J Sainsbury plc

9 May 2012

Preliminary results for the 52 weeks to 17 March 2012

Good sales and profit performance; outperforming the market

Financial summary

- Total sales (inc VAT) up 6.8 per cent to £24,511 million (2010/11: £22,943 million)
- Total sales (inc VAT, ex fuel) up 4.5 per cent, like-for-like sales (inc VAT, ex fuel) up 2.1 per cent
- Underlying profit before tax up 7.1 per cent to £712 million (2010/11: £665 million) (1)
- Underlying basic earnings per share up 6.0 per cent to 28.1 pence (2010/11: 26.5 pence) (2)
- Return on capital employed of 11.1 per cent (2010/11: 11.1 per cent) (3)
- Proposed full year dividend of 16.1 pence, up 6.6 per cent, cover 1.75x (2010/11: 15.1 pence, cover 1.75x)

Statutory

- Revenue (ex VAT, inc fuel) up 5.6 per cent to £22,294 million (2010/11: £21,102 million)
- Profit before tax down 3.4 per cent to £799 million (2010/11: £827 million)
- Basic earnings per share down 7.0 per cent to 32.0 pence (2010/11: 34.4 pence)

Operating highlights

- Outperformed the market, increasing market share to 16.6 per cent, the highest for nearly a decade (4)
- Price perception on branded groceries improving, driven by *Brand Match*
- New contract signed with *Nectar*, a key source of customer insight and loyalty
- Delivered over £100 million of operational cost savings
- Improved underlying operating margin by 4 bps (10 bps at constant fuel prices)
- Sector leader in FTSE4Good Index; top sector scorer across all dimensions
- *Supermarket of the Year* and *Convenience Chain of the Year* at the 2011 Retail Industry Awards

Strategy highlights

- *Great food:* Good growth in our own label ranges, with *Taste the Difference* up 8.7 per cent and *basics* up 6.8 per cent. Over half way through re-launch of our core *by Sainsbury's* range with 3,700 products new or improved
- *Compelling general merchandise and clothing*: Continues to grow faster than our food business, gaining market share
- *Complementary channels and services*: £1.3 billion convenience business growing total and like-for-like sales well ahead of the market. Fastest-growing online food retailer with 20 per cent growth, now a £0.8 billion business. *Click & Collect* in over 900 stores with around 50 per cent of general merchandise orders now through this channel
- *Developing new business: S*ainsbury's Bank enjoyed another successful year with a 40 per cent increase in pre-tax operating profit
- *Growing space and creating property value*: Opened a further 1.4 million sq ft of gross space, adding 19 new supermarkets, 73 convenience stores and 28 store extensions. Property now valued at £11.2 billion(5)

David Tyler, Chairman, said: "Sainsbury's has continued to deliver good sales and profit performance, and to increase its share of the market. At the same time we have grown underlying earnings per share by 6.0 per cent to 28.1 pence. As a result the Board is recommending a full year dividend of 16.1 pence, an increase of 6.6 per cent, covered 1.75 times by underlying earnings. The Board plans to increase the dividend each year and now intends to build cover to two times over the medium term."

Justin King, Chief Executive said: "We are succeeding by understanding what our customers want, supporting and inspiring them to *Live Well For Less*. Delivering quality *and* value is a compelling offer, in tune with what today's savvy shoppers want. *Brand Match*, combined with our use of coupon-at-till, has improved Sainsbury's price perception whilst retaining the benefits of our heritage in quality and service. We have continued to invest in the future of the business, including opening a further 1.4 million sq ft of gross space, whilst managing costs and increasing net underlying margins.

Whilst the wider economic situation remains uncertain, we remain confident that our clear strategy, market insight and strong values will enable us to make further progress both in our core food and non-food businesses, as well as new channels and services in the year ahead."

Notes:

1. Underlying profit before tax: Profit before tax before any profit or loss on the disposal of properties, investment property fair value movements, financing fair value movements, IAS 19 pension financing element and one-off items that are material and infrequent in nature.
2. Underlying basic earnings per share: Underlying profit, net of attributable taxation, divided by the weighted average number of ordinary shares in issue during the period, excluding those held by the ESOP trusts, which are treated as cancelled.
3. Return on capital employed: Underlying profit before interest and tax, divided by the average of opening and closing capital employed (net assets before net debt).
4. Sainsbury's market share grew to 16.6 per cent from 16.5 per cent (source: Kantar for the 52 weeks ended 18 March 2012).
5. The property value has been derived from a formal desktop valuation by an independent third party valuer as at 31 March 2012 covering 52 per cent of our freehold and long leasehold properties. The remaining 48 per cent of the property portfolio were reviewed on a per property basis by a panel of third party experts who advised on rental values and capitalisation yields appropriate to derive an indicative value per property. The basis of valuation is investment market value based on rent and yield, assuming sale and leaseback on the standard institutional lease which the Company currently uses when transacting its disposals of mature assets.
6. Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.
7. Sainsbury's will report its 2012/13 First Quarter Trading Statement at 07:00 on 13 June 2012.

A results presentation for analysts and investors will be held at 09:45 (BST) on 9 May 2012.

To view the slides of the results presentation and the webcast: We recommend that you register for this event in advance. To do so, please visit www.j-sainsbury.co.uk/prelims and follow the on-screen instructions. To participate in the live event, please go to the website from 09:30 on the day of the announcement, and further instructions will be on the website. An archive of the webcast will be available from 12:00.

To listen to the results presentation: You may dial in to listen to the results on +44 (0) 208 996 3900, pass code 129 244. An archive recording of this event will be available from 12:00 by calling +44 (0) 207 136 9233, pass code 38755601. The archive is available for 28 days.

To view the transcript of the presentation: Go to www.j-sainsbury.co.uk/prelims

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Business Review

Great food

Fresh food remains central to our business and its success. It is a key battleground for UK supermarkets, with today's savvy shoppers having high expectations about the quality, value and integrity of their food, particularly fresh produce.

Investment in our supply chain ensures we are frequently the quickest to market on key fresh lines, with some British vegetables going from field to store in an industry-leading 48 hours. With Jersey Royal potatoes, for example, we wash and pack them on the island to ensure they arrive in store as quickly as possible.

Our focus on fresh food is closely related to our *20 by 20* commitment to double the amount of British food we sell by 2020. This will help develop British farming and protect livelihoods, while reducing food miles and delivering fresh, healthy, nutritious food to the table. Developing ever closer links with farmers is key to our continuing leadership in this area. For example, we are the largest retailer of British apples and pears, selling a third of all those bought in the UK. We are working to preserve traditional British varieties, as well as introducing new ones to the UK. This year our customers will see more British food in our stores than ever before, from early season lamb through to chillies grown in northern England and blueberries from Scotland.

We have also continued to expand and improve our fresh food service counters. We have trained 18,000 colleagues in our bakery college and six food colleges. Their service, skills and expertise have resulted in sales from our counters growing faster than at any other major food retailer. We were delighted in June 2011 when City & Guilds formally accredited the high standards of training available at these colleges, which includes bakery, fishmonger, butchery and delicatessen skills - the largest accreditation of its kind in the UK.

Customers are turning to our own-brand items for quality and value, and shopping across the whole range. Our *Taste the Difference* and *basics* brands are both performing particularly well, and appear side-by-side in many baskets, showing that even within a single shopping trip customers are saving on some items to treat themselves on others. Our *basics* range is now the second-biggest selling supermarket value brand, with sales growing 6.8 per cent in the year, driven by purchases of store cupboard essentials and ingredients for home cooking. *Taste the Difference* grew by 8.7 per cent, gaining market share in the premium tier, and was particularly popular at Christmas 2011. The re-launch of our core own label brand, *by Sainsbury's*, is well under way. Over half way through the programme, with over 3,700 lines launched, re-introduced or refreshed, we are already seeing 3.1 per cent growth.

Ethically traded goods are also important to our business and we are the largest Fairtrade retailer in the world. Our customers expect us to do the right thing by our suppliers and source our products with integrity. We sold over £12 million of Fairtrade goods during Fairtrade Fortnight in February 2012, an 11 per cent increase on last year. We are well on the way to reaching our *20 by 20* commitment for sales of our fairly traded products to hit £1 billion by 2020, with over £288 million sales this year. We are the UK's leading retailer of Freedom Food products, which ensures animals are raised to rigorous and higher RSPCA welfare standards. We offer both the widest range of Freedom Food products with over 300 lines, and sell more than any other retailer, with over 50 per cent market share.

Compelling general merchandise and clothing

Our general merchandise and clothing businesses continue to grow faster than our food business and continue to gain market share.

