13 November 2013

Interim results for the 28 weeks to 28 September 2013

Strong sales and profit performance; outperforming the market

Financial summary[1]

- Total sales (inc VAT, inc fuel) up 4.4 per cent to £13,953 million (2012/13: £13,365 million)
- Total sales (inc VAT, ex fuel) up 4.0 per cent
- Like-for-like sales (inc VAT, ex fuel) up 1.4 per cent
- Underlying profit before tax[2] up 7.0 per cent to £400 million (2012/13: £374 million)
- Underlying basic earnings per share[3] up 9.2 per cent to 16.6 pence (2012/13: 15.2 pence)
- Return on capital employed[4] of 11.4 per cent (2012/13: 10.8 per cent)
- Return on capital employed excluding pension fund deficit[5] of 10.5 per cent (2012/13: 10.3 per cent)
- Interim dividend of 5.0 pence, up 4.2 per cent (2012/13: 4.8 pence)

Statutory

- Revenue (ex VAT, inc fuel) up 4.3 per cent to £12,684 million (2012/13: £12,160 million)
- Profit before tax up 9.1 per cent to £433 million (2012/13: £397 million)
- Basic earnings per share up 8.5 per cent to 17.9 pence (2012/13: 16.5 pence)

Operating performance

- Outperformed the market, increasing market share to 16.8 per cent[6], the highest for a decade, completing 35 consecutive quarters of like-for-like sales growth
- Excellent customer service levels winning 15 out of 28 Grocer 33 Service and Availability awards
- Operational cost savings of around £55 million, on track for around £100 million for the full year
- Improved underlying operating margin by 7 bps to 3.47 per cent (up 6 bps at constant fuel prices)
- Supermarket of the Year (6th time in eight years) and Convenience Chain of the Year (4th consecutive year), Retail Industry Awards. Online Retailer of the Year (2nd consecutive year), Grocer Gold Awards
- FTSE 100 Business of the Year, National Business Awards
- Defined benefit pension fund triennial valuation complete resulting in funding deficit of £592 million, a £635 million improvement on the 2009 valuation. Recovery plan agreed in 2009 remains unchanged

Strategy

- *Great Food:* Own-brand growing at over twice the rate of branded goods, *by* Sainsbury's re-launched and *Taste the Difference* showing double-digit growth. Achieved 100 per cent British fresh pork, to complement our existing 100 per cent British fresh chicken and 100 per cent British or Irish fresh beef
- *Compelling General Merchandise and Clothing*: Strong growth at around twice the rate of food sales. Successfully re-launched *Tu* clothing brand and extended *by* Sainsbury'*s* brand into general merchandise
- *Complementary Channels and Services*: Groceries online growing at over 15 per cent, with over £1 billion in annualised sales and orders regularly exceeding 180,000 a week. Plans announced for an online fulfilment centre at Bromley-by-Bow. Convenience growing at over 20 per cent, opening around two new stores each week. Sainsbury's Bank remains on track to move to full ownership by the end of January 2014
- *Developing New Business*: Launched *Mobile by Sainsbury's* and opened fourth hospital out-patient pharmacy
- *Growing Space and Creating Property Value*: Opened 393,000 sq ft of space over the half-year, comprising six supermarkets, 50 convenience stores and two extensions. Property profits were £18 million. Property value up £0.3 billion from March 2013 to £11.8 billion. Following a review of our property pipeline we have identified some sites where we no longer wish to build a supermarket, resulting in a £92 million impairment within one-off items

David Tyler, Chairman said: "We have had a strong first half to the year, outperforming the market in what remains a tough trading environment. We have grown our underlying basic earnings per share 9.2 per cent to 16.6 pence, pension-adjusted return on capital employed is up at 10.5 per cent and our interim dividend is 5.0 pence, up 4.2 per cent."

Justin King, Chief Executive said: "Our share of the grocery market is the highest for a decade at 16.8 per cent following 35 consecutive quarters of like-for-like sales growth. We are helping customers *Live Well for Less* through high-quality, affordable own-brand products, *Brand Match,* Nectar and targeted coupon-at-till promotions.

"Whilst customers' budgets remain tight and any recovery in the economy may take time to take effect, our consistent strategy and strong values-driven culture mean we are well placed to continue to deliver for customers, colleagues and shareholders."

