

T SPINSBURY

DIRECTORS REPORT AND
STATUTORY ACCOUNTS 1991

PERSONAL
CONFIDENTIAL
LOCAL

REPORT OF THE DIRECTORS
for the 52 weeks to 16th March 1991

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 which is adopted as part of this Report.

Profit and Dividend

The profit on the ordinary activities of the Group before taxation amounted to £518.2 million. After deducting £163.4 million for taxation and £115.2 million for dividends paid and proposed, £240.0 million has been transferred to reserves. The Group trading profit amounted to £505.7 million.

The Directors are proposing the payment of a final dividend of 5.25p per share on 29th July 1991 to shareholders on the Register at the close of business on 31st May 1991; together with the interim dividend paid of 2.1p per share, this makes a total dividend for the year of 7.35p per share.

Principal Activities

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

Share Capital

During the year 12,602,550 shares were allotted and further options granted under the Company's share schemes for employees. In addition, 1,026,715 shares were issued on exchange and conversion of 538 5% Convertible Capital Bonds issued by J Sainsbury (Capital) Limited in 1989.

Resolutions will be proposed at the Annual General Meeting as follows:-

- To increase the Company's Authorised Share Capital from 1,700,000,000 shares to 2,000,000,000 shares to accommodate the potential issue of shares from the Scrip Dividend Scheme proposal and outstanding obligations in respect of share schemes and Capital Bond conversions. No issue will be made which would effectively alter the control of the Company without prior approval of its shareholders in General Meeting.
- To renew the Directors' authority to issue shares which expires within five years of the previous renewal.
- To renew the authority of the Directors to issue shares without applying the statutory pre-emption rights.

The full text of the Resolutions are set out in the Notice of Meeting on page [29].

Post Balance Sheet Events

As set out in Note 16, on 23rd April 1991 J Sainsbury (Capital) Limited gave notice of redemption to the holders of the outstanding 5% Convertible Capital Bonds 2004.

On 9th May 1991 the Company issued US\$ 150 million 8½% Bonds on the Eurodollar Market for the purpose of refinancing existing indebtedness. The Notes are to be redeemed on their fifth anniversary.

Scrip Dividend

The Directors are proposing to offer Shareholders the option of taking some or all of their dividend in the form of ordinary shares rather than cash. This option will apply initially to the final dividend payable in July 1991.

A Resolution will be proposed at the Annual General Meeting to approve the offer of a scrip dividend to all shareholders and the full text of the Resolution is set out in the Notice of Meeting on page [29].

Personal Equity Plan

The Directors announce the introduction of a Corporate Personal Equity Plan in June 1991, outline details of which are included in a letter from the Chairman to shareholders accompanying this Report. It is the Directors' present intention to introduce a further Plan to take advantage of the changes announced in the Budget once the appropriate legislation is in place.

Market Value of Properties

Based on the sample valuation undertaken by J Trevor & Sons which was referred to in the Annual Report and Accounts for 1988/89 the Directors were of the opinion that the open market value of the retail properties of J Sainsbury plc and Homebase Limited at 18th March 1989, including developments, exceeded net book value by 41%. This revaluation was not reflected in the balance sheet at that date.

The Directors remain of the opinion that the properties of the Group, included in this year's accounts at a net book value of £2,487.8 million, have a substantially greater market value.

Fixed Assets

The movements of fixed assets are shown in Note 1 on page [11].

Research and Development

The Scientific Services Division employs 128 people and has an annual expenditure of over £3.5 million. It works in close co-operation with suppliers to achieve the highest standards of product quality, hygiene and safety, and to maintain them throughout the Company's distribution chain and stores. It also works with the Company's buyers to develop new products.

Employment Policies

Group employment policies respect the individual and offer career opportunities regardless of sex, 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.

During the year the entitlement to participate in the Profit Sharing Scheme was extended to UK employees with only one year's service.

Donations

Donations to charitable organisations amounted to £1.3 million (1990: £0.9 million), which included contributions to enterprise agencies, job creation, educational schemes and the Arts. There were no political donations.

Directors

The Directors are shown on page [] and []. All the Directors shown held office throughout the year with the exception of Mr R P Whitbread who was appointed at the Annual General Meeting on 11th July 1990. In accordance with the Articles of Association, a Resolution will be submitted to the Annual General Meeting for the re-appointment of Mr G C Hoyer Millar who retires by rotation and offers himself for re-election. Sir Roy Griffiths will retire at the Annual General Meeting but will not offer himself for re-election. Directors holding executive office do not retire by rotation.

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

Directors' Interests

The number of ordinary shares and options over ordinary shares held by the Directors and their families at 16th March 1991 were as set out below. The number of options granted and exercised during the year is also shown.

	Ordinary Shares			Options		17th March 1990
	16th March 1991	Beneficial 17th March 1990	16th March 1991	Granted during year	Exercised during year	
Lord Sainsbury of Preston Candover	47,497,363	47,497,363	108,027	53,680	-	54,347
D J Sainsbury	338,433,302	338,433,302	108,450	61,349	-	47,101
D A Quarmby	60,625	12,687	186,132	58,594	114,552	242,090
R T Vyner	74,319	26,825	122,086	64,979	225,315	282,422
C Roberts	173,490	178,293	137,256	48,637	83,394	172,013
R A Clark	114,600	118,942	181,479	55,976	72,788	198,291
D E Henson	66,127	103,418	161,246	46,932	49,774	164,088
K C Worrall	107,964	105,767	181,784	37,121	25,614	170,277
I D Coull	3,197	1,000	114,522	46,012	-	68,510
R Cooper	35,348	32,244	163,826	42,473	13,218	134,571
J E Adshead	2,994	1,000	76,108	39,877	-	36,231
C I Harvey	56,125	54,590	159,303	39,030	12,884	133,157
D B Adriano	3,844	6,534	100,949	32,770	29,846	98,025
R P Whitbread	14,095	11,398*	123,730	28,834	20,252	115,148*
Sir Roy Griffiths	107,040	104,150	143,770	-	155,950	299,720
J H G Barnes	151,896	149,699	63,604	-	98,596	162,200
G C Hoyer Millar	258,676	410,957	181,171	-	-	181,171
Sir James Spooner	4,800	4,800	-	-	-	-
The Rt Hon Lord Prior PC	11,000	11,000	-	-	-	-
Lady Eccles of Moulton	2,000	2,000	-	-	-	-

* At date of appointment

Notes:

Beneficial holdings include the Directors' personal holdings and those of their spouses and minor children as well as holdings in family trusts, of which the Directors' spouses or their minor children are beneficiaries or potential beneficiaries.

