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J SAINSBURY plc

ANNUAL
REPORT
AND
ACCOUNTS
—
1994



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Company Objectives

To discharge the responsibility as leaders in our trade by acting with complete integrity, by carrying out our work to the highest standards, and by contributing to the public good and to the quality of life in the community.

To provide unrivalled value to our customers in the quality of the goods we sell, in the competitiveness of our prices and in the range of choice we offer.

In our stores, to achieve the highest standards of cleanliness and hygiene, efficiency of operation, convenience and customer service, and thereby create as attractive and friendly a shopping environment as possible.

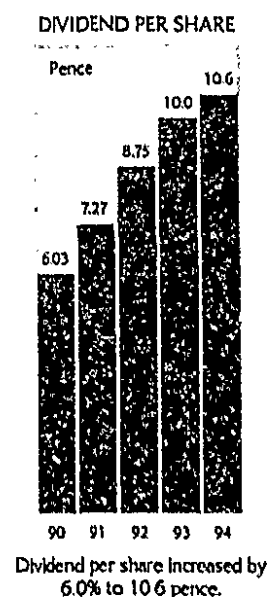
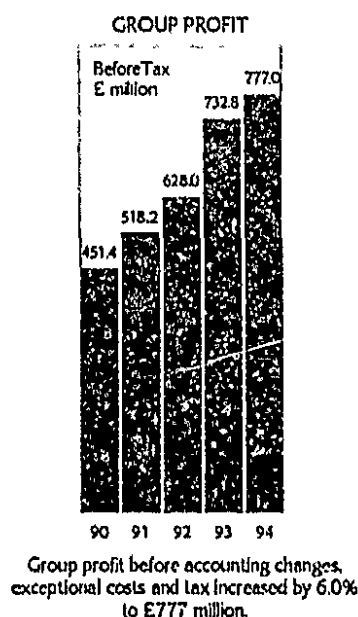
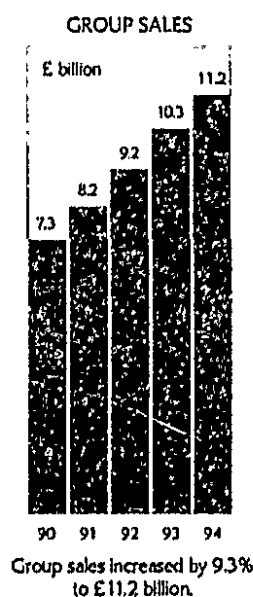
To offer our staff outstanding opportunities in terms of personal career development and in remuneration relative to other companies in the same market, practising always a concern for the welfare of every individual.

To generate sufficient profit to finance continual improvement and growth of the business whilst providing our shareholders with an excellent return on their investment.

Financial Highlights

£ million	1994 52 weeks to 12th March	1993 52 weeks to 13th March	% Change
UK Sales	9,909.3	9,179.1	8.0
US Sales*	1,314.5	1,090.6	20.5
GROUP SALES (including taxes)	11,223.8	10,269.7	9.3
UK Operating Profit	803.5	766.4	4.8
US Operating Profit*	31.0	18.6	66.7
GROUP OPERATING PROFIT before accounting changes and exceptional costs	834.5	785.0	6.3
Associates	0.5	(0.4)	
UK Profit Sharing	(56.3)	(58.6)	
Net Interest (Payable)/Receivable	(8.7)	9.2	
Profit/(Loss) on sale of properties	7.0	(2.4)	
GROUP PROFIT before accounting changes, exceptional costs and tax	777.0	732.8	6.0
Changes in accounting for depreciation	(38.7)	-	
GROUP PROFIT before exceptional costs and tax	738.3	732.8	0.8
Exceptional costs - reorganisation costs	(28.0)	-	
- write down of property values	(341.5)	-	
GROUP PROFIT BEFORE TAX	368.8	732.8	-49.7
Taxation	(227.3)	(228.8)	
GROUP PROFIT AFTER TAX	141.5	504.0	
EARNINGS PER SHARE	8.0p	28.5p	-71.9
EARNINGS PER SHARE before accounting changes and exceptional costs	30.2p	28.5p	6.0
DIVIDEND PER SHARE	10.6p	10.0p	6.0

*US Sales and Operating Profit have been translated at an exchange rate for the period of £1=\$1.50 (1993: £1=\$1.70)



Chairman's Statement

The Year's Results

The Group has performed well despite a difficult year for UK food retailing. Group sales increased by 9.3% to £11.2 billion and sales in Sainsbury supermarkets increased by 7.1% to £8.9 billion. Group profit before tax and earnings per share both increased by 6% before adjusting for accounting changes and exceptional costs. We have increased the dividend per share by 6% to 10.6p for the year in accordance with this underlying performance.

In the rapidly changing competitive conditions affecting UK food retailing we have reinforced our leadership in quality and innovation, strengthened our price competitiveness and taken action to enhance customer service and reduce costs. The improvement in our price competitiveness has reduced gross margins with the result that growth in operating profit for Sainsbury supermarkets, on a comparable basis, was restricted to 2.3% to reach £732.2 million. Our retail subsidiaries, Savacentre, Homebase and Shaw's, all achieved outstanding results and in total their sales increased to £2.3 billion and their operating profit increased on a comparable basis by 31.4% to £95.5 million. We see many opportunities to expand them in the future.

During the year we modified our accounting treatment of fixed assets onto a more conservative basis and this resulted in an increase of £38.7 million in depreciation and an exceptional charge of £341.5 million in writing down the value of a number of our UK properties.

Strengthening the Sainsbury Brand

Sainsbury brand products provide quality that is comparable or superior to proprietary brands

at highly competitive prices. This commitment to quality and value has resulted in Sainsbury brand products accounting for two-thirds of all we sell in Sainsbury supermarkets. Typically the prices of these products are now more than 20% below those of the best proprietary alternatives even when these are sold by discount operators.

The UK food retailing environment has become increasingly competitive in the past year due to the repositioning of major competitors and the continuing expansion of discount formats. In view of these emerging changes we strengthened the price competitiveness of our own brand by launching our 'Essential for the Essentials' programme in November. This programme provides consistently lower prices, largely on Sainsbury brand basic, everyday products. Our customers have responded favourably to this initiative and volume uplift on the featured lines has averaged 20%. The 'Essentials' programme is achieving its purpose and will continue to be a major element of our marketing strategy.

Across our total range our price competitiveness has improved so that overall our prices are now more than 3% below the average for other large supermarket chains. The introduction of lower prices contributed to low sales inflation which averaged 1.5% for the year. This is our lowest annual level of sales inflation for the last 25 years. We believe that in the coming year we will see a similar or lower level of sales inflation in our stores.

Apart from strengthening the price competitiveness of the Sainsbury brand during the year we have also reinforced quality by improving over 200 existing products and introducing over 1,000 new products. Details of some of these

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The Chairman, David Sainsbury, talking to Helen Allenby, Delicatessen Section Manager, at the new delicatessen counter at our Cromwell Road store. We now have 279 stores with delicatessen counters.

developments are outlined on pages 10 to 13 of this Report. Our innovative approach is well communicated by our 'Celebrity Recipe' advertising campaign which succeeds in introducing new recipe ideas to a wide audience. Our subsidiaries are also developing strong own brand identities and during the year they introduced about 1,000 new lines. We work closely in partnership with our suppliers, who play a key role in enabling us to develop our own brand range. I would like to express my appreciation to all our suppliers for their commitment to quality and innovation, and outstanding service during the year.

Improving Efficiency and Service

Sainsbury's has always striven for the highest standards of efficiency and customer service, and during the past year we have embarked on several

new programmes to enhance further our performance in these critically important areas.

A far-reaching review of the central and support functions of our supermarket business started in July of last year. The objective of the review is to concentrate effort on providing outstanding service and to simplify and rationalise operations. Substantial benefits are expected through efficiencies in procuring equipment, materials and services, and improving productivity. The majority of changes resulting from this review will be implemented by the year end.

Several major initiatives are also under way in our stores to improve customer service, change working methods and manage resources more effectively. Much of the improvement in efficiency is being reinvested in enhancing customer service.

Many of the changes currently taking place are only possible because of the advent of new

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Our 'Essential for the Essentials' programme, shown here merchandised at our Enfield store, offers customers keenly competitive prices on basic, everyday products.

David Sainsbury with Deputy Chairman and Joint Managing Director Tom Vyner (centre) and Joint Managing Director David Quarmby at the conference for our store managers in February.

Transparency approved

technology, and we are currently implementing several new computer systems that will make a major contribution to improving the performance of the business.

Some of the restructuring initiatives currently in train will lead to efficiencies in staffing, and reductions in the number of positions required. Every effort is being made to redeploy those affected by these changes to other positions created by our store opening programme, and to vacancies arising from the early retirement offer made earlier this year to staff throughout the Company. Almost 500 staff accepted the offer, and the vacancies thereby created are being used to give jobs to other members of staff affected by restructuring. Nonetheless, some employees will leave the Company under our generous severance terms where suitable alternative positions cannot be identified, or where the individual chooses severance rather than a lower grade position with protection of current pay and benefits for a period of time. An exceptional provision of £28 million has been made to cover this restructuring, including the costs of the special early retirements and those leaving under severance terms.

Store Development

Twenty-three new Sainsbury supermarkets were opened in the year and there were ten closures. These new stores are performing well and are on target to achieve sales per square foot of selling area above the Company average. The superstore expansion programmes of large food retailers in recent years have reduced the scope for further development, but profitable opportunities remain. Subject to planning restrictions, we anticipate opening an average of 20 stores a year over the next three years. We also anticipate increasing expenditure on remodelling and refurbishing existing supermarkets. We are trialling

a new format for town centre stores, known as Sainsbury's Central, which aims to provide quality with convenience and service for town centre shoppers.

During the year Savacentre, Homebase and Shaw's opened 18 stores and we intend to continue expanding these subsidiaries at a rapid rate.

Sunday Shopping

We welcome Parliament's long-awaited reform of the Sunday shopping laws. We believe that the proposed legislation represents a sensible compromise which enables the needs of customers to be met, protects staff and gives an advantage to small shops. In particular we welcome the statutory protection to voluntary working on Sundays, for future as well as existing shopworkers. We are firmly committed to the principle that Sunday working should be voluntary.

Board Changes

Mr Keith Worrall retires from his position as Director in charge of Grocery and Non-Foods Buying on 2nd July after 40 years' service with the Company. We will continue to benefit from his advice as a Non-Executive Director until the end of December. He has made a major contribution to the business, and will be remembered by colleagues and suppliers for his appreciation of quality and wide knowledge of the food industry.

At the Annual General Meeting this year Sir James Spooner will be retiring after 13 years as a Non-Executive Director. During this long period he has provided us with much wise counsel and help, and we will miss his contribution to Board discussions.

In March this year Mr Ivor Hunt was appointed

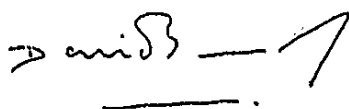
to the Board as Marketing Director. He joined the Company in 1971 as Head of Statistical Services, and for the last six years has been the Departmental Director of Marketing Services.

Tribute to Staff

During the year, staff throughout the Group have demonstrated their commitment to providing the best possible value and service to our customers. The launch of the 'Quality and the Customer' programme in our Retail Division, and the involvement of staff in performance improvement teams, have already produced very significant results. 'Choices', the careers and skills guidance scheme launched last year for retail staff, continues to be very successful, and has been extended to more stores. These programmes of training and staff involvement are showing that staff are keen to acquire and use new skills, and that they are willing to take on extra responsibilities and to participate fully in improving the business.

I would like to thank all our staff for the very positive way they are handling these changes and dealing with the market challenges facing us. Their enthusiastic response to our invitation to contribute their ideas, and to be more fully involved in all aspects of the business has, for me, been one of the most pleasing features of our progress this year.

The coming year will be one of great change which will make heavy demands on all our staff. We are asking them to make major improvements in quality while we are also seeking to increase productivity. I know that they will deal with these challenges, as they have in the past, with skill, enthusiasm and a desire to provide our customers with unrivalled service and value for money.



Financial Performance

Group Performance

Group Sales increased by 9.3% to £11.2 billion. Group profit before tax increased by 6% to £777 million before adjusting for accounting changes and exceptional costs. After deducting the latter items Group profit before tax totalled £368.8 million.

Earnings per share increased by 6% to 30.2p before adjusting for accounting changes and exceptional costs. Group return on capital employed before accounting changes and exceptional costs declined to 20.3% from 21.5%. Net Group borrowings stood at £679 million at the end of the financial year, equivalent to 22.2% of shareholders' funds.

Sainsbury Supermarkets

Sales increased by 7.1%, of which net new space contributed 6.5 percentage points. Sales inflation was 1.5%. After less buoyant sales earlier in the year, sales in like-for-like stores, excluding inflation, grew by 0.5% in the final quarter.

We estimate that across our total range our prices are now more than 3% below the average for other large supermarket chains.

A major quality initiative has been launched in our stores designed to improve customer service and enhance the contribution of staff to the performance of the business. Far-reaching reviews of our supermarket operations and central services were also initiated last year with the objective of providing outstanding service, rationalising functions and improving productivity. Implementation of the

resulting changes has started and an exceptional provision of £28 million has been made to cover the anticipated costs of redundancy and early retirement arising from these initiatives. We estimate that the net benefit of the changes will build up to an on-going rate of £65 million per annum by March 1995.

Subsidiaries

Our retail subsidiaries, Savacentre, Homebase, and Shaw's, are becoming a significant part of Group activities and all performed exceptionally well in the past year.

All are related diversifications from our main supermarket business and benefit from the Group's expertise in buying, logistics, systems and own brand development. A review of their operations and financial performance is contained on pages 26 to 29.

The Group's property development subsidiaries achieved an operating profit of £8 million in the year. J Sainsbury Developments Limited completed three retail park projects in a highly successful first year of operation.

NewMarket Foods, our food processing subsidiary, incurred an operating loss of £1.2 million due to continuing excess capacity in the pork products industry.

Accounting Changes

During the year the Group decided to modify its accounting treatment relating to fixed assets in view of conditions in the property market and the lower level of bids now current for food retailing

Group sales increase by 9.3% to £11.2 billion.

Savacentre, Homebase and Shaw's increase operating profit on a comparable basis by 31.4% to £95 million.