Notes:

1. **2012/13 financials** have been restated as a result of the amendments made to IAS 19 'Employee Benefits' ('IAS 19 Revised').
2. **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, impairment of goodwill, IAS 19 Revised pension financing element, defined benefit pension scheme expenses and one-off items that are material and infrequent in nature.
3. **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 Employee Share Ownership Plan ('ESOP') trusts, which are treated as cancelled.
4. **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).
5. **Return on capital employed excluding pension fund deficit:** Underlying profit before interest and tax, divided by the average of opening and closing pension adjusted capital employed (net assets before net debt excluding pension fund deficit net of deferred tax).
6. **Sainsbury's market share** grew to 16.8 per cent from 16.7 per cent (source: Kantar for the 52 weeks ended 13 October 2013).
7. 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.
8. **Third Quarter Trading Statement:** Sainsbury's will report its 2013/14 Q3 Trading Statement at 07:00 on 8 January 2014.

A results presentation for analysts and investors will be held at 09:30am (GMT) on 13 November 2013.

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 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, where there will be further instructions. 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 0844 800 3850 or +44 (0) 20 7762 6301, pass code 224771. A transcript of the presentation and an archive recording of this event will be available from 5 p.m. on the day at www.j-sainsbury.co.uk

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Strategic Report

Trading and market overview
Strong performance from own-brand, non-food, convenience and groceries online, along with the warmer summer, helped us achieve our 35th consecutive quarter of like-for-like sales growth. This was achieved in what remains a tough and competitive retail environment, and despite annualising some of our best performance of last year.

Total sales across the half (including VAT, excluding fuel) were up 4.0 per cent, as like-for-like sales rose 1.4 per cent, while continued effective cost control underpinned 7.0 per cent growth in underlying profit before tax to £400 million. We outperformed the market, and were the only major supermarket to increase market share – up by 13 basis points to 16.8 per cent.

We continue to help customers *Live Well for Less* through our focus on own-brand, which is growing at over twice the rate of branded goods. *Taste the Difference* is seeing double-digit growth rates, *by* Sainsbury's is performing strongly, and we are now re-launching *basics* as part of our commitment to continued rolling investment in the quality and value of our own-brands.

Product sourcing and provenance remain important to many of our customers. They like to buy British where they can, and in the summer we were able to move to 100 per cent British on fresh pork as well as on breaded chicken and chicken portions – our fresh chicken has been British for ten years. We have applied to challenge – by judicial review – the decision of the Advertising Standards Authority regarding Tesco's approach to factors such as provenance and ethical sourcing in its Price Promise mechanism.

Customer insight and our partnership with Nectar ensure we understand our customers and provide them with offers that are relevant to them, whilst *Brand Match* continues to be appreciated by customers with 'cheaper than' coupons issued over 50 per cent of the time during the half.

Our non-food continues to grow at around twice the rate of food as customers take advantage of quality that can match or beat the best on the high street at supermarket prices. We have extended the *by* Sainsbury's own-brand into general merchandise and re-launched our *Tu* clothing brand, with a strong focus on quality and design, and a contemporary in-store look and feel.

Our convenience business continues to deliver excellent growth of over 20 per cent year-on-year, and with a store opening rate of around two per week we expect the number of Sainsbury's Local stores to exceed the number of supermarkets in our portfolio later this financial year. Groceries online continues to grow well and we reached £1 billion in annualised sales in the second quarter. We are on track to take full ownership of Sainsbury's Bank at the end of January 2014.

Our focus on good quality, fairly priced food and high levels of service means we are well-positioned to continue to grow as we help our customers *Live Well for Less*.

Great Food
Our customers care about the provenance of the food that they buy. Our close, long-term relationships with over 2,200 farmers and growers allow us to work together to improve quality control, animal welfare and environmental, ethical and social standards in the UK and abroad.

Much of our own-brand food has been 100 per cent British for some years including fresh chicken, milk, eggs, ham and pork sausages. All our fresh and frozen beef is British or Irish, as is the beef in our fresh ready meals, pies, sandwiches, quiches and soups, and all our fresh lamb is British when in season. Over the half, we achieved 100 per cent British for all our fresh pork as well as all breaded chicken and chicken portions. We awarded £1.2 million in research and development grants to support a variety of farming projects and have pledged an additional £1 million to help achieve sustainable improvements to UK livestock, aquaculture, horticulture and agronomy practices and processes.

Fresh food is a key strength for us. This season we were the biggest retailer of British apples and pears for the fifth year running, selling over 200 million pieces, accounting for one in every four sold in the UK. In August, we also became the only supermarket to sell UK-grown fresh figs. A state-of-the-art factory was opened in September, dedicated to Sainsbury's, that will create bespoke premium chilled desserts made in Britain using only British ingredients.

