

**J Sainsbury plc** is one of the world's leading retailers, operating three separate store chains in the UK, a supermarket chain in the USA and a bank in the UK. Through these operations, it serves over 14.2 million customers a week.

## **SAINSBURY'S SUPERMARKETS**



Sainsbury's Supermarkets is the largest part of the Sainsbury Group. Established in 1869 by John James and Mary Ann Sainsbury, we are Britain's oldest major food retailing chain and retain the founders' values of high quality, value for money, excellent service and attention to detail. We strive always to be the customer's first choice for food shopping.

Sainsbury's Supermarkets serves over 9 million customers a week at 391 supermarkets throughout the UK. Some 370 of our stores are in England, spread across the country from Truro to Whitley Bay. There are also nine stores in Scotland, eight in Wales and four in Northern Ireland.

Around 60 per cent of Sainsbury's supermarkets are in shopping-centre or edge-of-shopping-centre locations and we are committed to urban regeneration. Many of our supermarkets have been built on formerly derelict sites.

A large Sainsbury's supermarket sells over 23,000 products. Sainsbury's own brand products account for about 40 per cent of lines. In addition to a wide range of quality food and grocery products, many stores also offer bread freshly baked on the premises; delicatessen, fresh meat and fish counters; pharmacies; coffee shops and restaurants; and petrol stations.

Sainsbury's Supermarkets employs around 127,000 people. Of these, 70 per cent are part-time and

30 per cent full-time. Women make up 65 per cent of Sainsbury's Supermarkets' employees.

In March 1997, Sainsbury's Supermarkets Ltd was created as a separate Group subsidiary in order to improve management focus.

### **New store openings 1997/8**

Kenilworth; Reedswood, Walsall; Blackheath; Burton upon Trent; Halifax; Leigh; Oswestry; Penge; Wantage; Leicester; Coleraine, NI; Walton, Liverpool; Ashbourne; Calne; Brentwood; Telford; Craigavon, NI; Partick; and Deal.

New stores' sales area: 512,000 sq ft.

### **Extensions 1997/8**

Worle; Godalming; Rhyl; Frome; Peterborough; Crayford; Balham; Marshall Lake, Solihull; Cannock; Swansea; Kingston; Winterstoke Road, Bristol; and Winchester.

Extensions' sales area: 84,000 sq ft.

### **Planned store openings 1998/9 include:**

Leven; Fulham Palace Rd, London; Hitchin; Swiss Cottage, London; Exeter; Hartley Wintney; Liphook; Newry, NI; Nottingham; Attleborough; Brighouse; Clitheroe; Leeds; Armagh, NI; Chipping Ongar; Sherborne; Chesham; and Tottenham Court Rd, London.

Planned stores' sales area: 450,000 sq ft.

### **Planned extensions 1998/9**

Major extensions planned at 21 stores. Planned extensions' sales area: 217,000 sq ft.

## **Savacentre**



Savacentre was founded in 1975 and we opened our first store in 1977.

Savacentre offers superb value for money, attractive prices and a pleasant shopping experience for the whole family. Our 13 stores serve over one million customers a week and sell over 60,000 products including food, clothing, household goods, toys, gardening and electrical products. Savacentres are set to become Sainsbury's large store format with all the Sainsbury's attributes of quality, choice and passion for food.

Savacentre employs 10,125 people.

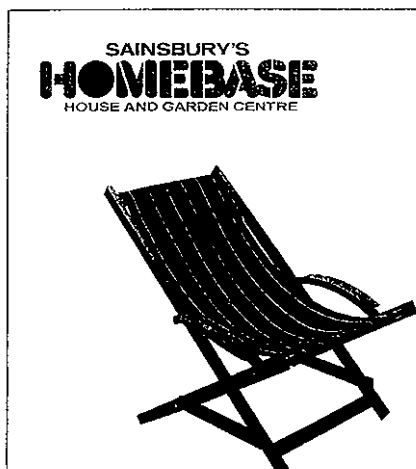
### **New store opening 1997/8**

Leeds.

Sales area: 85,000 sq ft.



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COMPANIES HOUSE 15/07/98



Homebase was founded in 1979 and the first store opened in 1981. In March 1995, Homebase trebled in size when we acquired Texas Homecare. All former Texas stores now trade as Homebase and most have been converted to the Homebase format.

Homebase serves more than one million customers a week at 298 stores throughout the UK.

A typical store stocks over 20,000 home improvement and gardening products with a growing emphasis on lifestyle and decorative goods. The Homebase own brand enjoys a high reputation for quality and value for money and accounts for about 29 per cent of sales.

Homebase employs 17,000 people.

#### **New store openings 1997/8**

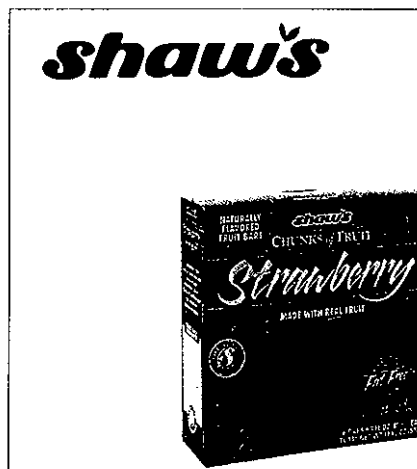
Eastbourne; Truro; Dagenham; Kirkcaldy; Newbury; Ewell, Surrey; Gloucester; Inverness; Huddersfield; and Swansea.

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

#### **Planned store openings 1998/9**

Moor Allerton, Leeds; Culverhouse Cross, Cardiff; Irvine; Swiss Cottage, London; North Finchley, London; East Grinstead; Southend; Sunderland; Hamilton; and Sittingbourne.

Planned stores' sales area: 409,000 sq ft.



Shaw's Supermarkets Inc. is our wholly-owned subsidiary in the USA. Sainsbury's interests in the States go back to 1983 when we purchased 21 per cent of Shaw's. We acquired full ownership in 1987.

Shaw's ethos, rooted in a family owned background, is to provide high quality at value-for-money prices. The business serves over two million customers a week at 121 stores in six New England states - Massachusetts, New Hampshire, Maine, Rhode Island, Connecticut and Vermont.

Shaw's sells some 50,000 products of which about 5,500 are the company's own brand. Shaw's brand products are popular with customers, accounting for 40 per cent of total sales. They compare favourably with branded lines, offering excellent value for money.

Shaw's has 20,100 employees.

#### **New store openings 1997/8**

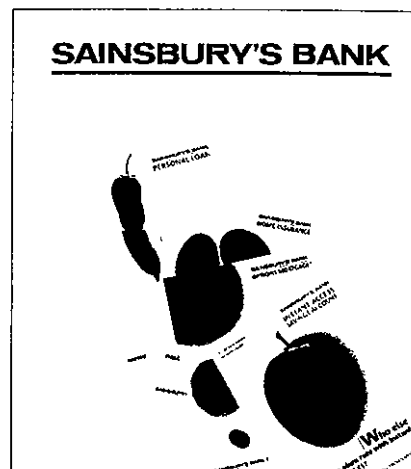
Waterford, CT; Colchester, VT; Johnston, RI; Berlin Corners, VT; Biddeford, ME; Cohasset, MA; East Boston, MA; and Wakefield, RI.

New stores' sales area: 329,000 sq ft.

#### **Planned store openings 1998/9**

Bridgeport, CT; Orange, CT; Tilton, NH; Hamden, CT; New Haven, CT; Wallingford, CT; Shrewsbury, MA; Waterbury, CT; and Webster, MA.

Planned stores' sales area: 368,000 sq ft.



Sainsbury's Bank opened for business in February 1997. It is a joint venture owned 55 per cent by J Sainsbury plc and 45 per cent by Bank of Scotland. It offers a direct, 24-hour, telephone-banking service.

Sainsbury's was the first British supermarket company to open a bank. We are able to offer highly competitive rates and value for money products, in part, because we do not have to rely on a heavy branch structure. We also seek to provide exceptional customer service.

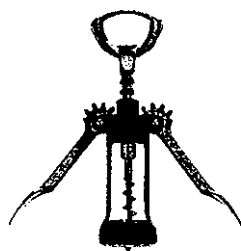
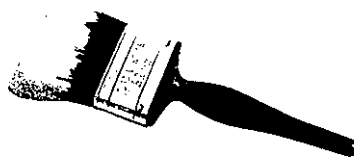
Since its launch, Sainsbury's Bank has attracted 700,000 customers and £1.5 billion in deposits. Our product range has widened and now comprises an instant access savings account, a Christmas saver account, two Visa credit cards, personal loans, mortgages and home and contents insurance.

We plan to introduce further new products including fixed rate mortgages and pet insurance, which will be launched shortly.

Information on all Sainsbury's Bank products is available from Bank Information Points being installed in all Sainsbury Group stores or by calling the general enquiry line on Freephone 0500 405060.

## Our objectives are

- To provide shareholders with good financial returns by focusing on customers' needs, adding value through our expertise and innovation, and investing for future growth.
- To provide unrivalled value to our customers in the quality of the goods we sell, in the competitiveness of our prices and in the range of choice we offer.
- To achieve efficiency of operation, convenience and customer service in our stores, thereby creating as attractive and friendly a shopping environment as possible.
- To provide a working environment where there is a concern for the welfare of each member of staff, where all have opportunities to develop their abilities and where each is well rewarded for their contribution to the success of the business.
- To fulfil our responsibilities by acting with integrity, maintaining high environmental standards, and contributing to the quality of life of the community.



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## J Sainsbury plc 1998 at a glance

	Sales (incl. taxes) £m	Operating profit £m*	Number of stores**	Sales area 000 sq ft**	Employees 000**
J Sainsbury plc	15,496	853.7	823	27,299	174
Sainsbury's					
Supermarkets	11,564	734.6	391	10,860	127
Savacentre	864	30.5	13	1,119	10
Homebase	1,235	55.5	298	11,201	17
Shaw's	\$2,808m	\$61.8m	121	4,119	20

\* Before Year 2000 costs, profit sharing and exceptional costs.

\*\* As at 7 March 1998.

# Financial highlights

## Group sales £ billion

98	15.5
97	14.3
96	13.5
95	12.1
94	11.2

## Group profit £ million

98	728
97	651
96	764
95	808
94	731

## Dividend per share pence

98	13.9
97	12.3
96	12.1
95	11.7
94	10.6

	1998 £m	1997 £m	% change
Group sales (incl. taxes)	15,496	14,312	8.3
Group operating profit before Year 2000 costs, profit sharing and exceptional costs	854	745	14.7
Year 2000 costs	(20)	-	
Profit sharing	(44)	(37)	
Associates	16	19	
Net interest payable	(78)	(76)	
Group profit before tax, exceptional costs and profit on sale of properties	728	651	11.8
Exceptional integration costs	-	(50)	
Profit on sale of properties	3	8	
Loss on disposal of a subsidiary	(12)	-	
Group profit before tax	719	609	18.1
Tax	(236)	(208)	
Group profit after tax	483	401	
Earnings per share	26.1p	22.0p	18.6
Fully diluted earnings per share before exceptional costs and property items	26.2p	23.1p	13.4
Dividend per share of which final	13.9p 10.15p	12.3p 8.8p	13.0

## Chairman's statement



During the year the Group achieved a strong profit performance and made considerable progress against the targets we set ourselves last May. We now have in place a clear strategy for each of our businesses, an effective Group structure, and a strong management team to put the strategies into action. We have also addressed the issues affecting the Group's performance last year and our success in so doing is reflected in the year's results.

Group sales increased by 8.3 per cent to £15.5 billion and Group operating profit by 14.7 per cent to £854 million. This growth in operating profit of £109 million was driven by an increase of £73 million from Sainsbury's Supermarkets and an increase of £39 million from Homebase. These advances were partly offset by lower profits at Shaw's and the start-up costs at Sainsbury's Bank.

After Year 2000 costs of £20 million, an increased provision for profit sharing, and a lower contribution from our associate investment in Giant Food Inc., Group profit before tax, exceptional costs and profit on sale of properties increased by 11.8 per cent to £728 million.

Earnings per share before exceptional costs and property items increased by 13.4 per cent. Accordingly, we propose to increase the total dividend for the year by 13 per cent to 13.9 pence. We expect that the dividend per share in future years will continue to be increased broadly in line with the growth in earnings per share.

As these results demonstrate, we are now in a position to deliver solid, sustainable growth. While there are still many opportunities to improve our performance, we are making

steady progress against all the important measures we have set ourselves – quality, choice and availability of product; value and service; operational efficiency; sales and profits growth; and return on assets. Looking ahead we can also see many opportunities for profitable expansion, both in our established businesses and in newer ventures such as Sainsbury's Bank.

These results could not have been achieved without the skill and commitment of all colleagues in the business. In the last year, their enthusiasm and willingness to accept change have played a major role in improving our performance, and I would like to thank them for the great contribution they have made.

After 20 years on the Board, Tom Vyner retired as Deputy Chairman in January. With his brilliant commercial mind and wide knowledge of the grocery industry, he was a highly respected figure in food retailing, and he leaves with our deepest appreciation of the exceptional contribution he made to the success of the Company.

The year also saw the retirement of Colin Harvey who for eight years was Director of the Retail Division and who gave invaluable service to the Company over a long career.

At the year-end, we completed the restructuring of the Group when Dino Adriano assumed the new position of Group Chief Executive and David Bremner was appointed Deputy Group Chief Executive. Subsequently, in April 1998, we welcomed Sir George Bull to the Board as a Non-Executive Director and Deputy Chairman. Sir George is Co-Chairman of Diageo plc and before that was successively Chief Executive and Chairman of Grand Metropolitan PLC.

He brings to us wide experience of the food and drink industry.

After 32 enjoyable and fulfilling years as a Director, including 17 years as Finance Director and six years as Chairman, during which the Company has achieved great success, I have decided to retire from the Board this September. I do so in the knowledge that the Company is performing strongly with an excellent top management team. I am delighted that Sir George Bull will take over from me as Non-Executive Chairman when I retire, and I am confident he will make an extremely valuable contribution to the Company.

This will be an historic moment for the Company because for the first time there will not be a member of the Sainsbury family at the head of the Company. It will also be the culmination of a long and carefully managed transition during which the business has been transformed from a private family business into a major, international plc. During the 25 years since the business became a public company, members of the family have remained as major, committed shareholders, and have every intention of doing so in the future.

The Company has great strengths and many opportunities. I am confident that colleagues in the business will both maintain the standards and values of the Company and add substantially to shareholder value in the years ahead.

Lord Sainsbury of Turville  
5 May 1998

## Group Chief Executive's review



In my new role as Group Chief Executive, my priority is to ensure that all our businesses meet the operational and financial targets we have set and do so by sharing common Group values. These core values are what makes Sainsbury's different and are key to our success. They include a commitment to offering quality, value for money products; to building stronger relationships with our customers; to making our stores more attractive, convenient places to shop; to delivering greater efficiency; to establishing tighter operational controls; and to making sure our people are motivated and responsive to our customers' needs.

Each business has a clear strategy consistent with the wider objectives of the Group. Collectively, these strategies have produced a strong profit performance for the Group with businesses performing well against the targets set in May last year.

### Performance and targets

Sainsbury's Supermarkets met all its financial targets. Sales increased by 7.5 per cent to £11.6 billion and operating profit increased by 11.1 per cent to £734.6 million.

Customers' perception of our product quality and choice has continued to improve. Our market research shows Sainsbury's Supermarkets not only leading the market on quality, but widening the gap over our main competitors. Like-for-like sales, including price inflation of 1.6 per cent, have grown at 3.4 per cent and market share is up from 12.6 per cent to 12.7 per cent. Sales growth slowed in the second

half, as expected, mainly due to the impact on the comparative 1996/7 sales volumes of the introduction of *Extra Reward Points* in November 1996.

Operating margin, before Year 2000 costs, increased from 6.15 per cent in the previous year to 6.35 per cent despite competitive market conditions. This increase is largely due to a better product mix, improved efficiency and the restoration of margins in petrol retailing. The return on net assets for Sainsbury's Supermarkets increased from 17.2 per cent to 18.5 per cent. During the year, we opened 19 new supermarkets and extended a further 13, adding 596,000 sq ft of new selling space.

We aim to raise our standards still further. Our prices remained highly competitive throughout the year. Product availability has improved and contributed to better Christmas sales than in the previous year. We continue to focus on fresh and chilled food and are making more space available in our stores to display it. We have extended our opening hours and continued to develop and implement new formats. Among other moves, we opened six of our new country town stores in the course of the year.

In the coming year Sainsbury's Supermarkets' targets include generating like-for-like sales volume growth of between 1 per cent and 2 per cent; adding 650,000 sq ft of new selling space; delivering a 19 per cent return on net assets; and achieving cost efficiencies of £100 million from our current cost base by the end of the next three years. Achieving the latter target will

enable us to reinvest and to drive sales and maintain our operating margin.

Savacentre's sales increased by 7.7 per cent to £863.5 million including 1.5 per cent from existing stores. Despite the costs of opening the new Leeds store in March 1997, operating profit increased by 0.7 per cent to £30.5 million.

A strategic review was completed during the year and, as a result, Savacentres are set to become Sainsbury's large store format. The objective is to bring Savacentre's performance back into line with that of the Sainsbury's Supermarkets business over the next three years.

Homebase has performed strongly over the year. Sales were up by 8.9 per cent to £1.2 billion. Operating profit more than tripled, increasing from £16.3 million to £55.5 million. 1997/8 was the seventh consecutive year in which the original Homebase stores produced like-for-like sales volume growth. Return on net assets also increased to 12.3 per cent from 3.9 per cent in the previous year.

Our programme of converting the former Texas stores to the Homebase format is proving extremely successful. We converted a further 60 stores during the year and these together with the 40 converted in 1996/7, have achieved an average sales uplift of 33 per cent and an average operating margin of 8 per cent.

The former Texas stores which will be converted in the coming year saw a

3.1 per cent increase in like-for-like sales. We plan to replace the remaining former Texas stores with stores in better locations.

In addition to the 60 conversions, we opened ten new stores during 1997/8. In the coming year we plan to open ten more.

Homebase's targets for 1998/9 are: first, to complete the conversion of the remaining former Texas stores and, in doing so, to achieve cumulative sales uplifts of 29 per cent; second, to reduce working capital by £20 million; third, to increase our share of the broader, home enhancement market; and fourth, to continue making progress towards our longer-term target of a 17 per cent return on assets by March 2000.

Shaw's did well in its established markets and is making progress in Connecticut. Sales grew by 12.9 per cent to \$2.8 billion, although operating profit decreased by 5.2 per cent to \$61.8 million. This reflects the impact of a three day strike and the losses arising from stores acquired in Connecticut in 1996/7.

The emphasis in Shaw's is now on returns rather than expansion. Shaw's targets for the coming year are: to increase like-for-like sales volumes by between 1 per cent and 2 per cent across the entire company; to reduce losses in Connecticut by around 30 per cent; and to make progress towards our target of a 15 per cent return on net assets by March 2000.

Giant, of which J Sainsbury plc owns 20 per cent, increased its sales by 9 per cent to

\$4.23 billion in the 53 weeks to 28 February 1998. On a 52 week comparable basis, total sales increased by 6.9 per cent with like-for-like sales contributing 3.4 per cent. Profit before tax fell by 16.6 per cent to \$117.2 million due to heavy promotional costs incurred through the year to rebuild sales after a strike by Giant's truck drivers.

Sainsbury's Bank had a very successful first year and the growth in the number of accounts exceeded all expectations. As anticipated the Bank produced a loss of £14.6 million as a result of the costs involved in acquiring new accounts. Its performance was better than planned and we forecast that it will move into profitability during 1998/9.

#### **Our people**

In order to improve efficiency and the service we give customers, we have stepped up our efforts to train and develop our staff. Much of the work has gone into ensuring that managers and their teams throughout the business have individual goals that are firmly rooted in the Group's business objectives. The current year will see a new appraisal and development approach for staff on the shop floor. We hope to achieve Investors in People status for the UK Group businesses by the Year 2000.

#### **Partnerships with suppliers**

The Group businesses continue to build long-term partnerships with suppliers, working with them to achieve greater efficiency and innovation. In particular, we seek to work with suppliers who share our

values and our commitment to quality, safety and value for money. This year our oldest supplier partnership, with Lloyd Maunder of Tiverton, celebrates its centenary.