Non-beneficial holdings of Directors were as follows: D J Sainsbury, 428,056 (1990: 428,056); Sir Roy Griffiths, 144,498 (1990: 144,498). Non-beneficial holdings include holdings in charitable trusts of which the Directors are trustees.

Directors' interests in Loan Stock were: Lord Sainsbury of Preston Candover, beneficial 50 (1990: 50), D J Sainsbury, non-beneficial 2,095 (1990: 2,095).

Between 16th March 1991 and 11th May 1991 there were no changes in the Directors' interests.

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

Miss J Portrait and W M Pybus, respectively a partner and consultant of Denton Hall Burgin & Warrens, the Company's solicitors, C T S Stone and Lady (Lisa) Sainsbury are trustees of various settlements, including charitable settlements. At 11th May 1991, the total holdings of the trusts of which the above are trustees amounted to 18%, 9%, 4% and 4% respectively.

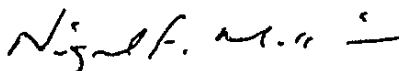
As trustees and beneficially S D Sainsbury and T A D Sainsbury MP held 7% and 3% respectively at 11th May 1991.

Auditors

Clark Whitehill are willing to continue in office and a Resolution to re-appoint them as Auditors and to authorise the Directors to fix their remuneration will be submitted to the Annual General Meeting.

By Order of the Board

N F Matthews
Secretary



14th May 1991

BALANCE SHEETS

16th March 1991

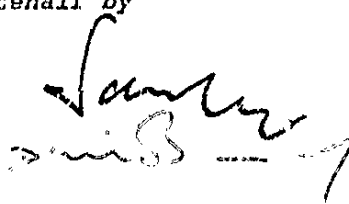
	Note	1991 £m	Group 1990 £m	1991 £m	Company 1990 £m
Fixed Assets					
Tangible Assets	1	3,214.1	2,738.4	2,540.9	2,097.8
Investments	2	<u>19.0</u>	<u>17.1</u>	<u>478.9</u>	<u>474.2</u>
		<u>3,233.1</u>	<u>2,755.5</u>	<u>3,019.8</u>	<u>2,572.0</u>
Current Assets					
Investment	5	-	29.4	-	19.0
Stocks		360.7	308.4	236.2	196.2
Debtors	6	116.3	94.9	98.1	72.8
ACT Recoverable	7	28.9	27.3	27.7	22.0
Cash at Bank and in Hand		<u>110.5</u>	<u>139.3</u>	<u>50.8</u>	<u>47.1</u>
		616.4	599.3	412.8	357.1
Creditors: due within one year	8	<u>(1,429.4)</u>	<u>(1,352.3)</u>	<u>(1,210.4)</u>	<u>(1,105.1)</u>
Net Current Liabilities		<u>(813.0)</u>	<u>(753.0)</u>	<u>(797.6)</u>	<u>(748.0)</u>
Total Assets Less Current Liabilities		2,420.1	2,002.5	2,222.2	1,824.0
Creditors: due after one year	8	(386.0)	(431.8)	(636.2)	(493.0)
Deferred Tax	10	(3.6)	(3.9)	4.7	2.0
Minority Interest	11	<u>(210.9)</u>	<u>(11.3)</u>	-	-
		<u>1,819.6</u>	<u>1,555.5</u>	<u>1,590.7</u>	<u>1,333.0</u>
Capital and Reserves					
Called up Share Capital	12	382.0	378.6	382.0	378.6
Share Premium Account	13	218.0	193.8	218.0	193.8
Revaluation Reserve	14	19.9	20.3	19.9	20.3
Profit and Loss Account	15	<u>1,052.4</u>	<u>812.8</u>	<u>970.8</u>	<u>740.3</u>
		1,672.3	1,405.5	1,590.7	1,333.0
5% Convertible Capital Bonds 2004	16	<u>147.3</u>	<u>150.6</u>	-	-
		<u>1,819.6</u>	<u>1,555.5</u>	<u>1,590.7</u>	<u>1,333.0</u>

Notes on the Financial Statements are on pages [9] to [25].

The Financial Statements on pages [6] to [25]
were approved by the board of Directors on
14th May 1991, and are signed on its behalf by

Sainsbury Chairman

David Sainsbury Deputy Chairman



GROUP PROFIT AND LOSS ACCOUNT

For the 52 weeks to 16th March 1991

	Note	1991 £m	1990 £m
Group Sales (including VAT & Sales Taxes)	17	8,200.5	7,257.0
VAT & Sales Taxes		387.2	326.6
Group Sales (excluding VAT & Sales Taxes)		7,813.3	6,930.4
Cost of Sales		7,049.9	6,302.3
Gross Profit		763.4	628.1
Administrative Expenses		178.4	157.4
Group Operating Profit	17	585.0	470.7
Net Interest Payable	18	35.6	17.8
		549.4	452.9
Associates -- share of profit	4	0.3	1.6
		549.7	454.5
Profit Sharing	19	44.0	33.8
Group Trading Profit		505.7	420.7
Other Operating Income (including property profits)	20	12.5	30.7
Profit on Ordinary Activities before Tax	21	518.2	451.4
Tax on Profit on Ordinary Activities	24	163.4	140.5
Profit on Ordinary Activities after Tax		354.8	310.9
Minority Interest		0.4	2.8
Profit for Financial Year		355.2	313.7
Dividends	25	115.2	92.4
Profit Retained	15	240.0	221.3
Earnings per Share			
Excluding other operating income		22.52p	18.81p
Including other operating income		23.37p	20.80p
Fully Diluted Earnings per Share			
Excluding other operating income		21.98p	18.36p
Including other operating income		22.78p	20.23p

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the 52 weeks to 16th March 1991