Our own-brand food continues to grow at over twice the rate of branded goods, as savvy customers buy into its quality and value. Our re-launched *by* Sainsbury's range is driving own-brand penetration and our *Taste the Difference* range has reached £1 billion in annual sales. Whilst our *basics* range has experienced marginal sales decline, we are making good progress in re-launching the range, and it remains the second largest value range in the market, bought by 70 per cent of our customers.

Compelling General Merchandise and Clothing
Our strategy of offering high street quality and style at supermarket prices is helping non-food sales grow at around twice the rate of food and gain market share. Customers who buy general merchandise and clothing as well as food in our stores, shop with us more frequently and spend more than food-only customers.

We re-launched our *Tu* brand this autumn, with a strong focus on quality, design and a contemporary in-store look and feel. It represents the single biggest investment in our clothing business since we launched *Tu* in 2004. More than 7.5 million customers now buy into the range, and it is the seventh biggest clothing line in the UK by volume and eleventh by value.

We held our biggest-ever 'Back to School' event this summer, selling over one million children's polo shirts and more than 500,000 pairs of school trousers. We remain the sixth biggest retailer of childrenswear in the UK by volume. Our *Great Student Value* event was also well-received by customers, with kitchenware and textiles selling particularly well.

Within general merchandise we have extended our *by* Sainsbury's brand into our ranges and our hero categories such as kitchen electricals and cookware have enjoyed particularly strong sales. We are growing market share in our entertainment business – Games, DVDs and CDs – and led the market on sales of the Les Misérables DVD, with a 28 per cent market share in the first week of release.

Clothing and general merchandise are now available in over 400 stores; but with two-thirds of the UK population still more than a 15 minute drive from our full non-food offer and only one in five stores merchandising the full non-food range, we have opportunities for future growth in this area.

Complementary Channels and Services
The trend continues for customers to shop across a range of channels – supermarkets, convenience and online. Where customers shop online and in supermarkets, their total spend is more than double the average supermarket-only shopper.

We are achieving our target of opening around two convenience stores per week and the number of convenience stores is set to overtake supermarkets later this financial year. Sainsbury's Locals account for nearly one third of the UK's convenience market growth (Nielsen Scantrack estimation), with sales of nearly £1 billion in the half, year-on-year growth of over 20 per cent and nearly six million customer transactions per week. In September, we were named Convenience Retailer of The Year for the fourth year running at the Retail Industry Awards.

Online grocery sales are growing at over 15 per cent with an annual turnover of more than £1 billion. Our success is driven by a focus on customer service and product availability. Customer satisfaction scores are at an all-time high, and our standard of service, quality of food and ease of shop all played a part in us being named Online Retailer of the Year for the second consecutive year at the Grocer Gold Awards. In September, we began the roll out of an enhanced version of our Groceries Online website which will be available nationwide by Easter 2014. It offers customers faster and more intuitive product search and browse features and an improved recipes and ideas section. The new website performs well on tablet devices, and has given us a strategic platform on which to build new functionality in future years. We have the ability to deliver to over 96 per cent of UK households, and make over 180,000 deliveries per week. We recently announced plans to open a dedicated online fulfilment centre in Bromley-by-Bow to help meet growing demand for our online grocery service in London and the South East. When fully operational, the new facility will allow us to serve an additional 20,000 customers each week.

Our general merchandise website offers thousands of own-brand and branded products across home, garden, appliances, technology, toys, sports and leisure. We have rebalanced our sales mix away from less profitable, high-ticket electricals towards our hero categories such as cookware and small domestic appliances. More than half our customers opt to collect their orders via our *Click & Collect* service, which is available in over 1,000 of our supermarkets and convenience stores.

We are also piloting *Mobile Scan & Go* to allow customers to scan their shopping using a smartphone. Feedback from the four store trial has been positive with customers saying it helps them stick to a budget.

Sainsbury's Bank profit was flat year-on-year in what remains a challenging marketplace. The Bank's strategy is to offer shoppers a compelling reason to bank and shop with us by offering great products at fair prices while rewarding Sainsbury's shoppers for their loyalty. This includes offering double Nectar points on a range of products, preferential travel money rates and discounts on Home and Car Insurance premiums for Nectar cardholders. We are building Sainsbury’s Bank as a high-trust brand, and recent data published under the requirements of the Financial Conduct Authority showed very low levels of customer complaints. The Bank launched a Loan Switcher Calculator to help those with an existing personal loan gauge if they might save money by switching to Sainsbury's Bank. In September, the Bank launched a new Pet Insurance product, offering customers one of the highest levels of vet fees cover currently available on the market. Travel Money enjoyed its best ever performance this summer, with sales increasing 20 per cent over the same period last year. We are on track to take full ownership of the Bank in early 2014, with plans well developed for a phased programme of transition over the next three years.