Group Profit Before Tax up 6% to £777 million before accounting changes and exceptional costs. After deducting these, Group Profit before Tax was £369 million.

Dividend per share up 6% to 10.6p.

sites. These modifications resulted in an exceptional charge of £341.5 million, representing a permanent diminution in the value of a number of UK properties, and an increase of £38.7 million in depreciation for the year. Of this latter increase £27.9 million is the result of introducing depreciation of buildings over 50 years and £10.8 million is the result of depreciating buildings, fixtures, equipment and vehicles from the date they are brought into use, rather than in the first full accounting year after they are brought into use. We believe that the result of these changes places our accounting policies on a conservative basis and that the aggregate open market value of our total property portfolio is considerably in excess of net book value.

Profit Sharing

Over 84,000 of our 110,000 UK staff will share in the success of the business through the Group's profit sharing allocation of £56.3 million for the year to 12th March 1994. Eligible employees will receive the equivalent of just over 9% of pay through profit sharing. In the last three years £164.3 million has been allocated to profit sharing.

Risk Management

For many years the Company has taken a positive approach towards risk management and loss control and has assumed a substantial measure of self-insurance especially for public and employer's liability. During the year action has been taken to reduce the number and extent of losses.

In December the Company suffered a serious fire resulting in the total loss of the supermarket at Chichester. Our arrangements for fire detection and staff training proved highly effective in ensuring the safety of customers and staff. Following the fire, the Company has reviewed its arrangements

for protecting buildings in case of fire and, as a result, intends to extend the use of sprinkler systems where appropriate.

After the year end a wholly-owned captive insurance company, JS Insurance Limited, was established in the Isle of Man.

Development and Treasury

Total Group capital expenditure for the year was £769 million including £539 million invested in new Sainsbury supermarkets.

We envisage that the average cost of our new supermarkets will be lower than in the past due to lower site costs, the development of smaller stores and efficiencies in construction and fitting out. Due to these falling costs, total Group capital expenditure is expected to decline significantly in future years despite increasing expenditure on subsidiaries and existing Sainsbury supermarkets. We see increasing opportunities for remodelling and refurbishing older supermarkets and expanding the range of goods and services provided by our stores.

The Group generated approximately £1 billion of cashflow from operations in the past year of which £435 million was expended on dividends, interest and tax. The remainder financed most of our capital investment programme. On our current projections we anticipate that net Group borrowing will begin to decline within the next two years.

Foreign currency risk is managed by matching overseas investments with liabilities of the same currency and by the use of forward cover of currency payments to foreign suppliers. Committed medium and long term borrowings are used to meet the Group's financing requirements. A Medium Term Note programme was established in June 1993 to provide a flexible source of committed funding.

Emphasising value, extending choice

Sainsbury's continues to stand for the finest value for money in food shopping; we refuse to compromise on the quality of our own brand products. In response to more aggressive trading conditions, we have increased our price competitiveness; in the Autumn we launched 'Essential for the Essentials', offering our customers very keen prices on basic, everyday products.

Variety Continues

Just as our 'Essentials' lines are finding favour

with our customers, so does our ever developing range of products. This year we introduced

more than 1,000 new Sainsbury lines and reformulated over 200 existing ones, increasing choice and quality throughout our stores. Among outstanding successes, Gio, our own brand lemon and lime soft drink, has consistently outsold proprietary alternatives

since its launch in July.

Other new lines range from such specialist products as Tartufo and Tiramisu desserts, sciocco and olive ciabatta breads, and Trappist

Sainsbury brand products typically offer customers a price advantage of more than 20% over manufacturers' brands, even when these are sold by discounters.

Overall, our prices are now more than 3% below the average for other large supermarket chains.

In the last year we have replaced over £50 million worth of imported products with British ones.

Gio, our new sparkling lemon and lime drink, is the first to be marketed in an all-steel can that is easy to recycle and has a unique push-button opening.

Transparency approved

and Weissbier beers, to Butcher's Choice traditional sausages, Chick'n'Mix frozen individual chicken portions in a choice of six flavours, and a range of fresh soups.

Another outstanding success was Sainsbury's The Magazine which has sold consistently well since its first issue in May 1993. With a readership of almost two million, it is already the twelfth best selling consumer monthly in the country.

On the non-food shelves, the range of children's books now includes puzzle books for 3- to 5-year-olds, and an Atlas of Exploration. We began a trial in five supermarkets of items from the Lifestyle clothing range developed for our Savacentre hypermarkets, and we will be extending this range to more stores.

The relaunch of our J Range of cosmetics was celebrated at the BBC's Clothes Show Live, and featured in the TV report of the event.

In a new venture with Boots The Chemists, we invited them to join us on a trial basis at seven of our stores, where they provide pharmacies, film processing and a variety of complementary product ranges, offering customers even greater choice.

Well over half a million customers took advantage of our second joint promotion with British Airways; but while its popularity was evident, and the numbers were similar to those of the previous year's promotion, there was no corresponding uplift in sales since many customers matched their normal spending to the requirements of the promotion.

Working in Partnership

We are actively participating in the Government's working party charged with narrowing the trade gap and encouraging the

The Magazine
(new position, changed 3.5.94)

Sainsbury's The Magazine, firmly established within a year of its launch, offers exceptional value for money.

Our new Contact Lens Care System provides a comprehensive range of products for wearers of both hard and soft lenses.

Transparency approved

sourcing of more home-produced goods.

Among our home-grown produce we offer 34 varieties of potato, 20 different kinds of lettuce and over 40 varieties of apple. This year for the first time, through our partnership with growers, we were able to offer English strawberries and new potatoes at Christmas.

The Chairman stressed the Company's commitment to UK suppliers when he addressed the annual general meeting of the Women's Farming Union.

Our work on the reduction and elimination of pesticides through the use of Integrated Crop Management Systems brought us on to the Advisory Board of the LEAF organisation - Linking Environment And Farming.

In meat production, our Partnership in Livestock scheme, which specifies high standards of animal husbandry and welfare, has

been extended to include venison. It is our policy - as in other product areas - to buy home-produced meat wherever possible, and we only source from elsewhere when seasonal shortages oblige us to do so. Almost all our fresh beef, lamb and pork is produced in the UK or Ireland, as is the whole of our wide range of fresh and frozen game.

We are sensitive to concerns about ethical and fair trading matters, reviewing each issue on its merits. This year we began stocking Cafédirect, a high quality coffee produced by South American farmers who are paid a greater proportion of the selling price than is the case with other brands. This is currently available in 162 of our stores, and has now been joined in 80 stores by Maya Gold chocolate - the first product to carry the Fairtrade mark. We were the first supermarket

Millie Johns, our buyer for pot plants, with the nursery manager at Nielsen Plants of Hellingly, East Sussex, examining some of the begonias which they supply to us.

Transparency approved

Chicken portions Transparency approved

Chick'n'Mix chicken portions with a variety of fillings are ideal for single people and individual family members.

to stock this high quality product, which represents a benchmark in ethical trading.

Small suppliers continue to bring us good ideas, particularly for speciality products. This year successful partnerships included organic yogurt from Rachel's Dairy in West Wales, Britain's longest-established organic dairy farm. It has been owned and run by the same family for three generations, producing dairy products for the local market.

Service Enhanced

We still believe in the importance of having trained butchers in store to advise customers and prepare fresh cuts of meat daily and we are successfully meeting customer demand by extending the service we offer.

Italian Meats (new position, changed 3.5.94)

A range of eight different sliced meats can be served on their own as an appetizer, or used to add authenticity to typical Italian dishes.

We are introducing fresh meat service counters into some of our stores – many of which already have fresh fish counters staffed by skilled fishmongers. In larger stores, cold meats on the bone are sliced to order at our delicatessen counters; many of these now offer a wide range of ready meals, allowing customers to choose the quantities they require.

In all our new petrol stations, 'pay at the pump' credit card terminals offer extra customer convenience. Five petrol stations also have car washes, with 30 more to follow during the coming year. We were the first supermarket company to offer, at no extra cost, petrol containing detergent additives which help to keep engines clean. Our fuel prices continue to be highly competitive.

Maximising speed and efficiency

During the year we started to implement a new system to manage stocks and generate orders to replenish our stores.

It uses sales data from the checkouts to provide more accurate forecasts, resulting in fresher products throughout the store, and better control of stocks throughout the supply chain.

Scanning technology still offers opportunities for us to serve our customers better, and the new generation of more powerful equipment now being installed

can provide facilities such as debit and credit card validation, as well as helping our own 'back room' staff to run the store more efficiently.

We have begun a programme to replace the existing computers in our stores with the most up-to-date equipment, providing considerably more power and flexibility for the store management team.

100 stores are now using our latest sales-based ordering system.

40 stores have a new generation of scanning checkouts.

Special optimisation systems have reduced transport costs by 5%.

The use of radio communication has increased the efficient use of warehouse space by 7%.

1,600 personal computers are now in use at head office.

In addition, the new Branch Management Information System (BMIS) will allow members of store management to study trends in data

Computers linked by radio give fork-lift truck drivers in our warehouses the ability to pick goods more accurately, and also help to maximise the use of storage space.

Photography approved

and pinpoint any problem areas. Historical data allows comparisons to be made over both the short and long term, so that very accurate predictions can be made of the store's likely trading pattern in almost any conditions.

Several links in the supply chain have now been joined electronically. We have replaced the paper documentation which previously accompanied deliveries to branches with an electronic system that automatically updates the branch stock details.

The fork-lift trucks we use to fetch and carry goods in our warehouses are now linked by radio, resulting in better use of space and greater accuracy in picking products from the warehouse racks. Another introduction this year is that of a new load planning and scheduling system which maximises the use of our delivery vehicles.

At head office most staff have personal computers for electronic mail, local processing and access to mainframe databases.

Each of our buyers can use modern graphical displays to examine how much has been sold, what remains in stock, and what we have bought from our suppliers – information that can be analysed and used to provide a better service to our customers, as well as managing our profit margin more effectively.

Over and above this, the same system presents details of customer complaints, enabling us to improve the quality of the product in all its aspects: its shelf life, its ingredients and its packaging.

Other personal computers in our offices enable us to create point-of-sale advertising material and send it electronically direct to the printers – yet another example of technology used to improve the speed and efficiency of our operations.

Built in scales at checkout

Transparency approved

Scales incorporated into the checkout allow loose produce to be weighed easily without moving it to a separate piece of equipment.

The new BMIS system will enable store managers to study sales trends by comparing data that is presented graphically as well as numerically.

BMIS at head office

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approved

Saving energy, avoiding waste

Concern for the environmental impact of our operations has influenced our activities for many years. Continued refinement of our policy has brought about the establishment of a Board sub-committee responsible for environmental matters, an environmental policy statement, targets by division and a report on progress which is reviewed

annually by the Board. This year we have focused on reductions in energy use and waste, and the promotion of re-use and recycling. We

are committed to the avoidance of environmentally damaging materials and to the development of alternatives to ozone depletants. Designated Board members oversee the implementation of these and other measures, with supporting committees in all parts of the business.

Considerable progress has already been made. Our packaging review ex-

Through an environmental review,
we have reduced our product packaging
by 1,600 tonnes.

Textile banks have been installed
at 114 stores
- a new initiative involving
major charities.

New branches now use ozone-benign
refrigerants in all systems.

amined ways of avoiding, reducing or removing packaging, and brought savings worth £2.7 million during the past year. When all these current projects are under way, they will produce savings of £5.5 million on an annualised basis. At the same time, the experience already gained is being used in conjunction with changing technology and revised requirements to make further progress.

In September 1993, Sainsbury's was one of 28 companies challenged by the Secretary of State for the Environment to take responsibility for dealing with packaging waste. Besides playing an active role within the Working Group, we served on a number of other technical committees. The result was a cross-industry plan for dealing with this issue which was presented to the Secretary of State earlier this year.

Environmental Savings

The in-store energy-saving system piloted in five stores last year has proved highly successful. In each store annual savings

We introduced one of our most popular wines in a clear glass bottle,
helping to reduce the glut of green glass returned for recycling.

Transparency approved

have averaged £15,000 against an initial outlay of £8,000 per store. The system will be extended to a further 265 stores over the next 18 months.

Environmental measures are not confined to our stores. We won a corporate Green Award for the measures adopted in our head office buildings which have already resulted in significant energy savings. Computer controls have saved 45% on lighting consumption alone.

Ozone-benign Refrigerants

Ahead of European Commission requirements we are introducing ozone-benign refrigerants. From mid-1993 we began using HFCs (hydrofluorocarbons) in all new branch

chiller systems. From March 1994, we began introducing HFCs into low temperature freezer systems as well.

Sainsbury's is the only UK retailer to have received an award from the US Environmental Protection Agency for its policy on the elimination of ozone-depleting refrigerants.

We have also investigated alternative methods of refrigeration which involve the use of secondary refrigerants, and have initiated extensive trials with a supplier to assess the practicalities, economics and safety aspects of running such a system. As a result, we will be installing a secondary refrigeration system for both chillers and freezers – a significant technical development – at a new Sainsbury store to open during 1995.

Our Integrated Crop Management Systems are now well developed, with guidelines issued to suppliers. Purple phacelia planted within this field attracts beneficial insects to the adjacent crops, helping to limit the use of pesticides.

Integrated crop management

Transparency approved

Canley Store exterior
Transparency to be approved

Our store at Canley, Coventry, which opened in November 1993, won the Royal Fine Art Commission and Sunday Times Building of the Year Award 1994 (Commercial Category). Faced in glass, it has a wing-shaped, transparent canopy stretching along the length of the building

Building for the future

During the year we opened 23 new supermarkets in the UK and we expect to open about 20 stores on average for the next three years. Our market assessments show that there are significant profitable new trading opportunities in food retailing for the years ahead.

Total expenditure on our present building programme is falling as a result

of lower land costs, the development of smaller stores, more refurbishments and increasing efficiencies in construction. In Chichester, where our branch was destroyed by fire in December, work began immediately on a replacement store which will be trading by late Summer.

Designed to Please

In May 1993, we published a Design Statement summarising our approach to architectural design, reflecting the ideals contained in our Company objectives and our environmental policy.

We remain committed to design detail in our stores, choosing architects who design buildings to be in keeping with the character and context of their sites.

We believe that the significance we attach to this not only sets us apart from other retailers, but also assures the customer that concern for quality, value and choice characterises every aspect of our operations.