	1991 £m	1990 £m
Source of Funds		
Profit on ordinary activities before tax	518.2	451.4
Adjustments for items not involving movement of funds		
Depreciation	125.4	103.4
Share of profits before tax of Associates	(0.3)	(1.6)
Profit on sale of the assets of Palethorpes Limited	(5.1)	-
Total Generated from Operations	638.2	553.2
Funds from Other Sources		
12 ³ / ₄ % Notes 1995	100.0	-
8 ¹ / ₂ % Convertible Capital Bonds 2005	198.0	-
5% Convertible Capital Bonds 2004	(2.7)	146.0
9 ¹ / ₈ % Notes 1996	-	91.9
Share capital	29.6	22.1
Minority interest capital contribution	-	4.3
Disposal of tangible fixed assets	171.9	198.1
Sale of the assets of Palethorpes Limited (Net)	13.9	-
	<u>1,148.9</u>	<u>1,015.6</u>
Application of Funds		
Capital expenditure	779.7	692.5
Purchase of Haverhill Meat Products Limited	-	18.5
Dividends paid	97.8	79.8
Tax paid	143.0	134.7
Net advances (from)/to Associates	-	(6.0)
Redemption of debentures	0.2	-
Unsecured Loan Notes	20.5	32.5
	<u>1,041.2</u>	<u>952.0</u>
Decrease in Working Capital		
Increase in net creditors	88.2	101.8
Less increase in stocks	52.3	22.3
	<u>35.9</u>	<u>79.5</u>
Increase in Net Liquid Funds, (including Short Term Notes)	<u>143.6</u>	<u>143.1</u>

ACCOUNTING POLICIES

Basis of Accounts These accounts have been prepared under the historical cost convention as modified by the revaluation of certain properties and in accordance with the Companies Act 1985, as amended by the Companies Act 1989, and with Accounting Standards adopted by the Accounting Standards Board. They consolidate the accounts of J Sainsbury plc, ('the Company') and all its Subsidiaries and, where appropriate, the relevant proportion of the post acquisition results and reserves of Associates ('the Group').

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

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 written off against reserves. Goodwill comprises the excess of the purchase price over the fair value of the assets acquired.

Sales Sales consist solely of sales through retail outlets, and exclude rental and other income.

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 within the foreseeable future having regard to the Group's projected levels of trading and capital expenditure.

Depreciation Depreciation is provided on freehold and long leasehold properties if, in the opinion of the Directors, the estimated residual value of any property will be less than its book value after excluding the effects of inflation, so that the shortfall is written off in equal annual instalments over the remaining useful life of the property.

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.

Leasehold properties with less than 50 years unexpired are depreciated to write off their book value in equal annual instalments over the unexpired period of the lease.

Fixtures, equipment and vehicles are depreciated to write off their cost over their estimated useful lives in equal annual instalments at varying rates not exceeding 15 years and commencing in the accounting year following capitalisation except for certain Subsidiaries where depreciation commences from the date of the acquisition of the asset.

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 working life of employees.
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 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	Associates are those shown on page [14]. An Associate is a Company in which the Group participates in commercial and financial policy and has an interest of between 20% and 50% inclusive. These companies are also related companies as defined in the Companies Act 1985.
Foreign Currencies	Assets and liabilities in foreign currencies are translated to 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.
Earnings per Share	<p>The calculation of basic earnings per share is based on profit after tax and minority interest, and on the weighted average of ordinary shares in issue after adjustment for capitalisation issues.</p> <p>The calculation of fully diluted earnings per ordinary share is based on the profit after tax and minority interest and adjustments which assume:</p> <ol style="list-style-type: none"> i) the full conversion of 5% Convertible Capital Bonds 2004 on the first day of the financial year and 8½% Convertible Capital Bonds 2005 on the day of issue. ii) 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. <p>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.</p>

at 16th March 1991

1 Tangible Fixed Assets

	Properties	Group Fixtures, Equipment & Vehicles	Total	Properties	Company Fixtures, Equipment & Vehicles	Total
	£m	£m	£m	£m	£m	£m
Cost or Valuation						
At 17th March 1990	2,186.2	1,001.0	3,187.2	1,627.0	791.0	2,418.0
Additions	559.9	219.8	779.7	510.9	172.5	683.4
Disposals	163.7	39.4	203.1	151.2	29.0	180.2
Exchange adjustments	23.5	9.8	33.3	-	-	-
Haverhill Meat Products Limited	13.6	23.4	37.0	-	-	-
At 16th March 1991	2,572.5	1,195.0	3,767.5	1,986.7	934.5	2,921.2
Depreciation						
At 17th March 1990	64.1	384.7	448.8	17.4	302.8	320.2
Provided in the year	25.0	100.4	125.4	3.4	75.9	79.3
Disposals	5.2	26.0	31.2	0.8	18.4	19.2
Exchange adjustments	4.1	4.5	8.6	-	-	-
Haverhill Meat Products Limited	4.9	14.1	19.0	-	-	-
At 16th March 1991	84.7	468.7	553.4	20.0	360.3	380.3
Net Book Value						
At 16th March 1991	<u>2,487.8</u>	<u>726.3</u>	<u>3,214.1</u>	<u>1,966.7</u>	<u>574.2</u>	<u>2,540.9</u>
At 17th March 1990	<u>2,122.1</u>	<u>616.3</u>	<u>2,738.4</u>	<u>1,609.6</u>	<u>488.2</u>	<u>2,097.8</u>
Capital Work-in-Progress included above						
At 16th March 1991	140.1	42.5	182.6	92.7	40.2	132.9
At 17th March 1990	135.2	33.1	168.3	84.4	23.4	107.8
Analysis of Properties						
At 16th March 1991					Group Cost or Valuation £m	Company Cost or Valuation £m
Freehold					2,010.9	1,618.9
Long Leasehold					438.3	334.0
Short Leasehold					123.3	33.8
					<u>2,572.5</u>	<u>1,986.7</u>

1 Tangible Fixed Assets (Continued)

The United States properties and the properties of Savacentre Limited have been included on the basis of the fair value attributed by the Directors at the date of acquisition.

The amount included in additions in respect of interest capitalised during the year ended 16th March 1991 amounted to £33.9 million after deducting tax relief of £17.5 million.

Included in the net book value of fixed assets is £52.9 million in respect of assets held under finance leases.

Included in the Group and Company totals above are properties which were valued in 1973 by Messrs Healey & Baker and/or Messrs G L Hearn and Partners on an open market basis of £28.2 million as follows: Freehold £19.3 million, Long Leasehold £8.5 million and Short Leasehold £0.4 million.

