw's log on to:
www.shaws.com

To shop on-line log on to:
www.sainsburystoyou.co.uk

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