We have been delighted to receive praise for the architecture of a number of our new supermarkets including those at Edinburgh and

Farnham, Surrey. Designed by local architects, the 32,500 square foot Edinburgh store is

A total of 1.3 million square feet of new selling space was added across the Group. New Sainsbury supermarkets accounted for more than half of this.

£69m was invested in store refurbishments and extensions in 1993/94.

81 Sainsbury stores are in town centres.

trading beyond expectations; and at Farnham, where we have kept open our existing town centre store, the new 36,000 square foot store has created more than 300 jobs.

Rhyl, our second supermarket in North Wales, opened this year and at

23,000 square feet is one of our smaller new stores – with signs in both English and Welsh. Together, Rhyl and our new store at Bridgend have generated over 400 new jobs in Wales.

Relevant Stores

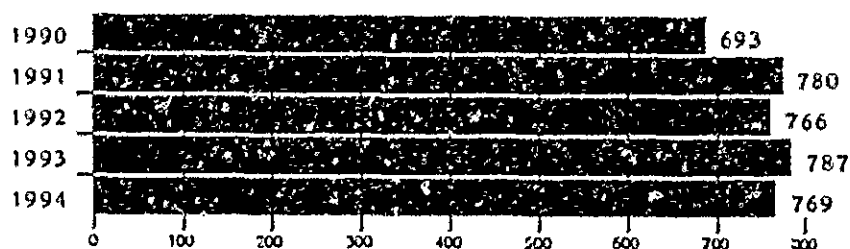
We try to open stores in locations where they will be most convenient to the greatest number of people, within the context of each community's needs. For example, in Market Harborough we opened a small-scale store at the edge of the town centre. Its traditional design complements the nearby market building which was also restored and which now houses a library and community centre.

In Swadlincote, South Derbyshire, we have created 156 jobs at our new 20,000 square foot store – our smallest this year. Situated near the town centre, it provides a convenient petrol station with terminals allowing payment at the pumps.

Attention to design detail goes beyond the interior and exterior of our stores. At a number

GROUP CAPITAL EXPENDITURE

£ million



Group Capital Expenditure totalled £769 million, 70% of which was spent on Sainsbury's new store development.

of branches we have designed the landscaped car park with spaces angled to the roadways, making parking easier. All our new store car parks have some extra-wide spaces to make life easier for parents shopping with toddlers.

Updating our Stores

During the year we carried out refurbishments to 260 of our stores and added a number of extensions. This programme of continuous improvement is designed to achieve even better

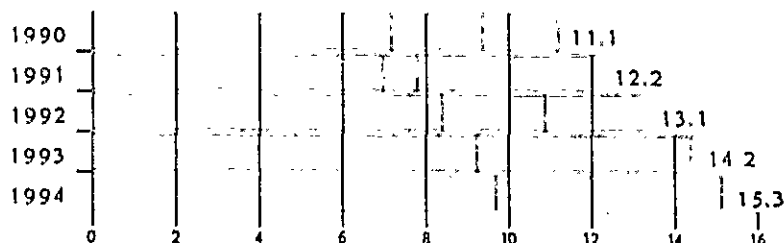
returns on our existing investments by improving the shopping environment for all our customers.

External Projects

J Sainsbury Developments Limited was formed during the year as a wholly-owned subsidiary to apply the Group's expertise in property development to schemes for external clients. The company completed three retail park projects in the year at Enfield, Eastbourne and Hemel Hempstead.

GROUP SALES AREA

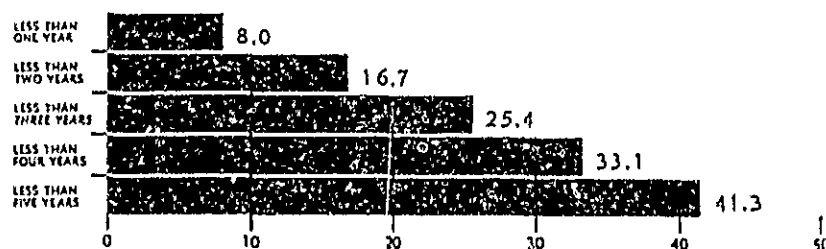
Million square feet



Group sales area increased by 7.6% last year to 15.3 million square feet.

AGE OF SAINSBURY'S SALES AREA

% of total sales area



As a result of sustained investment, 41% of UK supermarket sales area is now less than five years old.

North Cheam Store Exterior

Transparency approved

At 36,000 square feet, our new store at London Road, North Cheam, is half as large again as our former store on the same site which traded successfully for 22 years.

The store interior as customers will never see it: an island display stand for fresh fruit and vegetables is assembled before the opening in May 1994 of our East Kilbride supermarket - our third in Scotland, creating 250 jobs.

Transparency approved

Choices cake decorating
training in Solihull store

Transparency approved

Minicom telephone in Torquay
branch

Transparency approved

Display Assistant, Marian Iommi, is fulfilling her ambition to become a qualified confectioner through our 'Choices' career guidance programme.

District Quality Co-ordinator, Carol Pointon, training staff at our Torquay store in the use of the Minicom telephone through which deaf customers can communicate with us.

Developing skills, improving service

Training all our store staff - existing employees as well as new ones - to serve the customer better has provided the focus for this year's development programme. This has led to increased efficiency and cost reduction as well.

In the central departments, in addition to continued management and staff development, we are reviewing all business processes to see how they might be simplified or rationalised. This will lead to a reduction in the number of

administrative jobs. However, with our new store opening programme, employment figures throughout the Group will continue to grow.

Leadership Through Teamwork

Leadership Through Teamwork is the name of the programme being implemented throughout our stores, and it is also its

target. Emphasis on team-building, coaching and feedback is followed by increased staff involvement in the running of the branch

Store openings have produced more than 5,000 new full- and part-time jobs.

Annual investment in training continues at £20 million.

The Career Bridge Scheme, open to managers and senior clerical grades, has allowed more women to resume their careers after maternity leave; numbers returning rose from 41% to 75% in the second year of the scheme.

through the creation of action teams. Their formation encourages staff to identify ways in which their working practices might be made more efficient and rewarding.

Choices

The 'Choices' programme, which offers career guidance and skills training to shop-floor staff, was introduced in more stores, and will be extended to all our stores over the next two years. Many staff who have already completed recommended courses have either changed jobs, been promoted or improved their work performance. We are also encouraging existing staff to obtain the on-the-job National Vocational Qualification Level Two Certificate in Retailing, previously available only to young people joining us as trainees.

Opportunity 2000

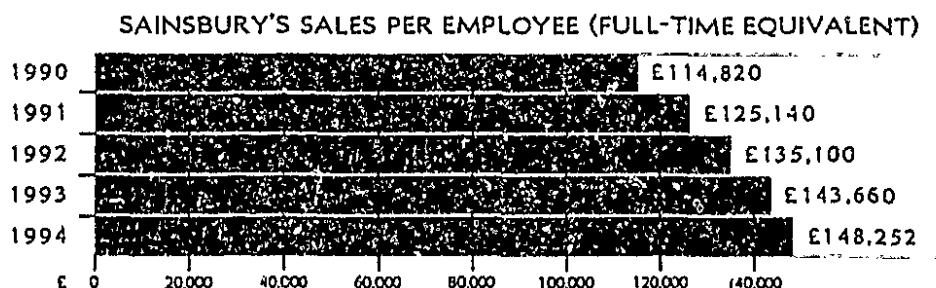
Our participation in Opportunity 2000 has led to increased progress in women's career development. We are particularly pleased that in our Distribution Division - an area of

operations where women in this country have traditionally been under-represented - we have achieved real progress: in addition to the three women managers already working in this Division, we have recently appointed or promoted a further six women to managerial positions.

To develop ways of encouraging women to enter areas where they are under-represented, we have introduced a work-shadowing scheme for Lower Sixth students at development sites; we are now monitoring recruitment in Information Systems Division; and we are offering scholarships to young women undertaking degree courses in 'non-traditional' areas.

Continuing Education

We currently have 27 employees on the MBA course which we have run with the City University Business School for the past five years. Seven have now graduated. Nearly 200 of our young managers are studying part-time for an honours degree in Retail Marketing developed jointly with Manchester Metropolitan University.



Sales per employee (full-time equivalent) rose by 3.2% last year,
and have risen by 29.1% in the last four years.

Working in the community

Sainsbury's community investment programme is now split between national activity, co-ordinated centrally, and local initiatives that profit from the commitment and enthusiasm of branch employees.

Local Action

This year we have given our store managers greater responsibility for community-based activity by providing them with funding to support local causes they wish to help.

This complements the existing rôle of branch staff and management who choose the local organisations which benefit from our Good Neighbour and Penny Back Schemes, and who establish links with local schools.

Our approach to links with schools has been revised to be more responsive to the schools' specific needs. A key element is to

concentrate our efforts on communicating to schools the core skills which we look for in potential employees.

Staff and customers
together raised nearly £300,000 for
Children in Need.

Sainsbury's hosted the
national launch of the United Nations
International Year of the Family.

For the first time the BBC televised
the regional finals and final
of our FutureCooks competition for
children, now in its fifth year.

Kirkstone House School, Peterborough, won £2,250 in our Arts Education Awards to create a wall-hanging depicting indoor games which was presented to the local hospital.

Transparency Approved

Transparency Approved

North Westminster Community School was one of 750 schools to receive eight framed prints under our Pictures for Schools scheme.

We are also actively supporting the teaching programme for General National Vocational Qualifications.

Arts and Education

This year we introduced a new sponsorship, Pictures for Schools, in which reproductions of great paintings were given to 750 secondary schools. The BBC featured the eight selected paintings in a five-programme series which was repeated on schools television.

We also supported 31 projects across the country through our Arts Education Awards. Award-winning projects included the first ever youth folk music festival in the North of England.

Sainsbury's FutureCooks competition, designed to encourage an enthusiasm for good food and cooking in children aged between 9 and

15, won the coveted Glenfiddich Food Award. Past winners of FutureCooks have fulfilled their potential in a variety of ways: winning adult awards, joining the staff of famous restaurants, or even opening their own.

National Projects

Work is under way on four centrally-funded projects. We are supporting the Dunn Nutrition Centre in the investigation of diet in young women and the prevention of osteoporosis.

Work is well advanced at the Gingerbread organisation on a comprehensive guide to childcare provision; and in Sunderland we have established a three-year programme with Crime Concern to tackle crime, unemployment and homelessness amongst young people. The young homeless in Southwark are being supported through the Gateway Partnership to which we contributed.

Our 'Friendly Bobby' project in Shrewsbury encourages good relations with the police and is aimed at teaching primary school children how to avoid danger.

Transparency Approved

Retail Subsidiaries

Savacentre, Beckton, East London.

Beckton Savacentre

Transparency approved

Homebase, Walton-on-Thames, Surrey

Walton-on-Thames Homebase

Transparency to be approved

Shaw's, Hanover, Massachusetts, USA.

Hanover Shaw's

Print approved

Savacentre

Savacentre, the only dedicated hypermarket company in the UK, had a very good trading year with operating profit rising by 11.8%. The highlight of the year was the opening of our new store at Beckton in East London. Beckton is the most compact of our hypermarkets, with a sales area of 66,000 square feet, and is complemented by the adjoining 28,000 square foot Bulksava, which offers even keener prices on purchases of bulk packs. Together these two outlets generated 700 new jobs.

In September, Savacentre completed a three-year programme for the replacement of all existing clothing ranges with Sainsbury brand Lifestyle clothing. Aimed at all members of the family, the Lifestyle range exemplifies attributes

that customers have come to associate with a Sainsbury Group company: high quality at extremely competitive prices. Customers at Savacentre appreciate the convenience of finding the full range of products stocked in a large Sainsbury supermarket alongside departments covering household goods, lighting and electrical appliances, home improvement and gardening products.

SAVACENTRE ANALYSIS	1994	1993
Sales (including taxes)	£658.7m	£609.1m
Operating Profit	£40.6m*	£36.3m
Number of hypermarkets	10	9
Sales area ('000 sq ft)	920	826
Full-time employees	2,571	2,274
Part-time employees	5,650	4,894
*Before accounting changes and exceptional costs		

DIRECTORS: R.T. Vyner (Chairman)*, M.W. Broomfield (Managing Director), R.A. Anderson*, W.T. Hales*, S.R. Sunnucks, K.W. Barden, A.E.S. Webb, E.F. Bonner, F.R. Emmott*. *Non-Executive Directors.

Savacentre Managing Director, Mike Broomfield, talks to a customer at Beckton.

Print approved

Homebase

Sainsbury's Homebase chain of home improvement and garden centres achieved its best ever trading performance with sales volumes 10% ahead in like-for-like stores against a background of price deflation and a largely static market. This has resulted in substantial gains in market share, particularly in the Greater London area. In the latter months of the year,

consumer confidence has been helped by more favourable conditions in the housing market.

Seven new stores opened during the year and one was closed, giving a year-end total of 76. It is seeking to double the rate of expansion to around 14 stores annually from 1995.

Two-thirds of Homebase stores now have scanning checkouts, and the installation programme is scheduled for completion by April 1995.

Over 70% of goods are delivered through central distribution facilities, resulting in improved levels of service and operating efficiencies.

Homebase is continuing to develop its own label ranges, which currently represent more than 25% of sales.

HOMEBASE ANALYSIS	1994	1993
Sales (including taxes)	£328.1m	£282.8m
Operating Profit	£23.9m*	£17.8m
Number of stores	76	70
Sales area ('000 sq ft)	2,810	2,609
Full-time employees	1,764	1,627
Part-time employees	3,248	2,676
*Before accounting changes and exceptional costs		

DIRECTORS: D.B. Adriano (Chairman and Managing Director), I.D. Coull (Deputy Chairman)*, R. McLaren (Deputy Managing Director), R. Cooper*, J. Dopchie*, D. du Monceau de Bergendal*, J.A. Pitz*, S.W. Bradbury, B. Williams. *Non-Executive Directors.

Homebase Chairman, Dino Adriano, meets a customer in the lighting department at Walton-on-Thames.

Print Approved

Shaw's

Shaw's, our supermarket chain in New England, improved its sales and operating profit performance, helped by the gradual movement towards recovery in the New England economy. Shaw's now operates 87 stores in Massachusetts, New Hampshire, Maine and Rhode Island.