If these properties at the 1973 Valuation of £28.2 million had been included at original cost, the cost and depreciation figures at 16th March 1991 would have been Freehold £4.5 million, Long Leasehold £3.7 million and Short Leasehold £0.1 million with cumulative depreciation of £0.3 million, £0.7 million and £0.1 million respectively (compared to £1.3 million, £1.9 million and £0.4 million depreciation on revalued cost).

2 Investments

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Subsidiaries (Note 3)	-	-	473.7	467.6
Associates (Note 4)	14.0	14.1	5.2	6.6
Other investments	5.0	3.0	-	-
	<u>19.0</u>	<u>17.1</u>	<u>478.9</u>	<u>474.2</u>

3 Investment in Subsidiaries

The Company's principal Subsidiaries are:

	Share of Ordinary Allotted Capital	Country of Incorporation
Savacentre Limited	100%	UK
Homebase Limited	75%	UK
Haverhill Meat Products Limited	100%	UK
Shaw's Supermarkets, Inc.	100% *	USA
J Sainsbury (U.S.A.) Inc.	100% *	USA
J Sainsbury (Finance) B.V.	100%	Netherlands
J Sainsbury (Capital) Limited	100%	Jersey
J Sainsbury (Channel Islands) Limited	100%	Jersey

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

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

	Company £m
Investments	
Shares at cost, less amounts written off	77.9
Balance 17th March 1990	19.0
Additions	—
	96.9
Balance 16th March 1991	—
Long Term Capital Advances	389.7
Balance 17th March 1990	(12.9)
Net Decrease	—
	376.8
Balance 16th March 1991	—
Total Investment 16th March 1991	473.7
	—
17th March 1990	467.6

The consolidated accounts are based upon the audited accounts of the Company and its Subsidiaries made up to 16th March 1991, with the exception of Haverhill Meat Products Limited (17th February 1991) and J Sainsbury (U.S.A.) Inc. and Shaw's Supermarkets, Inc. (2nd March 1991). In the opinion of the Directors it is necessary for the Overseas Companies to prepare accounts to an accounting date earlier than the rest of the Group for the early production of the Group accounts.

NOT-91-6

4 Investment in Associates

	Share of Allotted Capital	Share of Profit Before Tax	
		1991 £m	1990 £m
Breckland Farms Limited			
200,000 "B" Ordinary Shares of £1 each)			
141,532 1% Redeemable Preference Shares)	50%	0.8	0.7
of £1 each)			
Kings Reach Investments Limited			
28,760 Ordinary Shares of 1p each	28.76%	0.7	0.9
Sainsbury LET Shop Developments Limited			
500 "B" Ordinary Shares of £1 each	50%	(1.2)	(0.4)
9,000 Preference Shares of £1 each	100%		
Haverhill Meat Products Limited			
Share of profits for 48 weeks before it became a Subsidiary in 1990		-	0.4
		<u>0.3</u>	<u>1.6</u>

Investments	Group £m	Company £m
Balance 16th March 1991 and 17th March 1990	<u>0.6</u>	<u>0.6</u>
Share of Post Acquisition Reserves		
Balance 17th March 1990	7.5	-
Share of retained loss for the year	(0.1)	-
Balance 16th March 1991	<u>7.4</u>	<u>-</u>
Long Term Capital Advances		
Balance 17th March 1990	6.0	6.0
Provision against investment	-	(1.4)
Balance 16th March 1991	<u>6.0</u>	<u>4.6</u>
Total Investment 16th March 1991	<u>14.0</u>	<u>5.2</u>
17th March 1990	<u>14.1</u>	<u>6.6</u>

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 accounts produced within three months of the balance sheet date, except Kings Reach Investments Limited where management accounts are used.

All Associates operate and are incorporated in the United Kingdom.

J Sainsbury plc Directors of Associates

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

Kings Reach Investments Limited: D J Sainsbury and C W Burdsey.

Sainsbury LET Shop Developments Limited: D N Roberts and T A Baker.

5 Current Asset Investment

During the year, the trade and net assets of Palethorpes Limited, the wholly owned Subsidiary of Haverhill Meat Products Limited were sold for £14 million and the resulting profit is shown in Other Operating Income (including property profits) (Note 20). At that time, the Company's Directors decided that control of Haverhill Meat Products Limited would not be temporary and so its accounts have been consolidated in accordance with the Group accounting policies as from the start of the year with the trading results of Palethorpes Limited to the date of sale. The comparative balance sheet has not been adjusted as the effect is not considered material.

6 Debtors

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
Trade	18.6	10.5	6.0	2.2
Amounts owed by Subsidiaries	-	-	11.8	6.7
Amounts owed by Associates	-	0.4	-	0.4
Other Debtors (including £1.8 million due in more than one year)	86.5	77.1	74.7	61.3
Prepayments	10.0	5.7	5.6	2.2
Corporation Tax Recoverable	1.2	1.2	-	-
	<u>116.3</u>	<u>94.9</u>	<u>98.1</u>	<u>72.8</u>

Included in Other Debtors is an interest free loan to Mr R P Whitbread, which was made before his appointment as a Director. The amount outstanding at 16th March 1991 amounted to £7,000, £8,000 having been repaid during the year.

7 ACT Recoverable

The advance corporation tax (ACT) is recoverable by set off against corporation tax payments in future periods of which £0.9 million (1990: £5.4 million) is recoverable in more than one year.

8 Creditors

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
Due within one year:				
Bank Loans and Overdrafts	32.6	236.2	-	207.1
Unpresented Cheques	126.4	125.2	85.8	80.2
Short Term Notes	30.0	-	30.0	-
5 ⁷ / ₈ Guaranteed Notes 1991	17.3	-	-	-
9 ³ / ₈ Notes 1991	112.8	-	-	-
Unsecured Loan Notes	4.1	24.6	-	3.7
Current portion of long term indebtedness, including finance leases	2.1	2.7	-	-
Trade Creditors	556.4	481.1	484.5	410.1
Corporation Tax	142.8	120.9	137.5	117.6
Social Security Costs and Other Taxes	29.0	14.8	18.7	11.0
Other Creditors	223.4	213.2	199.3	177.7
Accruals	64.1	67.0	21.5	21.5
Amounts owed to Subsidiaries	-	-	144.7	9.6
Amounts owed to Associate	5.1	0.7	5.1	0.7
Proposed Dividend (Note 25)	83.3	65.9	83.3	65.9
	<u>1,429.4</u>	<u>1,352.3</u>	<u>1,210.4</u>	<u>1,105.1</u>

8 Creditors (Continued)

The 5⁷/₈% Notes and the 9³/₈% Notes 1991 have both been issued by J Sainsbury (Finance) B.V., guaranteed by the Parent Company and mature in October and November 1991 respectively. The proceeds of both borrowings were lent to the Parent Company by J Sainsbury (Finance) B.V.