In March 1998 we issued a new policy setting out the standards we are striving to achieve on socially responsible trading. This went to all own brand suppliers of Sainsbury's Supermarkets and Homebase products. A monitoring process is being developed to help ensure that these standards are applied in practice.

#### **Outlook**

Last year's satisfactory and profitable growth was built on clear strategies, strong cost control and careful investment decisions. We will continue investing for growth and to improve the returns from our existing businesses. We will also seek new investment opportunities to meet our long-term target of sustainable upper quartile growth in earnings per share.

Our objective is to be a world-class retailer producing sustainable earnings growth by efficiently providing the best possible quality, choice and value to our customers. We believe we have the strategies, the organisation and the people to achieve this ambitious goal.



**Dino Adriano**  
5 May 1998



# tested for freshness...

Customers no longer have to wait until they get home to discover if the avocado they have bought is ripe enough to eat. Sainsbury's exclusive Avoscan technology guarantees the maturity of Sainsbury's *Ripe & Ready* avocados and allows customers to buy with confidence.

# Quality and

## new paint range...



Homebase has relaunched its successful own brand emulsion paints. The 72 products in the collection include 28 new colours and two entirely new ranges: the brightly coloured *1-Coat* range, and *Historic*, with its hues from the past.

Sainsbury's has selected four extra virgin olive oils from Italy and Crete as part of its growing range of local specialities. Each has its own regional flavour which would have been familiar to the Romans and ancient Greeks. Supplies in some cases are limited as the locals prefer to keep the product for themselves.

## regional speciality products...

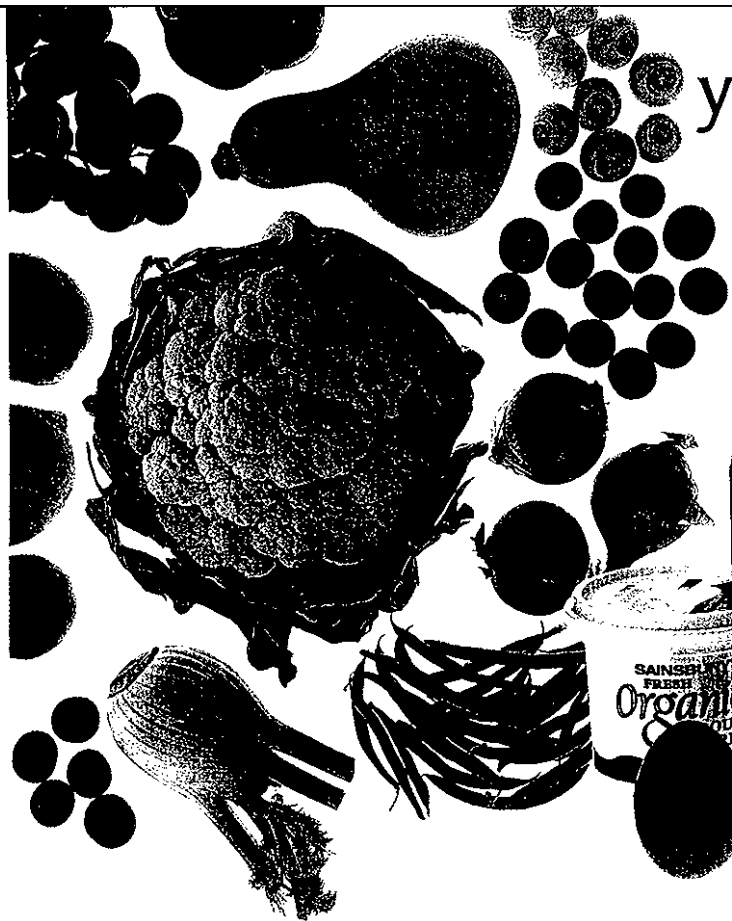


November 1997 saw the launch of a new range of Irish farmhouse cheeses with such evocative names as Dunbarra, Doolin, Cashel Blue and St Killian. Handmade on the farm, the taste and texture of these individual cheeses vary from week to week reflecting changes in soil and climate. They are now available in 100 Sainsbury stores having first been introduced in the four stores in Northern Ireland.

local produce  
for local stores...

choice





your choice...

Organic food was top of the poll in Sainsbury's *More Choice Because It's Your Choice* customer survey. Sainsbury's is keen to sell organic foods wherever possible and was voted Best Source of Organic Food in *Here's Health* magazine. It was also the only UK supermarket to sell organic Christmas turkeys.



# Relationships

We marked the first anniversary of the *Reward Card* by launching *Sainsbury's Pet Club*. The first of its kind and open to all *Reward Card* holders, the Club offers pet care hints, savings on products and a regular Club Magazine.

## Sainsbury's 0 to 5 Club...



*Sainsbury's 0 to 5 Club* for *Reward Card* holders with young children was one of a number of fresh ideas for the family launched during the year. It offers savings of over £100 in the first year and has already attracted 250,000 members.

## Sainsbury's Pet Club...



The Sainsbury's Bank Visa card, the Sainsbury's Reward Card, the Homebase Spend & Save Card and the Shaw's Choice Rewards Card are all designed to reward shoppers' loyalty in innovative ways. The 17 million loyalty cards now in circulation are used for a growing proportion of Group sales.



loyalty and reward schemes...

# with customers

tailor-made service..

Homebase shares the Sainsbury's ethos of understanding customers and giving them what they want. Two examples are its garden design service and co-ordinated, one-stop bathroom shops offering everything from bath suites, fittings and tiles to towels and blinds.



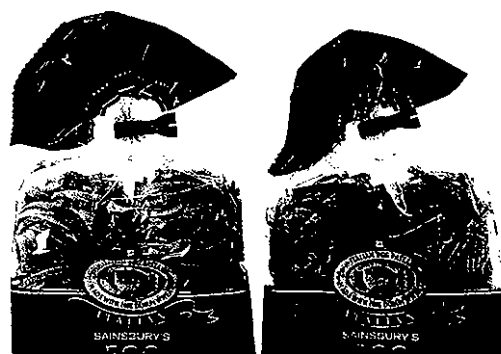


Sainsbury's  
**BEST  
SELLERS**

## best sellers...

Sainsbury's check 17,000 prices every month. Our *Best Sellers* list offers the most popular products at the best prices – bananas being the best selling line of all. Under the *Better Quality...Same Price* programme, Sainsbury's has improved around 700 of its products with no increase in price.

Sainsbury's was the first supermarket to offer not just Reward Points but *Extra Reward Points*. These are available on a range of products in all Sainsbury's supermarkets and Savacentres.



Sainsbury's  
**Egg  
Tagliatelle**  
375 grams



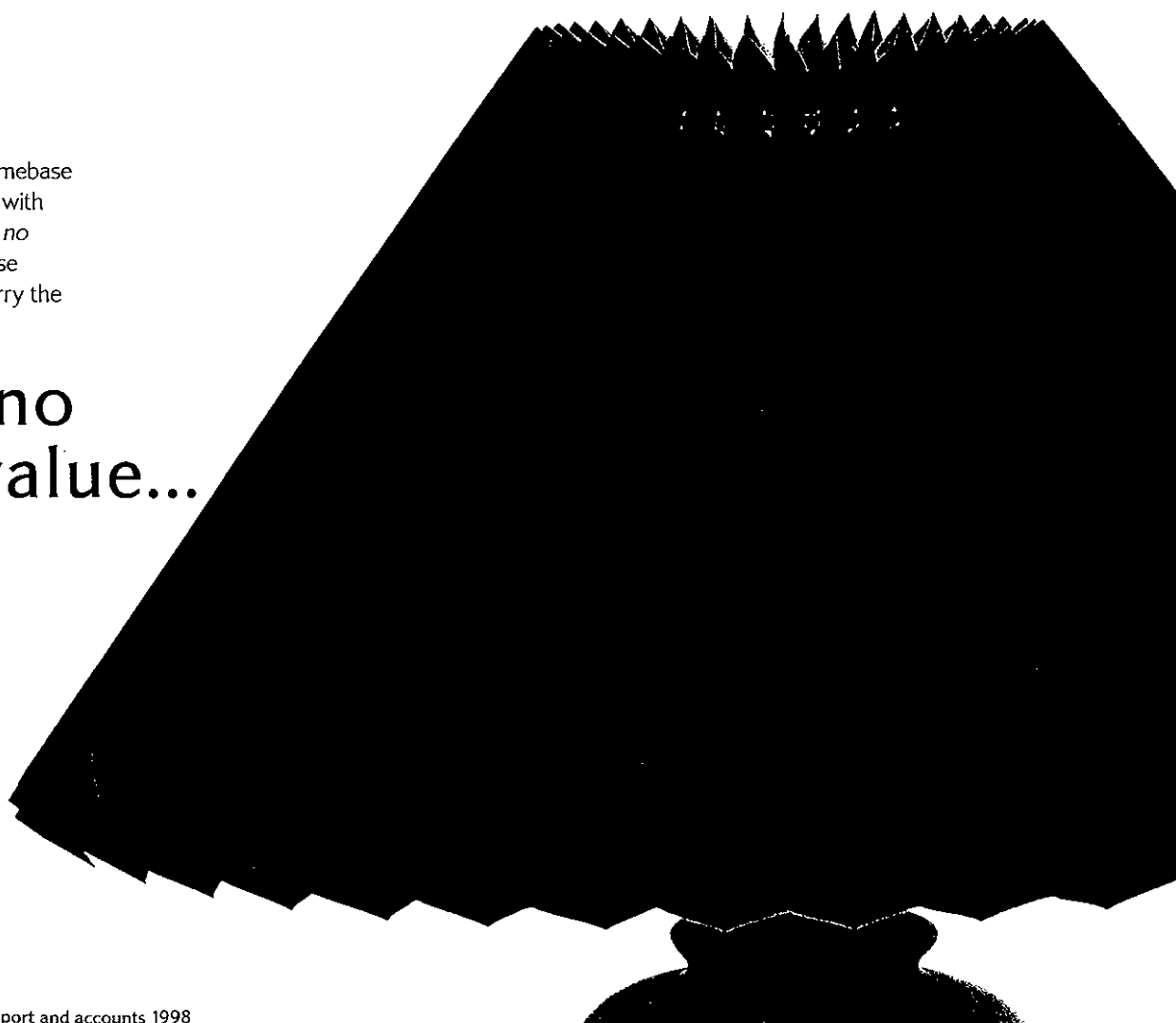
**100**  
Extra Reward Points  
when you buy 2

extra reward points...

# Value for money

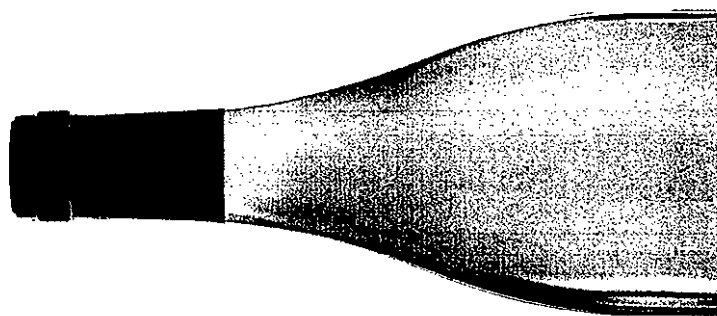
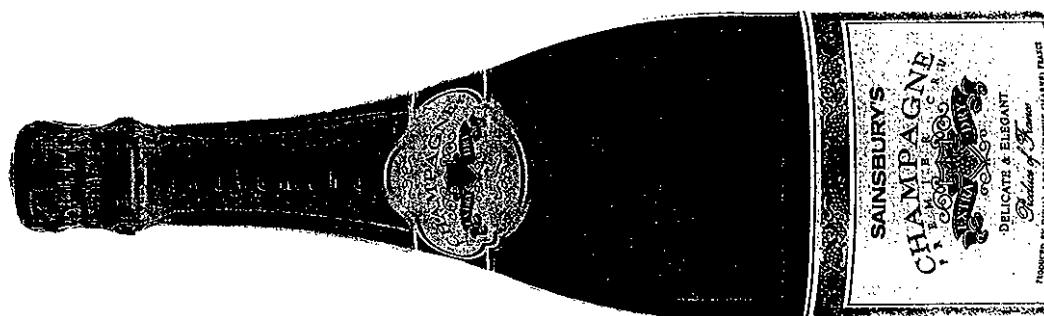
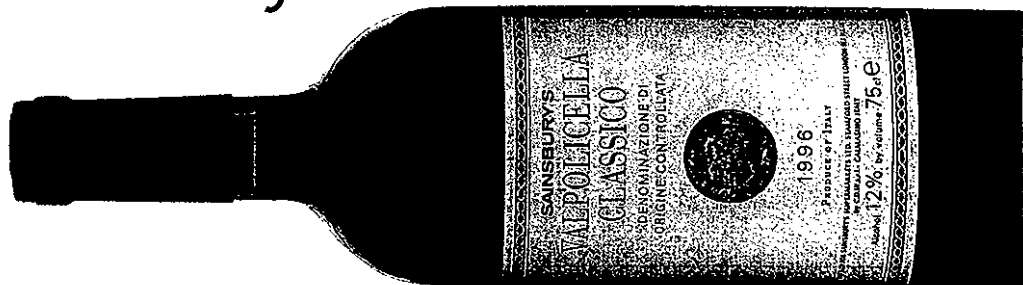
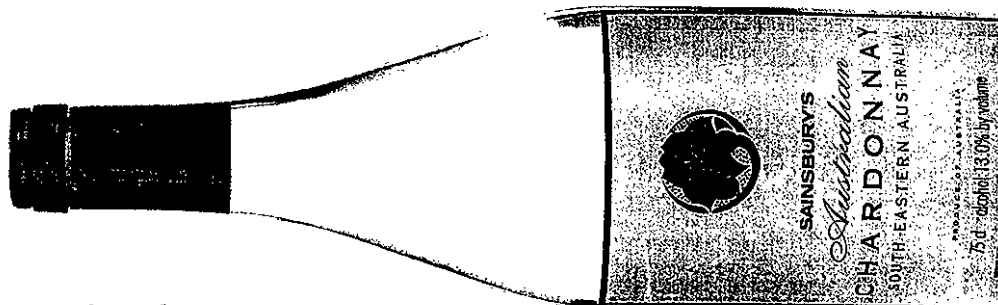
Along with 500 other Homebase products this lamp comes with the guarantee that *there's no better value*. All Homebase own brand ranges also carry the quality guarantee.

there's no  
better value...

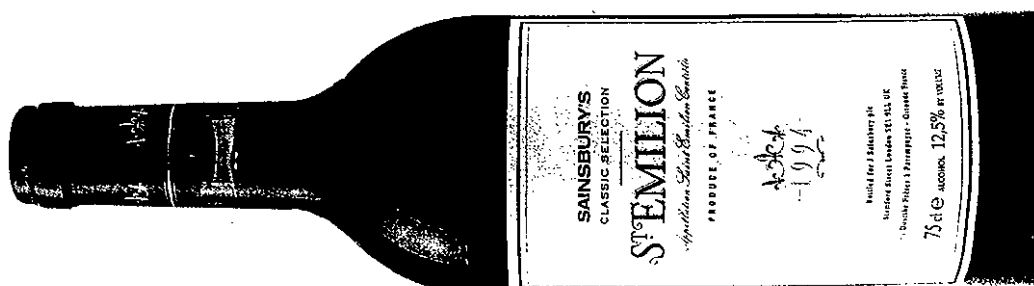


## discounted multibuy...

Reinforcing the exceptional quality and value for money of Sainsbury's wines, customers can regularly take advantage of multibuy and other discounts. For example in spring 1998, we offered a 17.5 per cent discount on champagne and sparkling wine with an added discount of 5 per cent on purchases of six or more bottles.



**SAINSBURY'S**  
CLASSIC SELECTION  
*Chablis*  
Appellation Chablis Contrôlée  
DOMAINE SAINTE CELINE  
PRODUCE OF FRANCE  
75cl e Alcohol 13% by Volume  
WINE IN VOLUME EXPONENTS IN EUROPEAN UNION LA 100



response to  
customer demand...



Launched in January 1998 after two years of research and development, Shaw's Baked Potato Crisps are an innovative response to customers' demand for a low fat potato crisp product.

New and

search and reapply...

These Italian vegetables in olive oil are just some of the exciting new products resulting from Sainsbury's Search & Reapply programme. Under the programme, buyers scour the world for authentic and exotic delicacies, ensuring that Sainsbury's customers get the best and get it first.

Fresh ideas from Homebase include expanding and co-ordinated ranges of lighting, paint, wall coverings and fabrics. The collections of contemporary, stylish and innovative products have proved extremely popular.

stylish and practical...

# different

new technology...

Exclusive to Sainsbury's, Microban® is a new technology for making kitchen equipment and household cleaning products more hygienic by incorporating an antibacterial agent. Within three weeks of its launch last September, Sainsbury's had sold 90,000 Microban® chopping boards. The range now extends to over 35 kitchen items.





# Operating review

## Sainsbury's Supermarkets

### Sainsbury's Supermarkets Directors

Dino Adriano *Chairman*

John Adshead      David Clapham

Bob Cooper      Ian Coull

Hamish Elvidge      Kevin McCarten

Robin Whitbread

### Sainsbury's Supermarkets analysis

	1998	1997
Sales (incl. taxes)	£11,563.8m	£10,752.2m
Operating profit	£734.6m	£661.5m
Number of supermarkets	391	378
Sales area (000 sq ft)	10,860	10,387
Full-time employees	38,416	38,375
Part-time employees	88,155	83,190

### Sainsbury's Supermarkets

A passion for food and superior quality and choice are the traditional values of the Sainsbury's brand. These, above all, are where we seek to differentiate ourselves from our competitors. In the past year we have sought to strengthen these values.

#### Improving quality and widening choice

Our buyers and technologists have reviewed over a third of our 10,000 own brand products and improved many as a result. Some lines have seen dramatic increases in sales – 80 per cent in the case of fresh pasta sauces and 170 per cent for fresh soups following reformulation and redesign. About 700 of our products have been improved with no increase in price to our customers as part of our *Better Quality...Same Price* programme.

We systematically benchmark Sainsbury's products against the best competing products from branded manufacturers and other retailers. Two thirds of those tested were as good as or better than competing products. Where our products fall short, we improve, test and improve again until customers tell us that our products are the best.

Once again, the quality of the Sainsbury brand was recognised by a number of awards. These included the Meat and Livestock Commission's Best Supermarket Sausage International Section Award; the Here's

Health magazine Best Source of Organic Food Award and Woman magazine's Best Health and Beauty Department Award.

When customers told us they wanted to be more adventurous in their cooking, we responded. Accordingly we launched a poll of our shoppers in August 1997 under the title *More Choice Because It's Your Choice*. Over four weeks, 250,000 customers voted for the products they most wished to see on our shelves. The top 100 most requested products were subsequently made available in all our stores. We plan to undertake a second poll in the current year.

Responding to our customers' desire to experience new products and ideas, we send teams of buyers to all parts of the world to discover the best and bring it back. The result has been new varieties of bread, fruit, fish, vegetables, coffee and cheese from Italy, and as far afield as, Australia, Singapore, Malaysia and the USA. Known as *Search & Reapply*, this programme last year helped us to identify over 150 new products, for example, New Zealand Butterfish on the fish counter and Italian vegetables in olive oil on the delicatessen counter.

In all, over 1,100 new own brand products appeared on our shelves in the course of the year ranging from food from Japan to fresh Chinese vegetables such as Choi Sum

and Pak Choi. The range widens further in June 1998 with the re-launch of Sainsbury's *Special Selection*. This offers customers an exceptional choice of new and unusual products and will now include fresh products such as cheeses, vegetables, fruit, meat and fish.

Our *Fresh Food*, *Fresh Ideas* and *Taste the Difference* promotions, both of which included instore tastings and recipe suggestions, have further communicated the quality and choice of our offer and have stimulated our customers' desire for new ideas.