Developing New Business

Our new mobile phone network - *Mobile by Sainsbury’s* - is a joint venture with Vodafone, offering high-quality, value-for-money mobile phone tariffs and handsets. It offers customers double Nectar points on their grocery and fuel spend in Sainsbury’s, helping them *Live Well for Less* by reducing their shopping bills. SIM cards are now available in all our stores, with 300 stores also offering a range of handsets. We are also introducing dedicated phone shops in stores, with ten expected by the end of the calendar year, offering customers specialist service and advice in store.

Our developing digital offer enables our customers to enjoy their favourite e-books, films and music when and how they want. For example, our video on demand service was launched in April 2013 and we are building the ability for our customers to buy or rent films which can be downloaded or streamed to a number of different devices.

We continue to develop health services for our customers with in-store pharmacies, NHS pharmacies, doctors’ surgeries and dental surgeries. In July, we opened our fourth outpatient pharmacy at King’s College Hospital offering improved service and longer opening hours. We also announced our aim to open four new outpatient hospital pharmacies each year and to double pharmacy revenues over the next three years.

Growing Space and Creating Property Value

In the first half, we opened six supermarkets and 50 convenience stores and extended two stores, totalling 393,000 sq ft of additional space. We are on track to open around two new convenience stores per week and around one million sq ft of new space in the full year in line with our targets.

Following a review of our property pipeline we have identified some sites where we no longer wish to build a supermarket resulting in a £92 million impairment within one-off items. However, with less than five per cent market share in around one-third of UK postcodes we continue to see opportunities for future growth. Around 21 per cent of the UK population live further than a 15 minute drive from a Sainsbury’s store and only one third live within a 15 minute drive of our full non-food offer.

Our property valuation as at 28 September 2013 is £11.8 billion, up from £11.5 billion at the year-end mainly as a result of an improvement in yields to 4.7 per cent. We continued to take advantage of these good property yields, achieving £122 million in property disposal proceeds in the first half, generating a profit on disposal of £18 million.

Operational Excellence

In the first half of the year, we have achieved operational cost savings of around £55 million, on track for around £100 million for the full year. Improved operating systems and the simplification of in-store and depot processes have increased productivity and reduced waste, without compromising the customer experience. We have now completed the roll-out of our new warehouse management system, one of the largest and fastest of its kind in Europe. Productivity has increased by almost ten per cent compared with two years ago as well as improving pick accuracy and in-store availability.

Our state-of-the-art 460,000 sq ft clothing facility in Bedford has increased our non-food capacity whilst reducing costs. In June, we opened our 250,000 sq ft dedicated convenience store depot in South London, more efficiently serving our rapidly-growing convenience store network in London and the South-East. This complements our ongoing work to optimise deliveries to both our convenience and supermarket estate, reducing the total number of miles driven each year in order to deliver cost and CO_2 savings. We are delivering 39 per cent more volume compared to 2006, yet we are emitting six per cent less absolute CO_2 across our logistics operations.

In April 2013, we began a consultation period with colleagues who were accruing benefits within the Sainsbury's defined benefit ('DB') pension scheme with a proposal to move them to the defined contribution ('DC') pension arrangements offered to new colleagues since 2002. In July, we confirmed we would proceed with the proposal and the Sainsbury's DB pension scheme was closed to future accrual on 28 September. As a result of the closure, a net credit of £158 million was recognised within one-off items. Affected colleagues were moved to the DC plans from 29 September 2013.

The DB scheme was subject to a triennial valuation at March 2012 by Towers Watson, the scheme's independent actuaries. This resulted in an actuarial deficit of £592 million, an improvement of £635 million on the March 2009 position mainly as a result of the scheme's interest in a Property Partnership established in 2010 of over £500 million. As a result, the Company will continue with the Recovery Plan that was agreed as part of the March 2009 valuation.

Sainsbury's was one of the first companies to introduce automatic enrolment for pensions in October 2012 and in the past year has automatically enrolled over 68,000 colleagues. Around 98,000 colleagues are now paying into a Sainsbury's pension plan.

Our Values Make Us Different

Our values underpin our strategy – they make good business sense and we believe they give us real competitive advantage. Our research shows our customers increasingly trust us on the issues they care about and we have retained our listing in both the FTSE4Good and Dow Jones Sustainability Index.