The 5⁷/₈% Notes represent a borrowing of Yen 5,000 million, which has been converted into \$32 million bearing interest of 7.7% by a currency and interest rate swap.

The 9³/₈% Notes represent a borrowing of \$200 million, which has been converted into a liability of £58.6 million and \$100 million by a currency swap. Both borrowings bear interest at a margin below the relevant LIBOR rate.

The Unsecured Loan Note issued by a Subsidiary Company is interest free.

The amount owed to an Associate bears interest at National Westminster Bank PLC base rate.

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
Due after one year:				
First Mortgage Debentures	1.4	1.6	1.4	1.6
Secured Loans	6.8	8.7	-	-
Term Bank Loans	-	2.5	-	-
Unsecured Loan Notes	16.4	23.8	-	3.9
5 ⁷ / ₈ % Guaranteed Notes 1991	-	19.8	-	-
9 ³ / ₈ % Notes 1991	-	120.4	-	-
10 ⁷ / ₈ % Notes 1993	100.0	100.0	100.0	100.0
9 ¹ / ₈ % Notes 1996	81.9	92.3	81.9	92.3
12 ³ / ₄ % Notes 1995	100.0	-	100.0	-
8% Irredeemable Unsecured Loan Stock	2.9	2.9	2.9	2.9
Finance Leases	57.1	41.1	-	-
Loan to Homebase Limited from minority shareholder	12.5	11.5	-	-
Amount due to Subsidiary Company	-	-	350.0	292.3
Other Creditors	7.0	7.2	-	-
	<u>386.0</u>	<u>431.8</u>	<u>636.2</u>	<u>493.0</u>

The mortgage debentures comprise £0.5 million 7½% stock 1987/92 and £0.9 million 6½% stock 1988/93. Each provides for redemption at par within 5 years of the terminal date or by yearly drawing out of a sinking fund established for the purpose.

The sinking fund obligations in any year may be satisfied by tendering, at the lower of par or inclusive cost, stock previously purchased by the Company; the obligations in respect of both stocks arising in the year ended 16th March 1991 have been met in this way. The value of debenture stock redeemed between 18th March 1990 and 14th May 1991 amounted to £133,000. The mortgage debenture stocks are secured on certain of the Group's freehold and leasehold properties.

The secured loans and 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 16%.

The 9¹/₈% Notes represent \$150 million repayable in October 1996.

8 Creditors (Continued)

During the year the Company issued £100 million 12³/₄% Notes 1995, to refinance existing borrowings and support further expansion of the Group. The issue has been swapped into floating rate funds at a margin below LIBOR subject to a minimum interest rate payable of 10%.

The loans to Homebase Limited are unsecured loans for terms of 5 years and bear interest at 1% above base rate.

Subsequent to the date of the Balance Sheet, the Company has issued \$150 million 8¹/₂% Bonds 1996 to refinance existing borrowings and for the general purposes of the Group.

9 Term Loans

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Due after one and within two years:				
Bank and Other Loans	117.3	148.2	111.2	142.4
Leases	0.9	0.4	-	-
Due after two and within five years:				
Bank and Other Loans	134.8	128.6	112.7	120.1
Leases	2.4	1.7	-	-
Due wholly or in part by instalments after five years:				
Bank and Other Loans	69.8	11.4	-	-
Leases	53.8	39.1	-	-
Due otherwise than by instalments after five years:				
Bank and Other Loans	-	95.2	412.3	230.5
Other Creditors	7.0	7.2	-	-
	<u>386.0</u>	<u>431.8</u>	<u>636.2</u>	<u>493.0</u>

10 Deferred Tax

The potential liabilities for deferred tax and the amount provided in respect of each are as follows:

	Group				Company			
	1991 Total Provision £m	1990 Total Provision £m	1991 Total Provision £m	1990 Total Provision £m	1991 Total Provision £m	1990 Total Provision £m	1991 Total Provision £m	1990 Total Provision £m
Timing differences between depreciation & capital allowances	112.7	6.2	103.3	-	96.6	-	95.3	-
Other timing differences	(2.6)	(2.6)	3.9	3.9	(4.7)	(4.7)	(2.0)	(2.0)
	<u>110.1</u>	<u>3.6</u>	<u>107.2</u>	<u>3.9</u>	<u>91.9</u>	<u>(4.7)</u>	<u>93.3</u>	<u>(2.0)</u>

11 Minority Interests

	1991 £m	1990 £m
Outside interests in J Sainsbury (Channel Islands) Limited	200.0	-
Equity interest in Homebase Limited	10.9	11.3
	<u>210.9</u>	<u>11.3</u>

J Sainsbury (Channel Islands) Limited, a wholly owned Subsidiary Company issued on 19th November 1990 £200 million 8½% Convertible Capital Bonds 2005. These Bonds are guaranteed on a subordinated basis by the Company and are convertible into 2½% Exchangeable Redeemable Preference Shares of the Subsidiary and may either be redeemed or exchanged for ordinary shares in J Sainsbury plc.

These Bonds are convertible at any time after 29th December 1990 and 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 343p.

The Subsidiary Company is entitled to require conversion on or after 20th November 1995 in certain circumstances or if 80% of the Capital Bonds have been exchanged.