As we develop our store estate, we have expanded our ability to offer non-food. We now have 161 stores selling our larger non-food offer, 22 more than last year. We have a clear strategy based on offering high street style at supermarket prices in a way which makes the most of our strength in great food. We focus first on giving customers the best possible food and then add our compelling range of general merchandise and clothing. We are also clear about which areas of non-food we focus on. Our 'hero' categories, which complement and add value to our core business, are womenswear, childrenswear, cookshop, home, papershop and seasonal.

In clothing, *TU* is the UK's seventh-largest clothing brand by volume, and sixth for childrenswear. Last year, we announced a partnership with TV personality Gok Wan to create a number of womenswear collections with us. We launched his debut range, *Gok for TU*, in October 2011, with the second collection launched just six weeks later for the Christmas season, and the third in March 2012. It is available in over 200 stores with prices from £20. In childrenswear we saw record-breaking schoolwear sales, up 38 per cent on the year, and in our peak week we sold over 100,000 pairs of trousers and over 140,000 polo shirts.

In our home ranges, we improved and re-branded our top-tier cookshop items as *Cook's Collection*, increasing sales by 89 per cent on its predecessor *Different by Design*. Our July 2011 home event was our biggest ever, with customers snapping up our great value *TU* cookshop and tableware ranges. Our range of cast iron casserole dishes and pans continues to be a best seller, with over 127,000 units sold since its introduction in autumn 2010. We also launched three cookery books, *Summer Recipe Collection*, *Classics Recipe Collection* and *Cook Britain*, with sales of own brand cookery books reaching almost 300,000 copies since initial launch.

We are increasing the amount of general merchandise products we source direct from suppliers, rather than through a third party and now have sourcing offices in China, Hong Kong and Bangladesh. These closer relationships help us to secure better prices leading to better value for our customers. Direct sourcing also makes it easier to ensure our suppliers adhere to our rigorous ethical and quality standards. Buying more directly and on shorter lead times improves our flexibility and enables us to react quickly to sales and trends, a factor particularly important in clothing.

Complementary channels and services

Customers now have far more choice of how, when and where they buy. Our business is both influencing and benefiting from new and interrelated customer choices.

At Sainsbury's, this could mean a large supermarket shopping trip balanced by more frequent and local top-ups, with the option of ordering online, from a range of devices, either for collection or delivery.

Convenience continues to be a key driver of consumer behaviour. Over the year we met our target of opening new convenience stores at a rate of one to two a week, opening 73 to bring our total to 440. They are performing strongly, with £1.3 billion of sales reflecting the strength of our convenient fresh food offer and the growing trend for local top-up shopping, as customers look to reduce waste, conserve fuel and manage their budgets.

Our online grocery orders now exceed 165,000 a week, with an annual turnover of around £800 million placing us second in the market, and making us the fastest-growing major online grocery business in the UK. Our customer surveys show that quality of service, quality of food and ease of shop all play a part in this success.

Our general merchandise website now offers more than 6,000 branded and own-brand products, spanning home and garden, appliances, technology, toys, games, sports and leisure.

Growing numbers of shoppers are taking advantage of our market-leading *Click & Collect* service. Currently available in over 900 stores, we offer one of the UK's largest collection networks. This allows customers to place general merchandise orders online by 2pm for next day collection from the store of their choice. Customers use *Click & Collect* for about half of all online general merchandise orders - a figure which rose to 75 per cent for the week before Christmas 2011 - and they tell us it makes shopping easier and more convenient.

Developing new business

We are exploring a range of new opportunities beyond our core business, looking to grow value based on the trust customers have in Sainsbury's.

Sainsbury's Bank has enjoyed another successful year, with pre-tax operating profit up 40 per cent. Our strategy of rewarding Sainsbury's shoppers with double Nectar points for choosing to bank with us has been a major factor in this growth with the offer now available on six key products. In particular we have used Nectar with great success for our new home and car insurance products, offering preferential pricing and double Nectar points. Nectar also plays a vital role in the Bank's marketing activity. Following a successful re-launch, our sales of car insurance increased by almost 150 per cent year-on-year. We also introduced an online ordering service for travel money, and now have 122 in-store travel money bureaux. Travel money turnover grew by almost 85 per cent year-on-year.

Once again, the bank was recognised by a number of high profile consumer and industry awards including: *Best Low Rate Credit Card Provider (Moneynet 2012)*, *Best Personal Loan Provider (Moneyfacts 2011* and *Consumer Moneyfacts 2012)*, *Best Direct Home Insurance Provider (Your Money Direct 2011)* and *Best Overall Online Provider (Your Money Direct 2011)*.

We are now expanding our pharmacy offer. Our research shows that many people are more likely to discuss common or minor ailments with a pharmacist than with their GP. Many are already using our pharmacy services, with flu vaccinations at Sainsbury's up over 40 per cent on last year and cholesterol testing up over 150 per cent. This year we've trained our pharmacists as healthy eating advisors, to provide free tailored information to customers. We also believe our convenient locations and parking facilities make our stores potentially excellent locations for GP surgeries, to complement our pharmacies. In January 2012, Newton Abbot became our fifth store to have a GP surgery, while five of our stores also host dental surgeries. In addition, we were delighted to open our first hospital outpatient pharmacy, at James Cook University Hospital in South Tees.

Sainsbury's Energy has over 120 experts in store each day offering customers energy deals, products like solar panels and insulation, and advice such as home energy assessments. Sainsbury's Energy online launched this year and has been well received by customers, with over a third of sales now generated through this channel.

As the UK's leading retail user of anaerobic digestion ('AD'), which converts organic waste into energy, we became a strategic partner and investor in Tamar Energy Ltd in February 2012. Tamar plans to develop a network of over 40 AD plants to generate 100MW of green electricity over the next five years, enough to power 200,000 homes. By investing in this technology we not only ensure sustainable solutions for our own waste streams and energy requirements, but also offer our suppliers the same, as part of our *20 by 20* commitments. In October 2011 we acquired online entertainment company Global Media Vault Limited to support our drive into the growing online and digital entertainment market, retailing games, music, films and books via Sainsbury's Entertainment website.

Growing space and creating property value

We achieved our target of opening 1.4 million sq ft of gross new space during the year, across 19 new supermarkets, 28 extensions and 73 convenience stores.

Our strategy for growing space has three principal strands: convenience stores, extensions and new supermarkets. Our convenience stores help grow our market share and deliver a particularly good return. Many of our supermarkets lend themselves to extensions, notably those with large car parks acquired at a time when land was cheaper. By extending these stores, particularly in the south-east, we can bring our clothing and general merchandise ranges to more customers. Around 25 per cent of the UK population is not within a 15 minute drive of a Sainsbury's. Therefore our focus for new store openings is the North, the West, Wales, Scotland and Northern Ireland – areas in which Sainsbury's has historically been under-represented and capital costs per sq ft are typically lower. This gives us the opportunity to expand our store estate and drive growth. By approaching our development in this way, focusing on these opportunities, and with clear control of capital sign-off, we ensure that all our investments, individually and overall, deliver good returns.

Our investments over the past three years are delivering ahead of expectations, above our investment hurdle rate. Following our fundraising in 2009, we stepped up both our development activity and investment pipeline. Next year, we plan to return to space growth of around five per cent per annum. We will continue to open a mix of convenience stores, supermarkets and extensions and to ensure that our core estate is kept up-to-date and competitive through our refurbishment programme. We have a healthy future pipeline of space ready for development, including planning consents for almost 70 supermarket extensions and we will continue to manage our portfolio with discipline.

We also work with joint venture partners to add property value and trading space. We completed five extensions within our British Land joint venture, as well as securing planning consent for one further extension. On other projects, contractors are due to start work on our Fulham Wharf regeneration project in summer 2012, and our joint venture with Land Securities continues to make good progress, submitting planning applications for 180,000 sq ft of supermarket space and a further 500,000 sq ft of commercial floor space. Works to extend our Wandsworth store for mixed use development have started, and we have exchanged occupational agreements for leases on new stores in Salisbury and Selly Oak, Birmingham.

This year, we opened our most northerly store, in Nairn, Scotland on the same day as we opened our latest environmental store, in Dawlish, Devon, 600 miles away. In December 2011, we opened our 1,000th store, in Irvine, Scotland.

Our new space programme has increased the value of our property to an estimated £11.2 billion. When stores are fully developed, we review them for potential sale and leaseback, to release capital to reinvest in profitable growth. This has been a source of cash in each of the last few years, and this year we generated a profit of £83 million on the disposal of properties.

Operational excellence

Remaining commercially competitive is crucial. When we invest, we do so with strict controls on the capital spent to ensure appropriate returns.