We published our *20x20* sustainability commitments in October 2011, and have made good progress since then across all of our five Values:

1. **Best for food and health:** Having pioneered colour-coded nutritional labelling back in 2005, this year we were the first major supermarket to apply the Department of Health's new labelling guidelines. We are also continuing our work to reformulate products – for example, our reduced salt bacon now contains 32 per cent less salt compared with standard bacon, and salt reduction in our core standard and cooked ham ranges is removing nearly 11 tonnes of salt annually from customers' diets. Some 300 of our in-store pharmacists have been trained as Healthy Eating Advisors offering advice on diet, exercise and smoking cessation. Our in-store pharmacists have conducted over 150,000 consultations this half-year across a wide range of health services, including cholesterol testing and flu jabs.

2. **Sourcing with integrity**: As part of our commitment to British food, we have established a unique two-year training scheme with our suppliers, for agriculture and horticulture graduates. It is designed to attract the brightest talent into farming and is closely aligned with the Government's Agriculture-Technologies Strategy. We are the world's largest Fairtrade retailer, and established the Fair Development Fund together with Comic Relief to support a wide variety of commercial, social and educational projects. We were the UK's biggest retailer of Marine Stewardship Council ('MSC') certified sustainable fish and RSPCA-certified Freedom Food products.

3. **Respect for our environment:** In March, we achieved 50 per cent relative reduction in our operational water use compared to 2005/06, saving one billion litres each year, and also became the first retailer to achieve the Carbon Trust Water Standard. In July, we installed our 100,000th photovoltaic solar panel, maintaining our position as the largest multi-roof solar panel operator in Europe. We achieved an absolute 3.5 per cent weight reduction in our own-brand packaging in the year ended March 2013 - a 26.2 per cent reduction versus the year ended March 2006. We have refurbished 100 store recycling centres and in the last year our customers donated around ten million items of clothing and nearly two million books, CDs and DVDs to Oxfam, making us their largest provider of donations outside of their own stores. This summer we achieved our target of ensuring no waste from our stores goes to landfill with all unrecoverable waste going to positive use to generate energy. We achieved zero food waste to landfill in 2010, by donating excess food to charities and recycling food waste as animal feed or to generate power via anaerobic digestion. We were named Green Retailer of the Year at the Grocer Gold awards, ranked in the top ten of Carbon Clear's FTSE 100 companies with the best carbon management and were the highest rated UK-only retailer in the Carbon Disclosure Project in 2013.

4. **Making a positive difference to our community:** We continue to support the local community involvement of our colleagues, stores, depots and support centres through our Local Charity, Local Community Fund and Local Heroes schemes. Nationally, our *Active Kids* voucher collection programme continues to be appreciated, and this year we also sponsored the Sainsbury's Summer Series including the Sainsbury's Anniversary Games – as well as the Sainsbury's School Games.

5. **Great Place to Work:** In November, we retained our position as the only food retailer to receive a gold accreditation from Investors in People. In March, we created 400 apprenticeships in a new scheme to train managers which complements the 400 places on our trainee manager scheme. In May, we celebrated our 2,000th colleague employed through our Remploy partnership, helping disabled people into work.

Financial Review

Sales (including VAT) grew by 4.4 per cent, to £13,953 million (2012/13: £13,365 million). Underlying operating profit increased by 6.5 per cent to £440 million (2012/13: £413 million), with underlying operating margin improving by seven basis points year-on-year (six basis points at constant fuel prices).

Underlying profit before tax ('UPBT') improved by 7.0 per cent to £400 million (2012/13: £374 million), with growth slightly ahead of operating profit due to a small reduction in net finance costs. Profit before tax was up 9.1 per cent, at £433 million (2012/13: £397 million). This growth was greater than UPBT mainly due to £36 million of one-off items (2012/13: £3 million charge).

Following a review of our property pipeline, we have identified some sites where we no longer wish to build a supermarket, resulting in a £92 million impairment included within one-off items.

In July 2013, we confirmed we would proceed with the proposal to close the Sainsbury's defined benefit pension scheme to future accrual. The closure generates a one-off net credit of £158 million shown within one-off items.

Underlying basic earnings per share increased to 16.6 pence (2012/13: 15.2 pence), a 9.2 per cent improvement year-on-year. This was higher than the growth in underlying profit due to a reduced underlying tax rate of 21.5 per cent (2012/13: 23.5 per cent), primarily due to the impact of the reduction in the statutory corporation tax rate. Basic earnings per share increased by 8.5 per cent to 17.9 pence (2012/13: 16.5 pence).