The eight new stores and two replacement stores which were opened, together with two major enlargements, added 11.9% to sales area and contributed significantly to increases in sales and market share. Shaw's presence in Rhode Island doubled from three to six stores.

The company has continued to develop its aggressive promotional policy. During the year Shaw's ran a strong TV advertising campaign

for its own brand products. Shaw's also improved its price competitiveness, offering significant retail price advantages over major competitors.

A focus of the past year has been the improvement in the operational performance of the stores, distribution network and support staff, through increased training programmes and the development of computer systems.

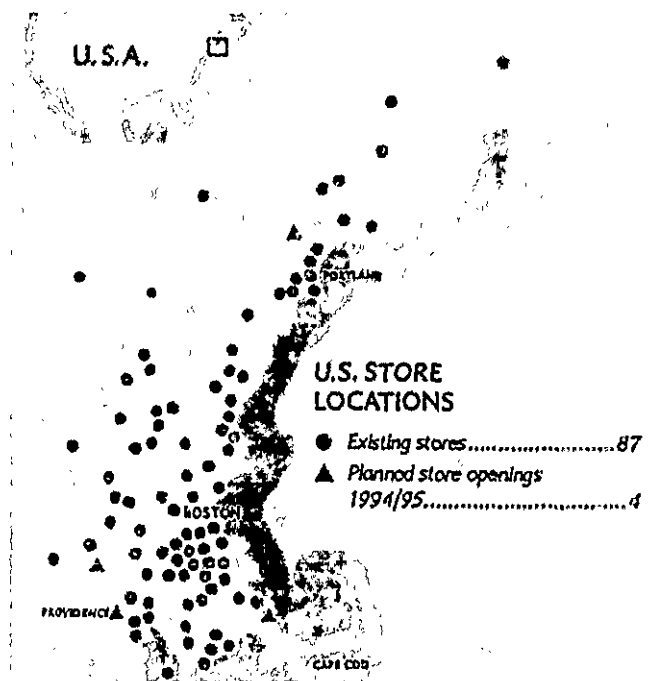
SHAW'S ANALYSIS	1994	1993
Sales (including taxes)	\$1.97bn	\$1.85bn
Operating Profit	\$46.5m*	\$31.5m
Number of stores	87	71
Sales area ('000 sq ft)	2,740	2,448
Full-time employees	4,248	4,061
Part-time employees	11,913	11,867
*Before exceptional costs		

DIRECTORS: D.J. Sainsbury (Chairman)*, D.B. Adriano (Deputy Chairman)*, P.L. Francis (President and Chief Executive Officer), I.D. Crull*, R.P. Whitbread*, H. Beckner*, S. Dubrul Jr*, J.D. Kelleher, J.R. Maxwell, A.J. Mitcham†, H.V. Powell, S.W. Ramsay. *Non-Executive Directors. †seconded from Sainsbury's.

Shaw's President and Chief Executive Officer, Phil Francis, with a customer at the Hanover store.

Mr Francis at Hanover

Reshoot 03.05.94



U.K. STORE LOCATIONS

Existing Stores

● Sainsbury's.....	341
● Savacentre.....	10
● Homebase.....	76

Planned store openings 1994/95

▲ Sainsbury's.....	20
▲ Homebase.....	10

INNER LONDON

● Sainsbury's.....	24
● Savacentre.....	1
● Homebase.....	5
▲ Sainsbury's.....	1

LONDON

OUTER LONDON

● Sainsbury's.....	49
● Savacentre.....	1
● Homebase.....	15
▲ Sainsbury's.....	1
▲ Homebase.....	4

U.K. Stores

STORES OPENED 1993/94

SAINSBURY'S

East Grinstead	Enfield
Hemel Hempstead	Market Harborough
Edinburgh	Eastbourne
Frome	Coventry
Rhyl	Hastings
Dunstable	Worksop
Doncaster	Farnham, Surrey
Fareham	Hendon
Bridgend	Bedford
Hayes, Middlesex	Swadlincote
Worthing	
Exeter	
North Cheam	<i>New Sales Area 696,000 square feet</i>

SAVACENTRE

Beckton	<i>New Sales Area 94,000 square feet</i>
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HOMEBASE

Wandsworth	
Cheltenham	
Hayes, Middlesex	
Hemel Hempstead	
Walton-on-Thames	
St Albans	
Solihull	<i>New Sales Area 230,000 square feet</i>

PLANNED STORE OPENINGS 1994/95

SAINSBURY'S

Epsom	Warlingham
Deaconsfield	Plymouth
East Kilbride	Newhaven
Chingford	Biggleswade
Taplow	Banbury
Kidderminster	Leeds
Harlow	Nantwich
Truro	
Whitechapel	
Woking	
Cwmbran	
Newbury	
Ferndown	<i>New Sales Area 610,000 square feet</i>

HOMEBASE

Enfield	Lincoln
Harrow	Staines
Woking	Hampton
High Wycombe	
Nottingham	
Ruislip	
Oldbury	<i>New Sales Area 380,000 square feet</i>

Shaw's U.S. Stores

STORES OPENED 1993/94

Waltham, Mass.	<u>Major Enlargements</u>
Revere, Mass.	Beverly, Mass.
West Lebanon, N. Hamp.	North Attleboro, Mass.
Warwick, Rhode Isl.	<u>Replacement Stores</u>
North Warwick, Rhode Isl.	Portsmouth, N. Hamp.
Middletown, Rhode Isl.	Scarborough, Maine
Hanover, Mass.	
Melrose, Mass.	<i>New Sales Area (including enlargements) 292,000 square feet</i>
	<i>Group Total New Sales Area 1,312,000 square feet</i>

PLANNED STORE OPENINGS 1994/95

Plymouth, Mass.	
Webster, Mass.	
N. Providence, Rhode Isl.	
<u>Replacement Store</u>	
N. Windham, Maine	
	<i>New Sales Area (including enlargements) 128,000 square feet</i>
	<i>Group Total Planned New Sales Area 1,118,000 square feet</i>

TEN YEAR RECORD

RESULTS £ MILLION

	1985	1986	1987
GROUP SALES (including VAT & sales taxes)	3,135.3	3,575.2	4,043.5
Increase on previous year	16.6%	14.0%	13.1%
UK Operating Margin	4.84%	5.30%	5.75%
GROUP OPERATING PROFIT	151.8	189.6	232.5
Profit/(Loss) on sale of properties	2.6	5.9	9.1
Associates	9.7	13.6	17.9
Profit sharing	(12.1)	(15.8)	(21.2)
GROUP PROFIT BEFORE INTEREST	152.0	193.3	238.3
INCREASE ON PREVIOUS YEAR	19.2%	27.2%	23.3%
Interest receivable/(payable)	4.4	(0.6)	8.6
PROFIT BEFORE TAX	156.4	192.7	246.9
INCREASE ON PREVIOUS YEAR	20.3%	23.2%	28.1%
Tax charge	48.0	65.4	88.9
Profit after Tax	108.4	127.3	158.0
EARNINGS PER SHARE			
Basic	7.72p	9.01p	11.04p
Increase on previous year	21.3%	16.6%	22.6%
Fully diluted (excluding profit/loss on sale of properties)	7.61p	8.62p	10.48p
Increase on previous year	22.4%	13.2%	21.6%
DIVIDEND PER SHARE*	2.22p	2.72p	3.46p

RETAIL STATISTICS

	1985	1986	1987
NUMBER OF OUTLETS AT FINANCIAL YEAR END			
Sainsbury's - over 25,000 sq ft sales area	29	39	54
15,000-25,000 sq ft sales area	117	122	119
under 15,000 sq ft sales area	125	119	110
Sainsbury's	271	280	283
Savacentre	6	6	6
Homebase	23	28	32
Shaw's	-	-	-

TOTAL NUMBER OF STORES	300	314	321
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SALES AREA ('000 SQ FT)

Sainsbury's	4,325	4,692	5,034
Net increase on previous year	9.6%	8.5%	7.3%
Savacentre	424	433	433
Homebase (approx. 60% covered sales area)	1,038	1,261	1,424
Shaw's	-	-	-

GROUP TOTAL	5,787	6,386	6,891
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New Sainsbury's openings	15	15	15
Average size of new Sainsbury's (sq ft)	26,080	27,430	29,150
Average size of all Sainsbury's (sq ft)	15,960	16,760	17,790

AVERAGE SAINSBURY'S SALES (including VAT & sales taxes)

Per store (£ per week)	221,300	244,100	267,800
Per square foot (£ per week)	14.32	14.87	15.43
Share of national trade in food and drink shops, chemists, confectioners, tobacconists and newsagents**	7.6%	8.0%	8.5%

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

** Based on Central Statistical Office data (re-based 1993) and Sainsbury's and Savacentre sales.

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

1988	1989	1990	1991	1992†	1993	1994††
5,009.5	5,915.1	7,257.0	8,200.5	9,202.3	10,269.7	11,223.8
23.9%	18.1%	22.7%	13.0%	12.2%	11.6%	9.3%
6.16%	6.89%	7.04%	7.67%	7.92%	8.35%	7.72%
295.7	372.9	470.7	585.0	666.0	785.0	795.8
9.8	22.3	30.7	12.5	(2.5)	(2.4)	7.0
18.2	15.6	1.6	0.3	1.2	(0.4)	0.5
(23.9)	(26.7)	(33.8)	(44.0)	(49.4)	(58.6)	(56.3)
299.8	384.6	469.2	553.8	615.3	723.6	747.0
25.8%	28.3%	22.0%	18.0%	11.1%	17.6%	3.2%
8.6	(9.5)	(17.8)	(35.6)	12.7	9.2	(8.7)
308.4	375.1	451.4	518.2	628.0	732.8	738.3
24.9%	21.6%	20.3%	14.8%	21.2%	16.7%	0.8%
109.0	125.1	140.5	163.4	184.5	228.8	236.5
199.4	250.0	310.9	354.8	443.5	504.0	501.8
13.42p	16.57p	20.57p	23.11p	25.69p	28.47p	28.02p
21.5%	23.5%	24.1%	12.4%	11.2%	10.8%	(1.6)%
12.90p	14.44p	18.15p	21.74p	25.34p	28.07p	27.02p
23.1%	11.9%	25.7%	19.7%	16.6%	10.8%	(3.7)%
4.15p	4.99p	6.03p	7.27p	8.75p	10.0p	10.6p
1988	1989	1990	1991	1992	1993	1994
74	95	116	136	159	177	193
115	110	106	102	98	99	99
94	87	69	61	56	52	49
283	292	291	299	313	328	341†
6	7	8	9	9	9	10
38	48	55	61	64	70	76
60	61	66	70	73	79	87
387	408	420	439	459	486	514
5,463	5,964	6,434	6,951	7,632	8,303	8,827
8.5%	9.2%	7.9%	8.0%	9.8%	8.8%	6.3%
436	543	665	798	798	826	920
1,645	1,886	2,107	2,317	2,406	2,609	2,810
1,592	1,693	1,928	2,107	2,229	2,448	2,740
9,136	10,086	11,134	12,173	13,065	14,186	15,297
16	20	22	20	21	23	23
30,650	31,360	32,320	33,550	34,890	32,710	30,250
19,300	20,430	22,110	23,250	24,380	25,310	25,890
304,900	327,500	373,500	425,400	460,800	494,000	510,000
16.30	16.50	17.26	18.17	18.51	18.84	18.60
8.8%	9.0%	9.6%	10.1%	10.6%	11.3%	11.4%

†† 1994 figures for profits and earnings per share are stated before exceptional costs of £369.5 million (previous years nil) but after changes in accounting for depreciation of £39.7 million.

† Includes the Chichester store due to re-open Summer 1994.

EXECUTIVE DIRECTORS

(Back row) David Clapham, Ian Coull, John Adshead, Robin Whitbread, Ivor Hunt. (Centre row) Angus Clark, Bob Cooper, Keith Worrall, Rosemary Thorne, Colin Harvey, Dino Adriano.
(Front row) Tom Vyner (Deputy Chairman and Joint Managing Director), David Sainsbury (Chairman and Chief Executive), David Quamby (Joint Managing Director)

NON-EXECUTIVE DIRECTORS

Dr John Ashworth, Lady Eccles, Sir James Spooner, Sir Terence Heiser.

BOARD OF DIRECTORS

Joint Presidents

LORD SAINSBURY OF DRURY LANE
SIR ROBERT SAINSBURY
LORD SAINSBURY OF PRESTON CANDOVER KG

EXECUTIVE DIRECTORS

D.J. SAINSBURY*

Chairman and Chief Executive

Joined the Company in 1963; appointed Director in 1966; Finance Director 1973-90; Chairman, Savacentre 1984-1993; Deputy Chairman 1988; Chairman and Chief Executive 1992; age 53.

R.T. VYNER

Deputy Chairman and Joint Managing Director
Joined the Company in 1978 as Director responsible for grocery and non-foods buying; Assistant Managing Director, Buying and Marketing 1986; appointed Joint Managing Director in 1990 and Deputy Chairman in 1992; Chairman, Savacentre 1993; age 57.

D.A. QUARMBY

Joint Managing Director

Joined the Company in 1984 as Director of Distribution; Joint Managing Director in 1988 with responsibility for non-trading functions; assumed overall responsibility for operations in 1990; age 52.

R.A. CLARK

Joined the Company in 1966; Director for Personnel and Data Processing 1979-88; responsible for distribution, data processing and information systems; Chairman, NewMarket Foods Limited 1990; age 59.

K.C. WORRALL

Joined the Company in 1953; appointed Director for grocery and non-foods buying in 1986; age 57.

I.D. COULL

Joined the Company in 1988 as Director of the Development Division; appointed Deputy Chairman, Homebase, in 1993; has lead responsibility for environmental issues; age 43.

R. COOPER

Joined the Company in 1975; appointed a Director in 1988; responsible for meat, fresh fish, off-licence, dairy and frozen foods buying; age 45.

J.E. ADSHEAD

Joined the Company in February 1989 as Personnel Director; also responsible for Group Secretary's Department, age 48.

C.I. HARVEY

Joined the Company in 1958 as a tradesman; appointed an Area Director in 1983; became Director responsible for the Retail Division in 1989; age 52.