Our customers are increasingly concerned about food integrity, by which we mean the concern for the safety, quality and consumer information surrounding food. We have broadened our organic range to include not only more organic fruit, vegetables and meat, but also products such as white and wholemeal organic bread, and fresh and semi-skimmed organic milk. By July 1998, we will offer some 320 organic lines: more than double the number we offered 18 months ago. We continue to work with suppliers to increase our organic range as well as to achieve consistency and continuity of supplies. Sainsbury's co-sponsored the Fifth Anniversary Conference of the International Federation of Organic Agricultural Movements (IFOAM) in September 1997 and sponsored ten conventional growers to attend.



The new Halifax supermarket, opened in September, incorporates our improved layout with wider aisles and more space for fresh and perishable food ranges as well as a new style of lighting. The shopping environment in the store is further enhanced by a j's Restaurant.



We plan to expand our new home delivery Orderline service to customers at 32 stores by September 1998.



Our new supermarket at Ashbourne was one of six in our country-town format to open during the year.

In addition, Sainsbury's introduced a new Socially Responsible Trading policy in March 1998 and a welfare policy for dairy cows when Farm Assured Milk was introduced in November 1997.

Improving quality and widening choice require constant innovation. Among other developments this year, Sainsbury's has launched an exclusive new technology – known as Avoscan – for guaranteeing the ripeness of our Ripe & Ready avocados. In September 1997 we introduced Microban® kitchen equipment products such as chopping boards and bin liners, impregnated with an antibacterial agent to make them more hygienic. Following the success of these products, the use of Microban® is being extended to other products such as washing up liquid.

Innovation also extends to the way we present our products. Under the principles of category management, we are rationalising our displays to reflect more accurately the needs and preferences of our customers. A small change such as grouping soft drinks by type of container instead of by product helps make it easier for customers to shop. The process has also helped us to re-evaluate the level of own brand products in each category range.

By linking outstanding quality and choice with highly competitive prices, we aim to give our customers exceptional value

for money. We check 17,000 prices every month to make sure we are unbeaten on key lines. In the light of further research during the year, we are improving the way in which we communicate our competitive price position. In February 1998 we introduced our *Best Sellers* promotion which emphasises the price competitiveness of the most frequently purchased products and is similar to Shaw's successful *Compare and Save* promotion in the USA. Our growing *Economy* range brings greater choice to shoppers with tight budgets who, none the less, seek the quality assurance of the Sainsbury's brand.

The Sainsbury's *Reward Card* is proving one of the most successful schemes of its kind. The 11.5 million cards in distribution now account for 87 per cent of sales, compared with 82 per cent a year ago. As well as fostering loyalty, the *Reward Card* helps strengthen our relationships with customers and enables us to improve our offer in a variety of ways from pricing and promotions to the planning of new stores.

In July 1997 we launched the *Sainsbury's Pet Club* to strengthen relationships with the 37 per cent of our customers who buy pet food in Sainsbury's. This was followed in January 1998 by the *Sainsbury's 0 to 5 Club* for parents with young children. Both have proved extremely successful and underline our determination to engage

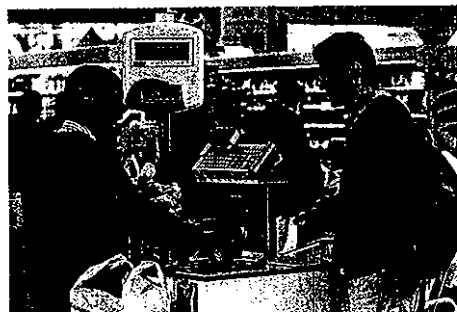
with our customers and understand their needs in ever greater detail.

Longer opening hours have also helped to meet our customers' needs. For most of the year, 50 of our stores opened continuously for over 24 hours on Friday nights and 145 stores opened through the night in the run-up to Christmas – a move that customers clearly found helpful.

#### More and different stores

In the last 12 months we opened 19 new stores which, together with 13 extensions, added 596,000 sq ft of new sales area. With tighter planning regulations and demands from our customers for more accessible stores, our emphasis is shifting from large, edge-of-town supermarkets towards smaller formats in town and city centres. Being more flexible allows us to take greater advantage of planning opportunities and to tailor our offering more precisely to local needs.

One example is the country-town format in centres where a larger superstore would not be viable. Six of these were opened during the year in towns such as Ashbourne (see photo above), Calne and Kenilworth. All are performing well and we intend to open a further seven in the current year. We are also planning to open three city-centre format stores of between 12,000–15,000 sq ft. These stores will meet customers' different requirements at



An innovative way of speeding up the shopping trip at busy times is our mobile checkout, shown here at the Sainsbury's store in Clapham, London.



Salad bars such as this one in the Sainsbury's store at Springfield, Chelmsford will be installed in 25 stores by the end of this year.



Our hand held scanners, now in 30 stores, have improved software to give customers greater convenience and more information while they shop.

various peaks in trade during the day. The first will open in Tottenham Court Road, London in spring 1999.

Plans are in hand to trial a convenience-store format, to be branded *Sainsbury's Local*, to meet the need for take-away meals or quick, top-up shopping trips in urban areas. The first will open on London's Fulham Palace Road in late summer 1998.

During the year we extended or refurbished 21 stores, not only increasing the sales area but also the proportion devoted to fresh foods. A spectacular example is the Balham store in London where sales have increased by over 150 per cent following a two-thirds increase in the store size.

We are also improving the layout and lighting of our supermarkets to give greater emphasis to fresh and perishable ranges along with wider aisles and a generally more welcoming environment. Examples include the new store at Halifax (photo page 15) and the remodelled store at Bristol, both of which have met an enthusiastic welcome from our new and existing customers. We will incorporate these improved layouts in all our new large stores, and in extensions and refurbishments of existing stores.

With the growing interest in home shopping, we have launched a major trial

to test demand. Using our home delivery service, *Orderline*, customers at seven of our stores can already place orders for collection or delivery by phone, fax or on the Internet. By September 1998 we plan to have the *Orderline* service at 32 of our stores. It is still too early to tell whether home shopping will be a major new market, but we are ready to respond as it develops.

We continue to increase our geographic coverage. Our four stores in Northern Ireland are proving very successful. Forestside in Belfast is one of our top performers and we plan to open at least six more in Northern Ireland. We have also expanded further in Scotland, opening a new supermarket at Partick this year to bring our total there to nine. Our stores in Northern Ireland and Scotland are now served by a new depot at East Kilbride which opened in September 1997.

As a result of our investment, in recent years, in improved ordering and supply control systems, the past year produced cost savings of over £20 million. Better ordering and scheduling have allowed us to cut the amount of stock in the business without compromising the availability of our products to our customers. The money saved has gone to improving our products and service. In some cases we have also been able to turn warehouse space in stores into productive selling space.

Having generated these initial savings we plan to reduce costs by £100 million by the end of the next three years.

#### Developing our people

Sainsbury's Supermarkets employs around 127,000 people. All managers have a personal set of targets linked to the Company's business objectives. Having defined these goals, we are stepping up our efforts and providing additional training or support to managers and members of their teams to help them achieve their personal targets.

During the year we have undertaken a number of initiatives to improve the product knowledge of our supermarket employees. In wines, for example, 450 of our store staff have been trained to the Wine and Spirit Educational Trust certificate level so that they can better advise customers.

As well as training our staff for job-specific skills, we continue to encourage their broader personal development. To date, nearly 3,000 have achieved a Level 2 National Vocational Qualification and many others are making progress towards it. At management level, over 80 people have graduated from our Retail Marketing Degree course run by the Manchester Metropolitan University and over 30 have achieved the Company-sponsored MBA.

## Savacentre

### Savacentre Directors

Ian Coull <i>Chairman</i>	
Jack O'Brien <i>Managing Director</i>	
Edward Bonner	David Empson
Allan Webb	John O'Sullivan
Kevin McCarten*	Andrew Mitcham*

\*Non-Executive

### Savacentre analysis

	1998	1997
Sales (incl. taxes)	£863.5m	£802.0m
Operating profit	£30.5m	£30.3m
Number of hypermarkets	13	12
Sales area (000 sq ft)	1,119	1,034
Full-time employees	3,006	3,023
Part-time employees	7,119	7,527

In Northern Ireland we have run award-winning pre-employment training programmes for people applying for jobs at our stores after a long period of unemployment. Reflecting our desire to broaden the pool of prospective employees, Sainsbury's was also one of the first companies to sign up to the *New Deal* programme.

Employees, and the business as a whole, continued to benefit from improvements in internal communications such as Staff Councils, Business TV and our *Talkback* staff surveys. Staff Councils, in particular, have proved to be a very effective means of enabling staff at all levels of the Company to bring forward ideas for improvements to the business.

### Savacentre

Following a strategic review of Savacentre during the year, the business is set to become Sainsbury's large store format with all the Sainsbury's attributes of quality, choice and passion for food. More space will be given to food to enable us to provide an unparalleled fresh food offer. This will include not only the full Sainsbury's range but additional ranges of ready meals and other home meal replacement ranges, larger salad bars and new ethnic and exotic meals.

The space given to non-foods will be better focused on ranges that are complementary to regular food shopping – Baby & Toddler, Indulgence, Celebration and Cookshop.

The new Savacentre format will be launched at the Reading store later this summer and will be extended to the rest of the chain in due course.

In March 1997, Savacentre opened its thirteenth store in the White Rose shopping centre, Leeds. Its first year has been very successful. Innovations at the store included a *Curry Kitchen* which proved so popular we have now incorporated it at the other 12 Savacentres. Other new features were a new style cafe opening onto the shopping centre mall and a personalised picture cake service.

Savacentre employs some 10,000 people. We continue to invest heavily in training and development. Over the past year

almost 4,000 store colleagues have taken part either in trade skills or career development discussions to help identify, and plan formally, future training and development opportunities. Another innovation was the introduction of *Best Practice* workshops where managers across the business came together to share ideas and effective working practices.

Savacentre is often the largest employer in its locality and is committed to being a good neighbour. In addition to a host of local activities, the company increased its involvement in the government's youth employment scheme – *Training for Work* – and, like Sainsbury's Supermarkets, was a founder signatory to the recently launched *New Deal* initiative.



The innovative *Curry Kitchen* in the new Leeds Savacentre, which opened in March 1997, has proved so popular that similar counters are now available in all 13 Savacentres.

## Operating review

# Homebase

### Homebase Directors

David Bremner *Chairman*

Ross McLaren *Managing Director*

Ian Baldwin                      Steve Bradbury

Judith Evans                      Peter Guildford

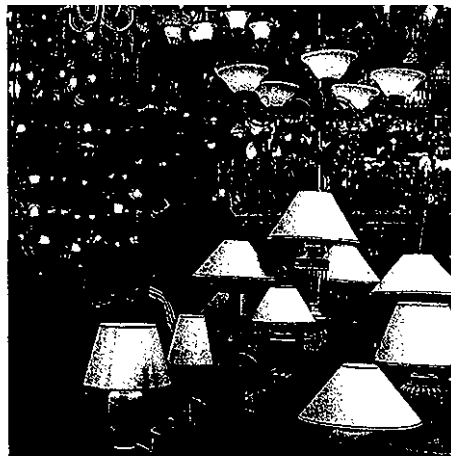
Mike Powell                      Kathryn Swann

Ian Coull\*

\*Non-Executive

### Homebase analysis

	1998	1997
Sales (incl. taxes)	£1,234.8m	£1,134.1m
Operating profit	£55.5m	£16.3m
Number of stores	298	297
Sales area (000 sq ft)	11,201	11,246
Full-time employees	5,809	6,239
Part-time employees	11,162	11,258



The Ewell, Surrey, store which opened in November 1997 offers the largest display of our exciting new lighting range and is currently one of three stores to offer our new range of stylish and contemporary textiles.

### Homebase

Homebase made good progress during the year. We opened ten new stores and converted another 60 of the former Texas stores to the Homebase format. Of these, 40 were full conversions and 20 were low-cost conversions, where the local market did not warrant higher expenditure.

To date we have converted 100 stores and are two years through the three-year conversion process which is on target for completion by the end of this financial year.

Now that the Texas integration is substantially completed, we are looking at the future positioning of the business with the aim of expanding our share of the home-enhancement market. This is a growing sector and one that offers enormous opportunity. We estimate that the total potential of this market is over three times that of the DIY market. The transition is already under way with new developments in our product range.

The Ewell, Surrey, store which opened in November 1997 is the largest new store in the Homebase chain and the prototype for future developments. Its performance to date has been excellent and it is already one of our top three trading stores. Building on our existing strengths in decorative products, Ewell is one of three stores – the others are Camberley and Milton Keynes – which offer a new co-ordinated range of lighting,

wall coverings and fabrics. Following the success of this range of products, we plan to have it in full in at least ten stores by the end of the 1998/9 financial year.

The year has seen further improvements in customer service. We now provide a complete bathroom service from supplying and fitting the suite to offering furnishings such as towels, soap dishes and bathroom ornaments. Our garden design service was extended to a further 60 stores during the year. Customers also benefit from a new guide to garden security which we produced in conjunction with Surrey police. Another of the year's innovations was the *Living Magazine* which offers home enhancement ideas as well as information on DIY projects.

Following our success in the previous year, Homebase once again won an award at the Hampton Court Flower Show, this time for our *Sights, Sounds and Smells Garden*. A permanent Homebase garden was launched at the Royal Horticultural Society Gardens at Wisley, Surrey in April 1997 and features products and plants available in our stores.

In the past year we have reviewed our kitchen offer. Given that the sector is significantly over-supplied and that there is too much geographical overlap, we are reducing the number of outlets selling kitchens. We will have kitchen studios in 106 stores and at these locations have

secured increased sales through improved promotional support. We believe that kitchens remain an important part of the Homebase offer.

Communication with employees has been improved by the launch in October 1997 of a new staff magazine – *Touchbase*. Homebase managers and employees have also benefited from the latest teamwork training methods.

In addition to completing the conversion programme, Homebase will open ten new stores in the coming year.

The new *Home Meal Replacement* range, shown here at the new Shaw's supermarket in Bridgeport, Connecticut, includes only fresh and premium quality products such as fresh pasta, pasta sauces, soups, ready meals and speciality *Mia Pizzeria* pizzas.



## Shaw's

### Shaw's Directors

David Bremner <i>Chairman</i>	
Ruth Bramson	Paul Cannon
Peter Gunderson	Verne Powell
Brian Pijanowski	Scott Ramsay
Harry Beckner*	Steve DuBrul*
Robin Whitbread*	

\*Non-Executive

### Shaw's analysis

	1998	1997
Sales (incl. taxes)	\$2.81bn	\$2.49bn
Operating profit	\$61.8m	\$65.2m
Number of supermarkets	121	115
Sales area (000 sq ft)	4,119	3,822
Full-time associates	7,077	6,868
Part-time associates	13,031	13,151

### Shaw's

Shaw's made good progress towards its goal of becoming New England's best food store. It did well in its established markets and is making headway in Connecticut. Sharing all the brand characteristics of Sainsbury's in the UK – especially the emphasis on quality food at value-for-money prices – the business continues to benefit from the exchange of ideas across the Atlantic.

Like the UK food businesses, Shaw's improved its range of fresh and perishable foods during the year. The range of Shaw's own brand products was strengthened and refined accordingly. Some 5,500 of the products typically on offer in a Shaw's supermarket are now own brand lines. These are crucial to the Shaw's difference and account for 40 per cent of total sales.

A very successful new product range, introduced in the autumn of 1997 is the *Home Meal Replacement* offer. The entire range is fresh and of premium quality and includes fresh pasta, pasta sauces, soups, ready meals and speciality *Mia Pizzeria* pizzas. The range is now available in all stores. We plan to enhance it further in the coming year. In total, 55 new products were launched during the year, including hot rotisserie chicken, lasagne and boneless buffalo wings.

Shaw's *Choice Rewards* loyalty card scheme, a concept transferred from Sainsbury's, is available to customers at 31 stores in the Connecticut and Rhode Island areas. The

320,000 cards in distribution account for 48 per cent of sales in these stores.

Through its on-going *Every Day Low Prices* offer, Shaw's remains highly competitive and consistently rates as the lowest-price grocery chain. During the year greater emphasis on price in Shaw's advertising helped improve customer perception of Shaw's value-for-money offer.

Shaw's continues to invest in technology. Product availability has improved during the year with the introduction of a new central logistics system, an automated bakery production system and further streamlining of the supply chain.

All 20,000 employees, known as associates, now have use of the new Shaw's intranet. This gives them faster, easier access to routine and urgent communications as well as to training and policy manuals.

In 1997/8, Shaw's opened eight new, and refurbished 12, stores with a total capital investment of £85 million. After a period of rapid expansion which has seen total sales area increase by 31 per cent over the last two years, nine stores are planned in 1998/9. Six of these will be in Connecticut, positioning Shaw's as the second largest operator in the state. The Connecticut operation is on course to move into profit in 2000/01.

## Sainsbury's Bank

### Sainsbury's Bank Directors\*\*

David Sainsbury <i>Chairman</i>	
Richard Chadwick <i>Deputy Chief Executive</i>	
Dino Adriano	Kevin McCarten
Sir David Scholey*	

\* Non-Executive

\*\*Directors appointed on behalf of J Sainsbury plc

### Sainsbury's Bank

Launched in February 1997 as a joint venture with Bank of Scotland, Sainsbury's Bank has grown rapidly. At the year-end, it had 700,000 customer accounts with £1.5 billion on deposit and commitments to customers of over £400 million on credit cards, personal loans and mortgages. The bank continues to attract about 10,000 customer accounts each week.

The product range has expanded and now comprises mortgages, an instant access savings account, a Christmas savings account, personal loans, two Visa credit cards and buildings and contents insurance. New products to be introduced this year include fixed rate mortgages, pet and other insurance products and further credit cards.

In November 1997, Sainsbury's Bank received a Special Award from *Your Mortgage* magazine for 'shaking up the mortgage market and creating new, dynamic competition'. More recently it received the Best Personal Loans category award in the *Your Money Direct* magazine survey.

By the end of the summer, all Sainsbury's supermarkets will have Bank Information Points. These will include a free-phone to the Bank's call centres as well as product information. The number of stores with a Sainsbury's Bank cash dispenser, currently 37, will also be increased.

# Financial review

## Group sales £ billion

98	15.5
97	14.3
96	13.5
95	12.1
94	11.2

## Group operating profit £ million

98	854
97	745
96	854
95	899
94	796

## Dividend per share pence

98	13.9
97	12.3
96	12.1
95	11.7
94	10.6

## Analysis of operating results

Group operating profit before Year 2000 costs and exceptional costs increased by 14.7 per cent to £854 million on sales up by 8.3 per cent to £15.5 billion. This growth in operating profit of £109 million was attributable to an increase of £73 million from Sainsbury's Supermarkets and an increase of £39 million from Homebase. These improvements were partly offset by lower profits at Shaw's and higher losses at Sainsbury's Bank due to start up costs. The growth in Group operating profit resulted in the Group's return on net assets increasing to 15.9 per cent from 14.4 per cent in the previous year.

Sales in Sainsbury's Supermarkets increased by 7.5 per cent to £11.6 billion including growth in like-for-like stores of 3.4 per cent. Operating margin before Year 2000 costs increased to 6.35 per cent from 6.15 per cent the previous year due largely to improving sales mix, efficiency improvements and restoration of margins in petrol retailing. The resulting increase of 11.1 per cent in operating profit to £735 million raised return on net assets to 18.5 per cent from 17.2 per cent.

Savacentre's sales increased by 7.7 per cent to £864 million including 1.5 per cent from existing stores. Operating profit before Year 2000 costs increased marginally to £30.5 million and was held back by the opening costs of the new Leeds store.

Homebase increased sales by 8.9 per cent to £1.23 billion. Like-for-like sales grew strongly by 9.6 per cent including sales uplifts from store conversions. Operating profit increased dramatically to £55 million from £16 million the previous year due mainly to the continued success of the store conversion programme and the buoyancy of the UK home improvement market. In the year, 40 further stores were converted to the full Homebase format and achieved sales uplifts of 36 per cent on average and increased operating margin to over 8 per cent. The store conversion programme will be completed by the end of the current financial year. Return on net assets increased to 12.3 per cent from 3.9 per cent the previous year.