The return on capital employed ('ROCE') increased by 57 basis points year-on-year[1] to 11.4 per cent enhanced by the movement in the net pension deficit, which reduces capital employed. ROCE excluding the pension fund deficit was 10.5 per cent, a 19 basis point increase year-on-year[1], reflecting the improvement in underlying operating profit and slower growth in capital employed, which was driven by the £92 million impairment following the property pipeline review and the phasing of capital expenditure being weighted to the second half of 2013/14.

The Board has proposed an interim dividend of 5.0 pence (2012/13: 4.8 pence), up 4.2 per cent year-on-year. This is in line with Sainsbury's policy of paying 30 per cent of the prior year's full-year dividend as an interim dividend.

As a result of the amendments made to IAS 19 'Employee Benefits' ('IAS 19 Revised'), the Group has restated prior year financial information in accordance with the revised standard.

[1] Based on a rolling 52 week.

Summary income statement	28 weeks to 28 September 2013 £m	28 weeks to 29 September 2012[3] £m	Change %	52 weeks to 16 March 2013[3] £m
Sales (including VAT)	**13,953**	13,365	4.4	25,632
Sales (excluding VAT)	**12,684**	12,160	4.3	23,303
Underlying operating profit	**440**	413	6.5	831
Underlying net finance costs[1]	**(58)**	(59)	1.7	(111)
Underlying share of post-tax profit from joint ventures[2]	**18**	20	(10.0)	38
Underlying profit before tax	**400**	374	7.0	758
Profit on disposal of properties	**18**	48	(62.5)	66
Investment property fair value movements	**1**	(1)	200.0	(10)
Financing fair value movements	**(3)**	(11)	72.7	(10)
IAS 19 Revised pension financing charge	**(14)**	(7)	(100.0)	(16)
Defined benefit pension scheme expenses	**(5)**	(3)	(66.7)	(7)
One-off items	**36**	(3)	1300.0	(9)
Profit before tax	**433**	397	9.1	772
Income tax expense	**(93)**	(86)	(8.1)	(170)
Profit for the financial period	**340**	311	9.3	602
Underlying basic earnings per share	**16.6p**	15.2p	9.2	30.8p
Basic earnings per share	**17.9p**	16.5p	8.5	32.0p
Dividend per share	**5.0p**	4.8p	4.2	16.7p

1 Net finance costs before financing fair value movements and the IAS 19 Revised pension financing charge.
2 The underlying share of post-tax profit from joint ventures is stated before investment property fair value movements, financing fair value movements and profit on disposal of properties.
3 The prior year financial information has been adjusted to reflect changes as a result of IAS 19 Revised.

Sales (including VAT) and space

Sales (including fuel) increased by 4.4 per cent to £13,953 million (2012/13: £13,365 million).

This includes a 2.9 per cent contribution from new space (excluding extensions and replacements) and like-for-like ('LFL') sales growth of 1.5 per cent.

Sales growth (including VAT, including fuel)	28 weeks to 28 September 2013 %	28 weeks to 29 September 2012 %	52 weeks to 16 March 2013 %
Like-for-like sales	**1.5**	1.7	2.1
Net new space (excluding extensions and replacements)	**2.9**	2.3	2.5
Total sales growth	**4.4**	4.0	4.6

Sales (excluding fuel) grew by 4.0 per cent, with LFL growth of 1.4 per cent, which was lower than the sales including fuel growth due to an increase in fuel volumes. The LFL increase reflected the continued challenging market conditions, albeit at the top end of Sainsbury's full-year guidance of 1.0 to 1.5 per cent. Sainsbury's growth was 0.8 percentage points ahead of the market, with market share growing by 13 basis points to 16.8 per cent for the 52 weeks to 13 October 2013 (as measured by Kantar).

LFL sales growth (excluding fuel) was 0.8 per cent in the first quarter, impacted by annualising a strong performance last year which culminated in the Queen's Diamond Jubilee. Quarter two delivered stronger LFL sales growth of 2.0 per cent, despite annualising the Olympics and Paralympics, in part driven by the warm weather over the summer. The contribution from net new space (excluding extensions and replacements) of 2.6 per cent was in line with Sainsbury's expectations.

The convenience business grew sales by over 20 per cent to nearly £1 billion in the half, driven by strong LFL performance and new space. Groceries online grew by over 15 per cent year-on-year and now turns over £1 billion in annualised sales. Sainsbury's non-food offer continued to be challenged by the tough economic backdrop yet delivered growth ahead of the market and twice that of the food business. This growth was driven by range development and the re-launch of *Tu*, as well as investments in extensions and new space.