D.B. ADRIANO

Joined the Company in 1964 as an accountant; was General Manager of Homebase 1981-86; following a period as an Area Director, returned to Homebase as Managing Director in 1989, becoming Chairman and Managing Director in 1991; appointed to Sainsbury's Board in 1990; Deputy Chairman, Shaw's Supermarkets 1993; age 51.

R.P. WHITBREAD

Joined the Company in 1969 as a retail management trainee; appointed a Departmental Director in 1983; appointed a Director in 1990; from July 1994, responsible for grocery and non-foods buying; age 43.

R.P. THORNE

Joined the Company as a Director in March 1992; appointed Finance Director in June 1992; age 42.

D.J. CLAPHAM

Joined the Company in 1964; Area Director 1982-87; Departmental Director, Branch Operations 1987-89; Managing Director Savacentre 1989-92; appointed Director responsible for produce, bakery, pork buying and delicatessen buying and scientific services in 1992; age 47.

I.J. HUNT

Joined the Company in 1971 as Head of Statistical Services; became Departmental Director responsible for Marketing Services in 1987; appointed to the Board in 1994 as Marketing Director; age 53.

NON-EXECUTIVE DIRECTORS

SIR JAMES SPOONER**

Appointed a Non-Executive Director of the Company in 1981; *Inter alia* a director of John Swire & Sons, Barclays Bank and Morgan Crucible (Chairman); age 61.

LADY ECCLES OF MOULTON**

Appointed a Non-Executive Director of the Company in 1986; Chairman of Ealing Health Authority; Vice Chairman of Durham University Council and a director of a number of other companies; age 60.

SIR TERENCE HEISER GCB**

Appointed a Non-Executive Director of the Company in 1992; Permanent Secretary,

Department of the Environment 1985-1992; also a Non-Executive Director of Abbey National; Smith New Court and Wessex Water; age 61.

DR J.M. ASHWORTH**

Appointed a Non-Executive Director of the Company in 1993; currently Director of the London School of Economics; age 55.

*Member of Remuneration and Nomination Committee (Chairman, D.J. Sainsbury).

**Member of Audit Committee

(Chairman, Sir James Spooner; Sir Terence Heiser GCB from 6th July 1994).

DEPARTMENTAL DIRECTORS

R.A. ANDERSON

Property Development

K.W. BARDEN

Operations Director, Savacentre

S.W. BRADBURY

Finance Director, Homebase

N.S. BROOME

Retail Personnel

M.W. BROOMFIELD

Managing Director, Savacentre

R.A. CHADWICK

Business Development

A.B. CHEESMAN

Produce and Delicatessen

M.D. CONOLLY

Off Licence

H.M.A. ELVIDGE

Branch Services

F.R. EMMOTT

Specialist Businesses

C. ETHERIDGE

Area Director

J.M.E. EVANS

Corporate Personnel

A.W. FRY

Chief Accountant

W.T. HALES

Branch Operations

P. IBBOTSON

Store Format

C.J. LEAVER

Public Relations

R. McLAREN

Deputy Managing Director, Homebase

N.F. MATTHEWS

Group Secretary, Public Affairs

I.G. MERTON

Meat, Poultry and Bacon

A.J. MITCHAM

Seconded to Shaw's

C.E. MONTAGNON

Information Systems

M.D. MORGAN

International Buying

G.M. NAYLOR

Area Director

R.W. PARLE

Distribution

J.R. PHILLIPSON

Area Director

M.T. POWELL

Supply Logistics

J. RAMSDEN

Cheese, Dairy, Frozen Foods

A.F. REES

Marketing

J.A. RENSHAW

Marketing Services

E.G.P. RICKETTS

Branch Merchandising

D.N. ROBERTS

Group Treasurer

M. ROSEN

Non-Foods and Grocery

D.L. SMITH

Area Director

D.W. SMITH

Area Director

DR G. SPRIEGEL

Scientific Services

S.R. SUNNUCKS

Non-Foods Director, Savacentre;

Group Textiles

A.E.S. WEBB

Food and Marketing Director, Savacentre

T.A. WIGLEY

Area Director

B. WILLIAMS

Retail Director, Homebase

B.J.C. WILLIS

Financial Controller Designate

REPORT OF THE DIRECTORS

for the 52 weeks to 12th March 1994

Principal Activities

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 year, with comments on the financial results and future developments, is contained in the Chairman's Statement on pages 4 to 7 and the Review of the Business on pages 8 to 31.

Corporate Governance

The Board of Directors has reviewed the application within the Company of the Code of Best Practice recommended by the Cadbury Committee on the Financial Aspects of Corporate Governance. It is of the opinion that the Company has complied with the Code since it came into effect on 30th June 1993 with the exception of provisions relating to the reporting by Directors on internal control and going concern. The Code notes that companies will not be able to comply with these provisions until the necessary guidance has been developed as recommended in the Committee's Report. The Company will continue to comply with the Code of Best Practice.

In accordance with the recommendations of the Committee in respect of companies where the Chairman is also Chief Executive, the Board includes a number of widely experienced non-executive Directors. The Chairman of the Audit Committee is the nominated senior non-executive Director. Membership of the Remuneration and Nomination Committee and of the Audit Committee is shown on page 35.

Profit and Dividend

The profit on the ordinary activities of the Group before taxation and after exceptional and non-recurring costs of £369.5 million, amounted to £368.8 million. After deducting £227.3 million for taxation and £189.6 million for dividends paid and proposed, the deficit of £48.0 million has been transferred from reserves.

The Directors have decided that it is necessary to recognise in this year's accounts the effect that changing conditions, both in the property market and the competitive environment in food retailing, have on the residual value of the Group's land and buildings. Details of the effect are given in Notes 16 and 19 on pages 51 and 52.

The Directors are proposing the payment of a final dividend of 7.6p per share on 29th July 1994 to shareholders on the Register at the close of business on 16th June 1994, together with the interim dividend paid of 3.0p per share, this makes a total dividend for the year of 10.6p (1993: 10.0p) per share.

Share Capital

The principal changes in share capital during the year were:
- 9.2 million shares were allotted and further options granted under the Company's share schemes for employees;
- 6.4 million shares were allotted under the terms of the scrip dividend offers to shareholders.

Further details are given in Note 11 on page 49.

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 accompanies the Report and Accounts.

Scrip Dividend

Around 24,000 shareholders elected to take shares instead of cash for both the final dividend 1993 and the interim dividend 1994. Shareholders are to be offered a similar choice in respect of the final dividend payable in July 1994 and the interim dividend for 1995.

Market Value of Properties

During the year the Directors announced that, in view of the changing conditions in the property market and the changing

competitive environment in food retailing, they had decided to reflect a permanent diminution in the site value of a number of the Group's properties. The Directors estimate that this diminution in the site value amounts to approximately £282 million, and this amount has been written off in the Profit and Loss Account together with provisions for losses on realisation of surplus land and stores due for closure totalling approximately £59 million.

Property values will continue to be subject to review through a rolling programme of valuations. The Directors believe that the aggregate open market value of Group properties exceeds net book value of £3,669.3 million by a considerable margin.

Fixed Assets

The movements of tangible fixed assets are shown in Note 1 on page 44.

Management Reorganisation

The Company is reviewing its management structures at its head office, area offices and in its retail stores. Announcements have been made to staff that these reviews are likely to lead to a reduction in the number of management and salaried positions. Efforts are being made to redeploy those affected wherever feasible, but a charge of £28 million has been included in the accounts in respect of these reorganisation costs.

Profit Sharing

In order to effect the payment through the Company's Profit Sharing Scheme Trust of the full amount set aside for profit sharing it is necessary to remove for one year only the limit of 10% of Group Profit, which applies to the Scheme. A Resolution will be proposed at the Annual General Meeting. An explanation and details of the Resolution are given in the Chairman's Letter to Shareholders which accompanies the Report and Accounts.

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 year end. The Company has a full range of employee share schemes and about one third of all shareholders are employees or former employees. Further information on employment policies is given on pages 22 and 23.

Donations

Donations to charitable organisations and local community projects amounted to £1.9 million (1993: £1.8 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 130 people and has an annual expenditure of £4.8 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.

Articles of Association

The Company has reviewed its Articles of Association with a view to updating them in line with changes in the law and current practice since the Articles were last reviewed in 1982.

A Resolution will be proposed at the Annual General Meeting to adopt the new Articles.

A full explanation of the changes is contained in the Chairman's Letter to Shareholders which accompanies this Report and Accounts.

Directors' and Officers' Liability

During the year 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 Associates.

Directors

The Directors are shown on page 35. All the Directors shown held office throughout the year, with the exception of I.J. Hunt who was appointed a Director on 13th March 1994. In accordance with the Articles of Association, a Resolution will be submitted to the Annual General Meeting for his re-appointment. The current service contract of I.J. Hunt is terminable by two years' written notice by either party. J.H.G. Barnes retired as a Director at the Annual General Meeting on 1st July 1993.

Sir James Spooner will retire at the Annual General Meeting, and does not offer himself for re-election.

K.C. Worrall, having completed more than forty years of service in the Company and having been an Executive Director since 1986, becomes a non-executive Director on 2nd July 1994 and will retire from the Board on 31st December 1994.

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

Substantial Interests

The substantial interests notified to the Company, all of which

include duplications, are set out below.

Miss J.S. Portrait and W.M. Pybus, respectively a partner and consultant of Denton Hall, the Company's solicitors and C.T.S. Stone are trustees of various settlements, including charitable settlements. At 10th May 1994, the total holdings of the trusts of which the above are trustees amounted to 18%, 7% and 6% respectively.

As trustees and beneficially D.J. Sainsbury and The Hon. S.D. Sainsbury held 18% and 5% respectively at 10th May 1994.

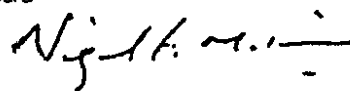
Auditors

The Board has announced its recommendation to the shareholders to replace as auditors Clark Whitehill by Coopers & Lybrand and proposes that, as a transitional measure for one year, Coopers & Lybrand be appointed joint auditors with Clark Whitehill. Both firms have signified their willingness to accept this arrangement.

A Resolution to appoint Coopers & Lybrand together with Clark Whitehill as joint 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.E. Matthews
Secretary



10th May 1994

DIRECTORS' INTERESTS

The number of ordinary shares and options over ordinary shares held by the Directors and their families at 12th March 1994 are shown below. The number of options granted and exercised during the year is also shown.

	Ordinary Shares		Options over Ordinary Shares ¹			
	12th March 1994	14th March 1993	12th March 1994	Granted during year	Exercised during year	14th March 1993
D.J. Sainsbury	317,134,834	312,491,570	222,564	112,813	-	109,751
R.T. Vyner	50,216	46,573	360,430	151,471	814	209,773
D.A. Quarmby	130,159	53,400	375,778	131,680	72,902	317,000
R.A. Clark	110,529	115,447	253,945	105,510	814	149,249
K.C. Worrall	128,550	126,796	206,105	61,420	72,083	216,768
I.D. Coull	9,237	7,483	207,862	85,236	-	122,626
R. Cooper	70,898	67,597	245,712	82,427	-	163,285
J.E. Adshhead	19,971	20,375	183,400	74,734	-	108,666
C.I. Harvey	56,279	55,346	208,078	70,556	38,803	176,325
D.B. Adriano	19,041	14,900	166,360	74,677	2,035	93,718
R.P. Whitbread	19,499	17,369	204,276	68,467	-	135,809
R.P. Thorne	3,495	1,692	141,404	74,290	-	67,114
D.J. Clapham	38,327	42,466	146,358	59,824	-	86,534
Sir James Spooner	8,400	8,400	-	-	-	-
Lady Eccles	4,069	4,024	-	-	-	-
Sir Terence Fleiser	1,000	1,000	-	-	-	-
Dr J. Ashworth	2,000	1,096*	-	-	-	-

¹ Includes options both under the Company's Executive Share Option Scheme and the Savings-Related Share Option Scheme.

* As at date of appointment.

Notes:

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.

D.J. Sainsbury has non-beneficial holdings of 5,342,137 (1993: 5,654,412) shares and £2,095 (1993: £2,095) 8% Irredeemable Unsecured Loan Stock in trusts, including a charitable trust, of which he is a trustee.

Sir James Spooner has a non-beneficial holding of 15,400 shares.

Between 12th March 1994 and 10th May 1994 there were no changes in the Directors' interests, other than a number of Directors who acquired shares beneficially by way of automatic re-investment through the Company's General and Single Company Personal Equity Plans. As a result of these acquisitions the holdings of the following Directors have increased. The revised balances are: D.B. Adriano (19,043 shares), J.E. Adshhead (19,976 shares), D.J. Clapham (38,330 shares), R.A. Clark (110,531 shares), R. Cooper (70,902 shares), Lady Eccles (4,073 shares), D.A. Quarmby (130,167 shares), R.P. Thorne (3,498 shares), R.T. Vyner (50,218 shares) and R.P. Whitbread (19,501 shares).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF J SAINSBURY plc

We have audited the financial statements on pages 39 to 56 which have been prepared under the accounting policies set out on page 39.

Respective responsibilities of Directors and Auditors

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

Basis of opinion

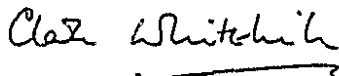
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 12th March 1994 and of the profit of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Clark Whitehill



Chartered Accountants and Registered Auditor
London

10th May 1994

ACCOUNTING POLICIES

Basis of Financial Statements

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties. They comply with all applicable Accounting and Financial Reporting Standards.

No Profit and Loss Account is presented for the Company as provided by Section 230(3) of the Companies Act 1985.

All the activities in the Group are continuing businesses.

Consolidation

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

Goodwill arising in connection with the acquisition of Subsidiaries is set off against reserves. Goodwill comprises the excess of the purchase price over the fair value of the net 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

Provision is made on the liability method for deferred tax which could become payable having regard to the Group's projected levels of trading and capital expenditure. All short term timing differences are recognised.

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 landlords' fittings, 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 do not exceed 15 years, and commencing when they are brought into use. In prior years certain Group companies commenced depreciation in the year following capitalisation.

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 year.

Sale and Leaseback of Properties

Surpluses and deficits on sale and leaseback of properties are recognised in the year of disposal.

Pension Costs

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

Leased Assets

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

Stocks

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

Associates

An Associate is a Company in which the Group exercises a significant influence over operating and financial policy and has a participating interest of between 20% and 50% inclusive.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling 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 of the overseas companies. Differences on translation of investment in overseas companies and related loans are taken directly to reserves.