We have achieved over £100 million of operational cost savings over the year, taking the total to almost £600 million of cost savings over five years. This is a result of improved productivity, ongoing procurement savings and simplification of in-store processes. For example, in logistics we continue to make improvements in vehicle efficiency, load and fuel efficiency and route optimisation. In addition, we have recently introduced new warehouse technology which enables colleagues to work more efficiently, help improve product availability and reduce waste.

Brand Match is a great example of how we are using technology to deliver for customers and for shareholders. It price-checks over 14,000 branded goods against Tesco and Asda in a fraction of a second. Importantly, this includes offers and promotions. The immediate issue of a voucher, either confirming the savings made or offering customers the difference to spend on their next visit, is a fundamental part of the power of *Brand Match*. We issue millions of coupons each week, more than half of which tell customers that their shopping at Sainsbury's was cheaper than it would have been at Tesco or Asda. Our research shows that the number of customers who agree that Sainsbury's sells brands at the same price as other supermarkets has risen from 68 per cent to 80 per cent since the trial of *Brand Match* in August 2011.

Nectar is the UK's largest and most popular loyalty programme and Sainsbury's has 11.5 million active Nectar card users. With its data, we can reward customers directly at the till with points, and relevant rewards and promotions. Coupon-at-till in particular achieves great returns on our marketing investment and because of its effectiveness is widely supported by our supply base. We also use Nectar data to identify potential store locations and help determine which goods customers in that area are likely to buy. A record number of people used their Nectar cards to do their Christmas 2011 shopping with us, with £100 million worth of points redeemed. We have signed a new long-term contract with Nectar to ensure we retain this source of customer insight - a key competitive advantage.

Our Values Make Us Different

We have a strong culture, and focus on ensuring our values make us different. This underpins our business, and is interwoven into our strategy.

Some examples of how our values are being integrated into our business:

- *Best for food and health*: Customers continue to recognise our colour-coded multiple traffic light nutritional labelling system as the easiest way to make informed choices in store. We display point of sale communication about responsible drinking to help customers understand the number of units in the alcoholic drinks they buy, and we have increased awareness with sales of lighter alcohol wines up 14 per cent.

- *Sourcing with integrity*: We were the first – and remain the number one – major retailer to sell only cage-free fresh eggs including those used as ingredients in our own brand products. We are the world's largest retailer of Fairtrade products, and were the largest retailer of British apples and pears for the third consecutive season.

- *Respect for our environment:* We achieved zero food waste to landfill and became the UK's largest retail user of anaerobic digestion technology. Our absolute electricity consumption for supermarkets over the past four years has reduced by 9.1 per cent, despite an increase in space of 25 per cent. We were the first supermarket to announce a change to labelling guidance to encourage freezing up to the product's use by date, helping customers to waste less food.

- *A positive difference to our community*: We donated £25.4 million to good causes over the past year, with £5.5 million raised for Sport Relief 2012. In a new initiative with FareShare, over 1.2 million meals were donated by the Company and our customers, to support disadvantaged families in the UK in the run up to Christmas 2011.

- *A great place to work*: We have trained 18,000 colleagues in our bakery and six food colleges. Over 13,000 colleagues now have 20 years or more service, and we also launched a new *Youth Can* initiative to help young people start and build their careers in retail.

We involved a wide range of external organisations in the creation of our new *20 by 20 Sustainability Plan*, published in October 2011. The response to this has been very positive, both within Sainsbury's and outside.

Our customers recently rated Sainsbury's joint first among our peers for taking our social and environmental responsibilities seriously, above Waitrose, Morrisons, Tesco and Asda.

Talkback, our regular survey of colleague opinion over a wide range of measures, tells us that our colleagues increasingly trust Sainsbury's to do the right thing for them and for the world we live in.

Amongst industry experts, our approach has been recognised through our inclusion in the globally respected Dow Jones Sustainability Index. We have retained our listing in the FTSE4Good Index, which rated us the highest performer relative to our sector across all three pillars of environmental, social and governance practices. We have also retained our Platinum Plus status in the Business in the Community Corporate Responsibility Index, the highest external accolade in the UK, and maintained our Investors in People Gold status.

Financial review

In a challenging year for retailers, Sainsbury’s continued to grow sales (including VAT) by 6.8 per cent to £24,511 million (2010/11: £22,943 million), outperforming the market and growing market share.

This performance is rooted in helping customers *Live Well for Less*. In particular the introduction of *Brand Match* is reassuring customers that they are paying either the same or less at Sainsbury’s for their branded goods. This, combined with coupon-at-till, has improved price perception while retaining the benefits of Sainsbury's heritage in quality and service.

The Company continued to manage inflationary pressures on costs through tight control, achieving over £100 million of savings during the year. Underlying operating profit increased by 6.9 per cent to £789 million (2010/11: £738 million), representing an operating margin improvement of 4 basis points, and 10 basis points at constant fuel prices. Underlying profit before tax improved by 7.1 per cent to £712 million (2010/11: £665 million).

Cash generated from operations grew by 13.4 per cent year-on-year, facilitated in part by an overall improvement in working capital. This cash continues to be invested in long-term return-enhancing growth opportunities. During the year, core capital expenditure amounted to £1,240 million (2010/11: £1,138 million) and the investments made over the past few years continue to deliver an expected return above the Company’s required hurdle rate.

In June 2009, the Company decided to accelerate its investment in new space, taking advantage of the relatively low cost of land and higher availability at that time. The Company has since established a strong property pipeline for future stores, targeting sales growth in areas where it can generate high returns, including those areas where Sainsbury’s is under-represented in the market and across the convenience business. Sainsbury’s increased investment in space over recent years has helped both sales and property value grow, although new space has an initially dilutive impact on profits due to opening costs and the sales build up curve. Having delivered the promised acceleration in space growth, the Company will now return to space growth of around five per cent a year. This will reduce capital expenditure and improve cash flow and overall returns, as sales from these new stores mature.

The return on average capital employed (‘ROCE’) of 11.1 per cent remains in line with last year’s performance, held back by the cumulative effect of the Company’s accelerated investment in space growth since June 2009.

During the year, funds were generated through the selective sale and leaseback of supermarkets that have no further development potential, taking advantage of very competitive market pricing. Sainsbury’s generated £303 million of cash through property transactions (2010/11: £275 million), delivering a property profit of £83 million (2010/11: £108 million). The estimated market value of the Company’s overall property portfolio increased by £0.7 billion, to £11.2 billion (19 March 2011: £10.5 billion).

The balance sheet remains robust and the business has funding in place of over £3 billion, including a revolving credit facility of £0.7 billion that remained un-drawn at the year-end. Net debt ended the year at £2 billion in line with expectations.

Underlying basic earnings per share increased to 28.1 pence (2010/11: 26.5 pence), up 6.0 per cent. Basic earnings per share decreased by 7.0 per cent to 32.0 pence (2010/11: 34.4 pence), as a consequence of reduced property profits year-on-year.

The Board has proposed a final dividend of 11.6 pence (2010/11: 10.8 pence), making a full year dividend of 16.1 pence, up 6.6 per cent year-on-year (2010/11: 15.1 pence) and covered 1.75 times by underlying earnings, at the upper end of the Company’s policy of covering 1.50 to 1.75 times. The Board plans to increase the dividend each year and now intends to build cover to two times over the medium term.

Sainsbury’s is in good shape to benefit from the opportunities ahead. Having accelerated investment in growth over the past few years, the Company’s priority is to drive returns from these investments by further improving operational cash flow, tight cost control and working capital management and a return to five per cent space growth a year.

Summary income statement 52 weeks to 17 March 2012	**2012** **£m**	2011 £m	Change %
Sales (including VAT) [1]	**24,511**	22,943	6.8
Sales (excluding VAT)	**22,294**	21,102	5.6
Underlying operating profit	**789**	738	6.9
Underlying net finance costs [2]	**(109)**	(97)	(12.4)
Underlying share of post-tax profit from JVs [3]	**32**	24	33.3
Underlying profit before tax	**712**	665	7.1
Profit on disposal of properties	**83**	108	(23.1)
Investment property fair value movements	**-**	39	(100.0)
Financing fair value movements	**(16)**	7	(328.6)
IAS 19 pension financing credit	**17**	3	466.7
One-off items	**3**	5	(40.0)
Profit before tax	**799**	827	(3.4)
Income tax expense	**(201)**	(187)	(7.5)
Profit for the financial period	**598**	640	(6.6)

Underlying basic earnings per share	**28.1p**	26.5p	6.0
Basic earnings per share	**32.0p**	34.4p	(7.0)
Dividend per share	**16.1p**	15.1p	6.6

(1) The standard rate of VAT increased from 17.5 per cent to 20.0 per cent on 4 January 2011.
(2) Net finance costs before financing fair value movements and the IAS 19 pension financing element.
(3) The underlying share of post-tax profits from joint ventures is stated before investment property fair value movements, financing fair value movements and profit on disposal of properties.