Sales growth (including VAT, excluding fuel)

	28 weeks to 28 September 2013 %	28 weeks to 29 September 2012 %	52 weeks to 16 March 2013 %
Like-for-like sales[1]	**1.4**	1.7	1.8
Net new space (excluding extensions and replacements)	**2.6**	2.4	2.5
Total sales growth	**4.0**	4.1	4.3

1 This includes a 0.3 per cent contribution from stores extended in the first half of 2013/14 and the second half of 2012/13, net of disruption (2012/13: 0.8 per cent extensions contribution).

Sainsbury's added gross selling space of 393,000 sq ft (including replacements and extensions) in the half-year, an increase of 1.8 per cent (2012/13: 351,000 sq ft and 1.7 per cent). Including the impact of closures, this translated into net space growth of 389,000 sq ft, an increase of 1.8 per cent since the start of the year (2012/13: 321,000 sq ft and 1.6 per cent).

The first half opening programme included six new supermarkets, (2012/13: five supermarkets, of which one was a replacement), which generated an additional 217,000 sq ft of gross selling space. There were eight supermarket refurbishments and two extensions in the first half, adding 60,000 sq ft of selling space (2012/13: 14 refurbishments and three extensions added 68,000 sq ft).

There was continued growth in the convenience estate, with 50 stores added during the half-year (2012/13: 49 stores) in line with our target of opening around two new convenience stores per week. Two stores were closed (2012/13: two stores closed) and 22 refurbished (2012/13: 12 stores refurbished), with net convenience space growth of 112,000 sq ft during the first half of the year, an increase of 9.3 per cent (2012/13: 101,000 sq ft and 9.8 per cent).

Net of replacements, closures and disposals, closing space of 21,654,000 sq ft was 4.8 per cent higher than last year (29 September 2012: 20,668,000 sq ft).

Store numbers and retailing space

28 weeks to 28 September 2013	**Supermarkets**		**Convenience**		**Total**	
	Number	Area 000 sq ft	Number	Area 000 sq ft	**Number**	**Area 000 sq ft**
At 16 March 2013	583	20,056	523	1,209	**1,106**	**21,265**
New stores	6	217	50	116	**56**	**333**
Disposals/closures	-	-	(2)	(4)	**(2)**	**(4)**
Extensions/refurbishments/downsizes	-	60	-	-	**-**	**60**
At 28 September 2013	**589**	**20,333**	**571**	**1,321**	**1,160**	**21,654**
Memorandum:						
Extensions	2	42	-	-	**2**	**42**
Refurbishments/downsizes	8	18	22	-	**30**	**18**
Total projects	**10**	**60**	**22**	-	**32**	**60**

In 2013/14, Sainsbury's expects LFL sales to be between 1.0 per cent and 1.5 per cent. Contribution from new space (excluding extensions and replacements) is expected to be similar to 2012/13 at around 2.5 per cent. We expect LFL sales growth to be lower in the second half compared to the first given the tougher comparables.

In 2013/14, Sainsbury's expects gross space growth of circa one million sq ft with around two new convenience store openings per week.

Underlying operating profit
Underlying operating profit increased by 6.5 per cent to £440 million (2012/13: £413 million), reflecting a good sales performance with cost savings helping to offset most of the impact of cost inflation.

Underlying operating margin improved by seven basis points year-on-year to 3.47 per cent (2012/13: 3.40 per cent), which was a six basis point improvement at constant fuel prices. Underlying EBITDAR margin increased by 19 basis points to 7.85 per cent, an 18 basis point improvement at constant fuel prices.

In 2013/14, Sainsbury's expects mid-single digit basis point growth in operating margin year-on-year.

Underlying operating profit

	28 weeks to 28 September 2013	28 weeks to 29 September 2012[5]	Change	Change at constant fuel prices	52 weeks to 16 March 2013[5]
Underlying operating profit (£m)[1]	**440**	413	6.5%		831
Underlying operating margin (%)[2]	**3.47**	3.40	*7 bps*	*6 bps*	3.57
Underlying EBITDAR (£m)[3]	**996**	931	7.0%		1,826
Underlying EBITDAR margin (%)[4]	**7.85**	7.66	*19 bps*	*18 bps*	7.84

1 Underlying earnings before interest, tax, and before Sainsbury's underlying 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.
5 The prior year financial information has been adjusted to reflect changes as a result of IAS 19 Revised.

In the second half, Sainsbury's expects cost inflation of around 2.5 per cent similar to the first half of 2013/14 and cost savings of around £100 million in the full-year.