BALANCE SHEETS

12th March 1994

		Group		Company	
	Note	1994 £m	1993 £m	1994 £m	1993 £m
Fixed Assets					
Tangible Assets	1	4,641.5	4,448.5	3,806.6	3,662.0
Investments	2	18.0	29.4	659.2	674.9
		<u>4,659.5</u>	<u>4,477.9</u>	<u>4,465.8</u>	<u>4,286.9</u>
Current Assets					
Stocks	5	460.0	448.2	263.2	261.0
Debtors	6	113.0	95.3	57.7	56.1
ACT Recoverable		34.0	37.6	34.0	37.6
Investments	7	52.7	78.5	52.7	78.5
Cash at Bank and in Hand		171.3	144.4	95.0	90.7
		<u>831.0</u>	<u>804.0</u>	<u>502.6</u>	<u>523.9</u>
Creditors: due within one year	8	(1,782.9)	(1,524.6)	(1,537.2)	(1,319.5)
Net Current Liabilities		<u>(951.9)</u>	<u>(720.6)</u>	<u>(1,034.6)</u>	<u>(795.6)</u>
Total Assets Less Current Liabilities		3,707.6	3,757.3	3,431.2	3,491.3
Creditors: due after one year					
Convertible	8	(200.0)	(200.0)	-	-
Other	8	(410.7)	(513.2)	(583.1)	(674.0)
Provisions for liabilities and charges	10	(40.1)	2.0	(34.8)	9.4
Minority Interest		(17.3)	(17.4)	-	-
		<u>3,039.5</u>	<u>3,028.7</u>	<u>2,813.3</u>	<u>2,826.7</u>
Capital and Reserves					
Called up Share Capital	11	447.6	443.7	447.6	443.7
Share Premium Account	12	949.9	895.4	949.9	895.4
Revaluation Reserve	13	32.7	26.8	34.0	28.1
Profit and Loss Account	14	1,609.3	1,662.8	1,381.8	1,459.5
		<u>3,039.5</u>	<u>3,028.7</u>	<u>2,813.3</u>	<u>2,826.7</u>

Notes on the Financial Statements are on pages 44 to 56.

The Financial Statements on pages 39 to 56
were approved by the Board of Directors on
10th May 1994, and are signed on its behalf by

D.J. Sainsbury Chairman

R.T. Wyner Deputy Chairman

Handwritten signatures and initials:
D.J. Sainsbury
R.T. Wyner

GROUP PROFIT AND LOSS ACCOUNT

for the 52 weeks to 12th March 1994

	Note	1994 £m	1993 £m
Group Sales (including VAT & Sales Taxes)	15	11,223.8	10,269.7
VAT & Sales Taxes		640.6	584.2
Group Sales (excluding VAT & Sales Taxes)		10,583.2	9,685.5
Cost of Sales (including, for 1994, £36.2 million arising from changes in accounting for depreciation)		9,574.5	8,688.9
Gross Profit		1,008.7	996.6
Administrative Expenses (including, for 1994, £2.5 million arising from changes in accounting for depreciation)		212.9	211.6
Group Operating Profit before the following exceptional administrative expenses	15	795.8	785.0
Provision for costs of reorganisation		28.0	—
Write down of property values	16	341.5	—
Group Operating Profit		426.3	785.0
Associates – share of profit/(loss)	4	0.5	(0.4)
Profit sharing	17	(56.3)	(58.6)
Profit/(loss) on sale of property		7.0	(2.4)
Profit on Ordinary Activities before Interest		377.5	723.6
Net Interest (payable)/receivable	18	(8.7)	9.2
Profit on Ordinary Activities before Tax	19	368.8	732.8
Tax on profit on ordinary activities	22	227.3	228.8
Profit on Ordinary Activities after Tax		141.5	504.0
Minority Interest		0.1	(1.2)
Profit for Financial Year		141.6	502.8
Dividends	23	189.6	177.3
(Deficit)/Retained Profit	14	(48.0)	325.5
Earnings Per Share	24	8.0p	28.5p
Changes in accounting for depreciation		2.1p	—
Exceptional administrative expenses		20.1p	—
Earnings Per Share before changes in accounting for depreciation and exceptional administrative expenses	24	30.2p	28.5p
Fully Diluted Earnings Per Share	24	8.6p	27.9p
Fully Diluted Earnings Per Share before changes in accounting for depreciation and exceptional administrative expenses	24	29.4p	27.9p

GROUP CASH FLOW STATEMENT

for the 52 weeks to 12th March 1994

	Note	1994 £m	1993 £m
Net cash inflow from operating activities	25	990.9	973.2
Returns on investments and servicing of finance			
Interest received		10.9	35.1
Interest paid		(63.4)	(64.2)
Interest element of finance lease rental payments		(8.8)	(7.3)
Dividends paid		(154.0)	(132.1)
Net cash outflow from returns on investments and servicing of finance		(215.3)	(168.5)
Taxation			
Corporation tax paid		(210.8)	(171.8)
Overseas tax paid		(9.0)	(7.6)
Tax paid		(219.8)	(179.4)
Investing activities			
Payments for tangible fixed assets		(748.0)	(741.7)
Receipts from sale of tangible fixed assets		47.8	50.5
Sale of investments		75.8	109.7
Net Investment in Associates		(0.1)	0.4
Acquisition of Sainsbury LET Property Investments Limited		(3.1)	-
Net cash outflow from all investing activities		(627.6)	(581.1)
Net cash (outflow)/inflow before financing		(71.8)	44.2
Financing			
Issue of ordinary share capital		10.7	19.0
Expenses of capital issues		(0.4)	(0.8)
Proceeds of long term borrowing		20.6	86.1
Repayment of long term borrowing		(10.8)	(111.8)
Capital element of finance lease rental payments		(1.0)	(0.7)
Net cash inflow/(outflow) from financing	26	19.1	(8.2)
(Decrease)/Increase in cash and cash equivalents	27	(52.7)	36.0

Notes on the Financial Statements are on pages 44 to 56.

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

for the 52 weeks to 12th March 1994

	1994 £m	1993 £m
Profit for the financial year	141.6	502.8
Currency translation differences on foreign currency net investments	0.4	0.1
Total recognised gains and losses relating to the year	<u>142.0</u>	<u>502.9</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Profit for the financial year	141.6	502.8	117.8	435.3
Dividends	(189.6)	(177.3)	(189.6)	(177.3)
	(48.0)	325.5	(71.8)	258.0
Other recognised gains and losses relating to the year (net)	0.4	0.1	—	—
New share capital subscribed less expenses of capital issues	58.4	62.2	58.4	62.2
Net addition to shareholders' funds	10.8	387.8	(13.4)	320.2
Opening shareholders' funds	3,028.7	2,640.9	2,826.7	2,506.5
Closing shareholders' funds	<u>3,039.5</u>	<u>3,028.7</u>	<u>2,813.3</u>	<u>2,826.7</u>

NOTES ON THE FINANCIAL STATEMENTS

at 12th March 1994

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 1993	3,666.3	1,585.5	5,251.8	2,972.7	1,222.2	4,194.9
Additions (see below)	530.7	238.3	769.0	446.5	186.3	632.8
Subsidiary acquired	3.9	—	3.9	—	—	—
Disposals	37.0	37.6	74.6	30.0	29.0	59.0
Exchange adjustments	15.0	6.4	21.4	—	—	—
At 12th March 1994	4,148.9	1,779.8	5,928.7	3,389.2	1,379.5	4,768.7
Depreciation						
At 13th March 1993	125.6	677.7	803.3	24.3	508.6	532.9
Provided in the year	361.1	159.6	520.7	327.0	123.3	450.3
Disposals	3.6	26.8	30.4	1.3	19.8	21.1
Exchange adjustments	3.5	2.9	6.4	—	—	—
At 12th March 1994	479.6	807.6	1,287.2	350.0	612.1	962.1
Net Book Value						
At 12th March 1994	3,669.3	972.2	4,641.5	3,039.2	767.4	3,806.6
At 13th March 1993	3,540.7	907.8	4,448.5	2,948.4	713.6	3,662.0
Capital Work-in-Progress included above						
At 12th March 1994	114.0	33.6	147.6	89.4	30.2	119.6
At 13th March 1993	101.0	33.4	134.4	81.8	29.4	111.2

Analysis of Properties At 12th March 1994

	Group		Company	
	Cost £m	Valuation £m	Cost £m	Valuation £m
Freehold - Cost	3,274.0		2,795.3	
- 1973 Valuation		3.0		3.0
- 1992 Valuation		72.7		70.9
Long Leasehold - Cost	559.9		449.3	
- 1973 Valuation		3.7		3.7
- 1992 Valuation		22.3		22.3
Short Leasehold - Cost	213.2		44.6	
- 1992 Valuation		0.1		0.1
	4,047.1	101.8	3,289.2	100.0

If the properties included at valuation had been included at cost, the cost and accumulated depreciation figures at 12th March 1994 would have been:

	Group		Company	
	Cost £m	Depreciation £m	Cost £m	Depreciation £m
Freehold	3,333.5	324.7	2,853.0	265.2
Long Leasehold	578.5	95.8	467.9	71.0
Short Leasehold	216.9	57.0	48.3	11.7
	4,128.9	477.5	3,369.2	347.9

The amount included in the additions of £769.0 million in respect of interest capitalised during the year ended 12th March 1994 amounted to £29.5 million after deducting tax relief of £14.5 million.

Included in the net book value of fixed assets is £68.5 million in respect of assets held under finance leases.

Additions to property include £49.2 million in respect of six properties purchased from the Trustees of the J Sainsbury Pension and Death Benefit Scheme on the basis of independent valuations.

Note 2 Investments

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Subsidiaries (Note 3)	—	—	650.7	613.7
Associates (Note 4)	17.1	19.6	8.5	11.2
Other investments	0.9	9.8	—	—
	<u>18.0</u>	<u>29.4</u>	<u>659.2</u>	<u>624.9</u>

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 (USA) 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, including Sainsbury Property Investments Limited (formerly Sainsbury LET Property Investments Limited) which was acquired during the year.

All shares in Subsidiaries are held directly by J Sainsbury plc, apart from those marked * above, which are held by another Subsidiary. All Subsidiaries operate in the countries of their incorporation apart from J Sainsbury (Channel Islands) Limited which is managed and controlled in the UK.

Investments

	Company
	£m
Shares at cost, less amounts written off	
Balance 13th March 1993	284.2
Net Additions	<u>15.0</u>
Balance 12th March 1994	<u>299.2</u>
Long Term Capital Advances	
Balance 13th March 1993	329.5
Net Additions	<u>22.0</u>
Balance 12th March 1994	<u>351.5</u>
Total Investment 12th March 1994	<u>650.7</u>
13th March 1993	<u>613.7</u>

The consolidated financial statements are based upon the audited financial statements of the Company and its Subsidiaries made up to 12th March 1994, with the exception of J Sainsbury (USA) Inc. and Shaw's Supermarkets, Inc. (26th February 1994). In the opinion of the Directors it is necessary for the Overseas Companies to prepare financial statements to an accounting date earlier than the rest of the Group for the early production of the Group financial statements.

Note 4 Investment in Associates

	Share of Allotted Capital	Share of Profit/(Loss) Before Tax	
		1994 £m	1993 £m
Breckland Farms Limited			
200,000 'B' Ordinary Shares of £1 each	50%	(0.3)	0.9
141,532 1% Redeemable Preference Shares of £1 each (other shareholder, Pauls plc)			
Kings Reach Investments Limited			
31,604 Ordinary Shares of 1p each (other shareholders, RPH Limited and P&O Property Holdings Limited)	31.604%	0.5	0.6
Sainsbury LET Property Investments Limited			
Share of profit for the 13 weeks before it became a Subsidiary on 14th June 1993 . . .		0.3	(1.9)
Hedge End Park Limited			
5,570,107 'A' Ordinary Shares of £1 each (other shareholder, Marks & Spencer plc.)	50%	—	—
		<u>0.5</u>	<u>(0.4)</u>

Note 4 Investment in Associates - continued

Investments	Group	Company
	£m	£m
Shares at cost		
Balance 13th March 1993	6.5	6.5
Additions	0.2	0.2
Adjustment in respect of Sainsbury LET Property Investments Limited	(0.1)	(0.1)
Balance 12th March 1994	6.6	6.6
Share of Post Acquisition Reserves		
Balance 13th March 1993	5.2	—
Share of retained profit for the year	0.5	—
Adjustment in respect of Sainsbury LET Property Investments Limited	2.9	—
Balance 12th March 1994	8.6	—
Long Term Capital Advances		
Balance 13th March 1993	7.9	4.7
Adjustment in respect of Sainsbury LET Property Investments Limited	(6.0)	(2.8)
Balance 12th March 1994	1.9	1.9
Total Investment 12th March 1994	17.1	8.5
13th March 1993	19.6	11.2

The proportion of the profits of the Associates attributable to the Group and the reserves included in the Group Balance Sheet are taken from the audited financial statements produced within three months of the balance sheet date, except Kings Reach Investments Limited where management accounts are used.

All Associates operate and are registered in England.

J Sainsbury plc Directors of Associates

Breckland Farms Limited: A.W. Fry, I.G. Merton and M.D. Morgan.

Kings Reach Investments Limited: R.P. Thorne and J.S. Lavelle.

Hedge End Park Limited: I.D. Coull and D.N. Roberts.