Shaw's sales increased by 12.9 per cent to \$2.8 billion (£1.7 billion) including growth

of 1.2 per cent in existing stores. Operating profit decreased by 5.2 per cent to \$62 million (£38 million) reflecting the impact of a strike last year and the full year effect of losses from stores in the Connecticut trading area. Excluding these impacts, operating margins in established markets increased to 4.3 per cent from 4.1 per cent.

Sainsbury's Bank incurred a loss of £15 million reflecting the costs of establishing the Bank and rapid growth of customer accounts. In a little over one year since its formation the Bank has opened 700,000 customer accounts and now has £1.5 billion in customer deposits. A loss of £11 million in the first half year was followed by a much reduced loss of £4 million in the second half.

## Analysis of operating results

	Sales		Operating profit*		Return on net assets***
	£m	% change	£m	% change	%
Sainsbury's Supermarkets	11,564	7.5	735	11.1	18.5
Savacentre	864	7.7	31	0.7	9.2
Homebase	1,235	8.9	55	240.5	12.3
Shaw's	1,713	12.9**	38	(5.2)**	7.6
Sainsbury's Bank	66	-	(15)	-	-
Other	54	-	10	-	-
Group total	15,496	8.3	854	14.7	15.9

\* Operating profit before Year 2000 costs, profit sharing and exceptional costs.

\*\* In dollar terms.

\*\*\* Return on net assets based on net operating assets excluding interest bearing assets and liabilities, taxation and dividends.

### Group profit before tax

The major elements of Group profit before tax are summarised below:

Group profit summary	1998 £m	1997 £m
Group operating profit*	854	745
Year 2000 costs	(20)	-
Profit sharing	(44)	(37)
Associates	16	19
Net interest payable	(78)	(76)
Profit on sale of properties	3	8
Loss on sale of a subsidiary	(12)	-
Exceptional integration costs	-	(50)
Group profit before tax	719	609

\* Before Year 2000 costs, profit sharing and exceptional costs.

Group profit before tax increased by 18.1 per cent to £719 million. This growth was higher than the increase of 14.7 per cent in Group operating profit due mainly to the effect of the provision of £50 million for exceptional integration costs in last year's accounts for converting former Texas stores into the Homebase store format. The underlying increase in Group profit before tax, that is before property and subsidiary disposal and exceptional costs, was 11.8 per cent to £728 million. The loss on sale of a subsidiary in the year to 7 March 1998 of £12 million was incurred on disposal of NewMarket Foods, formerly the Group's pork products manufacturing subsidiary.

Net interest payable remained at a stable level as a reduction in borrowing was offset by higher short term, sterling interest rates.

The contribution of Associates declined to £16 million due to a reduction in profit before tax at Giant Food Inc of 16.6 per cent to \$117 million due to heavy promotional costs incurred to rebuild sales after a lengthy labour stoppage last year.

Profit sharing increased as a result of higher UK profitability. The profit sharing distribution rate is now 5 per cent of qualifying pay (1997: 4.7 per cent) for over 118,000 eligible staff (1997: over 109,000).

Costs of £20 million were incurred in converting computer software to deal with the Year 2000 date change. The total cost of this project for the Group is expected to be approximately £40 million. The Group has been proactive in advancing this work and is expecting to complete Year 2000 compliance within the current calendar year.

### Taxation

The group tax charge of £236 million for the year results in an effective underlying tax rate of 32.4 per cent (1997: 34.6 per cent) on profit before property and subsidiary disposals. The decrease in the effective tax rate reflects the reduction in the rate of UK corporation tax from 33 per cent to 31 per cent in April 1997. The effective rate exceeds the nominal rate of UK corporation tax due to the higher rate of tax incurred on US profits and the lack of tax relief on depreciation of UK retail properties.

### Earnings per share, dividends and shareholder returns

Basic earnings per share increased by 18.6 per cent to 26.1 pence. Fully diluted earnings per share, before exceptional costs and property items, expresses underlying progress in earnings per share and increased by 13.4 per cent to 26.2 pence.

The dividend per share for the year of 13.9 pence (interim 3.75 pence and final of 10.15 pence) was increased by 13 per cent on the previous year, in accordance with our current policy of increasing dividends in line with underlying growth in earnings per share. Dividends are covered approximately twice by earnings.

### Share price

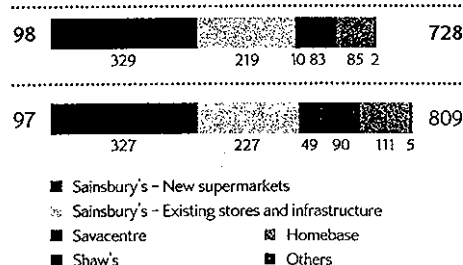
Our share price rose from 313.5 pence at the start of the financial year to 467.5 pence at the end and the range during the year was 310 pence to 519.25 pence. The Company's market capitalisation on 7 March 1998 was £8,894 million, in comparison with £5,824 million on 8 March 1997. Total return to shareholders, expressed as share price appreciation plus dividends, was over 50 per cent for the year.

### Cash flow

Cash generation is the foundation of creating value for shareholders. Increasing emphasis has been placed on cash flow



## Group capital expenditure £ million



management throughout the Group. The main elements of the Group's cash flow are shown below. Free cash flow is an important summary indicator and is defined as aggregate cash flow before payments to providers of capital. Free cash flow increased to £446 million for the year to 7 March 1998 compared to £60 million the previous year principally reflecting higher cash generation from operations, lower payments for fixed assets and the absence of business acquisitions.

Summary of cash flows	1998 £m	1997 £m
Operating cash flows	1,149	1,085
Tax paid	(177)	(206)
Payments for fixed assets	(672)	(801)
Sale of fixed assets	96	79
Acquisition of businesses	-	(108)
Sale of businesses	13	-
Other items	37	11
Free cash flow	446	60
Dividends paid	(221)	(214)
Net interest paid	(75)	(93)
Net cash flow	150	(247)

Operating cash flows increased by £64 million to £1,149 million due to higher operating profit and tight control of working capital. The value of Group stocks (£743 million) remained in line with last, year despite the increase of 8.3 per cent in Group sales.

The reduction in tax paid in 1998 to £177 million reflected lower taxable profits in 1997 than in the previous year.

Payments for fixed assets reduced to £672 million from £801 million due to lower expenditure in Shaw's and Savacentre and a temporary reduction in expenditure on extensions for Sainsbury's Supermarkets. After taking account of capital creditors and capitalised interest, Group capital expenditure for the year was £728 million compared to £809 million last year. It is expected that Group capital expenditure will remain between £700 and £800 million per annum in future. Proceeds from sales of fixed assets increased to £96 million from £79 million due to higher sales of surplus property.

## Capital structure and finance

Total Group shareholders' funds as at 7 March 1998 amounted to £4,112 million (1997: £3,671 million). The principal movements for the year were retained profits of £223 million, shares issued in respect of the conversion of the 8.5% Convertible Capital Bonds in an amount of £156 million and share allotments for scrip dividend and employee share schemes of £58 million.

Group net debt at the year-end amounted to £1,091 million (1997: £1,436 million) resulting in a balance sheet gearing ratio, defined as the ratio of net debt to equity shareholder's funds, of 27 per cent (1997: 39 per cent). It is Group policy to set a target maximum for gearing of 50 per cent. The reduction in net debt is mainly the result of the conversion, in September

1997, of the outstanding 8.5% Convertible Capital Bonds and net cashflow generated by the Group, as described above.

During the year the Group issued £200 million of 7.25% Euro Medium Term Notes maturing in June 2002 and a French franc 300 million eurobond maturing in June 2005. The Group also issued a small number of privately placed Euro Medium Term Notes amounting to £97 million for a variety of maturity dates to refinance maturing long-term debt.

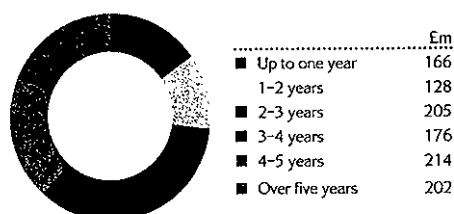
## Treasury management

Treasury policy and significant treasury transactions are reviewed and approved by the Board. Treasury strategies and performance supervision is undertaken by the Finance Management Sub-committee of the Board. Auditors regularly review treasury activity.

The Group's major treasury activities, with the exception of the operations of Sainsbury's Bank, are centralised in the Group Treasury function. Treasury operations in respect of Sainsbury's Bank are managed separately through the Bank of Scotland under guidelines agreed by the two parent companies. Group Treasury acts as a cost centre responsible for the secure and efficient use of the Group's cash resources, the adequate provision of cost effective funding to support the Group's business activities and the management of interest rate and currency risks arising

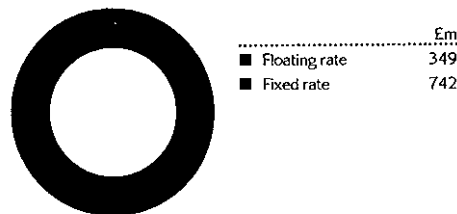
#### Net debt maturity analysis £ million

March 1998



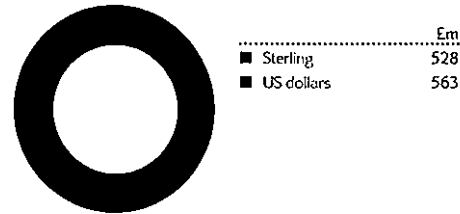
#### Net debt fixed/Floating interest £ million

March 1998



#### Net debt currency composition £ million

March 1998



therefrom. Derivative instruments may be used to meet specific risk management objectives but their use is strictly controlled and can only be implemented to reduce exposures arising from underlying business activities and not for speculative purposes.

#### Funding and interest rate risk

The Group funds its operations through a combination of cash generated by operating companies, bank loans, commercial paper, debt issues in the international capital markets and leases. The Group also maintains a portfolio of undrawn committed bank facilities of approximately £1 billion which act as a store of liquidity as well as providing support for the Group's commercial paper programme and other short-term borrowing activity. As at 7 March 1998 the average maturity of the Group's undrawn facilities was two years. Excluding these facilities, the average maturity of the Group's net debt was four years. To facilitate continuity of funding the Group aims to structure debt issues to provide that no more than 25 per cent of the Group's net debt matures in any one year.

Credit risk is controlled by limiting the Group's credit exposures to institutions maintaining a first class credit rating and by applying specific credit limits in each particular case. The senior long-term debt of J Sainsbury plc is rated A+ by Standard & Poor's Ratings Group, AA3 by Moody's Investors Services and AA- by IBCA. Short-

term indebtedness is rated A-1 by Standard & Poor's Ratings Group, P-1 by Moody's Investors Services and A1+ by IBCA.

The Group's exposure to movements of interest rates on its underlying net debt is managed by the form of debt issuance and the use of derivative instruments, principally interest rate swaps and options. It is Group policy to provide a degree of protection against interest rate volatility through holding a proportion of the Group's debt portfolio at fixed rates of interest. Depending on market conditions and the scale of interest rate exposures the proportion of fixed-rate borrowing may vary between 20 per cent and 80 per cent of net debt. At 7 March 1998 the proportion of fixed-rate borrowing stood at 68 per cent.

The average interest cost for the year ended 7 March 1998 was 7.26 per cent. The Group's net interest before capitalised interest for the year was covered 8.7 times by profit before net interest, exceptional costs and taxation for the year to 7 March 1998 (1997: 8.6 times).

#### Managing foreign currency exposure

The Group protects the sterling value of its shareholder funds from adverse currency translation effects by matching overseas investments with liabilities of the same currency. Exchange movements on foreign currency borrowings used for balance sheet hedging purposes are taken directly

to reserves whilst the interest payable on these borrowings serves partially to hedge the Group's profit and loss exposure to exchange rate translation. Foreign currency transaction exposures arising principally from foreign currency denominated imports are selectively hedged by the use of forward foreign exchange contracts and currency options.

#### Implications of the Euro

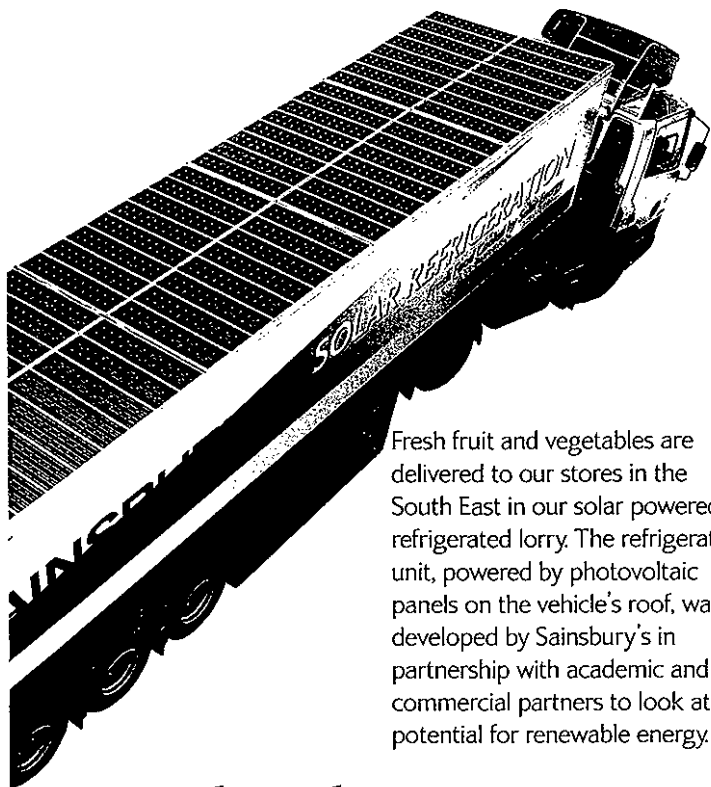
The Group has undertaken an impact analysis regarding the introduction of the single European currency (the Euro). We anticipate that the effect on the Group will be limited initially but would become substantial on UK entry, necessitating major systems and related costs.

#### Pensions

The actuarial valuation of the Group's UK pension funds as at 8 March 1997 resulted in a surplus of £155 million over the Schemes' liabilities. Group pension costs for the year to 7 March 1998 totalled £52 million after taking account of £32 million of surplus amortisation. It is anticipated that the Group's pension contribution costs will increase by approximately £10 million in the current year as a result of lower surplus amortisation.

*Rosemary Thorne*

Rosemary Thorne  
5 May 1998



Fresh fruit and vegetables are delivered to our stores in the South East in our solar powered refrigerated lorry. The refrigeration unit, powered by photovoltaic panels on the vehicle's roof, was developed by Sainsbury's in partnership with academic and commercial partners to look at the potential for renewable energy.

solar lorry...

Through Sainsbury's Supermarkets' *Side by Side* scheme, staff volunteer to work with local groups on a wide variety of community projects. Staff choose which groups they want to help and are given company time to do so. 150 stores were involved during the year.

side by side...



# Community and

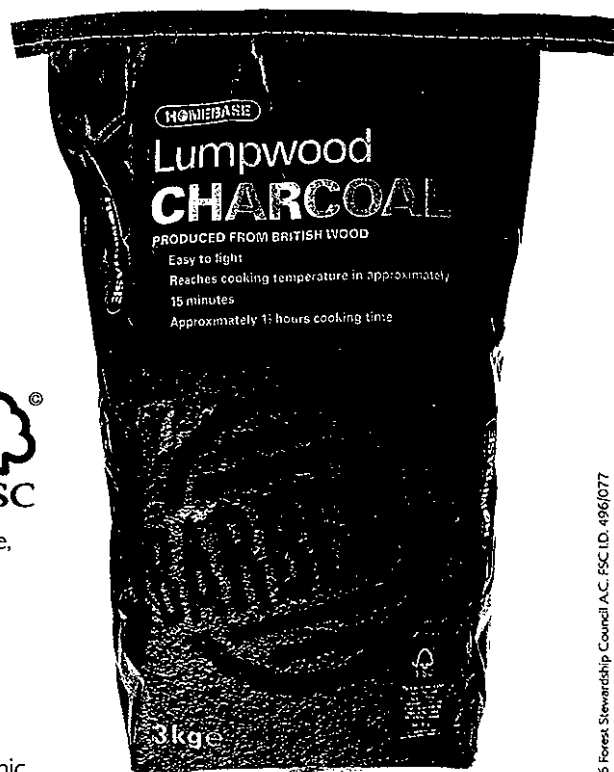


special olympics...

Staff and customers at all Sainsbury's supermarkets and Savacentre stores ran an unique fundraising appeal for Special Olympics UK during 1997. In total they raised over £500,000 to help the work of the Special Olympics movement, which provides competitive sports for people with learning difficulties. Sainsbury's staff and customers raised a further £500,000 for BBC Children in Need in November 1997.



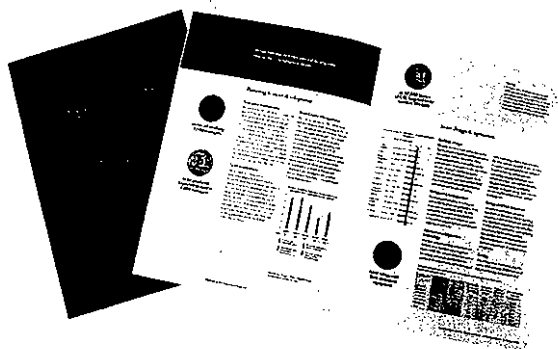
Some 500 products in Homebase, Sainsbury's and Savacentre carry the Forest Stewardship Council logo. This means the timber has been independently certified as coming from forests that are well-managed according to environmental, social and economic standards. Eventually all 18,000 Homebase, Sainsbury's and Savacentre timber and timber-based products will carry this symbol.



BBQ charcoal...

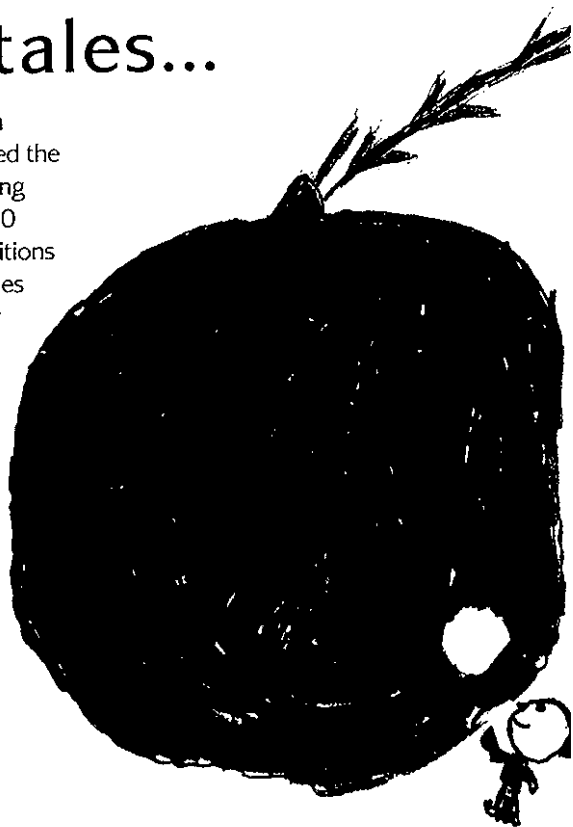
## environment report...

We have updated the 1996 Environment Report with an interim report that looks at the environmental effects of our activities from store design to energy and waste management. It also features products such as City Diesel, the ultra-low sulphur fuel, available from Sainsbury's petrol filling stations. Both reports are available on our Internet site: <http://www.j-sainsbury.co.uk>



## beastly tales...

Sainsbury's supermarkets in Northamptonshire supported the *Beastly Tales* summer reading scheme involving over 4,500 children in painting competitions and book readings at libraries throughout the county. Our supermarket in Newham, East London, supported another successful local reading scheme with 'literacy recipe cards'. These were available in store and encouraged parents to play letter and word games with young children whilst shopping.



# the environment

## poster designs...

Sainsbury's supports many projects which focus on education and young people. These include the award-winning *Pictures for Schools* scheme which is now in its sixth year. Under the scheme, we gave pictures to 1,200 primary schools during 1997/8. We also encourage pupils' own artistic talents with poster competitions for new stores. Paper and paints are provided and the results are impressive.





## Board of Directors

### 1 David Sainsbury

#### *Chairman*

Chairman of the Nomination Committee. Chairman, Sainsbury's Bank plc. Director, Giant Food Inc. Joined Sainsbury's 1963. Appointed to the Board 1966. Awarded peerage and became Lord Sainsbury of Turville 1997. Chairman of the Transition Board of the University for Industry. Age 57.