Sales (including VAT) and space

Sales (including fuel) increased by 6.8 per cent to £24,511 million (2010/11: £22,943 million).

This includes a 2.3 per cent contribution from new space (excluding extensions and replacements) and like-for-like (‘LFL’) sales growth of 4.5 per cent.

Sales growth (including VAT, including fuel) 52 weeks to 17 March 2012	**2012** **%**	2011 %
Like-for-like sales (including fuel)	**4.5**	4.7
Net new space (excluding extensions and replacements)	**2.3**	2.4
Total sales growth	**6.8**	7.1

Sales (excluding fuel) grew by 4.5 per cent, with LFL growth of 2.1 per cent, lower than the sales including fuel number due to the impact of high fuel price inflation, and below Sainsbury’s medium-term planning objective of between three and four per cent. This was ahead of the market, with Sainsbury’s market share for the year to 17 March 2012 growing to 16.6 per cent (as measured by Kantar).

LFL sales growth (excluding fuel) was 1.9 per cent in the first half, and 2.3 per cent in the second half. The second half performance reflected a strong third quarter, with a market beating performance over Christmas, followed by an improvement on last year’s quarter four performance. The contribution from net new space (excluding extensions and replacements) of 2.4 per cent was in line with Sainsbury’s expectations.

The overall non-food market was very challenging during the year, although Sainsbury’s continues to grow ahead of the market. Convenience and online are also growing ahead of the market, as the Company’s multi channel offer means customers can do more of their shopping with Sainsbury’s. Convenience is now a £1.3 billion business and online, growing at 20 per cent per year, is now a £0.8 billion business.

Sales growth (including VAT, excluding fuel) 52 weeks to 17 March 2012	**2012** **%**	2011 %
Like-for-like sales [(1)]	**2.1**	2.3
New space (excluding extensions and replacements)	**2.4**	2.6
Total sales growth	**4.5**	4.9

(1) This includes 1.1 per cent growth from stores extended in 2011/12, net of disruptions.

Average trading intensity ('TI') excluding fuel declined to £19.47 per sq ft per week (2010/11: £20.04 per sq ft), caused by; the increased proportion of stores not trading at maturity; the higher proportion of space dedicated to general merchandise and clothing, which trades less intensively than food; an increasing presence in those parts of the country where trading intensity is likely to be lower, (albeit capital costs are also lower); and the disruption caused at the 32 supermarkets replaced or extended in the year (2010/11: 29 replacements or extensions). Convenience TIs continue to grow, benefiting from formats adapted to meet local catchments and located to help Sainsbury's customers top-up their weekly shopping.

New space, excluding extensions and replacements, contributed a net 2.4 per cent to the sales growth of 4.5 per cent. Sainsbury's added a gross 1,401,000 sq ft of selling space in the year (including replacements and extensions), an increase of 7.3 per cent since the start of the year (2010/11: 8.4 per cent). Including the impact of closures, this translated into net space growth of 1,239,000 sq ft, an increase of 6.5 per cent since the start of the year (2010/11: 7.7 per cent).

Growth in new supermarkets continued through opening 19 new stores, adding 750,000 sq ft including four replacements (net 623,000 sq ft). There were no other closures, apart from the replaced stores. Sainsbury's continued to open space in under-represented areas, with strong growth in Scotland, Wales, and North West England. These stores typically bring higher returns due to lower build costs, although ultimate TI is lower than in other parts of the country.

The Company also continued to grow through 28 extensions, adding 492,000 sq ft to its estate, and growing strongly in the South East, especially in non-food, where we continue to grow market share.

Sainsbury's increased its investment in the convenience estate, adding 73 stores during the year (2010/11: 47 stores) and refurbishing 28 stores, adding 160,000 sq ft to its estate.

In March 2012, around one year after opening, the Company chose to close its trial of Fresh Kitchen, a new Sainsbury's format in the competitive lunchtime food-to-go market. While performance of the store was satisfactory, the Company concluded that the market opportunity was smaller than anticipated, and decided, for the time being, not to roll out this offer. In addition, three other convenience stores were closed, and six petrol filling station sites are no longer included within the convenience stores space analysis.

Store numbers and retailing space at 17 March 2012	**Supermarkets**		**Convenience**		**Total**	
	Number	Area 000 sq ft	Number	Area 000 sq ft	**Number**	**Area** **000 sq ft**
At 20 March 2011	557	18,199	377	909	**934**	**19,108**
New stores	19	750	73	160	**92**	**910**
Disposals/closures	(4)	(127)	(10)	(35)	**(14)**	**(162)**
Extensions/downsizes/refurbishments	-	498	-	(7)	**-**	**491**
At 17 March 2012	**572**	**19,320**	**440**	**1,027**	**1,012**	**20,347**
***Memorandum*:**						
Extensions	28	492	-	-	**28**	**492**
Refurbishments/downsizes	7	6	28	(7)	**35**	**(1)**
Total projects	**35**	**498**	**28**	**(7)**	**63**	**491**

Sainsbury's expects the market to remain tough, and forecast LFLs in 2012/13 similar to those in 2011/12.

In 2012/13, Sainsbury's expects gross space growth of around five per cent, while we expect net new store space, excluding extensions and replacements, to contribute around two per cent to total sales growth (excluding fuel).

Underlying operating profit
Underlying operating profit increased by 6.9 per cent to £789 million (2010/11: £738 million), reflecting a good sales performance and continued cost savings of over £100 million in the year.

Underlying operating margin improved by 4 basis points to 3.54 per cent (2010/11: 3.50 per cent), which was a 10 basis point improvement at constant fuel prices. Underlying EBITDAR margin was 7.80 per cent, a 12 basis point improvement at constant fuel prices.

Underlying operating profit 52 weeks to 17 March 2012	**2012**	2011	Change	Change at constant fuel prices
Underlying operating profit (£m) (1)	**789**	738	6.9%	
Underlying operating margin (%) (2)	**3.54**	3.50	*4bps*	*10bps*
Underlying EBITDAR (£m) (3)	**1,740**	1,649	5.5%	
Underlying EBITDAR margin (%) (4)	**7.80**	7.81	*(1)bp*	*12bps*

(1) Underlying earnings before interest, tax and Sainsbury's share of post-tax profits from joint ventures.
(2) Underlying operating profit divided by sales excluding VAT.
(3) Underlying operating profit before rent, depreciation and amortisation.
(4) Underlying EBITDAR divided by sales excluding VAT.

Sainsbury's expects cost inflation in 2012/13 at the upper end of its two to three per cent range. The Company expects cost savings of around £100 million in 2012/13.

Sainsbury's Bank joint venture ('JV')
Sainsbury's share of Sainsbury's Bank post-tax profit amounted to £16 million (2010/11: £11 million). The bank has continued to perform strongly with profit growth coming from steady income growth, particularly in personal loans and pet, car and home insurance, as well as tight control over costs and bad debts.

The Sainsbury's Bank JV is expected to contribute a step-up in trading profit in 2012/13.

Property joint ventures
Sainsbury's underlying share of post-tax profit from the JV with British Land was £14 million (2010/11: £11 million). Its underlying share of post-tax profit from its JV with Land Securities was £2 million (2010/11: £2 million).

At the year-end, there was no surplus on revaluation recognised within the share of post-tax profit from the JVs in the income statement (2010/11: £39 million). Due to disposals during the year, the average yield on the properties within these JVs increased to 5.0 per cent (2010/11: 4.9 per cent).

Sainsbury's expects the Property JVs to make a similar level of profit in 2012/13.

Underlying net finance costs

Underlying net finance costs increased by £12 million, to £109 million (2010/11: £97 million), mainly as a result of the increase in RPI rate, which increased the rate on Sainsbury's inflation-linked debt.

Underlying net finance costs 52 weeks to 17 March 2012	**2012** **£m**	2011 £m
Underlying finance income (1)	**18**	19
Interest costs	**(162)**	(143)
Capitalised interest	**35**	27
Underlying finance costs (1)	**(127)**	(116)
Underlying net finance costs (1)	**(109)**	(97)

(1) Finance income/costs pre financing fair value movements and IAS 19 pension financing element.

Sainsbury's expect underlying net finance costs in 2012/13 to increase by £5 to £10 million, principally due to the higher forecast average net debt balance, partly offset by a decrease in RPI rate on the component of the Group's inflation-linked debt. The interest rate on the inflation-linked debt resets annually in April, by reference to the RPI rate (capped at five per cent) prevailing in January.