Note 5 Stocks

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Goods for resale and consumable stores	424.7	414.9	263.2	261.0
Land held for development	35.3	33.3	—	—
	460.0	448.2	263.2	261.0

Note 6 Debtors

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Trade Debtors	55.2	21.8	9.6	5.5
Amounts owed by Subsidiaries	—	—	10.3	10.6
Other Debtors (including £7.0 million due in more than one year)	37.5	52.0	25.3	26.6
Prepayments	20.3	20.8	12.5	13.4
Corporation Tax Recoverable	—	0.7	—	—
	113.0	95.3	57.7	56.1

Note 7 Current Asset Investments

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Investments listed on a recognised stock exchange at cost (equivalent to market value)	11.1	—	11.1	—
Unlisted Investments	41.6	78.5	41.6	78.5
	52.7	78.5	52.7	78.5

Note 8 Creditors

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Due within one year:				
Borrowings:				
Bank Loans and Overdrafts	153.8	67.5	105.2	21.8
Short Term Notes	35.0	—	35.0	—
First Mortgage Debentures	—	0.6	—	0.6
12½% Notes 1995	100.0	—	100.0	—
Unsecured Loan Notes	2.7	2.8	—	—
Current Portion of long term indebtedness, including finance leases	1.4	3.2	—	—
Amounts owed to Associate	7.6	7.2	7.6	7.2
Loan to Homebase Limited from minority shareholder	—	6.8	—	—
	<u>300.5</u>	<u>88.1</u>	<u>247.8</u>	<u>29.6</u>
Other Creditors:				
Trade Creditors	712.3	682.4	605.2	584.5
Amounts owed to Subsidiaries	—	—	32.0	55.5
Corporation Tax	225.1	225.0	198.5	208.2
Social Security and Other Taxes	30.9	31.2	21.2	22.0
Other Creditors	296.8	295.0	269.3	265.1
Accruals	81.2	73.2	27.1	24.9
Proposed Dividend	136.1	129.7	136.1	129.7
	<u>1,482.4</u>	<u>1,436.5</u>	<u>1,289.4</u>	<u>1,289.9</u>
	<u>1,782.9</u>	<u>1,524.6</u>	<u>1,537.2</u>	<u>1,319.5</u>
	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Due after one year:				
Convertible:				
8½% Convertible Capital Bonds 2005	200.0	200.0	—	—
Others:				
Secured Loans	2.3	2.6	—	—
Unsecured Loan Notes	38.6	27.9	20.0	—
Term Bank Loans	64.5	75.7	177.5	178.8
12½% Notes 1995	—	100.0	—	100.0
8½% Bonds 1996	99.8	104.6	99.8	104.6
9½% Notes 1996	99.8	104.6	99.8	104.6
8% Irredeemable Unsecured Loan Stock	2.9	2.9	2.9	2.9
Finance Leases	81.6	80.5	—	—
Amounts due to Subsidiary Companies	—	—	183.1	183.1
Loan to Homebase Limited from minority shareholder	12.5	5.8	—	—
Other Creditors	8.7	8.6	—	—
	<u>410.7</u>	<u>513.2</u>	<u>583.1</u>	<u>674.0</u>

The 12½% Notes 1995 have been swapped into floating rate funds at a margin below LIBOR subject to a minimum interest rate payable of 10%.

The amount owed to an Associate bears interest at 1½% above National Westminster Bank Plc base rate.

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 and may be either redeemed or exchanged for ordinary shares in the Company. These Bonds are convertible at any time prior to 12th 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 £18.6 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 \$30 million Euro Medium Term Notes issued by the Company. The Notes which mature in March 1998 bear interest at 5.4% payable annually.

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 £113.0 million (1993: £103.1 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 receivable by the Subsidiary in the year has been set off against the interest payable by the Company disclosed in Note 18.

Note 8 Creditors - continued

Also included in term bank loans is \$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 \$150 million repayable in May 1996 and the 9½% Notes 1996 represent \$150 million repayable in October 1996

The loans to Homebase Limited are unsecured loans for terms of 5 years and bear interest at base rate.

Note 9 Borrowings

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Due within one year:				
Bank and Other Loans	299.4	87.2	247.8	29.6
Leases	1.1	0.9	-	-
Due after one and within two years:				
Bank and Other Loans	7.6	108.6	-	100.0
Leases	1.2	1.1	-	-
Due after two and within five years:				
Bank and Other Loans	270.7	263.1	246.3	237.1
Leases	5.2	4.6	-	-
Due wholly or in part by instalments after five years:				
Bank and Other Loans	1.4	1.7	-	-
Leases	75.2	74.8	-	-
Due otherwise than by instalments after five years:				
Bank and Other Loans	40.7	50.7	336.9	336.9
Convertible Capital Bonds	200.0	200.0	-	-
	<u>902.5</u>	<u>792.7</u>	<u>831.0</u>	<u>703.6</u>

Note 10 Provisions for Liabilities and Charges

	Group			Company		
	Total £m	Other £m	Deferred Taxation £m	Total £m	Other £m	Deferred Taxation £m
At 13th March 1993	(2.0)	-	(2.0)	(9.4)	-	(9.4)
Profit and Loss:						
Reorganisation	28.0	28.0	-	26.8	26.8	-
Property	27.7	27.7	-	26.8	26.8	-
Deferred tax - UK	(7.5)	-	(7.5)	(8.3)	-	(8.3)
Deferred tax - Overseas	(4.1)	-	(4.1)	-	-	-
Utilised	(2.0)	(2.0)	-	(1.1)	(1.1)	-
At 12th March 1994	<u>40.1</u>	<u>53.7</u>	<u>(13.6)</u>	<u>34.8</u>	<u>52.5</u>	<u>(17.7)</u>

The potential liabilities for deferred tax and the amounts recognised are as follows:

	Group				Company			
	1994 Total £m	1994 Provision £m	1993 Total £m	1993 Provision £m	1994 Total £m	1994 Provision £m	1993 Total £m	1993 Provision £m
Timing differences between depreciation and capital allowances . . .	175.7	11.7	160.7	13.2	139.0	-	123.9	-
Other timing differences	(20.1)	(25.3)	(10.4)	(15.2)	(17.7)	(17.7)	(9.4)	(9.4)
	<u>155.6</u>	<u>(13.6)</u>	<u>150.3</u>	<u>(2.0)</u>	<u>121.3</u>	<u>(17.7)</u>	<u>114.5</u>	<u>(9.4)</u>

Note 11 Called Up Share Capital

	Number Allotted Fully paid shares	Aggregate Nominal Value £m	Consideration £m
Ordinary Shares of 25p each Authorised - 2,000,000,000 shares		500.0	
At 13th March 1993	1,774,761,897	443.7	
Shares Allotted:			
Profit Sharing Scheme	4,160,000	1.1	19.0
Savings-Related Share Option Schemes	3,756,415	0.9	7.1
Executive Share Option Schemes	1,353,812	0.3	3.6
Scrip Dividend	6,372,735	1.6	29.1
At 12th March 1994	1,790,404,859	447.6	58.8

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 (see Note 8).

Contingent rights also exist at future dates under the Company's Savings-Related Share Option and Executive Share Option Schemes and under the Executive Scheme for Savacentre. It is also intended to allot ordinary shares in the Company under the terms of the Company's Profit Sharing Scheme. Under the Savings-Related Scheme options are normally exercisable within six months of the fifth anniversary of the grant of an option and under the Executive Share Schemes between 3 and 10 years from the date of the grant of an option. Under the terms of the Company's Profit Sharing Scheme qualifying employees can elect to have shares allocated to them at market value in respect of their participation in the Scheme for the relevant financial year and such shares will be allotted within one month of the Annual General Meeting.

Details of these options at 12th March 1994 were as follows:

(a) Savings-Related Share Options

Date of Grant	Price	Options outstanding at the end of the year	
		1994	1993
9th November 1987	245.024p	-	519,803
16th May 1988	204.516p	-	77,343
14th November 1988	176.852p	569,050	3,602,301
9th January 1990	205.504p	5,737,938	6,071,853
19th December 1990	237.120p	6,214,568	6,584,343
30th December 1991	276.000p	7,566,543	8,124,932
4th December 1992	393.000p	7,585,211	8,316,918
6th December 1993	301.000p	8,875,142	-
		36,548,452	33,297,493

(b) Executive Share Options

Date of Grant	Price	Options outstanding at the end of the year	
		1994	1993
28th January 1985	156.104p	51,852	60,403
14th July 1986	193.648p	217,395	282,646
9th March 1987	238.602p	29,664	29,664
13th July 1987	281.580p	650,441	949,692
9th February 1988	217.360p	727,886	1,038,486
31st July 1989	272.688p	2,548,721	3,048,080
28th February 1991	322.088p	5,406,864	5,564,845
28th August 1992	447.000p	5,462,954	5,475,773
12th March 1994	359.000p	8,627,977	-
		23,723,754	16,449,589

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 12 Share Premium Account

	Company
	£m
Balance 13th March 1993	895.4
Savings-Related Share Option Schemes	6.2
Executive Share Option Schemes	3.3
Profit Sharing Scheme	17.9
Script Dividend	27.5
Expenses of capital issues	(0.4)
Balance 12th March 1994	949.9

Note 13 Revaluation Reserve

	Group	Company
	£m	£m
Balance 13th March 1993	26.8	28.1
Transfer from Profit and Loss Account in respect of property disposals during the year (Note 14)	5.9	5.9
Balance 12th March 1994	32.7	34.0

Note 14 Profit and Loss Account

	Group	Company
	£m	£m
Balance 13th March 1993	1,662.8	1,459.5
Deficit for the year	(48.0)	(71.8)
Transfer to Revaluation Reserve (Note 13)	(5.9)	(5.9)
Currency Movements	0.4	-
Balance 12th March 1994	1,609.3	1,381.8

The cumulative goodwill written off against the reserves of the Group as at 12th March 1994 amounted to £143.0 million.
No provision has been made for additional taxation which would arise if profits of overseas Subsidiaries were distributed.

Note 15 Segment Analysis of Turnover, Profit and Net Assets

	Group							
	1994				1993			
	Turnover		Profit	Net Assets	Turnover		Profit	Net Assets
	Incl. Taxes £m	Excl. Taxes £m			Incl. Taxes £m	Excl. Taxes £m		
Food Retailing - UK	9,523.3	8,944.0	735.4	3,165.7	8,886.0	8,354.0	752.2	3,046.7
Food Retailing - US	1,314.5	1,302.5	31.0	360.5	1,090.6	1,080.2	18.6	359.6
DIY Retailing - UK	328.0	279.6	22.6	153.4	282.8	241.0	17.8	165.3
Food Manufacturing - UK	18.1	18.1	(1.2)	23.3	10.3	10.3	(0.5)	24.6
Property Development - UK	39.9	39.0	8.0	32.4	-	-	-	19.7
	11,223.8	10,583.2			10,269.7	9,685.5		
Group Operating Profit before exceptional administrative expenses			795.8				785.0	
Exceptional administrative expenses			(369.5)				-	
Associates - share of profit/(loss)			0.5				(0.4)	
Profit Sharing			(56.3)				(58.6)	
Profit/(loss) on sale of property fixed assets			7.0				(2.4)	
Net Interest (payable)/receivable			(8.7)				9.2	
Group Profit before Tax			368.8				732.8	
Capital Employed				3,735.3				3,615.9
Net Borrowings				(678.5)				(569.8)
Minority Interest				(17.3)				(17.4)
Net Assets				3,039.5				3,028.7

Note 15 Segment Analysis of Turnover, Profit and Net Assets - continued

The total administrative expenses for the year including provision for costs of reorganisation and write down of property values amounted to £582.4 million (1993: £211.6 million)

The 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	
	1994	1993
*Net Margin on tax inclusive sales:		
United Kingdom	7.72%	8.35%
United States	2.36%	1.70%
	<u>7.09%</u>	<u>7.64%</u>
*Net Margin on tax exclusive sales:		
United Kingdom	8.24%	8.91%
United States	2.38%	1.72%
	<u>7.52%</u>	<u>8.10%</u>

*Based on Operating Profit after changes in accounting for depreciation and before exceptional administrative expenses.

Note 16 Write Down of Property Values

	Group	
	1994	1993
	£m	£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	-
	<u>341.5</u>	<u>-</u>

Note 17 Profit Sharing

The amount provided for profit sharing to employees of UK retail companies is calculated on the operating profits and net interest reflected in the accounts of the participating companies, after excluding the profit on sale of property, the write down of property values (see Note 16) and the increased depreciation (see Note 19).

The figure on which the profit sharing fund is based is £771.8 million. £52.6 million has been provided for the profit fund and £17 million for Employers National Insurance.

Note 18 Net Interest Payable

	Group	
	1994 £m	1993 £m
Interest receivable	11.5	32.7
Interest payable:		
Bank and Other Interest on loans wholly repayable within five years	(35.5)	(40.9)
On loans not wholly repayable within five years:		
Term Bank Loan	(2.5)	(2.9)
Loan Stock Interest	(0.2)	(0.2)
Other Loans payable by instalments	(0.2)	(1.3)
Finance Leases	(8.8)	(7.3)
Convertible Capital Bonds	(17.0)	(17.0)
	(64.2)	(69.6)
Interest Capitalised	44.0	46.1
	(20.2)	(23.5)
Net Interest (Payable)/Receivable	(8.7)	9.2

Interest receivable includes income from listed investments of £0.6 million (1993: £5.6 million).

Note 19 Profit on Ordinary Activities before Tax

	Group	
	1994 £m	1993 £m
This has been arrived at after charging:		
Depreciation – owned assets	202.8	150.7
– finance leases	4.1	4.0
Permanent diminution in value of fixed assets	313.8	–
Provision for future store closures (Note 10)	27.7	–
Pension Costs	36.2	33.3
Directors' Emoluments (Note 21)	3.8	3.9
Auditors' Remuneration – audit fee (Company £0.3 million, 1993 £0.3 million)	0.5	0.5
– other services	0.6	0.7
Pensions to former Directors	0.1	0.1
Operating Lease Rentals – plant and equipment	9.3	8.5
– other	106.9	103.5

Depreciation has been increased by £38.7 million as a result of the introduction of depreciating buildings over 50 years (£27.9 million) and depreciating buildings, fixtures, equipment and vehicles from the date they are brought into use rather than in the first full accounting year after they are brought into use (£10.8 million).

Note 20 Employees

	Group	
	1994 £m	1993 £m
Employees' remuneration and related costs during the year amounted to:		
Wages and Salaries	1,022.2	937.6
Social security costs	73.8	64.7
Other pension costs	36.2	33.3
	1,132.2	1,035.6
Employees' Profit Sharing	56.3	58.6
	1,188.5	1,094.2
The weekly average number of employees during the year was:		
Full-time	44,059	42,776
Part-time	80,782	77,343
	124,841	120,119
Full-time equivalent	79,974	76,524

Note 21 Directors' Remuneration

The remuneration of the Executive Directors is set by the Remuneration and Nomination Committee. In addition to basic salary, Executive Directors are paid a performance-related bonus in respect of the previous financial year. The bonus is calculated in accordance with a formula which is linked to the year on year increase in Group profits, reduced by inflation, subject to a maximum of 25% of basic salary achieved when real profit growth is 20%. The bonus charged in the year amounted to 14.72% (1993: 22.60%) of basic annual salary at the date of payment. Directors also participate in the Company's Profit Sharing and Share Option Schemes.