### 2 Dino Adriano

#### *Group Chief Executive*

Member of the Nomination Committee. Chairman, Sainsbury's Supermarkets Ltd and Director, Sainsbury's Bank plc. Joined Sainsbury's 1964. Moved to Homebase in 1981 where he became Managing Director in 1989 and Chairman in 1991. Appointed to the Board of J Sainsbury plc 1990. Non-Executive Director of Laura Ashley Holdings plc. Age 55.

### 3 David Bremner

#### *Deputy Group Chief Executive*

Chairman, Homebase Group Ltd and Shaw's Supermarkets Inc. Director, Giant Food Inc. Rejoined Sainsbury's and appointed to the Board 1996 with responsibility for Homebase and US businesses. Was with Sainsbury's between 1978 and 1989 in various posts, latterly as Logistics Director, Homebase. Logistics Director of B&Q in 1989. Joined Watson & Philip plc as Chief Executive in 1992. Age 40.

### 4 Sir George Bull

#### *Non-Executive Director and Deputy Chairman*

Appointed to the Board April 1998. Member of the Audit, Remuneration and Nomination Committees. Co-Chairman, Diageo plc. Previously Group Chief Executive and then Chairman of Grand Metropolitan PLC. Also a Director of United News Media Plc and of the Marketing Council. Age 61.

### 5 Kevin McCarten

#### *Director*

Director, Sainsbury's Supermarkets Ltd responsible for marketing. Director, Sainsbury's Bank plc. Non-Executive Director, Savacentre Ltd. Joined Sainsbury's and appointed to the Board 1995. Previously worked in various marketing roles for Procter & Gamble before joining Kingfisher plc where he was Director of Superdrug and Woolworths. Age 40.

### 6 David Clapham

#### *Director*

Director, Sainsbury's Supermarkets Ltd responsible for restaurants, petrol, technical division, procurement and convenience stores. Joined Sainsbury's 1964. Managing Director, Savacentre Ltd 1989. Became Supermarkets Trading Director and appointed to the Board in 1992. Became Retail Director in 1995. Age 51.

### 7 Sir David Scholey CBE

#### *Non-Executive Director*

Appointed to the Board 1996. Member of the Audit, Remuneration and Nomination Committees. Non-Executive Director, Sainsbury's Bank plc. Senior Adviser to SBC Warburg Dillon Read and the International Finance Corporation. Director, The Chubb Corporation and Vodafone Group plc. Governor of the BBC. Age 62.

### 8 Bob Cooper

#### *Director*

Director, Sainsbury's Supermarkets Ltd responsible for trading and consumer products. Joined Sainsbury's 1975 as a financial analyst before becoming financial controller then Departmental Director responsible for Delicatessen and Bakery Products in 1986. Appointed to the Board 1988. Non-Executive Director, Wye College, University of London. Age 49.

### 9 John Adshead CBE

#### *Director*

Group Human Resources Director. Director, Sainsbury's Supermarkets Ltd responsible for information systems, logistics, distribution and human resources. Chairman, J Sainsbury Pension Trustees. Joined Sainsbury's and appointed to the Board 1989. Member of the Training and Enterprise Councils' Assessors Committee. Non-Executive Director of The Tablet Publishing Company. Age 52.



#### **10 Robin Whitbread**

##### *Director*

Director, Sainsbury's Supermarkets Ltd responsible for operation of the retail store network. Non-Executive Director, Shaw's Supermarkets Inc. Joined Sainsbury's 1969. Following appointments as Departmental Director for Marketing and Produce Buying in 1983 and 1985, became an Area Director 1989. Appointed to the Board 1990. Age 47.

#### **11 Rosemary Thorne**

##### *Director*

Group Finance Director. Director, Giant Food Inc. Director, J Sainsbury Pension Trustees. Joined Sainsbury's and appointed to the Board 1992. Fellow of the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. Non-Executive member of the Department for Education and Employment Management Board. Member of the Financial Reporting Review Panel. Board member of the Prince's Youth Business Trust. Age 46.

#### **12 Sir Terence Heiser GCB**

##### *Non-Executive Director*

Appointed to the Board 1992. Member of the Audit, Remuneration and Nomination Committees and Chairman of the Audit Committee. Director, J Sainsbury Pension Trustees. Non-Executive Director, Abbey National plc and Wessex Water plc. Board member, PIA. Trustee of the Victoria and Albert Museum. Freeman of the City of London. Permanent Secretary, Department of the Environment 1985-92. Age 65.

#### **13 Sir Clive Thompson**

##### *Non-Executive Director*

Appointed to the Board 1995. Member of the Audit, Remuneration and Nomination Committees and Chairman of the Remuneration Committee. Chief Executive of Rentokil Initial plc. Director of Farepak PLC and B.A.T. Industries PLC. Deputy President of the CBI. Vice President of the Chartered Institute of Marketing. Member of the Hampel Committee on Corporate Governance, the Financial Reporting Council and the British Overseas Trade Board. Age 55.

#### **14 The Rt Hon Sir Timothy Sainsbury**

##### *Non-Executive Director*

Appointed to the Board 1995. Member of the Audit and Nomination Committees. Chairman, Somerset House Ltd. Was Director, J Sainsbury, 1962-83. Member of Parliament for Hove 1973-97. Minister of State for Trade 1990-92 and Minister of State for Industry 1992-94. Appointed Privy Counsellor 1992. Age 65.

#### **15 Ian Coull**

##### *Director*

Group Property Director. Property Director Sainsbury's Supermarkets Ltd. Chairman, Savacentre Ltd and Non-Executive Director, Homebase Group Ltd. Group Director responsible for environmental affairs. Director, J Sainsbury Pension Trustees. Joined Sainsbury's and appointed to the Board 1988. Fellow of the Royal Institution of Chartered Surveyors. Member of the Government's Property Industry Forum. Chairman, the South Bank Employers' Group. Age 47.

#### **Joint Presidents**

Lord Sainsbury of Drury Lane

Sir Robert Sainsbury

Lord Sainsbury of Preston Candover KG

# Report of the Directors

for the 52 weeks to 7 March 1998

## Principal activity

J Sainsbury plc is a holding company whose principal operating companies are engaged in retailing food, home improvement and garden products and financial services.

## Group performance

A review of the Group's performance during the period is contained in the Chairman's Statement, the Group Chief Executive's Review and the Operating and Financial Reviews on pages 3 to 23.

## Profit and dividend

The profit on the ordinary activities of the Group before tax amounted to £719 million (1997: £609 million).

The Directors are proposing the payment of a final dividend of 10.15p per share on 24 July 1998 to shareholders on the Register at the close of business on 22 May 1998; together with the interim dividend paid of 3.75p per share, this makes a total dividend for the year of 13.9p (1997: 12.3p) per share.

## Sainsbury's Supermarkets Ltd

On 8 March 1997 the Company's UK supermarket business was transferred to a wholly-owned subsidiary, Sainsbury's Supermarkets Ltd for a consideration of £3,935 million. The consideration was satisfied by the issue of 2,900 million fully paid £1 shares in Sainsbury's Supermarkets Ltd and the balance in cash from borrowings.

## Corporate governance

The Group has complied throughout the period under review with all the provisions of the Code of Best Practice contained in the Cadbury Committee's Report and as laid down in the Listing Rules of the London Stock Exchange.

### The Board

Details of the Board, together with short biographies of the individual Directors and their membership of Board Committees, are set out on pages 26 and 27.

During the year there were a number of changes in the Board's composition. Colin Harvey, Dr John Ashworth and Tom Vyner retired from the Board on 8 April 1997, 9 July 1997, and 30 January 1998 respectively. Sir George Bull was appointed to the Board on 20 April 1998 as a Non-Executive Director and Deputy Chairman. In accordance with the Hampel Committee recommendations the Board has nominated Sir Terence Heiser as the senior Non-Executive Director. With effect from 8 March 1998, Dino Adriano became Group Chief Executive and David Bremner became Deputy Group Chief Executive. Lord Sainsbury of Turville (David Sainsbury) as Chairman has responsibility for the Group's strategic development.

The Board meets regularly during the year to consider specific items of business reserved for its agenda. The Board includes a number of Non-Executive Directors who are independent of management. They bring considerable knowledge and external experience to the Board's deliberations. With the exception of the Rt Hon Sir Timothy Sainsbury all the Non-Executive Directors are regarded as independent within the definition of the Code of Best Practice proposed by the Hampel Committee.

All directors have access to the advice of the Company Secretary and in addition there is an agreed procedure for Directors to take independent professional advice at the Company's expense.

### Board committees

The Remuneration Committee is comprised solely of independent Non-Executive Directors and is responsible for making recommendations on the framework of executive remuneration policy within a total cost determined by the Board. The Committee also determines the remuneration packages for individual Executive Directors. The report of the Committee is set out on pages 32 to 36.

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

The Audit Committee is comprised solely of Non-Executive Directors and is responsible *inter alia* for making recommendations on the accounting and reporting policies of the Company, for ensuring that internal financial control is properly defined and monitored and for reviewing the results of the annual risk self assessment process which the Company and its principal operating companies undertake. The Committee receives regular reports from the operating companies' internal audit departments and the external auditors. It also reviews the interim and annual financial statements before they are considered by the Board.

#### Internal financial control

There is a well established control framework comprising clear structures and accountabilities, well understood policies and procedures and budgeting and review processes.

The Board has formally reviewed the systems of internal financial and operational control using a risk self assessment process. This has been carried out by the Company and each of its principal operating companies and the results discussed and approved by the Board. The Directors believe that proper accounting records are maintained and that financial information used within the business and for external publication is reliable. Nevertheless the system of internal financial control can only provide reasonable and not absolute assurance against material misstatement and loss.

#### 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 Accounts.

#### Share capital

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

- 46 million shares were allotted on conversion of the remainder of the 8.5% Convertible Capital Bonds;
- 13 million shares were allotted under the Company's share schemes for employees; and
- 3 million shares were allotted under the terms of the share dividend alternative to shareholders.

Further details are given in Note 24.

#### Share Dividend Alternative

Over 30,000 shareholders elected to take shares instead of cash for both the final dividend for 1997 and the interim dividend for 1998, representing 5.1 per cent by value. The facility to take a share dividend instead of cash will be offered for the proposed final dividend payable in July 1998. The existing authority to provide this facility expires following this year's Annual General Meeting and, in light of changes to taxation which will result in the phasing out of Advance Corporation Tax in 1999, the Company does not propose to renew the facility.

#### Policy on payment of suppliers

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 based on the timely submission of satisfactory invoices. The Company subscribes to the CBI Code of Good Practice (which can be obtained from the CBI, Centrepont, 103 New Oxford Street, London, WC1A 1DU) on the prompt payment of suppliers. The performance of the operating companies in respect of payment to suppliers is contained in their accounts.

#### Market value of properties

The Directors believe that the aggregate open market value of Group properties exceeds the net book value of £4,800 million by a considerable margin.



### Employment policies

The Company's employment policies and practices support its overall business objectives by motivating and developing employees to be responsive to the needs of customers. Five Sainsbury's Supermarkets stores, one Savacentre store and one Homebase region have already received the Investors In People Award which the Company is committed to achieving throughout the UK Group.

The Company is committed to providing fair and equal treatment for all employees and recognises the importance of diversity within the organisation.

Full and fair consideration is given to the employment and opportunities for training and development of people with disabilities according to their skills and capacity. The services of any existing employee who becomes disabled are retained wherever possible. In November 1997 Sainsbury's Supermarkets Ltd received an award from "The ReHab Network" for good practice in employing people with disabilities, reflecting its commitment to improving employment opportunities for disabled people.

Effective two-way communication is felt to be the best way in which Directors and senior management can understand the issues which concern all employees. The Company has put in place a programme of attitude surveys and also established local store councils, divisional councils at head office and a Group council chaired by David Sainsbury.

The Company offers a full range of employee share schemes and about one third of all shareholders are employees or former employees.

### Donations

Donations to charitable organisations and local community projects amounted to £2.4 million (1997: £2 million), which included contributions to enterprise agencies, job creation, educational schemes, town centre management initiatives, community projects and the arts. There were no political donations.

### Research and development

The Technical Division employs 210 people and has an annual expenditure of £8.5 million. It works in close co-operation with suppliers to achieve the highest standards of product quality, hygiene and safety and to maintain these throughout the Group's distribution chain and stores. The Division also develops and co-ordinates policies to address issues of concern and interest to our customers, for example environmental management and healthy eating.

### Directors' interests

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

Details of Directors' interests in the ordinary shares of the Company are set out in the Report of the Remuneration Committee on pages 35 and 36.

### Substantial interests

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

Judith Portrait, Christopher Stone and Andrew Cahn are trustees of various settlements, including charitable settlements.

As at 5 May 1998 the total holdings of the trusts of which the above are trustees amounted to 17 per cent, 5 per cent, and 5 per cent respectively.

As at 5 May 1998 the interests, beneficially and as trustees of charitable and other trusts, of David Sainsbury, the Hon Simon Sainsbury, Lord Sainsbury of Preston Candover KG and the Rt Hon Sir Timothy Sainsbury were 17 per cent, 4 per cent, 4 per cent and 3 per cent respectively.

**Annual General Meeting**

The 1998 Annual General Meeting of shareholders will take place at 12 noon on Friday 10 July 1998 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the Meeting and proxy card accompany these Annual Accounts.

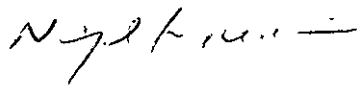
Resolutions will be proposed to renew the authority of the Directors to issue shares without applying the statutory pre-emption rights and to enable the Company to make market purchases of its own shares up to a maximum of 190 million shares.

In accordance with the Articles of Association, Sir George Bull, who has been appointed since the last Annual General Meeting, will be proposed for re-appointment. Ian Coull, Bob Cooper, the Rt Hon Sir Timothy Sainsbury and Sir Clive Thompson will retire by rotation and will seek re-appointment. Ian Coull and Bob Cooper have service contracts on a rolling 24-month basis.

**Auditors**

A Resolution to re-appoint Coopers & Lybrand as Auditors of the Company and to authorise the Directors to fix their remuneration will be put to the Annual General Meeting.

By Order of the Board



**Nigel Matthews**

Secretary

5 May 1998

# Report of the Remuneration Committee

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

## **Composition and terms of reference**

The Remuneration Committee is chaired by Sir Clive Thompson and other members are Sir George Bull, Sir Terence Heiser and Sir David Scholey.

The Committee's terms of reference have been reviewed in the light of the Hampel Report and adjusted to comply fully with its recommendations. Although the overall policy for remuneration is determined by the Board, the Committee determines (as distinct from making recommendations to the Board) the remuneration for individual Executive Directors. The Company now complies fully with Section A of the best practice provisions on Directors' remuneration annexed to the Listing Rules of the London Stock Exchange.

## **Policy on remuneration of Executive Directors**

### **Total level of remuneration**

The Remuneration Committee recommends to the Board a remuneration framework for Executive Directors and determines the remuneration arrangements for individual Directors. In doing so the Committee gives full consideration to Section B of the best practice provisions on Directors' remuneration, annexed to the Listing Rules of the London Stock Exchange. The Committee aims to ensure that, subject to satisfactory corporate and individual performance, the remuneration offered is competitive and will attract, retain and motivate Executive Directors of the highest calibre. In doing so the Committee takes account of information from internal and independent sources on the remuneration in the retail sector and other large companies of a comparable size and complexity.

The main components of Executive Directors' remuneration are:

#### *i) Basic salary*

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

#### *ii) Share option schemes*

The Company operates two Discretionary Share Option Schemes. This reflects the Company's belief that share ownership by Directors strengthens the link between their personal interests and those of all shareholders and at the same time motivates personal performance.

Options up to a value of one times basic salary are normally granted to Directors at intervals of approximately 18 months.

Under the Approved Discretionary Share Option Scheme options are normally granted up to the maximum amount permitted by the Inland Revenue, currently £30,000. Grants of options above the amount of £30,000 are made under a separate "unapproved" Discretionary Share Option Scheme and take into account the relevant institutional shareholder guidelines.

For any individual the maximum amount of outstanding options at any time under both schemes will be four times total annual remuneration. The performance criterion currently required to be satisfied prior to exercise of options is an average of 2 per cent per annum real growth in earnings per share over a three-year period.

#### *iii) Incentive scheme*

Bonus arrangements, approved by shareholders in 1996, provide Directors with bonus rewards based on a formula related to real growth in earnings per share applied to annual and long-term performance. No bonus will be earned in respect of any year in which real growth in earnings per share as against the previous year has been less than 2 per cent. Bonuses will be paid half in cash and half in shares. The shares will be held in trust for three years and may be augmented at the end of that period depending upon the performance of the Company measured in relation to real growth in earnings per share over the three-year period.

No bonus was payable in respect of the financial period 1996/7.

For the financial period ended 7 March 1998 the Remuneration Committee required, as an additional criterion, that the Group should achieve profit targets before bonuses could be paid. Those profit targets (relating to the achievement of budgeted Group profit before tax) have been achieved and the relevant real increase in earnings per share over the previous financial year (measured on the ILMR basis and excluding the effect of the Texas Homecare integration provision of £50 million in 1996/7) is 11.3 per cent. Accordingly, Directors will receive a maximum bonus, half of which will be paid in cash and half in the form of a deferred award of shares in the Company under the Incentive Scheme. Subject to the employment criterion, the shares will vest when the 1997/8 Scheme reaches its maturity in 2001. At that time further bonus shares will be awarded if real growth in the Company's earnings per share has exceeded 2 per cent per annum over the three years. Share transfers will be made from the Company's incentive scheme trust at nil consideration. The amounts of the individual bonuses in respect of the financial period 1997/8 are shown in the table on page 34.

For the financial period 1998/9 the Remuneration Committee has again decided that, in addition to the earnings per share criterion, the Group should achieve profit targets before bonuses are paid to Directors. The Committee has also adjusted the formula for individual awards to Directors such that the maximum bonus will be achieved when real growth in earnings per share is 15 per cent and not 10 per cent as previously. The performance criterion for the bonus payment to senior executives in the operating companies will be based on profit targets for the individual operating companies.

*iv) Other share options*

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

*v) Employee profit sharing*

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

Profit sharing in respect of the period ended 7 March 1998 will be paid in August 1998 and is expected to amount to approximately 5 per cent of basic salary (1997: 4.7 per cent).

*vi) Benefits*

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

**Contracts of service for Executive Directors**

With the exception of the Chairman, who does not have a service contract, the service contracts for the Directors are on a rolling 24-month basis. The Remuneration Committee has considered the length of contracts of service and decided that it is not appropriate to reduce notice periods for existing contracts. The Committee has decided however that for any newly appointed directors, service contracts would normally be on a rolling 12-month basis. The Committee endorses the principle of mitigation of damages on early termination of a service contract.

**Company pension policy regarding Executive Directors**

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

The scheme is a funded, Inland Revenue approved, final salary, occupational pension scheme. Under the Group's pension arrangements, Directors are entitled after a minimum of 20 years of pensionable service to a pension on retirement at age 60 (or earlier in the event of 40 years' service, or ill health) of up to two thirds of their pensionable earnings (defined as salary in the last 12 months of service) subject to Inland Revenue limits. Pensions are also payable to dependants on death and a lump sum is payable if death occurs in service.

In the case of four Directors who joined the Company on or after 17 March 1987, the Company has agreed to make up that portion of the standard pension entitlement which is in excess of Inland Revenue limits. This last obligation is unfunded, although full provision of £328,000 has been made in respect of the period ended 7 March 1998 (1997: £299,000).