12 Called Up Share Capital

	Number Allotted Fully paid shares	Aggregate Nominal Value £m	Consideration £
Ordinary Shares of 25p each Authorised - 1,700,000,000 shares		<u>425.0</u>	
At 17th March 1990	1,514,556,311	378.6	
Shares Allotted:			
Savings-Related Share Option Schemes	3,828,746	1.0	5,890,226
Executive Share Option Schemes	4,141,804	1.0	8,416,381
Profit Sharing Scheme	4,632,000	1.1	12,645,360
Conversion of 5% Capital Bond as at 16th March 1991	1,026,715	0.3	2,689,993
At 16th March 1991	<u>1,528,185,576</u>	<u>382.0</u>	<u>29,641,960</u>

If all the remaining 5% Convertible Capital Bonds 2004 are converted into ordinary shares then 56,225,191 ordinary shares with an aggregate nominal value of £14,056,297 will be issued at a consideration of £147,310,000 (see Note 16).

12 Called Up Share Capital (Continued)

Contingent rights to the allotment of 58,309,038 ordinary shares in the Company at 343p exist until 19th November 2005 under the terms of the issue of £200 million 8½% Convertible Capital Bonds 2005 by a Subsidiary Company (see Note 11).

Contingent rights also exist at future dates under the Company's Savings-Related Share Option and Executive Share Option Schemes and under similar schemes 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 Schemes 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 16th March 1991 were as follows:

(a) Savings-Related Share Options

Date of Grant	Price	Options outstanding at the end of the year	
		1991	1990
28th October 1983	96.75p	-	1,068
7th December 1984	128p	1,270	1,285,114
9th December 1985	163p	1,000,855	3,721,984
10th November 1986	184p	3,412,012	3,675,350
9th November 1987	248p	2,866,812	3,157,109
14th November 1988	179p	4,000,986	4,414,831
9th January 1990	208p	6,916,628	7,314,698
19th December 1990	240p	7,316,268	-
		<u>25,514,831</u>	<u>23,570,154</u>

(b) Executive Share Options

16th January 1984	119p	-	287,540
28th January 1985	158p	214,500	684,494
16th September 1985	169p	15,436	42,048
14th July 1986	196p	1,374,106	3,189,408
9th March 1987	241.5p	90,606	132,286
13th July 1987	285p	2,813,372	3,345,988
9th February 1988	220p	3,512,870	4,518,964
31st July 1989	276p	5,239,935	5,258,618
28th February 1991	326p	5,528,604	-
		<u>18,789,429</u>	<u>17,459,346</u>

Figures for all prices and options outstanding are adjusted for capitalisation issues in July 1984 and July 1987.

13 Share Premium Account

	Company £m
Balance 17th March 1990	193.8
Premium on shares allotted during the year	26.2
Expenses of capital issues	(2.0)
	<hr/>
Balance 16th March 1991	<u>218.0</u>

14 Revaluation Reserve

Group and
Company
£m
20.3

Balance 17th March 1990	
Transfer to Profit and Loss Account in respect of property disposals during the year (Note 15)	(0.4)
	<hr/>
Balance 16th March 1991	<u>19.9</u>

15 Profit and Loss Account

	Group £m	Subsidiaries £m	Associates £m	Company £m
Balance 17th March 1990	812.8	65.0	7.5	740.3
Profit retained for the year	240.0	21.2	(0.1)	218.9
Transfer from Revaluation Reserve (Note 14)	0.4	-	-	0.4
Currency Movements	2.3	(12.0)	-	14.3
Haverhill Meat Products Limited Goodwill	(3.1)	-	-	(3.1)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance 16th March 1991	<u>1,052.4</u>	<u>74.2</u>	<u>7.4</u>	<u>970.8</u>

The cumulative goodwill written off against the reserves of the Group as at 16th March 1991 amounted to £143.1 million.

No provision has been made for additional taxation which would arise if profits of Overseas Subsidiaries were distributed. The profit for the financial year dealt with in the accounts of J Sainsbury plc amounted to £334.1 million (1990: £297.3 million).

16 5% Convertible Capital Bonds 2004

During the year £2,690,000 of these Bonds, which were issued at a price of £5,000 each and guaranteed on a subordinated basis by J Sainsbury plc, have been converted and exchanged into ordinary shares of J Sainsbury plc.

On 23rd April 1991, the issuer, J Sainsbury (Capital) Limited a wholly owned Subsidiary Company, gave the required conversion and redemption notice in respect of the outstanding Bonds to take effect on 24th June 1991. At the date of approval of the accounts holders of $\frac{24,166}{46,118,285}$ of the remaining Bonds had opted to convert and exchange into $\frac{46,118,285}{262p}$ ordinary shares of J Sainsbury plc at the prescribed price of 262p. Consequently all the remaining 5% Bonds have been reclassified appropriately in the balance sheet and the comparative figure adjusted.

17 Group Sales and Operating Profit

Group sales, inclusive of VAT and sales taxes, arose from retailing in the following geographic markets:

United Kingdom
United States

Group	
1991	1990
£m	£m
7,231.7	6,211.2
968.8	1,045.8
<u>8,200.5</u>	<u>7,257.0</u>

Operating Profit comprises:

United Kingdom
United States

554.8	437.2
30.2	33.5
<u>585.0</u>	<u>470.7</u>

Net margin on tax inclusive sales:

United Kingdom
United States

7.67%	7.04%
3.12%	3.20%
<u>7.13%</u>	<u>6.49%</u>

Net margin on tax exclusive sales:

United Kingdom
United States

8.10%	7.42%
3.15%	3.22%
<u>7.49%</u>	<u>6.79%</u>

18 Net Interest Payable

Interest receivable

Interest payable:

Bank and Other Interest on loans wholly repayable within five years
Interest on loans payable by instalments within five years
On loans not wholly repayable within five years
 12³/₄% Notes
 9¹/₈% Notes
 Debenture Interest
 Loan Stock Interest
 Other Loans payable by instalments
Finance Leases
Convertible Capital Bonds

Group	
1991	1990
£m	£m
79.3	77.7
<u>127.9</u>	<u>134.2</u>
1.8	1.8
9.6	-
7.3	3.9
0.1	-
0.2	0.2
1.3	1.3
5.1	3.9
13.0	6.8
<u>166.3</u>	<u>152.1</u>
51.4	56.6
<u>114.9</u>	<u>95.5</u>
<u>35.6</u>	<u>17.8</u>

Interest Capitalised

19 Profit Sharing

The amount due to UK retail employees under the Profit Sharing Scheme is calculated on the UK operating profits less UK interest but excluding the other operating income, of participating Companies. In order that employees can more readily identify profit sharing, the profit and loss account has been amended from the format of the Companies Act 1985.