Total Directors' remuneration comprised:

	1994 £'000	1993 £'000
Basic remuneration (including benefits)	2,808	2,854
Performance-related bonus	430	592
Profit sharing	262	250
Pension contributions	245	192
For management services	3,745	3,888
Non-executive Directors	69	45
	<u>3,814</u>	<u>3,933</u>

The emoluments of the Chairman and of the highest paid Director comprised:

	1994 £'000	1993 £'000
Chairman D.J. Sainsbury		
Basic remuneration (including benefits)	266	229
Performance-related bonus	37	45
Profit sharing	23	20
Pension contributions	24	17
	<u>350</u>	<u>311</u>

Lord Sainsbury KG as Chairman until 2.11.1992 received £221,000.

Highest paid Director

Basic remuneration (including benefits)	355	297
Performance-related bonus	49	57
Profit sharing	30	25
Pension contributions	32	22
	<u>466</u>	<u>401</u>

The emoluments, excluding pension contributions, of all Directors fell within the following ranges:

	1994	1993		1994	1993
£ 5,001 - £ 10,000	-	2	£ 215,001 - £ 220,000	1	-
£ 15,001 - £ 20,000	4	2	£ 220,001 - £ 225,000	1	2
£ 55,001 - £ 60,000	1	1	£ 240,001 - £ 245,000	1	1
£ 90,001 - £ 95,000	-	1	£ 245,001 - £ 250,000	-	1
£ 110,001 - £ 115,000	-	1	£ 250,001 - £ 255,000	1	-
£ 170,001 - £ 175,000	1	-	£ 285,001 - £ 290,000	-	1
£ 185,001 - £ 190,000	-	1	£ 290,001 - £ 295,000	-	1
£ 190,001 - £ 195,000	1	2	£ 305,001 - £ 310,000	1	-
£ 195,001 - £ 200,000	-	1	£ 325,001 - £ 330,000	1	-
£ 200,001 - £ 205,000	1	-	£ 335,001 - £ 340,000	-	1
£ 205,001 - £ 210,000	2	-	£ 375,001 - £ 380,000	1	1
£ 210,001 - £ 215,000	-	2	£ 430,001 - £ 435,000	1	-

Note 22 Tax on Profit on Ordinary Activities

	Group	
	1994 £m	1993 £m
The tax charge based on the profit for the year is:		
Corporation tax at 33% (1993: 33%)	231.0	226.8
Overprovision in prior years	(1.1)	(0.5)
Deferred tax	(7.5)	(0.7)
Overseas tax - current	9.0	5.9
- deferred	(4.1)	(3.2)
Share of Associates' tax	-	0.5
	<u>227.3</u>	<u>228.8</u>

Exceptional non-recurring expenditure and depreciation on property and other costs are disallowed for tax purposes. If they were allowable, the tax charge for the year would have been reduced by £111.3 million and £10.0 million respectively.

The tax charge for the year has benefited by excess capital allowances over depreciation for the year of which the tax effect is £17.2 million. After deducting tax relief of £14.5 million on interest capitalised the net amount of corporation tax of £216.5 million is payable in December 1994.

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

Note 23 Dividends

	Company	
	1994 £m	1993 £m
Interim	53.5	47.6
Proposed final	<u>136.1</u>	<u>129.7</u>
	<u>189.6</u>	<u>177.3</u>

The interim dividend of 3.0p per share, paid on 17th January 1994 together with the related tax credit is equal to 3.75p and the proposed final dividend of 7.6p per share, together with the related tax credit, is equal to 9.5p.

Note 24 Earnings Per Share

The calculation of earnings per share is based on profit after tax and minority interest, divided by the weighted average number of ordinary shares in issue during the year of 1,782,102,902 (1993: 1,765,925,149).

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 year and the weighted average number of ordinary shares arising from the above adjustments, which together totalled 1,901,722,289 (1993: 1,875,019,412).

The alternative measures of earnings per share provided reflect the Group's underlying trading performance by excluding the effect of the changes in accounting for depreciation and exceptional items and taking account of anticipated future dilution of earnings per share.

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

	Group	
	1994	1993
	£m	£m
Operating profit before exceptional costs	795.8	785.0
Profit sharing	(56.3)	(58.6)
Depreciation charges	206.9	154.7
Increase in stocks	(7.2)	(48.0)
Increase in debtors	(24.3)	(22.1)
Increase in creditors	77.1	162.2
Net cash inflow from operating activities before reorganisation costs	992.0	973.2
Net cash outflow in respect of reorganisation costs	(1.1)	-
Net cash inflow from operating activities	990.9	973.2

Note 26 Analysis of Changes in Financing during the Year

	Group			
	Share Capital (including premium)		Loans and Finance Lease obligations	
	1994	1993	1994	1993
	£m	£m	£m	£m
Balance 13th March 1993	1,339.1	1,276.9	725.2	686.1
Cash flows from financing	10.3	18.2	8.8	(26.4)
Non cash transactions:				
Additional amount offset against Term Loan (Note 8)	-	-	(9.9)	-
Scrip Dividend	29.1	27.4	-	-
Employee Profit Sharing	19.0	16.6	-	-
Inception of finance lease contracts	-	-	5.9	7.2
Effect of foreign exchange rate changes	-	-	(16.3)	58.3
Balance 12th March 1994	1,397.5	1,339.1	713.7	725.2
Comprising:				
Share Capital (Note 11)	447.6	443.7	-	-
Share Premium (Note 12)	949.9	895.4	-	-
Borrowings (Note 9)	-	-	902.5	792.7
Less: included in cash and cash equivalents (Note 28)	-	-	(188.8)	(67.5)
Balance 12th March 1994	1,397.5	1,339.1	713.7	725.2

Cash flows from financing comprise £10.3 million inflow from share capital and share premium and £8.8 million inflow from loans and finance lease obligations, resulting in an inflow of £19.1 million, as shown in the cashflow statement.

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

	Group	
	1994	1993
	£m	£m
Balance 13th March 1993	76.9	40.5
Net cash (outflow)/inflow before adjustments for the effect of foreign exchange rate changes	(52.7)	36.0
Effect of foreign exchange rate changes	(0.1)	0.4
Balance 12th March 1994	24.1	76.9

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

	1994	1993	1992	Change in 1994	Change in 1993
	£m	£m	£m	£m	£m
Investments	41.6	-	-	41.6	-
Cash at bank and in hand	171.3	144.4	173.9	26.9	(29.5)
Bank loans and overdrafts	(153.8)	(67.5)	(133.4)	(86.3)	65.9
Short term notes	(35.0)	-	-	(35.0)	-
	<u>24.1</u>	<u>76.9</u>	<u>40.5</u>	<u>(52.8)</u>	<u>36.4</u>

Note 29 Future Capital Expenditure

	Group	
	1994	1993
	£m	£m
Contracted for but not provided for in the financial statements	347.4	416.9
Authorised but not contracted for to date by Board of Directors	398.3	478.9

Note 30 Contingent Liabilities and Financial Commitments

The Company has guaranteed borrowing facilities for Associates to the extent of £1.0 million (1993: £3.1 million) at the date of approval of these financial statements. Other contingent liabilities amounted to £6.1 million (1993: £0.9 million) at that date.

The Company has guaranteed the borrowings of a Subsidiary which, at 12th March 1994, amounted to £200.0 million (1993: £200.0 million).

The Group is committed to make operating lease payments during the next financial year as follows:

	£m
Land and Buildings	0.1
Leases which expire within the year	1.3
Leases which expire within 2-5 years	107.6
Leases which expire after 5 years	
Other Leases	0.1
Leases which expire within the year	8.5
Leases which expire within 2-5 years	1.0
Leases which expire after 5 years	

Note 31 Pension Commitments

The Group operates final salary pension schemes in the UK. The costs are assessed on the advice of independent qualified actuaries. Of the total pension costs of the Group, £30.3 million (1993: £28.3 million) relates to the UK Schemes, namely the J Sainsbury Pension and Death Benefit Scheme and the J Sainsbury Executive Pension Scheme. The assets of the pension schemes are held by trustee companies which are separate from J Sainsbury plc.

The latest actuarial valuation of the UK Schemes was carried out by independent qualified actuaries as at 16th March 1991, using the projected unit method. The significant actuarial valuation assumptions used were that future investment returns would be 10% per annum, future salary and wage increases would average 7½% per annum and pensions in course of payment would increase at 5% per annum.

At the date of the latest valuation the market value of the assets of the UK Scheme was £859 million and the actuarial value of the assets was sufficient to cover 132% of the benefits that had accrued to members, allowing for expected future increases in earnings. The ongoing pension cost to the Company has been offset by the amortisation of that part of the surplus not used for improved benefits as a level percentage of net pensionable earnings over 12½ years.

Triennial valuations of the Schemes are currently being undertaken as at 12th March 1994 and the results will be known in the next financial year.

The Group also operates a defined benefit pension scheme in the USA. The pension cost relating to the USA benefit scheme has been determined in accordance with the advice of independent actuaries.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 12 noon on Wednesday 6th July 1994.

The Notice of Meeting and proxy card accompany the Report and Accounts, together with an explanatory letter from the Chairman setting out in detail the Resolutions to be put to the Meeting.

The Directors will be pleased to meet shareholders for coffee from 11.15am.

SHAREHOLDERS' INTERESTS

12th March 1994

Number of Shareholders: 111,436 (1993: 89,516)

Shareholdings Range	Shareholders %		Shares %	
	1994	1993	1994	1993
500 and under	35.07	34.66	0.43	0.31
501 to 1,000	22.72	19.72	1.09	0.74
1,001 to 10,000	39.16	41.89	6.27	5.51
10,001 to 100,000	2.38	2.88	3.82	3.84
100,001 to 1,000,000	0.49	0.62	10.01	10.94
and over 1,000,000	0.18	0.23	78.38	78.66
	100.00	100.00	100.00	100.00

Category of Shareholders	Shareholders %		Shares %	
	1994	1993	1994	1993
Pension Funds	0.07	0.08	4.54	5.27
Insurance Companies	0.39	0.38	5.69	4.78
Investment Trusts	0.87	0.10	0.06	0.06
Banks and Nominee Companies	14.71	13.39	33.31	33.76
Other Corporate Bodies	1.38	1.84	5.76	6.07
Other Shareholders	82.58	84.21	50.64	50.06
	100.00	100.00	100.00	100.00

At the year end the Trustees of the Profit Sharing Scheme held 20.5 million shares (1993: 21.1 million) on behalf of 40,199 participants (1993: 37,700) in the Scheme. The Trustees' holding is included in 'Other Shareholders' above.

SCRIP DIVIDEND SCHEME

The Company is again offering the option of a scrip dividend. An 'evergreen' system is now in operation so shareholders who have already completed a mandate and wish to receive scrip for the Final Dividend 1993/94 need take no action.

Mandate forms or terms and conditions booklets may be obtained from the Registrars, National Westminster Bank Plc, Registrar's Department, PO Box 82, Caxton House, Redcliffe Way, Bristol, BS99 7NH, telephone number 0272 306600. From 16th April 1995 the telephone number will be 01272 306600.

Key Dates in respect of the Scrip Dividend: Final 1993/94

Calculation Period for Scrip Dividend Price	6th June - 10th June
Ordinary Shares record date	16th June
Last date for receipt by Registrars of mandates/revocations (Return Date)	7th July
Scrip Dividend share certificates posted	28th July
First day of dealing in new shares	29th July

The cash equivalent of the new shares is as follows:

	Cash Equivalent	Gross Income for UK Tax Purposes*
Final Dividend 1993 (paid 30th July 1993)	476.60p	595.75p
Interim Dividend 1994 (paid 17th January 1994)	406.80p	508.50p

*Cash equivalent grossed up for tax at the basic rate of 20%

LOW COST SHARE DEALING SERVICE

The Company has introduced a share dealing service for J Sainsbury plc ordinary shares through The Share Centre Ltd., in conjunction with S.G. Warburg Securities Ltd., the Company's corporate stockbroker. Dealing commission on both purchases and sales of J Sainsbury plc ordinary shares is 1%, with no minimum charge, although purchases are subject to a minimum investment of £500. Further information is contained in the separate leaflet which accompanies this Report and Accounts. Alternatively, 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 share 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, Bradford & Bingley (PEPs) Limited operates the following Personal Equity Plans:

The Sainsbury's General Personal Equity Plan

The Sainsbury's Single Company Personal Equity Plan

For further information you may write to Bradford & Bingley (PEPs) Limited, PO Box 50, Main Street, Bingley, West Yorkshire BD16 2LW or telephone 0274 555677. From 16th April 1995 the telephone number will be 01274 555677.

TAX INFORMATION

Capital Gains Tax

The market values of ordinary shares for Capital Gains Tax purposes are as follows:

Date	Value	Date	Value
31st March 1982	69.375p	16th July 1984	123.0p
5th July 1982	80.0p	3rd July 1987	292.0p

The above values have been adjusted for all capitalisation issues, but not for the rights issue of July 1991.

These values may be adjustable by the indexation allowance.

FINANCIAL CALENDAR

1 Dividend and Interest Payments

Ordinary Dividend	Interim	announced November	paid January
	Final	proposed May	paid July
8% Irredeemable Unsecured Loan Stock	. . . . .	1st March	1st September
9½% Notes 1996	. . . . .	2nd October	
8½% Convertible Capital Bonds 2005	. . . . .	6th March	6th September
12½% Notes 1995	. . . . .	1st March	
8½% Bonds 1996	. . . . .	9th May	

2 Other Dates - Financial Year 1994/95

Results for half year	announced November	Interim Report	circulated in November
Results for the year	announced May	Report and Accounts	circulated in June
Annual General Meeting	July		

REGISTERED OFFICE AND ADVISERS

Registered Office

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

Registrars

National Westminster Bank Plc
Registrar's Department, PO Box No 82
Caxton House, Redcliffe Way, Bristol BS99 7NH

Auditors

Clark Whitehead
25 New Street Square, London EC4A 3LN

Solicitors

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

Stockbrokers

S. G. Warburg Securities Ltd.
1 Finsbury Avenue, London EC2M 2PA