**Directors' emoluments**

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

	1998 £000	1997 £000
<b>Executive Directors</b>		
Basic salary	3,134	2,896
Long-term incentive scheme/performance related bonus	2,213	-
Profit sharing	109	200
Benefits	167	165
Compensation for loss of office and other salary payments	-	831
	<b>5,623</b>	<b>4,092</b>
<b>Non-Executive Directors</b>		
Fees	100	111
	<b>5,723</b>	<b>4,203</b>

**Directors' emoluments continued**

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

	Basic salary 1998 £000	Long Term Incentive Scheme Performance bonus		Profit sharing 1998 £000	Benefits 1998 £000	Total 1998 £000	Total 1997 £000
		Cash 1998 £000	Shares* 1998 £000				
David Sainsbury <sup>1</sup>	310	116	-	15	30	471	343
Dino Adriano	400	150	150	13	15	728	309
David Bremner	300	113	113	-	22	548	620
Ian Coull	265	99	99	11	10	484	261
Bob Cooper	270	101	101	11	10	493	270
John Adshead CBE	245	92	92	10	16	455	247
Robin Whitbread	220	83	83	9	15	410	221
Rosemary Thorne	230	86	86	10	14	426	237
David Clapham	185	69	69	8	9	340	184
Kevin McCarten	220	83	83	8	15	409	244
Tom Vyner CBE <sup>2</sup>	475	333	-	14	10	832	527
Colin Harvey <sup>3</sup>	14	12	-	-	1	27	203
David Quarmby	-	-	-	-	-	-	416
Ivor Hunt	-	-	-	-	-	-	10
	<b>3,134</b>	<b>1,337</b>	<b>876</b>	<b>109</b>	<b>167</b>	<b>5,623</b>	<b>4,092</b>

\* Shares to the value of these amounts will be transferred to the individual Directors on vesting in 2001. The number of shares transferred will be based on the average price of the Company's shares on the five days following the announcement of the Company's results on 6 May 1998.

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

	Fees	
	1998 £000	1997 £000
Sir Terence Heiser GCB	24	24
Rt Hon Sir Timothy Sainsbury	22	22
Sir Clive Thompson <sup>4</sup>	22	22
Sir David Scholey CBE	25	21
Dr John Ashworth <sup>5</sup>	7	22
	<b>100</b>	<b>111</b>

**Notes to the tables:**

1. Chairman, David Sainsbury waived his entitlement to shares receivable in respect of a performance bonus for the value of £116,000 in 1998.
2. Highest paid Director. In addition to the emoluments above, gains on options exercised in the year amounted to £139,000. Retired as a Director on 30 January 1998. The full bonus entitlement will be paid in cash.
3. Retired as Director on 8 April 1997.
4. The fees of Sir Clive Thompson are remitted to Rentokil Initial plc.
5. Retired on 9 July 1997.

### Directors' pension entitlements

The pension entitlements of the Directors who served during the year ended 7 March 1998 were as follows:

	Age	Length of service	Additional pension earned in the year £000	Transfer value of increase £000	Accrued entitlements at year-end £000
David Sainsbury	57	35	2	24	188
Dino Adriano	55	34	68	1,040	230
David Bremner	40	2	10	87	15
Ian Coull	47	11	14	172	81
Bob Cooper	49	23	15	207	122
John Adshead CBE	52	9	17	239	93
Robin Whitbread	47	29	12	144	103
Rosemary Thorne	46	6	10	119	46
David Clapham	51	34	11	156	102
Kevin McCarten	40	3	8	69	16
Tom Vyner CBE	61	20	–	–	337*
Colin Harvey	56	40	–	4	113*

\* At date of retirement

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. 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.

### Directors' interests

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

Ordinary shares	7 March 1998	8 March 1997
David Sainsbury	259,337,168	259,337,168
Dino Adriano	41,786	41,043
David Bremner	2,534	2,456
Ian Coull	23,674	23,674
Bob Cooper	89,235	85,760
John Adshead CBE	42,533	34,153
Robin Whitbread	39,883	42,781
Rosemary Thorne	12,519	10,037
David Clapham	27,001	31,483
Kevin McCarten	2,604	1,353
Sir Terence Heiser GCB	1,000	1,000
Rt Hon Sir Timothy Sainsbury	13,181,900	13,431,900
Sir Clive Thompson	881	881
Sir David Scholey CBE	15,000	15,000

Sir George Bull, who was appointed to the Board on 20 April 1998, had no interest in the shares of the Company at 7 March 1998.

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

## Directors' interests continued

In addition the Directors have the following non-beneficial interests:

David Sainsbury has a non-beneficial interest in holdings of 66,293,288 shares (1997: 66,304,671 shares) and £43,974 8% Irredeemable Unsecured Loan Stock (1997: £43,974) held by trusts, including a charitable trust, of which he is a trustee.

The Rt Hon Sir Timothy Sainsbury has a non-beneficial interest in holdings of 62,366,069 shares (1997: 65,166,069 shares).

There were no changes to the Directors' interests shown above between 7 March 1998 and 5 May 1998.

## Options over ordinary shares

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

	Total 9 March 1997	Number granted	Number exercised	Date exercised	Option price Pence	Market price on exercise Pence	Gains on options exercised £	Total 7 March 1998
David Sainsbury	312,247						-	312,247
Dino Adriano	195,210	108,991					-	304,201
David Bremner	-	156,743					-	156,743
Ian Coull	233,667	68,109	60,236 <sup>(a)</sup>	27.8.97	359.0	441.0	49,394	241,540
Bob Cooper	243,066	34,151	590 <sup>(b)</sup>	4.2.98	393.0	490.5	575	276,627
John Adshead CBE	223,737	59,829	40,355 <sup>(a)</sup>	20.8.97	322.1	441.5	48,188	242,695
			516 <sup>(b)</sup>	4.2.98	393.0	490.5	503	
Robin Whitbread	168,685	60,569	489 <sup>(b)</sup>	1.7.97	276.0	368.5	452	227,991
			774 <sup>(b)</sup>	25.2.98	393.0	467.0	573	
Rosemary Thorne	201,067	55,972	71,448 <sup>(a)</sup>	13.8.97	359.0	451.0	65,732	185,591
David Clapham	142,966	50,564	271 <sup>(b)</sup>	8.10.97	276.0	465.0	512	193,259
Kevin McCarten	73,834	62,372					-	136,206
Tom Vynner CBE†	416,078	119,622	150,417 <sup>(a)</sup>	13.8.97	359.0	451.0	138,384	385,012
			271 <sup>(b)</sup>	28.5.97	276.0	346.0	190	
Colin Harvey†	191,243						-	191,243
								304,503

† From 9 March 1997 to date of retirement. Options held at retirement have been kept by the relevant Director.

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

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

Outstanding options above and below the market price of 467.5p on 7 March 1998 are set out in the table below:

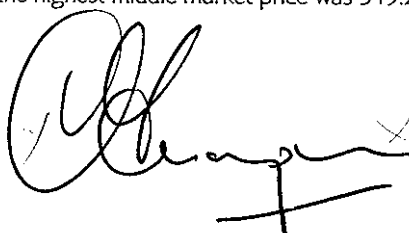
	Number of options outstanding	Options outstanding below market price		Options outstanding above market price	
		Number	Weighted average price Pence	Number	Weighted average price Pence
David Sainsbury	312,247	222,564	330.2	89,683	475.0
Dino Adriano	304,201	242,307	382.2	61,894	475.0
David Bremner	156,743	156,743	367.0	-	-
Ian Coull	241,540	147,587	405.8	93,953	478.8
Bob Cooper	276,627	208,733	385.4	67,894	475.0
John Adshead CBE	242,695	155,484	385.6	87,211	479.3
Robin Whitbread	227,991	173,044	348.8	54,947	475.0
Rosemary Thorne	185,591	102,196	417.1	83,395	479.2
David Clapham	193,259	145,891	380.5	47,368	475.0
Kevin McCarten	136,206	136,206	377.9	-	-

No options lapsed during the period. The options outstanding are exercisable at prices between 272.7p and 489p. In the period from 9 March 1997 to 7 March 1998 the highest middle market price was 519.25p and the lowest middle market price was 310p.

Approved by the Board

**Sir Clive Thompson**

Chairman of the Remuneration Committee  
5 May 1998



## Statement of Directors' responsibilities

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

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

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

## Report of the Auditors to J Sainsbury plc on corporate governance

In addition to our audit of the financial statements, we have reviewed the Directors' statements on pages 28 to 29 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

### Basis of opinion

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

### Opinion

With respect to the Directors' statements on internal financial control on page 29 and going concern on page 29, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on pages 28 to 29 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

**Coopers & Lybrand**  
Chartered Accountants  
London  
5 May 1998



# Report of the Auditors to the shareholders of J Sainsbury plc

We have audited the accounts on pages 39 to 57.

## **Respective responsibilities of Directors and Auditors**

As described on page 37 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

## **Basis of opinion**

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

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

## **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 7 March 1998 and of the profit, total recognised gains and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**

*Chartered Accountants and Registered Auditors*

London

5 May 1998

# Accounting policies

## Basis of accounts

These accounts have been prepared under the historical cost convention as modified by the revaluation of certain properties. They comply with all applicable Accounting and Financial Reporting Standards. No Profit and Loss Account is presented for the Company as provided by Section 230(3) of the Companies Act 1985. All the key activities in the Group are continuing businesses. The Group disposed of a minor subsidiary, NewMarket Foods Limited, on 1 November 1997. The turnover and operating profit of NewMarket Foods in the year ended 7 March 1998 were not sufficiently material to warrant separate disclosure of these amounts as discontinued operations on the face of the Group's Profit and Loss Account.

As noted in the Report of the Directors, the Company's UK supermarket business was transferred to a wholly owned subsidiary, Sainsbury's Supermarkets Ltd on 8 March 1997. Whilst not meeting the definition of a group reconstruction in FRS6 because the transaction involved the acquisition of a business rather than a company, the transaction is, in substance, a group reconstruction and therefore, in accordance with paragraph 15 of FRS6, it has been accounted for as such so far as is practicable. FRS6 states that in a group reconstruction restatement of assets at fair value is likely to be inappropriate where a transaction does not alter the relative rights of the ultimate shareholders. The transaction has therefore been accounted for by recording the transfer of assets and liabilities at their book values because the ultimate shareholders of the Company and J Sainsbury plc remained the same before and after the transaction.

## Consolidation

The results of subsidiaries and Associated Undertakings are included in the Group Profit and Loss Account from the date of acquisition. Goodwill arising in connection with the acquisition of shares in subsidiaries and Associated Undertakings is deducted from reserves in the period of acquisition. Goodwill comprises the excess of the purchase price over the fair value of the net tangible assets acquired.

## Sales

Sales consist of sales through retail outlets, sales of development properties and, in the case of Sainsbury's Bank plc, interest receivable, fees and commissions. Rental and other income is excluded.

## Cost of sales

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

## Deferred tax

Deferred tax is accounted for, at anticipated tax rates, in respect of all timing differences between accounting and tax treatment, except to the extent that it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future. No provision has been made for

additional tax which would arise if profits of overseas subsidiaries or Associated Undertakings were distributed.

## Depreciation

Freehold land is not depreciated. Freehold buildings, and leasehold buildings with more than 50 years unexpired, are depreciated in equal annual instalments at the rate of 2 per cent per annum. Leasehold properties with less than 50 years unexpired are depreciated to write off their book value in equal annual instalments over the unexpired period of the lease. Certain tenants' fixtures, which have been capitalised as part of leasehold properties, are depreciated in equal annual instalments over the estimated useful life of the asset to the Group. Fixtures, equipment and vehicles are depreciated in equal annual instalments to write off their cost over their estimated useful lives, which range from 3 to 15 years, commencing when they are brought into use. A permanent diminution in value of any fixed asset is charged to the Profit and Loss Account.

## Capitalisation of interest

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

## Capitalisation of software

Software is written off as incurred unless it forms an integral part of a purchased tangible asset.

## Leased assets

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

## Research and development

Research and development expenditure is written off as incurred.

## Pension costs

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

## Stocks

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

## Foreign currencies

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

# Group profit and loss account

for the 52 weeks to 7 March 1998

	Note	1998 £m	1997 £m
<b>Group sales including VAT and sales taxes</b>		<b>15,496</b>	<b>14,312</b>
VAT and sales taxes		996	917
<b>Group sales excluding VAT and sales taxes</b>	1	<b>14,500</b>	<b>13,395</b>
Cost of sales		13,289	12,363
Exceptional cost of sales – Texas Homecare integration costs	23	-	50
<b>Gross profit</b>		<b>1,211</b>	<b>982</b>
Administrative expenses	1	357	287
Year 2000 costs	1	20	-
<b>Group operating profit before profit sharing</b>	1	<b>834</b>	<b>695</b>
Profit sharing	2	44	37
<b>Group operating profit</b>		<b>790</b>	<b>658</b>
Associated Undertakings – share of profit		16	19
Profit on sale of properties		3	8
Loss on disposal of a subsidiary	3	(12)	-
<b>Profit on ordinary activities before interest</b>		<b>797</b>	<b>685</b>
Net interest payable	4	78	76
<b>Profit on ordinary activities before tax</b>	5	<b>719</b>	<b>609</b>
Tax on profit on ordinary activities	8	236	208
<b>Profit on ordinary activities after tax</b>		<b>483</b>	<b>401</b>
Minority equity interest		4	2
<b>Profit for the financial year</b>		<b>487</b>	<b>403</b>
Equity dividends	9	264	226
<b>Retained profit</b>	26	<b>223</b>	<b>177</b>
<b>Earnings per share</b>	10	<b>26.1p</b>	<b>22.0p</b>
Exceptional cost of sales		-	1.8p
Loss/(profit) on sale of properties and disposal of a subsidiary		0.5p	(0.4p)
<b>Earnings per share before exceptional cost of sales and loss/profit on sale of properties and disposal of a subsidiary</b>	10	<b>26.6p</b>	<b>23.4p</b>
<b>Fully diluted earnings per share</b>	10	<b>25.7p</b>	<b>21.8p</b>
<b>Fully diluted earnings per share before exceptional cost of sales and loss/profit on sale of properties and disposal of a subsidiary</b>	10	<b>26.2p</b>	<b>23.1p</b>

# Balance sheets

7 March 1998

		Group		Company	
	Note	1998 £m	1997 £m	1998 £m	1997 £m
<b>Fixed assets</b>					
Tangible assets	11	6,133	5,893	228	4,592
Investments	12	151	148	5,023	1,839
		6,284	6,041	5,251	6,431
<b>Current assets</b>					
Stocks	15	743	744	-	349
Debtors	16	229	236	67	186
Investments	17	14	7	-	-
Sainsbury's Bank	18	1,584	17	-	-
Cash and liquid funds		270	241	-	100
		2,840	1,245	67	635
<b>Creditors: due within one year</b>					
Sainsbury's Bank	18	(1,502)	(7)	-	-
Other	19	(2,499)	(2,797)	(518)	(2,472)
		(4,001)	(2,804)	(518)	(2,472)
<b>Net current liabilities</b>					
		(1,161)	(1,559)	(451)	(1,837)
<b>Total assets less current liabilities</b>		5,123	4,482	4,800	4,594
<b>Creditors: due after one year</b>					
Convertible Capital Bonds	19	-	(156)	-	-
Other	19	(949)	(595)	(926)	(715)
<b>Provisions for liabilities and charges</b>	23	(24)	(55)	-	(10)
<b>Total net assets</b>		4,150	3,676	3,874	3,869
<b>Capital and reserves</b>					
Called up share capital	24	476	460	476	460
Share premium account	24	1,295	1,097	1,295	1,097
Revaluation reserve	25	38	33	-	34
Profit and loss account	26	2,303	2,081	2,103	2,278
<b>Equity shareholders' funds</b>		4,112	3,671	3,874	3,869
Minority equity interest		38	5	-	-
<b>Total capital employed</b>		4,150	3,676	3,874	3,869

Notes to the accounts are on pages 44 to 57.

The Accounts on pages 39 to 57 were approved by the Board of Directors on 5 May 1998, and are signed on its behalf by

Lord Sainsbury of Turville Chairman

Dino Adriano Group Chief Executive

✓ > anB 7 ✓  
Dino Adriano

# Group cash flow statement

for the 52 weeks to 7 March 1998

	Note	1998 £m	1997 £m
<b>Net cash inflow from operating activities</b>	27	<b>1,149</b>	<b>1,085</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		22	12
Interest paid		(83)	(93)
Interest element of finance lease rental payments		(14)	(12)
Dividends received from Associated Undertakings		6	5
Net cash outflow from returns on investments and servicing of finance		(69)	(88)
<b>Tax paid</b>		<b>(177)</b>	<b>(206)</b>
<b>Capital expenditure and financial investment</b>			
Payments for tangible fixed assets		(672)	(801)
Receipts from sale of tangible fixed assets		96	79
Purchase of investments		(7)	(1)
Net cash outflow from capital expenditure and financial investment		(583)	(723)
<b>Acquisitions and disposals</b>			
Investment in Sainsbury's Bank by minority shareholder		38	7
Proceeds from disposal of NewMarket Foods		13	-
Purchase of minority interest in Homebase Group		-	(66)
Rebate on purchase of Texas Homecare		-	9
Purchase of other subsidiaries		-	(3)
Investment in Associated Undertakings		-	(48)
Net cash inflow/(outflow) from acquisitions and disposals		51	(101)
<b>Equity dividends paid</b>		<b>(221)</b>	<b>(214)</b>
<b>Management of liquid resources</b>		<b>-</b>	<b>-</b>
<b>Financing</b>			
Issue of ordinary share capital		41	15
Debt due within a year			
(Decrease)/increase in short-term borrowings		(629)	331
Repayment of term loan		-	(207)
Debts due beyond a year			
Increase in long-term borrowing		343	260
Capital element of finance lease rental payments		(7)	(3)
Net cash (outflow)/inflow from financing		(252)	396
<b>(Decrease)/increase in cash in the period</b>		<b>(102)</b>	<b>149</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash in the period		(102)	149
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		293	(381)
New finance leases		(13)	(13)
Currency translation difference		11	26
8.5% Capital Bonds conversion		156	-
Movement in net debt in the period	22	345	(219)
<b>Net debt at the beginning of the period</b>	22	<b>(1,436)</b>	<b>(1,217)</b>
<b>Net debt at the end of the period</b>	22	<b>(1,091)</b>	<b>(1,436)</b>

# Group statement of total recognised gains and losses

for the 52 weeks to 7 March 1998

	1998 £m	1997 £m
<b>Profit for the financial year</b>	<b>487</b>	<b>403</b>
Currency translation differences on foreign currency net investments	(1)	(4)
<b>Total recognised gains and losses relating to the financial year</b>	<b>486</b>	<b>399</b>

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

## Reconciliation of movements in equity shareholders' funds

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
<b>Profit for the financial year</b>	<b>487</b>	<b>403</b>	<b>52</b>	<b>-387</b>
Equity dividends	(264)	(226)	(264)	(226)
	223	177	(212)	161
Currency translation differences	(1)	(4)	-	-
Goodwill added/(deducted) from reserves	3	(66)	3	-
New share capital subscribed less expenses of capital issues	214	25	214	25
Other	2	5	-	-
<b>Net movement in equity shareholders' funds</b>	<b>441</b>	<b>137</b>	<b>5</b>	<b>186</b>
Opening equity shareholders' funds	3,671	3,534	3,869	3,683
<b>Closing equity shareholders' funds</b>	<b>4,112</b>	<b>3,671</b>	<b>3,874</b>	<b>3,869</b>

# Notes to the accounts

at 7 March 1998

## Note 1 Segmental analysis of turnover, profit and net assets

	Turnover* excluding taxes 1998 £m	Profit 1998 £m	Net assets 1998 £m	Turnover* excluding taxes 1997 £m	Profit 1997 £m	Net assets 1997 £m
Food retailing – UK	11,629	765	3,847	10,819	693	3,913
Food retailing – US	1,697	38	522	1,557	41	491
DIY retailing – UK	1,053	56	576	966	(34)	460
Banking – UK	66	(15)	85	–	(6)	10
Property development – UK	36	6	29	25	3	23
Other – UK	19	4	15	28	(2)	77
	14,500	854	5,074	13,395	695	4,974
Year 2000 costs**		(20)			–	
Profit sharing		(44)			(37)	
Associated Undertakings		16	151		19	147
Profit on sale of properties		3			8	
Loss on disposal of subsidiary		(12)			–	
Net interest payable		(78)			(76)	
Group profit before tax		719			609	
Net borrowings***			(1,077)			(1,445)
Total net assets			4,148			3,676

\* Intra-group sales between the Group's business segments are not material. Prior year turnover has been restated to reflect the disposal of the food manufacturing segment (which is included within Other) and the elimination of intercompany sales.