The figure on which the profit sharing fund is based is £524.8 million. £40.8 million has been provided for the profit fund and £3.2 million for Employers National Insurance.

20 Other Operating Income (including property profits)

	Group	
	1991	1990
	£m	£m
Surplus on sale and leaseback of properties	12.6	33.9
Profit on disposal of the business and net assets of Palethorpes Limited	5.1	-
Less: Amounts written off land and buildings	5.2	3.2
	<u>12.5</u>	<u>30.7</u>

21 Profit on Ordinary Activities before Tax

	Group	
	1991	1990
	£m	£m
This has been arrived at after charging:		
Depreciation - owned assets	123.6	102.5
- finance leases	1.8	0.9
Pension Costs	35.0	32.7
Directors' Emoluments (Fees nil - Note 23)	2.7	2.3
Auditors' Remuneration	0.4	0.4
Pensions to former Directors	0.1	0.1
Operating Lease Rentals - plant and equipment	5.5	1.7
- other	80.3	60.8

22 Employees

	Group	
	1991	1990
	£m	£m
Employees' remuneration and related costs during the year amounted to:		
Wages and Salaries	748.4	641.2
Social security costs	51.8	43.7
Other pension costs	35.0	32.7
	<u>835.2</u>	<u>717.6</u>
Employees' Profit Sharing Scheme	44.0	33.8
	<u>879.2</u>	<u>751.4</u>

22 Employees (Continued)

The weekly average number of employees during the year was:

Full-time
Part-time

1991	1990
41,816	38,089
67,171	61,912

<u>108,987</u>	<u>100,001</u>
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Full-time equivalent

<u>70,848</u>	<u>65,309</u>
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23 Directors' Remuneration

Chairman
Highest Paid Director

1991 £'000	1990 £'000
189	175
217	220

Remuneration of all Directors fell within the following ranges:

	1991	1990		1991	1990
£ 10,001-£ 15,000	1	1	£140,001-£145,000	2	2
£ 15,001-£ 20,000	2	2	£155,001-£160,000	2	-
£ 55,001-£ 60,000	-	1	£160,001-£165,000	1	2
£ 60,001-£ 65,000	1	-	£165,001-£170,000	1	1
£ 70,001-£ 75,000	1	-	£175,001-£180,000	-	1
£100,001-£105,000	-	1	£185,001-£190,000	2	1
£105,001-£110,000	1	-	£195,001-£200,000	1	-
£110,001-£115,000	1	-	£200,001-£205,000	1	-
£115,001-£120,000	-	3	£215,001-£220,000	1	-
£125,001-£130,000	-	1	£220,001-£225,000	-	1
£130,001-£135,000	2	1			

24 Tax on Profit on Ordinary Activities

The tax charge for the year is:
Corporation tax at 34% (1990: 35%)
Deferred tax
Overseas tax
Share of Associates' tax

Group

1991 £m	1990 £m
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151.4	128.4
2.9	-
8.7	11.3
0.4	0.8

<u>163.4</u>	<u>140.5</u>
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After deducting tax relief of £17.5 million on interest capitalised the net amount of corporation tax of £133.9 million is payable in December 1991.

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

NOT-91-6

25 Dividends

	Company	
	1991 £m	1990 £m
Interim	31.9	26.5
Proposed final	83.3	65.9
	<hr/>	<hr/>
	115.2	92.4
	<hr/>	<hr/>

The interim dividend of 2.1p per share, paid on 11th January 1991 together with the related tax credit is equal to 2.8p and the proposed final dividend of 5.25p per share, together with the related tax credit, is equal to 7.0p.

26 Future Capital Expenditure

	Group	
	1991 £m	1990 £m
Contracted for but not provided for in the accounts	453.7	272.7
Authorised but not contracted for to date by Board of Directors	430.8	570.5

27 Contingent Liabilities and Financial Commitments

The Group has guaranteed facilities for Associates to the extent of £4.8 million (1990: £4.0 million) at the date of approval of these accounts. Other contingent liabilities amounted to £1.4 million (1990: £2.0 million) at that date.

The Company has guaranteed the borrowings of certain Subsidiary Companies which, at 16th March 1991 amounted to £483.7 million (1990: £317.3 million).

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

	£m
Land and Buildings	
Leases which expire within the year	0.5
Leases which expire within 2-5 years	0.8
Leases which expire after 5 years	91.5
Other Leases	
Leases which expire within the year	0.5
Leases which expire within 2-5 years	5.0

28 Pension Commitments

The Group operates a defined benefit pension scheme in the UK, the assets of which are held in a separate trustee administered fund. The costs are assessed on the advice of independent qualified actuaries.

The latest actuarial valuation of the UK Scheme was carried out by independent qualified actuaries as at 19th March 1988, using the entry age method. The significant actuarial assumptions used in the valuation were that future investment returns would be 10% per annum, future salary and wage increases would average $7\frac{1}{2}\%$ per annum and pensions in course of payment would increase at 5% per annum.

At the date of the latest actuarial valuation the market value of the assets of the UK Scheme was £540 million and the actuarial value of the assets was sufficient to cover 109% of the benefits that had accrued to members, allowing for expected future increases in earnings. The surplus is being amortised over the expected working life of the existing members.

Since the last actuarial valuation, the Trustees of the scheme have requested the actuaries carry out a review of its funding in the light of the membership of the Scheme and the legal framework in which it operates. During the year the Trustees have agreed to adopt the projected unit method of funding. The Group's pension costs have been calculated in accordance with this change in funding method. Of the total pension costs of the Group, £30.7 million (1990: £28.7 million) relates to the UK scheme.