Taxation

The tax charge was £201 million (2010/11: £187 million), with an underlying tax rate of 26.1 per cent (2010/11: 26.0 per cent) and an effective tax rate of 25.2 per cent (2010/11: 22.6 per cent). The underlying rate is slightly higher than last year, due to the reduction in corporation tax rates in the current year not quite offsetting the benefit to last year's charge of the resolution of the historical tax exposures with HMRC. These factors, in addition to the non-taxable profit on disposal of properties partially offset by the change in deferred tax rate, result in the effective tax rate being lower than the statutory rate.

Underlying tax rate calculation 52 weeks to 17 March 2012	**Profit** **£m**	**Tax** **£m**	**Rate** **%**
Profit before tax, and tax thereon	799	201	25.2
Adjustments (and tax thereon) for:			
Profit on disposal of properties	(83)	(3)	
Financing fair value movements	16	3	
IAS 19 pension financing element	(17)	(4)	
One-off items	(3)	-	
Revaluation of deferred tax balances	-	(11)	
Underlying profit before tax, and tax thereon	**712**	**186**	**26.1**

Sainsbury's expects the underlying tax rate to be around 23 per cent in 2012/13, principally due to the impact of the reduction in the statutory corporation tax rate.

Earnings per share

Underlying basic earnings per share increased by 6.0 per cent to 28.1 pence (2010/11: 26.5 pence), reflecting the improvement in underlying profit, partially offset by the effect of the additional shares issued during the year.

The weighted average number of shares in issue was 1,870.3 million (2010/11: 1,858.7 million), an increase of 11.6 million shares or less than one per cent. Basic earnings per share decreased to 32.0 pence (2010/11: 34.4 pence) due to lower non-underlying profits.

Underlying earnings per share calculation 52 weeks to 17 March 2012	**2012 pence per share**	2011 pence per share
Basic earnings per share	**32.0**	34.4
Adjustments (net of tax) for:		
Profit on disposal of properties	**(4.3)**	(5.6)
Investment property fair value movements	**-**	(2.1)
Financing fair value movements	**0.7**	(0.2)
IAS 19 pension financing element	**(0.7)**	(0.1)
One-off items	**(0.2)**	(0.3)
Revaluation of deferred tax balances	**0.6**	0.4
Underlying basic earnings	**28.1**	26.5

Dividends

The Board has recommended a final dividend of 11.6 pence per share (2010/11: 10.8 pence), which will be paid on 13 July 2012 to shareholders on the Register of Members at the close of business on 18 May 2012, subject to approval. This will increase the full year dividend by 6.6 per cent to 16.1 pence per share (2010/11: 15.1 pence).

The dividend is covered 1.75 times by underlying earnings (2010/11: 1.75 times), in line with Sainsbury's policy of providing cover of between 1.50 and 1.75 times. The proposed final dividend was recommended by the Board on 8 May 2012 and, as such, has not been included as a liability as at 17 March 2012.

Sainsbury's remains focused on delivering returns to shareholders. The Board plans to increase the dividend each year and now intends to build cover to two times over the medium term.

Return on capital employed

The return on average capital employed ('ROCE') over the 52 weeks to 17 March 2012 was 11.1 per cent (2010/11: 11.1 per cent), a year-on-year movement of (2) basis points.

ROCE growth was held back by the cumulative effect of Sainsbury's accelerated investment in space growth since June 2009. This has an initially dilutive impact on profits as the stores mature, while increasing the value of capital employed.

Pre-tax return on capital employed at 17 March 2012	**2012**	2011
Underlying operating profit (£m)	**789**	738
Underlying share of post-tax profit from joint ventures (£m)	**32**	24
Underlying profit before interest and tax (£m)	**821**	762
Average capital employed (£m) (1)	**7,424**	6,877
Return on average capital employed (%)	**11.1**	11.1
52 week movement to 17 March 2012	(2) bps	

(1) Average of opening and closing net assets before net debt.

Net debt and cash flows

Sainsbury’s net debt as at 17 March 2012 was £1,980 million (2010/11: £1,814 million), a year-on-year increase of £166 million. The increase came primarily from investment in estate development, partially offset by cash generated from sale and leasebacks.

There was continued strong operating cash flow generation of £1,067 million (2010/11: £854 million) representing 150 per cent of underlying profit before tax (2010/11: 128 per cent). Working capital improved by £53 million, mainly due to increased trade and other payables which are £182 million higher than at 19 March 2011, partially offset by an increase in inventories of £126 million from the prior year.

Summary cash flow statement 52 weeks to 17 March 2012	**2012** **£m**	2011 £m
Operating cash flow before changes in working capital	**1,238**	1,216
Decrease/(increase) in working capital	**53**	(78)
Cash generated from operations	**1,291**	1,138
Interest paid	**(142)**	(126)
Corporation tax paid	**(82)**	(158)
Net cash from operating activities	**1,067**	854
Net cash used in investing activities	**(883)**	(902)
Proceeds from issue of shares	**14**	17
Receipt of new debt	**391**	45
Repayment of borrowings	**(65)**	(79)
Dividends paid	**(285)**	(269)
Increase/(decrease) in cash and cash equivalents	**239**	(334)
(Increase)/decrease in debt	**(386)**	71
Fair value and other non-cash movements	**(19)**	(2)
Movement in net debt	**(166)**	(265)

Sainsbury’s expects net debt to be around £2.2 billion at the end of 2012/13, driven by higher tax cash flows given this year’s benefit brought about by a prior year overpayment, and slightly lower assumed property proceeds, offset in part by a reduction in core capital expenditure.

Financing

Sainsbury's seeks to manage its financing by diversifying funding sources, minimising refinancing risk and maintaining sufficient stand-by liquidity. Sainsbury’s has drawn debt facilities of £2.7 billion and an un-drawn committed credit facility of £0.7 billion at its disposal.

The principal elements of Sainsbury’s core funding comprise two long-term loans of £1,036 million, due 2018, and £843 million, due 2031, both secured over property assets. In addition, Sainsbury’s has unsecured loans of £499 million due between 2012 and 2017, a convertible bond in public issue totalling £190 million due July 2014, and finance leases of £143 million.

The Group maintains a £690 million syndicated revolving credit facility due October 2015 for liquidity standby purposes. There were £nil drawings under the facility as at 17 March 2012 (2011: £nil drawings).

Capital expenditure
Core capital expenditure increased by £102 million to £1,240 million (2010/11: £1,138 million) due to Sainsbury's extensions and convenience opening programme, with 28 extensions (2010/11: 24 extensions) and 73 new convenience stores (2010/11: 47 new convenience stores). Core capital expenditure as a percentage of sales (including fuel, excluding VAT) was 5.6 per cent (2010/11: 5.4 per cent).

Sainsbury's took advantage of continued good property yields to increase its sale and leaseback activity of mature stores with no further property development potential, generating proceeds of £303 million (2010/11: £275 million), which contributed £83 million to a total profit on disposal of properties (2010/11: £108 million). Net capital expenditure was £962 million (2010/11: £880 million).

Capital expenditure 52 weeks to 17 March 2012	**2012** **£m**	2011 £m
New store development	**599**	547
Extensions and refurbishments	**478**	470
Other – including supply chain and IT	**163**	121
Core capital expenditure	**1,240**	1,138
Acquisition of freehold and trading properties	**25**	17
Proceeds from property transactions	**(303)**	(275)
Net capital expenditure	**962**	880

In 2012/13, Sainsbury's expects core capital expenditure of around £1 billion. As well as continuing to grow our estate through new stores in areas in which the Company is under-represented, we plan to step up the refurbishment of existing stores as well as invest in our IT infrastructure to support future online growth. Sainsbury's expects core capital expenditure as a percentage of sales to fall to below 5 per cent in 2012/13.

Summary balance sheet
Shareholders' funds as at 17 March 2012 were £5,629 million (19 March 2011: £5,424 million), an increase of £205 million. This is mainly attributable to the continued profitable growth of the underlying business, continued investment in space to support future growth, offset by an increase in the net retirement benefit obligations and net debt.

Property, plant and equipment assets have increased by £545 million, as a result of increased space growth.

Net debt was £166 million higher than at 19 March 2011 due to an investment in property, plant and equipment, with additional debt partly offset by slightly higher cash balances at year end as a result of improved working capital management.

Gearing increased year-on-year to 35.2 per cent (2010/11: 33.4 per cent), as a result of the higher net debt. Interest cover moved to 7.5 times (2010/11: 7.9 times), while fixed charge cover was in line with last year at 3.1 times (2010/11: 3.1 times), as was adjusted net debt to EBITDAR at 4.1 times (2010/11: 4.1 times).