\*\* Year 2000 costs represent the incremental costs incurred in converting computer software to deal with the Year 2000 date change.

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

Total administrative expenses amounted to £421 million (1997: £324 million) including Year 2000 costs and profit sharing. Total cost of sales amounted to £13,289 million (1997: £12,413 million including exceptional cost of sales).

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

	Group	
	1998	1997
Net margin on tax exclusive sales:*		
UK	6.37%	5.95%
US	2.24%	2.63%
Group	5.89%	5.56%

\* Based on operating profit before profit sharing, Year 2000 costs and exceptional cost of sales.

## Note 2 Profit sharing

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

The figure on which the profit fund is based is £755 million (1997: £661 million). £41 million (1997: £34 million) has been provided for the profit fund and £3 million (1997: £3 million) for Employers' National Insurance.

Employees participate in the Profit Sharing Scheme after completing one financial year's service and obtain full benefits after the third year. In respect of the period ended 7 March 1998, approximately 118,620 employees are eligible. A distribution rate is calculated each period according to the size of the profit fund and the total qualifying pay of eligible employees and is finalised following the Annual General Meeting. The distribution rate in 1998 is expected to be approximately 5 per cent (1997: 4.7 per cent).

Profit sharing may be taken in cash under the Cash Trust or, subject to the statutory maximum, in shares under the Share Trust. The number of shares allotted to Profit Sharing Scheme participants in July 1997 is set out in note 24.

At 7 March 1998, the Trustees of the J Sainsbury Profit Sharing Scheme Share Trust held 11 million shares (1997: 12 million) on behalf of 45,396 participants (1997: 39,854) in the Scheme.

**Note 3**

**Loss on disposal of a subsidiary**

NewMarket Foods Limited was sold to Grampian Country Foods Limited on 1 November 1997. The loss on disposal of £12 million includes £3 million of goodwill which was written off to reserves at the time of acquisition in 1991.

**Note 4**

**Net interest payable**

	Group	
	1998 £m	1997 £m
Interest receivable	26	18
Interest payable:		
Bank loans and overdrafts	20	19
Other loans	84	73
Finance leases	14	12
	118	104
Interest capitalised	(14)	(10)
	104	94
Net interest payable	78	76

Including interest receivable attributable to Sainsbury's Bank plc of £61 million (1997: £nil), included in sales, and interest payable attributable to Sainsbury's Bank plc of £49 million (1997: £nil), included in cost of sales, total interest receivable for the 52 weeks ended 7 March 1998 amounted to £87 million and total interest payable amounted to £167 million.

**Note 5**

**Profit on ordinary activities before tax**

	Group	
	1998 £m	1997 £m
This has been arrived at after charging/(crediting):		
Depreciation		
– owned assets	337	291
– finance leases	8	8
Pension costs	52	48
Auditors' remuneration		
– audit fee (Company £0.1 million, (1997: £0.2 million))	0.6	0.5
– other services (see below)	2.4	0.8
Operating lease rentals		
– plant and equipment	12	11
– other	222	210
– receivable	(21)	(21)

The auditors' remuneration for other services to the Company and its subsidiaries in the UK include taxation advice, advice on business effectiveness and information systems programme implementation.



**Note 6 Employees**

	Group	
	1998 £m	1997 £m
<b>Employees' remuneration and related costs during the period amounted to:</b>		
Wages and salaries	1,479	1,374
Social security costs	92	85
Other pension costs	52	48
	1,623	1,507
Profit sharing	44	37
	1,667	1,544

	Group	
	1998 Number	1997 Number
<b>The average number of employees during the period was:</b>		
Full-time	55,332	53,304
Part-time	120,219	112,688
	175,551	165,992
Full-time equivalent	107,226	102,544

**Note 7 Advances to directors and connected persons**

As at 7 March 1998, authorisations, arrangements and agreements entered into by Directors, Officers and Connected Persons in the normal course of business with Sainsbury's Bank plc amounted to £49,633 (number of persons – 10).

The details of Directors' emoluments and interests are set out in the Report of the Remuneration Committee on pages 32 to 36.

**Note 8 Tax on profit on ordinary activities**

	Group	
	1998 £m	1997 £m
<b>The tax charge based on the profit for the period is:</b>		
UK Corporation tax at 31% (1997: 33%)	215	177
Deferred tax	10	14
Overseas tax – current	7	9
Overseas tax – deferred	(2)	–
Share of Associated Undertakings' tax	6	8
	236	208

**Note 9 Equity dividends**

	Group	
	1998 £m	1997 £m
Interim	71	64
Proposed final	193	162
	264	226

The interim dividend of 3.75p per share paid on 14 January 1998, together with the related tax credit, is equal to 4.69p and the proposed final dividend of 10.15p per share, together with the related tax credit, is equal to 12.69p.

## Note 10

### Earnings per share

The calculation of earnings per share is based on profit after tax and minority interest, divided by the weighted average number of ordinary shares in issue during the period of 1,869.3 million (1997: 1,835.2 million).

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

- the full conversion of Convertible Capital Bonds on the first day of the financial year; and
- the full exercise of all ordinary share options granted under the Company's own schemes on the first day of the financial year, or the date granted if later.

The adjusted weighted average number of ordinary shares arising from these calculations totalled 1,961.7 million (1997: 1,945.2 million).

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

## Note 11

### Tangible fixed assets

	Group			Company		
	Properties £m	Fixtures, equipment & vehicles £m	Total £m	Properties £m	Fixtures, equipment & vehicles £m	Total £m
<b>Cost or valuation</b>						
At 9 March 1997	5,278	2,752	8,030	4,084	1,966	6,050
Additions (see below)	427	301	728	229	-	229
Disposals	(131)	(87)	(218)	(4,084)	(1,966)	(6,050)
Exchange adjustments	(10)	(4)	(14)	-	-	-
Other adjustments	(12)	12	-	-	-	-
<b>At 7 March 1998</b>	<b>5,552</b>	<b>2,974</b>	<b>8,526</b>	<b>229</b>	<b>-</b>	<b>229</b>
<b>Depreciation</b>						
At 9 March 1997	700	1,437	2,137	442	1,016	1,458
Provided in the period	79	266	345	1	-	1
Disposals	(23)	(62)	(85)	(442)	(1,016)	(1,458)
Exchange adjustments	(2)	(2)	(4)	-	-	-
Other adjustments	(2)	2	-	-	-	-
<b>At 7 March 1998</b>	<b>752</b>	<b>1,641</b>	<b>2,393</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Net book value</b>						
<b>At 7 March 1998</b>	<b>4,800</b>	<b>1,333</b>	<b>6,133</b>	<b>228</b>	<b>-</b>	<b>228</b>
At 8 March 1997	4,578	1,315	5,893	3,642	950	4,592
<b>Capital work-in-progress included above</b>						
<b>At 7 March 1998</b>	<b>103</b>	<b>44</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 8 March 1997	154	80	234	106	61	167

The amount included in the additions of £728 million in respect of interest capitalised during the period ended 7 March 1998 amounted to £8 million after deducting tax relief of £4 million. Accumulated interest capitalised net of tax relief included in the cost or valuation total above amounts to £230 million (1997: £245 million) for the Group and Enil (1997: £221 million) for the Company.

On 8 March 1997 the tangible fixed assets of the Company's UK supermarket business were transferred to a wholly-owned subsidiary, Sainsbury's Supermarkets Ltd.

## Note 11

## Tangible fixed assets continued

## Analysis of finance leases

	1998			1997		
	Properties £m	Fixtures, equipment & vehicles £m	Total £m	Properties £m	Fixtures, equipment & vehicles £m	Total £m
Cost	117	25	142	106	24	130
Depreciation	32	22	54	27	19	46
Net book value	85	3	88	79	5	84

## Analysis of properties

	Group		Company	
	Cost £m	Valuation £m	Cost £m	Valuation £m
At 7 March 1998				
<b>Freehold</b>				
Cost	4,213			
1973 valuation		3		
1992 valuation		64		
<b>Long leasehold</b>				
Cost	696		229	
1973 valuation		3		-
1992 valuation		22		-
<b>Short leasehold</b>				
Cost	551			
	5,460	92	229	-

If the properties included at valuation had been included at cost, the cost and accumulated depreciation figures at 7 March 1998 would have been:

	Group		Company	
	Cost £m	Depreciation £m	Cost £m	Depreciation £m
Freehold	4,239	484		
Long leasehold	712	126	229	1
Short leasehold	555	134		
	5,506	744	229	1

## Note 12

## Fixed asset investments

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Subsidiaries (note 13)			5,003	1,819
<b>Associated Undertakings (note 14)</b>				
Listed on a UK stock exchange	3	3	-	-
Listed on a US stock exchange	120	119	-	-
Other	27	25	20	20
	150	147	20	20
Other investments	1	1	-	-
	151	148	5,023	1,839

## Note 13

### Investment in subsidiaries

The Company's principal subsidiaries are:

	Share of ordinary allotted capital and voting rights	Country of registration or incorporation
Sainsbury's Supermarkets Ltd (Food Retailing)	100%	England
Savacentre Limited* (Food Retailing)	100%	England
Homebase Limited* (DIY Retailing)	100%	England
Shaw's Supermarkets, Inc.* (Food Retailing)	100%	USA
Sainsbury's Bank plc (Banking)	55%	England
J Sainsbury Developments Limited (Property Development)	100%	England

\* Shares are held by other subsidiaries.

All subsidiaries operate in the countries of their registration or incorporation. All of the subsidiaries have the same year-end as the parent company with the exception of Sainsbury's Bank plc for which results are included for the year ended 28 February 1998.

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

### Summary of movements - Company

	Shares £m	Long-term capital advances £m	Total net investment £m
At 9 March 1997	182	1,637	1,819
Net movement	3,552	(368)	3,184
At 7 March 1998	3,734	1,269	5,003

On 8 March 1997, the Company's UK supermarket business was transferred to a wholly owned subsidiary, Sainsbury's Supermarkets Ltd. The consideration was satisfied in part by the issue of 2,900 million fully paid £1 shares in Sainsbury's Supermarkets Ltd. On 1 November 1997, the Company sold its subsidiary NewMarket Foods Limited to Grampian Country Foods Limited (see note 3). On 7 March 1998, the Company acquired for a consideration of £629 million, all the shares in subsidiaries held by J Sainsbury (International) Limited, which repaid its loan from the Company on that date.

## Note 14

### Investment in Associated Undertakings

The Company's principal Associated Undertakings are:

	Share of ordinary allotted capital	Country of registration or incorporation
<b>Associates</b>		
<b>Giant Food Inc. (Food Retailing - US)</b>		
Non-Voting Common Stock	19.8%	USA
Voting Common Stock	50.0%	
<b>Hampden Group PLC (DIY Retailing - UK and Eire)</b>		
Ordinary shares	29.7%	England
<b>Joint Ventures</b>		
<b>Hedge End Park Limited (Property Investment - UK)</b>		
Ordinary shares (other shareholder Marks & Spencer plc)	50%	England
<b>Breckland Farms Limited (Pig Farming - UK)</b>		
Ordinary shares (other shareholder Pauls plc)	50%	England

The Company's share of the gross assets of its joint ventures amounted to £27 million at 7 March 1998 (1997: £26 million) and its share of the gross liabilities of its joint ventures amounted to £14 million at 7 March 1998 (1997: £15 million). The investment in Hedge End Park Limited is held directly by J Sainsbury plc. Investments in Giant Food Inc. and Hampden Group PLC are held by subsidiaries. The Company disposed of its investment in Breckland Farms Limited on 24 April 1998.

**Note 14 Investment in Associated Undertakings continued****Summary of movements**

	Shares £m	Group share of post acquisition reserves £m	Long-term capital advances £m	Total £m
<b>Group</b>				
As at 9 March 1997	113	21	13	147
Share of retained profit	-	6	-	6
Exchange adjustments	(3)	-	-	(3)
<b>As at 7 March 1998</b>	<b>110</b>	<b>27</b>	<b>13</b>	<b>150</b>
<b>Company</b>				
As at 7 March 1998 and 9 March 1997	7	-	13	20

The Group's investment in shares in Associated Undertakings at 7 March 1998 represented £265 million (1997: £265 million) in respect of the cost of shares, less goodwill of £150 million set off against reserves (1997: £150 million), less accumulated exchange adjustments of £5 million (1997: £2 million).

At 7 March 1998 the market value of shares listed on a recognised US stock exchange was £272 million (1997: £241 million), and on a recognised UK stock exchange £4 million (1997: £4 million).

The proportion of the profits of the Associated Undertakings attributable to the Group and the reserves included in the Group Balance Sheet are taken from audited accounts produced within three months of the balance sheet date. Giant Food Inc. has been classified as an Associated Undertaking in view of the proportion of voting stock held.

**Note 15 Stocks**

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Goods for resale	675	689	-	349
Land held for development	68	55	-	-
	<b>743</b>	<b>744</b>	<b>-</b>	<b>349</b>

**Note 16 Debtors**

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Trade debtors	50	73	-	10
Advance Corporation Tax recoverable in more than one year	49	40	49	40
Amounts owed by subsidiaries			4	52
Other debtors due in less than one year	68	59	10	55
Other debtors due in more than one year	23	18	2	11
Prepayments	39	46	2	18
	<b>229</b>	<b>236</b>	<b>67</b>	<b>186</b>

**Note 17 Current asset investments**

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Investments listed on a recognised stock exchange at cost (equivalent to market value)	14	7	-	-

Note 18

Current assets and creditors of Sainsbury's Bank

	Group	
	1998 £m	1997 £m
<b>Current assets</b>		
Loans and advances to banks	1,302	-
Loans and advances to customers*	164	-
Debt securities	111	16
Prepayments and accrued income	7	1
	<b>1,584</b>	<b>17</b>
<b>Creditors: due within one year</b>		
Customer accounts	1,492	-
Accruals and deferred income	10	7
	<b>1,502</b>	<b>7</b>

\* Loans and advances to customers include £63 million (1997: £nil) of loans and advances repayable in more than one year.

In addition to the above assets, Sainsbury's Bank plc had other assets of £3 million at 7 March 1998.

Note 19

Creditors

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
<b>Due within one year:</b>				
Borrowings:				
Bank loans and overdrafts	268	580	57	535
Short-term notes	162	237	162	237
Unsecured loan notes	-	115	-	112
Current portion of long-term indebtedness including obligations under finance leases	6	8	-	-
Total short-term borrowings	436	940	219	884
Trade creditors	902	896	-	758
Amounts due to subsidiaries			33	70
Corporation tax	239	187	19	165
Social security and other taxes	64	55	-	37
Other creditors	504	432	17	366
Accruals	161	125	37	30
Proposed dividend	193	162	193	162
	<b>2,499</b>	<b>2,797</b>	<b>518</b>	<b>2,472</b>
<b>Due after one year:</b>				
8.5% Convertible Capital Bonds 2005	-	156	-	-
Other:				
Bank loans	55	45	-	5
Secured loans	1	2	-	-
Medium-term notes	159	30	159	30
US\$ 200 million 6.25% Notes Mar 2002	122	122	122	122
US\$ 200 million 6.625% Notes Dec 1999	122	122	122	122
7.25% Bond - June 2002	200	-	200	-
8.25% Bond - Dec 2000	150	150	150	150
8% Irredeemable Unsecured Loan Stock	3	3	3	3
Obligations under finance leases	113	107	-	-
Amounts due to subsidiaries			127	283
Other creditors	24	14	43	-
	<b>949</b>	<b>595</b>	<b>926</b>	<b>715</b>

**Note 19** Creditors continued

As at 8 March 1997, the Group had £156 million of 8.5% Convertible Capital Bonds in issue. The increase in the Company's share price during July and August 1997 made the Bonds redeemable at the option of the issuer, J Sainsbury (Channel Islands) Limited. A required redemption notice was published on 29 August 1997 and Conversion and Exchange Rights were then exercised by bondholders and the conversion of all outstanding Bonds was completed on 29 September 1997.

The medium-term notes include sterling denominated floating rate notes and foreign currency denominated notes swapped into floating rate sterling and US dollars.

The \$200 million notes due December 1999 which bear interest at 6.625 per cent have been partially swapped into floating rates based on US dollar LIBOR for an amount of \$150 million.

The £150 million notes due December 2000 which bear interest at 8.25 per cent have been swapped into floating rates based on sterling LIBOR.

**Note 20** Summary of borrowings

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
<b>Due within one year:</b>				
Bank and other loans	430	932	219	884
Obligations under finance leases	6	8	-	-
<b>Due after one and within two years:</b>				
Bank and other loans	123	28	122	-
Obligations under finance leases	5	5	-	-
<b>Due after two and within five years:</b>				
Bank and other loans	583	318	656	432
Obligations under finance leases	12	11	-	-
<b>Due after five years:</b>				
Bank and other loans	106	128	106	283
Obligations under finance leases	96	91	-	-
Convertible Capital Bonds	-	156	-	-
	<b>1,361</b>	<b>1,677</b>	<b>1,103</b>	<b>1,599</b>

Obligations under finance leases due after five years at 7 March 1998 are repayable by instalment. Bank and other loans due after five years are not repayable by instalment.

**Note 21**

**Analysis of interest rate exposure and currency of Group net debt**

The interest rate exposure and currency of Group net debt as at 7 March 1998 after swaps was:

Currency	Total £m	Floating rate debt £m	Fixed rate debt £m	Fixed rate debt	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
Sterling	528	322	206	7.5	5
US dollars	563	27	536	8.1	5
Net debt	1,091	349	742	7.9	5

In achieving the above position the Group has undertaken a number of swap transactions which convert existing US dollar floating rate debt, with a notional principal equivalent value of £321 million, into US dollar fixed rate debt for an average period of four years at a weighted average rate of 7.4 per cent.

The Group has entered into an arrangement under which US dollar fixed rate debt, with a notional principal equivalent value of £61 million may, on quarterly dates starting in May 1998, be converted into floating rates in the event that US dollar swap rates in November 2002 exceed 6.4 per cent. This amount has been classified as floating rate debt in the above analysis.

Further information on financing of the Group is set out in the Financial Review on pages 20 to 23.

**Note 22**

**Analysis of net debt**

	At 9 March 1997 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	At 7 March 1998 £m
Cash in hand, at bank	241	31		(2)	270
Overdrafts	(122)	(133)		6	(249)
		(102)			
Debt due within 1 year	(810)	629	-	-	(181)
Debt due after 1 year	(630)	(343)	156	5	(812)
Finance leases	(115)	7	(13)	2	(119)
		293			
Total	(1,436)	191	143	11	(1,091)



**Note 23 Provisions for liabilities and charges**

	Group			Company		
	Total £m	Other £m	Deferred tax £m	Total £m	Other £m	Deferred tax £m
At 9 March 1997	55	73	(18)	10	10	-
<b>Profit and loss account</b>						
Deferred tax – UK	10	-	10			
Deferred tax – US	(2)	-	(2)			
Disposals	(2)	-	(2)	(10)	(10)	-
Transfer to corporation tax	(3)	-	(3)			
Utilised/released	(34)	(34)	-			
<b>At 7 March 1998</b>	<b>24</b>	<b>39</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The total of other provisions of £39 million consists of £8 million relating to unutilised provisions made in 1994 for losses on realisation of surplus land and stores due for closure, £9 million representing the balance of the provision for store closure costs of Texas Homecare, £21 million representing the provision for the integration costs of Texas Homecare and £1 million relating to unfunded pension liabilities. The provided and unprovided liabilities for deferred tax are as follows:

	Group				Company			
	Provided 1998 £m	Unprovided 1998 £m	Provided 1997 £m	Unprovided 1997 £m	Provided 1998 £m	Unprovided 1998 £m	Provided 1997 £m	Unprovided 1997 £m
Timing differences between depreciation and capital allowances	11	169	16	191	-	-	-	163
Other timing differences	(26)	5	(34)	5	-	-	-	-
	(15)	174	(18)	196	-	-	-	163

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

**Note 24 Called up share capital and share premium account**

	Allotted fully paid shares Number million	Aggregate nominal value £m	Share premium £m	Consideration £m
Ordinary shares of 25p each authorised – 2,000 million shares		500		
At 9 March 1997	1,840.0	460	1,097	
<b>Shares allotted:</b>				
Profit sharing scheme	1.2	-	4	4
Savings-Related Share Option Scheme	7.1	2	23	25
Executive Share Option Scheme	5.0	1	16	17
Share dividend alternative	2.9	1	11	12
8.5% Convertible Capital Bond	46.3	12	144	156
<b>At 7 March 1998</b>	<b>1,902.5</b>	<b>476</b>	<b>1,295</b>	

The Company operates a Savings-Related Share Option Scheme for all employees with more than one year's service. This is an approved Inland Revenue Scheme and was established in 1980. The Scheme is renewable every 10 years and was last renewed in 1996. Under the Savings-Related Share Option Scheme, options have normally been exercisable within six months of the fifth anniversary of the grant of an option. At 7 March 1998 employees held 71,548 five-year savings contracts in respect of options over 35.3 million shares and 24,676 three-year savings contracts in respect of options over 5.8 million shares.

