

Group Profile

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

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

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

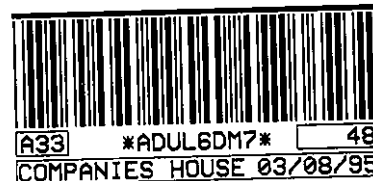
In the US, Shaw's Supermarkets, Inc., operates a chain of supermarkets in New England. In November 1994, Sainsbury's acquired a 16.7% holding in Giant Food Inc., a supermarket group which is the market leader in the Washington and Baltimore areas.

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

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Annual Accounts



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

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

Report of the Directors

for the 52 weeks to 11th March 1995

Principal Activity

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

Group Performance

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

Corporate Governance

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

THE BOARD

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

BOARD COMMITTEES

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

INTERNAL FINANCIAL CONTROL

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

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

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

Policies and procedures

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

Financial reporting

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

Capital investment

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

Internal audit

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

GOING CONCERN

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

AUDITORS

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

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

Profit and Dividend

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

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

Share Capital

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

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

Further details are given in note 12 on page 15.

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

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

Giant Food Inc.

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

Post Balance Sheet Event

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

Scrip Dividend

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

Market Value of Properties

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

Fixed Assets

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

Employment Policies

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

Donations

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

Research and Development

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

Directors' and Officers' Liability

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

Directors and Directors' Interests

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

Committee membership: *Audit Committee;

†Remuneration and Nomination Committee.

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

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

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

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

Substantial Interests

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

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

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

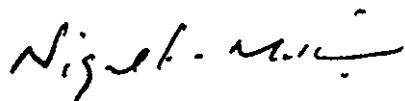
Annual General Meeting

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

Auditors

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

By Order of the Board



N F Matthews
Secretary

9th May 1995

Statement of Directors' Responsibilities

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

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

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

Report of the Auditors to the Shareholders of J Sainsbury plc

We have audited the accounts on pages 5 to 24.

Respective responsibilities of Directors and Auditors

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

Basis of opinion

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

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

Opinion

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

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants
and Registered Auditors
London

9th May 1995

Clark Whitehill

Clark Whitehill
Chartered Accountants
and Registered Auditor
London

Accounting policies

Basis of Accounts

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

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

All the activities in the Group are continuing businesses.

Consolidation

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

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

Sales

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

Cost of Sales

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

Deferred Tax

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

Depreciation

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

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

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

Capitalisation of Interest

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

Research

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

Pension Costs

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

Leased Assets

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

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

Stocks

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

Foreign Currencies

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

Balance Sheets

11th March 1995

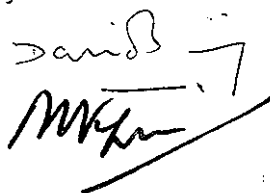
	note	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
Fixed Assets					
Tangible assets	1	4,851.9	4,641.5	3,981.5	3,806.6
Investments	2	98.4	18.0	887.1	659.2
		<u>4,950.3</u>	<u>4,659.5</u>	<u>4,868.6</u>	<u>4,465.8</u>
Current Assets					
Stocks	6	508.8	460.0	303.2	263.2
Debtors	7	172.1	147.0	160.3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

Notes to the accounts are on pages 10 to 24.

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

D J Sainsbury Chairman

R T Vyner Deputy Chairman



Group Profit and Loss Account

for the 52 weeks to 11th March 1995

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

Group Cash Flow Statement

for the 52 weeks to 11th March 1995

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

Notes to the accounts are on pages 10 to 24.

Group Statement of Recognised Gains and Losses

for the 52 weeks to 11th March 1995

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

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

Reconciliation of Movements in Shareholders' Funds

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

Notes to the Accounts

at 11th March 1995

note 1 Tangible Fixed Assets

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

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

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

Analysis of Properties

At 11th March 1995		Group		Company	
		Cost £m	Valuation £m	Cost £m	Valuation £m
Freehold	- Cost	3,418.4		2,929.7	
	- 1973 valuation		2.6		2.6
	- 1992 valuation		67.7		66.0
Long leasehold	- Cost	589.8		458.1	
	- 1973 valuation		3.7		3.7
	- 1992 valuation		22.3		22.3
Short leasehold	- Cost	235.9		56.0	
	- 1992 valuation		0.1		0.1
		4,244.1	96.4	3,443.8	94.7

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

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

note 2 Fixed Asset Investments

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

note 3 Investment in Subsidiaries

The Company's principal Subsidiaries are:-

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

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

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

Summary of movements

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

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

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

note 4 Investment in Associated undertakings

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

Summary of movements

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

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

Nature of business and J Sainsbury plc Directors of Associated undertakings

- Breckland Farms Limited: (Pig Farming - UK) I G Merton, R Lassiter and A D F Reynolds.
- Hedge End Park Limited: (Property - UK) I D Coull and D N Roberts.
- Giant Food Inc.: (Food Retailing - US) D J Sainsbury, D B Adriano and H Beckner.
- S.A.R.L. La Boutique Sainsbury: (Food Retailing - France) R Cooper and M D Conolly.

note 5 Giant Food Inc.

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

note 6 Stocks

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

note 7 Debtors

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

note 8 Current Asset Investments

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

note 9 Creditors

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

note 9 Creditors - continued

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

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

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

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

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

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

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

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

note 10 Summary of Borrowings

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

note 11 Provisions for Liabilities and Charges

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

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

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

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

note 12 Called Up Share Capital

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

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

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

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

note 12 Called Up Share Capital – continued

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

(a) Savings-Related Share Option Scheme

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

(b) Executive Share Option Scheme

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

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

note 13 Share Premium Account

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

note 14 Revaluation Reserve

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

note 15 Profit and Loss Account

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

note 15 Profit and Loss Account – continued

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

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

note 16 Segment Analysis of Turnover, Profit and Net Assets

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

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

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

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

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

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

note 17 Write down of Property Values

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

note 18 Profit Sharing

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

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

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

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

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

note 19 Net Interest Payable

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

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

note 20 Profit on Ordinary Activities before Tax

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

- note 21 Directors' Emoluments and Interests

(a) Directors' Emoluments

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

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

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

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

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

Notes

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

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

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

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

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

note 21 Directors' Emoluments and Interests - *continued*

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

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

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

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

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

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

(b) Directors' Interests

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

Ordinary Shares

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

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

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

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

note 21 Directors' Emoluments and Interests – continued

Options over Ordinary Shares

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

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

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

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

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

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

note 22 Employees

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

note 23 Tax on Profit on Ordinary Activities

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

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

note 24 Dividends

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

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

note 25 Earnings Per Share

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

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

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

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

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

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

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

note 27 Analysis of Changes in Financing during the Period

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

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

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

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

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

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

note 30 Future Capital Expenditure

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

note 31 Contingent Liabilities and Financial Commitments

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

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

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

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

note 32 Pension Commitments

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

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

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

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

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

note 33 Post Balance Sheet Event

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

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

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