Summary balance sheet at 17 March 2012	**2012** **£m**	2011 £m	Movement £m
Land and buildings (freehold and long leasehold)	**6,802**	6,440	362
Land and buildings (short leasehold)	**648**	622	26
Fixtures and fittings	**1,879**	1,722	157
Property, plant and equipment	**9,329**	8,784	545
Other non-current assets	**911**	842	69
Inventories	**938**	812	126
Trade and other receivables	**286**	303	(17)
Cash and cash equivalents	**739**	501	238
Debt	**(2,719)**	(2,315)	(404)
Net debt	**(1,980)**	(1,814)	(166)
Trade and other payables and provisions	**(3,400)**	(3,262)	(138)
Retirement benefit obligations, net of deferred tax	**(455)**	(241)	(214)
Net assets	**5,629**	5,424	205

Key financial ratios		
Adjusted net debt to EBITDAR (1)	**4.1 times**	4.1 times
Interest cover (2)	**7.5 times**	7.9 times
Fixed charge cover (3)	**3.1 times**	3.1 times
Gearing (4)	**35.2%**	33.4%

(1) Net debt plus capitalised lease obligations (5.5% NPV) divided by EBITDAR.
(2) Underlying profit before interest and tax divided by underlying net finance costs.
(3) EBITDAR divided by net rent and underlying net finance costs.
(4) Net debt divided by net assets.

As at 17 March 2012, Sainsbury's estimated market value of properties rose by £0.7 billion to £11.2 billion (19 March 2011: £10.5 billion), driven by property value added of £1.0 billion, partly offset by sale and leasebacks of £0.3 billion. The property value is based on a yield of 4.9 per cent, and includes a 50 per cent share of properties held within its property joint ventures.

Pensions

At 17 March 2012, the post-tax pension deficit was £455 million (19 March 2011: £241 million). The increase in the deficit is the result of a 0.5 per cent reduction in the real discount rate used to value the liabilities, partially offset by a 13 per cent increase in the value of plan assets.

The IAS 19 pension service cost included within UPBT was £59 million, £4 million higher than last year.

Sainsbury's expects this service cost to be around £60 million in 2012/13.

Retirement benefit obligations at 17 March 2012	**2012** **£m**	2011 £m
Present value of funded obligations	**(5,654)**	(4,945)
Fair value of plan assets	**5,192**	4,614
Pension deficit	**(462)**	(331)
Present value of unfunded obligations	**(9)**	(9)
Retirement benefit obligations	**(471)**	(340)
Deferred income tax asset	**16**	99
Net retirement benefit obligations	**(455)**	(241)

Group income statement
for the 52 weeks to 17 March 2012

	Note	2012 £m	2011 £m
Revenue	4	**22,294**	21,102
Cost of sales		**(21,083)**	(19,942)
Gross profit		**1,211**	1,160
Administrative expenses		**(419)**	(417)
Other income		**82**	108
Operating profit		**874**	851
Finance income	5	**35**	32
Finance costs	5	**(138)**	(116)
Share of post-tax profit from joint ventures		**28**	60
Profit before taxation		**799**	827

Analysed as:			
Underlying profit before tax		**712**	665
Profit on disposal of properties	3	**83**	108
Investment property fair value movements	3	**-**	39
Financing fair value movements	3	**(16)**	7
IAS 19 pension financing credit	3	**17**	3
One-off items	3	**3**	5
		799	827

Income tax expense	6	**(201)**	(187)
Profit for the financial period		**598**	640

Earnings per share	7	**pence**	pence
Basic		**32.0**	34.4
Diluted		**31.5**	33.8
Underlying basic		**28.1**	26.5
Underlying diluted		**27.8**	26.1

Dividends per share	8	**pence**	pence
Interim		**4.50**	4.30
Proposed final (not recognised as a liability at balance sheet date)		**11.60**	10.80

Group statement of comprehensive income
for the 52 weeks to 17 March 2012

	2012 £m	2011 £m
Profit for the financial period	**598**	640
Other comprehensive income/(expense):		
Net actuarial (losses)/gains on defined benefit pension scheme	**(222)**	29
Available-for-sale financial assets fair value movements:		
Group	**1**	14
Joint ventures	**2**	2
Cash flow hedges effective portion of fair value movements:		
Group	**-**	(8)
Joint ventures	**2**	2
Current tax on items recognised directly in other comprehensive income	**59**	(1)
Deferred tax on items recognised directly in other comprehensive income	**11**	(5)
Total other comprehensive (expense)/income for the financial period (net of tax)	**(147)**	33
Total comprehensive income for the financial period	**451**	673

Group balance sheet

At 17 March 2012 and 19 March 2011

	Note	**2012 £m**	2011 £m
Non-current assets			
Property, plant and equipment		**9,329**	8,784
Intangible assets		**160**	151
Investments in joint ventures		**566**	502
Available-for-sale financial assets		**178**	176
Other receivables		**38**	36
Derivative financial instruments		**37**	29
		10,308	9,678
Current assets			
Inventories		**938**	812
Trade and other receivables		**286**	343
Derivative financial instruments		**69**	52
Cash and cash equivalents	9	**739**	501
		2,032	1,708
Non-current assets held for sale		**-**	13
		2,032	1,721
Total assets		**12,340**	11,399
Current liabilities			
Trade and other payables		**(2,740)**	(2,597)
Borrowings		**(150)**	(74)
Derivative financial instruments		**(88)**	(59)
Taxes payable		**(149)**	(201)
Provisions		**(9)**	(11)
		(3,136)	(2,942)
Net current liabilities		**(1,104)**	(1,221)
Non-current liabilities			
Other payables		**(137)**	(120)
Borrowings		**(2,617)**	(2,339)
Derivative financial instruments		**(1)**	-
Deferred income tax liability		**(286)**	(172)
Provisions		**(63)**	(62)
Retirement benefit obligations	11	**(471)**	(340)
		(3,575)	(3,033)
Net assets		**5,629**	5,424
Equity			
Called up share capital		**538**	535
Share premium account		**1,061**	1,048
Capital redemption reserve		**680**	680
Other reserves		**(365)**	(213)
Retained earnings		**3,715**	3,374
Total equity		**5,629**	5,424

Group cash flow statement
for the 52 weeks to 17 March 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	9	**1,291**	1,138
Interest paid		**(142)**	(126)
Corporation tax paid		**(82)**	(158)
Net cash generated from operating activities		**1,067**	854
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,227)**	(1,136)
Purchase of intangible assets		**(25)**	(15)
Proceeds from disposal of property, plant and equipment		**314**	282
Acquisition of and investment in subsidiaries, net of cash acquired		**(1)**	(1)
Increase in loans to joint ventures		**(1)**	-
Investment in joint ventures		**-**	(2)
Investment in financial assets		**(1)**	(50)
Proceeds from disposal of financial assets		**40**	-
Interest received		**18**	19
Dividends received		**-**	1
Net cash used in investing activities		**(883)**	(902)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**14**	17
Repayment of short-term borrowings		**-**	(11)
Proceeds from long-term borrowings		**391**	45
Repayment of long-term borrowings		**(51)**	(61)
Repayment of capital element of obligations under finance lease payments		**(9)**	(3)
Interest elements of obligations under finance lease payments		**(5)**	(4)
Dividends paid	8	**(285)**	(269)
Net cash generated from/(used in) financing activities		**55**	(286)
Net increase/(decrease) in cash and cash equivalents		**239**	(334)
Opening cash and cash equivalents		**500**	834
Closing cash and cash equivalents	9	**739**	500

Group statement of changes in equity
for the 52 weeks to 17 March 2012

	Note	Called up share capital £m	Share premium account £m	Capital redemption and other reserves £m	Retained earnings £m	Total equity £m
At 20 March 2011		**535**	**1,048**	**467**	**3,374**	**5,424**
Profit for the financial period		**-**	**-**	**-**	**598**	**598**
Other comprehensive (expense)/income:						
Actuarial (losses) on defined benefit pension scheme (net of tax)		**-**	**-**	**(154)**	**-**	**(154)**
Available-for-sale financial assets fair value movements (net of tax):						
Group		**-**	**-**	**3**	**-**	**3**
Joint ventures		**-**	**-**	**2**	**-**	**2**
Cash flow hedges effective portion of changes in fair value (net of tax):						
Joint ventures		**-**	**-**	**2**	**-**	**2**
Total comprehensive (expense)/income for the 52 weeks ended 17 March 2012		**-**	**-**	**(147)**	**598**	**451**
Transactions with owners:						
Dividends paid	8	**-**	**-**	**-**	**(285)**	**(285)**
Amortisation of convertible bond equity component		**-**	**-**	**(5)**	**5**	**-**
Share-based payment (net of tax)		**-**	**-**	**-**	**26**	**26**
Allotted in respect of share option schemes		**3**	**13**	**-**	**(3)**	**13**
At 17 March 2012		**538**	**1,061**	**315**	**3,715**	**5,629**