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

1998

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FINANCIAL CALENDAR

1 Dividend and Interest Payments

Ordinary Dividend	Interim	announced November	paid January
	Final	proposed May	paid July
7 ¹ / ₄ % First Mortgage Debenture Stock 1987/92		7th March	7th September
6 ¹ / ₂ % First Mortgage Debenture Stock 1988/93		31st May	30th November
5 ⁷ / ₈ % Guaranteed Notes 1991		5th November	
10 ⁷ / ₈ % Notes 1993		7th January	
8% Irredeemable Unsecured Loan Stock		1st March	1st September
9 ³ / ₈ % Guaranteed Notes 1991		4th October	
9 ¹ / ₈ % Notes 1996		2nd October	
8 ¹ / ₂ % Convertible Capital Bond 2005		6th March	6th September
12 ³ / ₄ % Notes 1995		1st March	
8 ¹ / ₂ % Bonds 1996		9th May	

2 Other dates - Financial Year 1991/92

Results for half-year	announced November	Results for year	announced May
Report & Accounts	circulated in June	Annual General Meeting	July

SHAREHOLDERS' INTERESTS

16th March 1991

Number of Shareholders: 64,600 (1990: 64,702)

Shareholdings Range	Shareholders %		Shares %	
	1991	1990	1991	1990
500 and under	25.74	24.77	0.32	0.32
501 to 1,000	20.87	20.42	0.72	0.72
1,001 to 10,000	48.95	50.31	5.69	5.92
10,001 to 100,000	3.50	3.61	3.80	3.97
100,001 to 1,000,000	0.68	0.64	9.08	9.00
and over 1,000,000	0.26	0.25	80.39	80.07
	100.00	100.00	100.00	100.00

Category of Shareholders	Shareholders %		Shares %	
	1991	1990	1991	1990
Pension Funds	0.11	0.14	5.67	6.65
Insurance Companies	0.65	0.65	6.87	7.03
Investment Trusts	0.14	0.16	0.25	0.28
Banks and Nominee Companies	8.93	8.26	25.72	23.50
Other Corporate Bodies	1.92	2.70	5.51	14.65
Other Shareholders	88.25	88.09	55.98	47.89
	100.00	100.00	100.00	100.00

At the year end the Trustees of the Profit Sharing Scheme held 20,670,806 shares (1990: 19,443,449) on behalf of 30,821 participants (1990: 24,785) in the Scheme.

The Trustees' holding is included in 'Other Shareholders' above.

Capital Gains Tax

For the purposes of United Kingdom Capital Gains Tax the market values of the Company's ordinary shares were:

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

SHR-91-9

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of J Sainsbury plc will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Thursday 4th July 1991 at 12 noon for the following purposes:

1. To receive and adopt the Report of the Directors and the Financial Statements for the 52 weeks to 16th March 1991 and the Report of the Auditors thereon.
2. To declare a final dividend on the ordinary shares.
3. To re-appoint Mr G C Hoyer Millar a Director
4. To re-appoint Clark Whitehill as Auditors and to authorise the Directors to fix their remuneration.

As Special Business to consider, and if thought fit, to pass the following Resolutions set out below, of which Resolutions 5 and 6, will be proposed as Ordinary Resolutions and Resolutions 7 and 8, as Special Resolutions.

5. That the Authorised Share Capital of the Company be increased from £425,000,000 to £500,000,000 by the creation of 300,000,000 additional ordinary shares of 25p each ranking pari passu with the existing ordinary shares.
6. (a) subject to the variation contained in paragraph (b) of this Resolution, the authority conferred on the Directors by paragraph (A) of Article 9 of the Articles of Association of the Company (being the Authority to allot relevant securities) be and is hereby renewed for the period of five years from the date of the passing of this Resolution; and
 (b) the maximum amount referred to in paragraph (A) of Article 9 of the Articles of Association of the Company (being the aggregate nominal amount of relevant securities which the Directors are authorised to allot) be and is hereby increased from £43,400,000 to £107,000,000.
7. That subject to the passing of Resolution number 6 above:
 - (a) subject to the variation contained in paragraph (b) of this Resolution, the power conferred on the Directors by paragraph (C) of Article 9 of the Articles of Association of the Company (being power to allot equity securities pursuant to the authority contained in paragraph (A) of Article 9 as if the statutory pre-emption rights did not apply to such allotment) be and is hereby renewed for a period ending 15 months from the date of the next Annual General Meeting of the Company; and
 - (b) the maximum aggregate nominal amount of equity securities which may be allotted on or after the date of the passing of this Resolution otherwise than pursuant to sub-paragraphs (i) and (ii) of paragraph (C) of Article 9 of the Articles of Association of the Company (being the provisions for allotments in connection with a rights issue or an option, incentive or profit sharing scheme) be increased to £19,500,000 (being approximately 5% of the issued share capital of the Company).

8. That subject to the passing of resolutions numbers [2, 5 and 6]:

- (a) the Directors be and are hereby authorised to exercise the power contained in Article 130 of the Articles to offer to each holder of ordinary shares in the Company the option to elect not to participate in the dividend referred to in resolution number 2 above and any subsequent dividend which the Directors pay between the date of the passing of this resolution and the date of the next following Annual General Meeting of the Company and to receive instead ordinary shares credited as fully paid on the terms set out in the Chairman's letter to shareholders dated 11th June 1991 and in respect of any such subsequent dividend as may be determined by the Board; and
- (b) for the purposes of any issue of ordinary shares in the Company referred to in resolution 8(a) above the Directors be and are hereby authorised to appropriate out of the undistributed profits or reserves of the Company (including share premium account) such amount as shall be required to pay up in full (including any premium) any ordinary shares to be allotted pursuant to resolution 8(a) above and shall capitalise such amount and apply it in paying up in full the appropriate number of ordinary shares required to be allotted and issued to those shareholders who elect not to participate in all or any of the dividend referred to in resolution number 2 and any subsequent dividend referred to in resolution 8(a) above and instead to receive an issue of ordinary shares, such ordinary shares to be allotted, issued and distributed in the proportions provided for by Article 130 of the Articles of Association.

Note: Resolution 2 will take effect from the end of the meeting.

By Order of the Board

N F Matthews

Secretary

11th June 1991

NOTICE OF ANNUAL GENERAL MEETING (Continued)**Notes**

- 1 A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
- 2 Although this Annual Report is sent to debenture and loan stock holders and to beneficial owners of shares under the Share Trusts of the Group's employee profit sharing schemes, only holders of ordinary shares or their proxies are entitled to attend and vote at this Meeting.
- 3 There will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturday excepted) from the date of this Notice until the date of the Meeting and at the place of the Meeting for fifteen minutes prior to and during the Meeting:
 - (i) The Register of Directors' Interests kept by the Company under Section 325 of the Companies Act 1985;
 - (ii) Copies of all service contracts for periods in excess of one year between the Directors and the Company.

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