The Company also operates an Inland Revenue Approved Discretionary Share Option Scheme and an unapproved Discretionary Share Option Scheme for Executive Directors and senior employees. Under the Discretionary Share Option Scheme, options are normally exercisable between three and ten years of the date of the grant of an option. Options remain exercisable under the 1984 Executive Share Option Scheme until September 2005. At 7 March 1998, 1,400 employees had outstanding options over 27.8 million shares.

Details of these options at 7 March 1998 are set out on page 55.

## Note 24

## Called up share capital and share premium account continued

## (a) Savings-Related Share Option Scheme

Date of grant	Price pence	Options outstanding at the end of the period	
		1998 million	1997 million
30 December 1991	276.0	-	4.0
4 December 1992	393.0	1.4	5.6
6 December 1993	301.0	6.2	6.7
16 December 1994	331.0	6.8	7.2
20 December 1995	313.0	8.0	8.9
11 December 1996 (three year period)	292.0	2.7	3.0
11 December 1996 (five year period)	292.0	6.3	6.7
10 December 1997 (three year period)	398.0	3.1	-
10 December 1997 (five year period)	398.0	6.6	-
		41.1	42.1

## (b) Executive Share Option Scheme

Date of grant	Price pence	Options outstanding at the end of the period	
		1998 million	1997 million
13 July 1987	281.6	-	0.1
9 February 1988	217.4	-	0.3
31 July 1989	272.7	0.5	0.9
28 February 1991	322.1	1.6	2.6
28 August 1992	447.0	4.7	5.0
12 March 1994	359.0	5.4	8.3
8 September 1995	475.0	6.7	6.8
1 December 1995	386.0	0.1	0.1
20 May 1997	367.0	8.3	-
11 November 1997	489.0	0.5	-
		27.8	24.1

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

## Note 25

## Revaluation reserve

	Group £m	Company £m
At 9 March 1997	33	34
Transfer from/(to) profit and loss account in respect of property disposals during the period and depreciation of revalued assets (see note 26)	5	(34)
At 7 March 1998	38	-

## Notes to the accounts

### Note 26

#### Profit and loss account

	Group £m	Company £m
At 9 March 1997	2,081	2,278
Profit retained for the period	223	(212)
Goodwill	3	3
Transfer (to)/from revaluation reserve (see note 25)	(5)	34
Currency movements	(1)	-
Other	2	-
<b>At 7 March 1998</b>	<b>2,303</b>	<b>2,103</b>

The cumulative goodwill deducted from the reserves of the Group at 7 March 1998 amounted to £438 million (1997: £441 million). The profit for the financial year dealt with by the Company is £52 million (1997: £387 million).

### Note 27

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

	Group	
	1998 £m	1997 £m
Operating profit	834	695
Profit sharing	(44)	(37)
Provision for exceptional cost of sales	-	50
Depreciation	345	299
Release of provision	-	(2)
Loss on sale of equipment, fixtures and vehicles	11	4
(Increase)/decrease in stocks	(4)	8
Decrease/(increase) in debtors	13	(6)
Increase in creditors	101	145
Increase in Sainsbury's Bank current assets	(1,567)	(17)
Increase in Sainsbury's Bank creditors	1,495	7
	<b>1,184</b>	<b>1,146</b>
Payment against exceptional provisions	(35)	(61)
	<b>1,149</b>	<b>1,085</b>

The payment against exceptional provisions consists of £1 million relating to the provision raised in 1994 for losses on realisation of surplus land and stores due for closure, £6 million relating to the provision for integration costs of Texas Homecare made in 1996 and £28 million relating to the additional provision for integrating Texas Homecare made during 1997.

### Note 28

#### Future capital expenditure

	Group		Company	
	1998 £m	1997 £m	1998 £m	1997 £m
Contracted for but not provided for in the accounts	192	245	-	214

## Note 29

### Contingent liabilities and financial commitments

The Company has guaranteed the borrowings of subsidiaries which, at 7 March 1998, amounted to £1 million (1997: £156 million). The Company has guaranteed borrowing facilities for Associated Undertakings to the extent of £1 million (1997: £1 million).

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

	Group £m	Company £m
<b>Land and buildings:</b>		
Leases which expire between 2 and 5 years	5	-
Leases which expire after 5 years	239	-
<b>Other leases:</b>		
Leases which expire within a year	1	-
Leases which expire between 2 and 5 years	12	-

## Note 30

### Pension costs

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

The 1997/8 pension cost was based on the results of a triennial valuation carried out by Watson Wyatt, the Group's independent actuaries, as of 12 March 1994 on the projected unit basis. The latest actuarial valuation of the UK schemes was carried out at 8 March 1997. This valuation will be used to determine the 1998/9 pension cost.

The principal actuarial assumptions used in the 1994 actuarial valuations were:

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

The only change on the assumptions above for the 1997 valuation is that it is now assumed that the average rate of dividend growth will be 4.5 per cent per annum. As at 8 March 1997, the market value of the UK schemes was £1,999 million (1994: £1,435 million). The actuarial value was sufficient to cover 109 per cent (1994: 122 per cent) of the liabilities of the JSPDBS, a surplus of £111 million (1994: £181 million) and 115 per cent (1994: 120 per cent) of the JSEPS, a surplus of £44 million (1994: £44 million).

Total pension contribution costs for the Group were £52 million for the year (1997: £48 million) of which the pension contribution costs of the UK Schemes amounted to £44 million (1997: £40 million). There is a variation from the regular cost because of scheme surpluses. These surpluses are being amortised over a period using a method which reduces the amount of variation from the regular cost until 2005 for the JSPDBS and 2011 for the JSEPS. Total costs for 1998 are after taking account of an amortisation of scheme surpluses of £32 million in the year (1997: £32 million). The Group's UK pension cost is expected to increase in the next financial period, following the 1997 actuarial valuation which resulted in a reduction in scheme surpluses compared to the 1994 actuarial valuation.

The Group also operates a final salary pension scheme in the US. The pension cost relating to the US benefit scheme has been determined with the advice of independent actuaries. The charge to the profit and loss account of £8 million (1997: £8 million) has been calculated in accordance with US accounting principles but would not have been materially different had UK accounting principles been applied.

## Note 31

### Related party transactions

There were no material transactions by the Company and Group with related parties.

# Ten year financial record

	1989	1990	1991	1992†	1993	1994††	1995	1996†††	1997††††	1998†††††
<b>Results (£ million)</b>										
<b>Group sales (including VAT and sales taxes)</b>	5,915	7,257	8,201	9,202	10,270	11,224	12,065	13,499	14,312	15,496
Increase on previous year	18.1%	22.7%	13.0%	12.2%	11.6%	9.3%	7.5%	11.9%	6.0%	8.3%
<b>Group operating profit (before Year 2000 costs and profit sharing)</b>										
Sainsbury's Supermarkets	342	409	516	604	716	697	784	744	662	735
Savacentre	–	17	23	28	36	38	41	34	30	31
Homebase	9	11	13	15	18	23	31	26	16	55
Shaw's	22	34	30	21	19	31	40	51	41	38
Sainsbury's Bank	–	–	–	–	–	–	–	–	(6)	(15)
Other operating activities	–	–	3	(2)	(4)	7	3	(1)	2	10
	373	471	585	666	785	796	899	854	745	854
<b>Year 2000 costs</b>	–	–	–	–	–	–	–	–	–	(20)
<b>Profit sharing</b>	(27)	(34)	(44)	(49)	(59)	(56)	(61)	(50)	(37)	(44)
<b>Associates</b>	16	1	–	1	–	–	6	19	19	16
<b>Interest receivable/(payable)</b>	(10)	(18)	(36)	13	9	(9)	(36)	(59)	(76)	(78)
<b>Group profit before tax and property items</b>	352	420	505	631	735	731	808	764	651	728
<b>Increase/(decrease) on previous year</b>	18.1%	19.3%	20.2%	25.0%	16.5%	(0.5)%	10.5%	(5.4)%	(14.8)%	11.8%
<b>Profit/(loss) on sale of fixed assets</b>	23	31	13	(3)	(2)	7	1	(4)	8	3
<b>Group profit before tax</b>	375	451	518	628	733	738	809	760	659	731
<b>Increase/(decrease) on previous year</b>	21.8%	20.3%	14.9%	21.2%	16.7%	0.7%	9.6%	(6.1)%	(13.3)%	10.9%
<b>Earnings per share*</b>										
Basic	16.57p	20.57p	23.11p	25.69p	28.47p	28.0p	29.8p	26.8p	22.0p	26.1p
Increase/(decrease) on previous year	23.5%	24.1%	12.4%	11.2%	10.8%	(1.6)%	6.3%	(10.1)%	(17.9)%	18.6%
Fully diluted (before exceptional costs and excluding profit/loss on sale of fixed assets)	14.44p	18.15p	21.74p	25.34p	28.07p	27.0p	29.0p	27.8p	23.1p	26.2p
Increase/(decrease) on previous year	11.9%	25.7%	19.7%	16.6%	10.8%	(3.7)%	7.4%	(4.1)%	(16.9)%	13.4%
<b>Dividend per share*</b>	4.99p	6.03p	7.27p	8.75p	10.0p	10.6p	11.7p	12.1p	12.3p	13.9p

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

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

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

††† 1996 figures for profits and fully diluted earnings per share are stated before exceptional costs of £48 million.

†††† 1997 figures for profits and fully diluted earnings per share are stated before exceptional costs of £50 million.

††††† 1998 figures for profits and fully diluted earnings per share are stated before a loss of £12 million on the disposal of a subsidiary.

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>Retail statistics</b>										
<b>Number of outlets at financial year-end</b>										
Sainsbury's Supermarkets – over 40,000 sq ft sales area	7	7	8	12	12	12	14	16	21	26
25,000 – 40,000 sq ft sales area	88	109	128	147	165	181	194	211	223	229
15,000 – 25,000 sq ft sales area	110	106	102	98	99	99	98	87	87	93
under 15,000 sq ft sales area	87	69	61	56	52	49	49	49	47	43
<b>Sainsbury's Supermarkets</b>	<b>292</b>	<b>291</b>	<b>299</b>	<b>313</b>	<b>328</b>	<b>341</b>	<b>355</b>	<b>363</b>	<b>378</b>	<b>391</b>
Savacentre	7	8	9	9	9	10	10	12	12	13
Homebase	48	55	61	64	70	76	83	310	297	298
Shaw's	61	66	70	73	79	87	87	96	115	121
<b>Total number of stores</b>	<b>408</b>	<b>420</b>	<b>439</b>	<b>459</b>	<b>486</b>	<b>514</b>	<b>535</b>	<b>781</b>	<b>802</b>	<b>823</b>
<b>Sales area (000 sq ft)</b>										
Sainsbury's Supermarkets	5,964	6,434	6,951	7,632	8,303	8,827	9,338	9,767	10,387	10,860
Savacentre	543	665	798	798	798	864	864	1,034	1,034	1,119
Homebase (approx. 80% covered sales area)	1,886	2,107	2,317	2,406	2,609	2,810	3,082	11,632	11,246 <sup>▲</sup>	11,201
Shaw's	1,693	1,928	2,107	2,229	2,448	2,740	2,762	3,137	3,822	4,119
<b>Group total</b>	<b>10,086</b>	<b>11,134</b>	<b>12,173</b>	<b>13,065</b>	<b>14,158</b>	<b>15,241</b>	<b>16,046</b>	<b>25,570<sup>§</sup></b>	<b>26,489<sup>▲</sup></b>	<b>27,299</b>
<b>Net increase on previous year:</b>										
Sainsbury's Supermarkets	9.2%	7.9%	8.0%	9.8%	8.8%	6.3%	5.8%	4.6%	6.3%	4.6%
Group	10.4%	10.4%	9.3%	7.3%	8.4%	7.6%	5.3%	59.1%	3.6%	3.1%
New Sainsbury's Supermarkets openings	20	22	20	21	23	23	20	10	18	19
<b>Average Sainsbury's Supermarkets sales (including VAT)**</b>										
Per square foot (£ per week)	16.50	17.26	18.17	18.51	18.84	18.60	18.53	18.59	18.69	18.87
<b>Share of national trade in predominantly food stores and pharmaceutical, medical, cosmetic and toilet goods outlets***</b>										
	10.1%	10.8%	11.3%	11.7%	12.3%	12.4%	12.6%	12.5%	12.6%	12.7%

▲ Restated to exclude concession areas.

\*\* Excluding petrol.

\*\*\* Based on Central Statistical Office/Office for National Statistics (Re-based during 1995) and Sainsbury's Supermarkets and Savacentre sales, excluding petrol.

§ Excluding Texas – Group total = 17,408,000 sq ft. Net increase 1,362,000 sq ft; increase of 8.5 per cent.

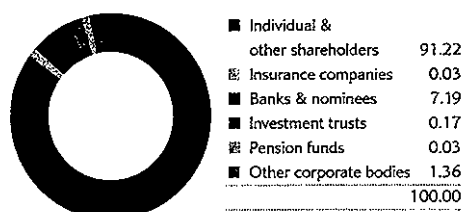
# Investor information

## Shareholders' interests at 7 March 1998

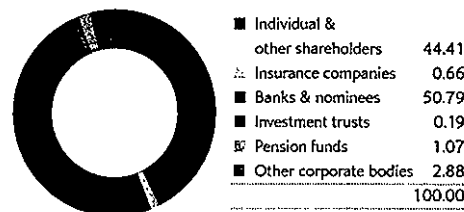
Number of shareholders: 108,050 (1997: 113,882)

Range of shareholdings	Shareholders %		Shares%	
	1998	1997	1998	1997
500 and under	47.36	43.04	0.46	0.48
501 to 1,000	18.43	19.88	0.78	0.94
1,001 to 10,000	31.32	34.12	4.55	5.42
10,001 to 100,000	2.05	2.21	3.18	3.69
100,001 to 1,000,000	0.62	0.56	11.54	11.78
over 1,000,000	0.22	0.19	79.49	77.69
	100.00	100.00	100.00	100.00

## 1998 Shareholders %



## 1998 Shares %



At the year end, the Trustees of the J Sainsbury Profit Sharing Scheme Trust held 11.1 million shares (1997: 11.9 million) on behalf of 45,396 participants (1997: 39,854). The Trustees' holding is included in "other shareholders".

## Annual General Meeting

The Annual General Meeting will be held at 12 noon on Friday 10 July 1998 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the Meeting and the proxy card accompany this Annual Report.

## American Depositary Receipts (ADRs)

In the US, the Company's ordinary shares are traded in the form of American Depositary Shares, evidenced by ADRs, and trade under the symbol JSNSY. Each American Depositary Share represents four ordinary shares. Citibank is the authorised Depositary Bank for the Sainsbury ADR Programme. All enquiries regarding ADR holder accounts and payment of dividends should be addressed to:

Citibank, N.A.

ADR Shareholder Services

111 Wall Street

New York, NY 10043

## Share Dividend Alternative

The Company is offering the option of a share dividend alternative to holders of ordinary shares in relation to the final dividend paid in July 1998. An "Evergreen" system is in operation so shareholders who have already completed a mandate and wish to receive shares for the final dividend 1997/8 need take no action. The Share Dividend Alternative facility will not be

offered in respect of future dividend payments. The existing authority to provide this facility expires following this year's AGM and, in the light of changes to taxation which will result in the phasing out of Advance Corporation Tax in 1999, we are not proposing to renew it. The low cost dealing service (detailed below) will continue to be available for shareholders.

## Low cost dealing service

The Company offers a share dealing service for J Sainsbury plc ordinary shares through The Share Centre Ltd., in conjunction with SBC Warburg Dillon Read. Dealing commission on both purchases and sales of J Sainsbury plc ordinary shares is one per cent with no minimum charge, although purchases are subject to a minimum investment of £500.

For further information, please write to:

J Sainsbury Share Dealing Service

The Share Centre Ltd.

PO Box 1000

Tring

Hertfordshire HP23 4JR

The publication of the above information relating to the low cost dealing service has been approved, for the purposes of Section 57 of the Financial Services Act 1986, by The Share Centre Ltd., a member of the Securities and Futures Authority.

## Personal Equity Plans

On the Company's behalf, a Single Company PEP and a General PEP are operated by The Royal Bank of Scotland. For further information contact: The Royal Bank of Scotland plc PEP Unit, PO Box 23029 12 Blenheim Place Edinburgh EH7 52T Telephone: 0131 523 9771

## Tax information - Capital Gains Tax

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

## Registrars of J Sainsbury plc

With effect from 12 March 1998 the Company appointed Computershare Services PLC as its Registrar. This followed the assumption by Computershare Services PLC of the responsibility for the share registration business previously undertaken by the Registrars Department of The Royal Bank of Scotland plc. For information about your shareholding in J Sainsbury plc please contact Computershare Services PLC. The telephone number and address are on the inside back cover.

#### Key dates in respect of the Share Dividend Alternative: Final 1997/8

Calculation period for share dividend price	18 - 22 May 1998
Ordinary shares record date	22 May 1998
Last date for receipt by Registrars of mandates/revocations (return date)	23 June 1998
Share Dividend Alternative certificates posted	23 July 1998
First date of dealing in new shares	24 July 1998

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

Dividend	Interim payment date	Issue price	Final payment date	Issue price
1993/4	17 Jan 1994	406.8p	29 July 1994	389.0p
1994/5	18 Jan 1995	418.2p	28 July 1995	436.4p
1995/6	17 Jan 1996	391.2p	26 July 1996	380.4p
1996/7	15 Jan 1997	349.8p	25 July 1997	362.7p
1997/8	14 Jan 1998	487.65p		

#### Cash equivalent of the new shares issued during the year

Dividend	Cash equivalent	Gross income for UK tax purposes*
Final 1996/7		
paid 25 July 1997	362.7p	453.37p
Interim 1997/8		
paid 14 January 1998	487.65p	609.56p

\*Cash equivalent grossed up for tax at 20 per cent.

#### Further information

Below are some useful telephone numbers:

Information about the AGM, shareholding, dividends and changes to personal details:  
Computershare Services PLC  
0117 930 6600

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

An audio tape of the Annual Review and Summary Financial Statement can be obtained by calling  
01435 866102

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

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

For any other enquiries please contact our Customer Services  
0800 636262

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

#### Financial calendar 1998/9

Dividend and interest payments  
Ordinary dividend:  
Final payable 24 July 1998  
Interim payable January 1999

8% Irredeemable Unsecured Loan Stock  
1 March/1 September

£150m 8.25% Notes 2000 22 December

\$200m 6.625% Notes 1999 31 December

\$200m 6.25% Notes 2002 27 March

£200m 7.25% Notes 2002 7 June

Other dates  
Interim results announced October 1998

Interim report circulated November 1998

Results for the year announced June 1999

Report and accounts circulated June 1999

Annual General Meeting July 1999

#### Registered office and advisers

Registered office  
J Sainsbury plc  
Stamford House  
Stamford Street  
London SE1 9LL

Registered number 185647

Registrars  
Computershare Services PLC  
PO Box 82  
Caxton House  
Redcliffe Way  
Bristol BS99 7NH

Auditors  
Coopers & Lybrand  
1 Embankment Place  
London WC2N 6NN

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

Stockbrokers  
SBC Warburg Dillon Read  
1 Finsbury Avenue  
London EC2M 2PP

Hoare Govett Ltd  
4 Broadgate  
London EC2M 7LE