	Note	Called up share capital £m	Share premium account £m	Capital redemption and other reserves £m	Retained earnings £m	Total equity £m
At 21 March 2010		532	1,033	438	2,963	4,966
Profit for the financial period		-	-	-	640	640
Other comprehensive income/(expense):						
Actuarial gains on defined benefit pension scheme (net of tax)		-	-	26	-	26
Available-for-sale financial assets fair value movements (net of tax):						
Group		-	-	11	-	11
Joint ventures		-	-	2	-	2
Cash flow hedges effective portion of changes in fair value (net of tax):						
Group		-	-	(8)	-	(8)
Joint ventures		-	-	2	-	2
Total comprehensive income for the 52 weeks ended 19 March 2011		-	-	33	640	673
Transactions with owners:						
Dividends paid	8	-	-	-	(269)	(269)
Amortisation of convertible bond equity component		-	-	(4)	4	-
Share-based payment (net of tax)		-	-	-	37	37
Allotted in respect of share option schemes		3	15	-	(1)	17
At 19 March 2011		535	1,048	467	3,374	5,424

Notes to the financial information

1 Status of financial information

The financial information, which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group cash flow statement, Group statement of changes in equity and related notes, is derived from the full Group financial statements for the 52 weeks to 17 March 2012 and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006.

The Group Annual Report and Financial Statements 2012 on which the auditors have given an unqualified report and which does not contain a statement under section 498(2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders in June 2012.

The financial year represents the 52 weeks to 17 March 2012 (prior financial year 52 weeks to 19 March 2011). The consolidated financial statements for the 52 weeks to 17 March 2012 comprise the financial statements of the Company and its subsidiaries ('Group') and the Group's interests in associates and joint ventures.

2 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and International Financial Reporting Interpretations Committee ('IFRICs') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements are presented in sterling, rounded to the nearest million ('£m') unless otherwise stated. They have been prepared on a going concern basis under the historical cost convention, except for derivative financial instruments, investment properties and available-for-sale financial assets that have been measured at fair value.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Group has adopted the following new and amended statements and interpretations as of 20 March 2011 and concluded that they are either not relevant to the Group or that they did not have a significant impact on the Group's financial statements.

- IAS 24 'Related Party Disclosures' revised definition of related parties.
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'.
- Amendments to certain IFRSs and IASs arising from the April 2010 Annual Improvements to IFRS by the International Accounting Standards Board ('IASB').
- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'.

3 Non-GAAP performance measures

Certain items recognised in reported profit before tax can vary significantly from year to year and therefore create volatility in reported earnings which does not reflect the Group's underlying performance. The Directors believe that the 'underlying profit before tax' ('UPBT') and 'underlying diluted and basic earnings per share' measures presented provide a clear and consistent presentation of the underlying performance of Sainsbury's ongoing business for shareholders. Underlying profit is not defined by IFRSs and therefore may not be directly comparable with the 'adjusted' profit measures of other companies. The adjusted items are:

- Profit/loss on disposal of properties;
- Investment property fair value movements - these reflect the difference between the fair value of an investment property at the reporting date and its carrying amount at the previous reporting date;
- Financing fair value movements – these are fair value gains and losses on non-derivative financial assets and liabilities carried at amortised cost, on derivatives relating to financing activities and on hedged items in fair value hedges;
- Impairment of goodwill;
- The financing element of IAS 19 'Employee Benefits'; and
- One-off items – these are items which are material and infrequent in nature and do not relate to the Group's underlying performance.

The adjustments made to reported profit before tax to arrive at underlying profit before tax are:

	2012 **£m**	2011 £m
Underlying profit before tax	**712**	665
Profit on disposal of properties (1)	**83**	108
Investment property fair value movements	**-**	39
Financing fair value movements (2)	**(16)**	7
IAS 19 pension financing credit	**17**	3
One-off items	**3**	5
Total adjustments	**87**	162
Profit before tax	**799**	827

(1) Profit on disposal of properties for the financial year comprised of £82 million for the Group (2011: £108 million) and £1 million for the property joint ventures (2011: £nil).
(2) Financing fair value movements for the financial year comprised £(11) million loss for the Group (2011: £10 million gain) and £(5) million loss for the joint ventures (2011: £(3) million loss).

One-off items

The £3 million one-off item relates to the release of a provision in respect of the Office of Fair Trading dairy inquiry which was settled in full in October 2011. The £5 million one-off item in the prior financial year relates to the release of a disposal provision which was no longer required. Both of these items were initially recorded as one-off items outside underlying profit before tax.

4 Segment reporting

The Group's businesses are organised into three operating segments:

- Retailing (Supermarkets and Convenience);
- Financial services (Sainsbury's Bank joint venture); and
- Property investments (The British Land Company PLC joint venture and Land Securities PLC joint venture).

Management have determined the operating segments based on the information provided to the Operating Board (the Chief Operating Decision Maker for the Group) to make operational decisions on the management of the Group. All material operations and assets are in the UK. The business of the Group is not subject to highly seasonal fluctuations although there is an increase in trading in the period leading up to Christmas.

The Group has continued to include additional voluntary disclosure analysing the Group's Financial Services and Property investment joint ventures into separate reportable segments.

Revenue from operating segments is measured on a basis consistent with the income statement. All revenue is generated by the sale of goods and services.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Operating Board assesses the performance of all segments on the basis of underlying profit before tax. The reconciliation provided below reconciles underlying operating profit from each of the segments disclosed to profit before tax.

52 weeks to 17 March 2012	Retailing £m	Financial services £m	Property investments £m	Group £m
Segment revenue	**22,294**	**-**	**-**	**22,294**
Underlying operating profit	**789**	**-**	**-**	**789**
Underlying finance income	**18**	**-**	**-**	**18**
Underlying finance costs	**(127)**	**-**	**-**	**(127)**
Underlying share of post-tax profit from joint ventures	**-**	**16**	**16**	**32**
Underlying profit before tax	**680**	**16**	**16**	**712**
Profit on disposal of properties	**82**	**-**	**1**	**83**
Financing fair value movements	**(11)**	**-**	**(5)**	**(16)**
IAS 19 pension financing credit	**17**	**-**	**-**	**17**
One-off item	**3**	**-**	**-**	**3**
Profit before tax	**771**	**16**	**12**	**799**
Income tax expense				**(201)**
Profit for the financial period				**598**
Assets	**11,774**	**-**	**-**	**11,774**
Investment in joint ventures	**-**	**134**	**432**	**566**
Segment assets	**11,774**	**134**	**432**	**12,340**
Segment liabilities	**(6,711)**	**-**	**-**	**(6,711)**
Other segment items				
Capital expenditure (1)	**1,287**	**-**	**-**	**1,287**
Depreciation expense	**486**	**-**	**-**	**486**
Amortisation expense	**13**	**-**	**-**	**13**
Share-based payments	**27**	**-**	**-**	**27**

(1) Capital expenditure consists of property, plant and equipment additions of £1,265 million and intangibles additions of £22 million.

4 Segment reporting continued

52 weeks to 19 March 2011	Retailing £m	Financial services £m	Property investments £m	Group £m
Segment revenue	21,102	-	-	21,102
Underlying operating profit	738	-	-	738
Underlying finance income	19	-	-	19
Underlying finance costs	(116)	-	-	(116)
Underlying share of post-tax profit from joint ventures	-	11	13	24
Underlying profit before tax	641	11	13	665
Profit on disposal of properties	108	-	-	108
Investment property fair value movements	-	-	39	39
Financing fair value movements	10	-	(3)	7
IAS 19 pension financing credit	3	-	-	3
One-off item	5	-	-	5
Profit before tax	767	11	49	827
Income tax expense				(187)
Profit for the financial period				640
Assets	10,897	-	-	10,897
Investment in joint ventures	-	115	387	502
Segment assets	10,897	115	387	11,399
Segment liabilities	(5,975)	-	-	(5,975)
Other segment items				
Capital expenditure (2)	1,319	-	-	1,319
Depreciation expense	468	-	-	468
Amortisation expense	14	-	-	14
Share-based payments	35	-	-	35

(2) Capital expenditure consists of property, plant and equipment additions of £1,297 million, property, and intangibles additions of £22 million.

5 Finance income and finance costs

	2012 £m	2011 £m
Interest on bank deposits and other financial assets	**18**	19
Financing fair value gains [1]	**-**	10
IAS 19 pension financing credit	**17**	3
Finance income	**35**	32
Borrowing costs:		
Secured borrowings	**(108)**	(97)
Unsecured borrowings	**(46)**	(39)
Obligations under finance leases	**(5)**	(4)
Provisions - amortisation of discount	**(2)**	(3)
Other	**(1)**	-
	(162)	(143)
Other finance costs:		
Interest capitalised - qualifying assets	**35**	27
Financing fair value losses [1]	**(11)**	-
	24	27
Finance costs	**(138)**	(116)

(1) Fair value gains and losses relate to fair value adjustments on non-derivative financial assets and liabilities carried at amortised cost and on derivatives relating to financing activities and hedged items in fair value hedges.

6 Income tax expense

	2012 £m	2011 £m
Current tax expense	**77**	163
Deferred tax expense	**124**	24
Total income tax expense in income statement	**201**	187

The effective tax rate of 25.2 per cent (2011: 22.6 per cent) is lower than (2011: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2012 £m	2011 £m
Profit before taxation	**799**	827
Income tax at UK corporation tax rate of 26.07% (2010: 28.00%)	**208**	232
Effects of underlying items:		
Disallowed depreciation on UK properties	**30**	28
Over provision in prior years	**(12)**	(35)
Revaluation of deferred tax balances	**(17)**	(7)
Other	**(1)**	1
Effects of non-underlying items:		
Profit on disposal of properties	**(23)**	(27)
Investment property fair value movements	**-**	(11)
Revaluation of tax balances	**11**	7
Under provision in prior years	**4**	-
Other	**1**	(1)
Total income tax expense in income statement	**201**	187

On 23 March 2011, the Chancellor announced that the main rate of UK corporation tax would reduce from 28.0 per cent to 26.0 per cent for the financial year commencing 1 April 2011 and to 25.0 per cent with effect from 1 April 2012. The change to 25.0 per cent was substantively enacted on 5 July 2011 and hence the effect of the change on the deferred tax balances has been included in the figures above.

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Share Ownership Plan trusts, which are treated as cancelled.

For diluted earnings per share, the earnings attributable to the ordinary shareholders are adjusted by the interest on the convertible bonds (net of tax). The weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the number of shares that would be issued if all convertible bonds are assumed to be converted.

Underlying earnings per share is provided by excluding the effect of any profit or loss on disposal of properties, investment property fair value movements, impairment of goodwill, financing fair value movements, IAS 19 pension financing element and one-off items that are material and infrequent in nature. This alternative measure of earnings per share is presented to reflect the Group's underlying trading performance.

All operations are continuing for the periods presented.

	2012 million	2011 million
Weighted average number of shares in issue	**1,870.3**	1,858.7
Weighted average number of dilutive share options	**13.6**	16.9
Weighted average number of dilutive convertible bonds	**45.6**	45.4
Total number of shares for calculating diluted earnings per share	**1,929.5**	1,921.0

	£m	£m
Profit for the financial period	**598**	640
Add: interest on convertible bonds, net of tax	**10**	10
Diluted earnings for calculating diluted earnings per share	**608**	650

	£m	£m
Profit for the financial period attributable to equity holders of the parent	**598**	640
(Less)/add (net of tax):		
Profit on disposal of properties	**(80)**	(105)
Investment property fair value movements	**-**	(39)
Financing fair value movements	**13**	(4)
IAS 19 pension financing credit	**(13)**	(2)
One-off items	**(3)**	(5)
Revaluation of deferred tax balances	**11**	7
Underlying profit after tax	**526**	492
Add interest on convertible bonds, net of tax	**10**	10
Diluted underlying profit after tax	**536**	502

	pence per share	pence per share
Basic earnings	**32.0**	34.4
Diluted earnings	**31.5**	33.8
Underlying basic earnings	**28.1**	26.5
Underlying diluted earnings	**27.8**	26.1

8 Dividend

	2012 pence per share	2011 pence per share	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:				
Final dividend of prior financial year	**10.80**	10.20	**201**	189
Interim dividend of current financial year	**4.50**	4.30	**84**	80
	15.30	14.50	**285**	269

After the balance sheet date, a final dividend of 11.60 pence per share (2011:10.80 pence per share) was proposed by the Directors in respect of the 52 weeks to 17 March 2012, resulting in a total final proposed dividend of £218 million (2011: £201 million). The proposed final dividend has not been included as a liability at 17 March 2012.

9 Notes to the cash flow statement

a. Reconciliation of operating profit to cash generated from operations

	2012 £m	2011 £m
Profit before tax	**799**	827
Net finance costs	**103**	84
Share of post-tax profits of joint ventures	**(28)**	(60)
Operating profit	**874**	851
Adjustments for:		
Depreciation expense	**486**	468
Amortisation expense	**13**	14
Profit on disposal of properties	**(82)**	(108)
Foreign exchange differences	**(6)**	5
Share-based payments expense	**27**	35
Retirement benefit obligations [1]	**(74)**	(49)
Operating cash flows before changes in working capital	**1,238**	1,216
Changes in working capital:		
Increase in inventories	**(126)**	(110)
Increase in trade and other receivables	**-**	(64)
Increase in trade and other payables	**182**	105
Decrease in provisions	**(3)**	(9)
Cash generated from operations	**1,291**	1,138

(1) The adjustment for retirement benefit obligations reflects the difference between the service charge of £60 million (2011: £56 million) for the defined benefit scheme and the cash contributions of £134 million made by the Group to the defined benefit scheme (2011: £105 million).

b. Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise the following:

	2012 £m	2011 £m
Cash and cash equivalents	**739**	501
Bank overdrafts	**-**	(1)
	739	500

10 Analysis of net debt

	2012 £m	2011 £m
Non-current assets		
Interest bearing available-for-sale financial assets	**31**	36
Derivative financial instruments	**37**	29
	68	65
Current assets		
Cash and cash equivalents	**739**	501
Interest bearing deposit	**-**	40
Derivative financial instruments	**69**	52
	808	593
Current liabilities		
Bank overdrafts	**-**	(1)
Borrowings	**(131)**	(70)
Finance leases	**(19)**	(3)
Derivative financial instruments	**(88)**	(59)
	(238)	(133)
Non-current liabilities		
Borrowings	**(2,493)**	(2,285)
Finance leases	**(124)**	(54)
Derivative financial instruments	**(1)**	-
	(2,618)	(2,339)
Total net debt	**(1,980)**	(1,814)

Reconciliation of net cash flow to movement in net debt

	2012 £m	2011 £m
Net debt at beginning of the period	**(1,814)**	(1,549)
Increase/(decrease) in cash and cash equivalents	**239**	(334)
Increase in interest bearing available-for-sale assets (1)	**-**	10
(Decrease)/increase in interest bearing financial asset	**(40)**	40
Net (increase)/decrease in borrowings(1)	**(262)**	12
Net increase in derivatives(1)	**-**	6
Net (increase)/decrease of obligations under finance leases	**(84)**	3
Fair value movements	**(17)**	(4)
Other non-cash movements	**(2)**	2
Net debt at the end of the period	**(1,980)**	(1,814)

(1) Excluding fair value movements.

11 Retirement benefit obligations

Retirement benefit obligations relate to a defined benefit scheme, the Sainsbury's Pension Scheme, (the 'Scheme') and an unfunded pension liability relating to senior employees. The Scheme was closed to new employees on 31 January 2002. The assets of this scheme are held separately from the Group's assets.

The Scheme was subject to a triennial actuarial valuation carried out by Towers Watson, the Scheme's independent actuaries, at March 2009 on the projected unit basis. The results of this valuation were approved by the Scheme's Trustees in June 2010. The retirement benefit obligations at 17 March 2012 have been calculated, where appropriate, on a basis consistent with this valuation.

A triennial valuation will be carried out at March 2012 by Towers Watson, the Scheme's independent actuaries on the projected unit basis with a statutory completion date of June 2013.

The unfunded pension liability is unwound when each employee reaches retirement and takes their pension from the Group payroll or is crystallised in the event of an employee leaving or retiring and choosing to take the provision as a one-off cash payment.

The amounts recognised in the balance sheet are as follows:

	2012	2011
	£m	£m
Present value of funded obligations	**(5,654)**	(4,945)
Fair value of plan assets	**5,192**	4,614
	(462)	(331)
Present value of unfunded obligations	**(9)**	(9)
Retirement benefit obligations	**(471)**	(340)
Deferred income tax asset	**16**	99
Net retirement benefit obligations	**(455)**	(241)

	2012	2011
	%	%
Discount rate	**5.0**	5.5
Inflation rate	**3.3**	3.3
Real discount rate	**1.7**	2.2

The retirement benefit obligations and the associated deferred income tax asset or liability are shown within different line items on the face of the balance sheet.