Sainsbury's Bank joint venture ('JV')
Sainsbury's underlying share of Sainsbury's Bank post-tax profit was £12 million for the half-year in line with last year (2012/13: £12 million). The Bank has maintained profitability levels despite an extremely competitive marketplace, a low interest rate environment and some double running costs as it starts to transition to a new, more flexible, banking platform.

Sainsbury's announced its intention to purchase the remaining 50 per cent of Sainsbury's Bank on 8 May 2013, with expected completion in January 2014, which remains on track. It will continue to be accounted for as a JV to 31 January 2014 and will be consolidated for four weeks to February 2014.

In 2013/14, Sainsbury's Bank is expected to make a similar profit to 2012/13 (46 weeks to 31 January 2014 accounted for as a JV, and thereafter fully consolidated).

Property and Other joint ventures ('JV')
Sainsbury's underlying share of post-tax profit from its JV with British Land was £7 million for the half-year (2012/13: £7 million). Its underlying share of post-tax profits from the JV with Land Securities for the half-year was £1 million (2012/13: £1 million).

A surplus on revaluation of £1 million was recognised within the share of post-tax profit from the JVs in the income statement (2012/13: £1 million loss), with average property yields for the JVs remaining unchanged from the year-end at 5.1 per cent, 0.1 percentage points higher than the prior half-year (2012/13: 5.0 per cent).

Two JVs were set-up post half-year 2012/13, *Mobile by Sainsbury's* and I^2C, which recognised a net loss of £2 million driven by initial start-up costs.

Sainsbury's expects the Property JVs to deliver a similar level of profit in the second half of 2013/14.

Underlying net finance costs

Underlying net finance costs decreased by £1 million year-on-year to £58 million (2012/13: £59 million), driven by a decrease in the RPI rate which reduced the interest on Sainsbury's inflation-linked debt[1], partly offset by a reduction in capitalised interest, driven by a slow down in new space added.

Underlying net finance costs	**28 weeks to 28 September 2013 £m**	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Underlying finance income[2]	**10**	10	19
Interest costs	**(83)**	(89)	(162)
Capitalised interest	**15**	20	32
Underlying finance costs[2]	**(68)**	(69)	(130)
Underlying net finance costs[2]	**(58)**	(59)	(111)

1 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.
2 Finance income/costs before financing fair value movements and the IAS 19 Revised pension financing charge.

Sainsbury's expects underlying net finance costs for 2013/14 to remain broadly flat year-on-year, principally due to the effect of a decrease in the RPI rate on the component of the Group's inflation-linked debt, partly offset by the higher forecast average net debt balance.

One-off items

A credit to one-off items of £36 million for the half-year (2012/13: £3 million charge) includes: the impact of a past service credit net of compensation payments of £158 million as a result of the closure of Sainsbury's defined benefit pension scheme to future accrual; an impairment of £92 million to write-down the value of certain sites where the Group no longer intends to build a supermarket to their recoverable amount; costs of £17 million in relation to the ongoing purchase of the remaining 50 per cent of Sainsbury's Bank; and other one-off costs of £13 million mainly as a result of a provision for a commercial item, for which we intend to defend our position.

Accounting for VAT on the redemption of Nectar points in store by customers has been the subject of a legal case between HM Revenue and Customs ('HMRC') and Aimia, the company who administer the Nectar scheme, for several years. A Supreme Court ruling in June 2013 ruled in favour of Aimia, thereby potentially enabling Sainsbury's to recover historic VAT payments it has made in relation to Nectar redemptions. We are currently working with HMRC to establish the amount and timing of any recovery, and therefore no accounting entries have been made.

One-off items	**28 weeks to 28 September 2013 £m**	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Pension past service credit	**158**	-	-
Land impairment	**(92)**	-	-
Sainsbury's Bank costs	**(17)**	-	(20)
Reversal of indemnity provision	**-**	-	16
Other	**(13)**	(3)	(5)
Total one-off items	**36**	(3)	(9)

Transition payments in relation to the closure of the Sainsbury's defined benefit scheme are expected to be £11 million in the second half. Sainsbury's Bank costs for transitioning to a new, more flexible banking platform are expected to be around £25 million in the second half. In addition, the transaction to purchase the remaining 50 per cent of Sainsbury's Bank on 31 January 2014 will generate transaction and acquisition accounting costs that will be shown within one-off items.

Taxation

The income tax charge was £93 million (2012/13: £86 million), with an underlying tax rate of 21.5 per cent (2012/13: 23.5 per cent) and an effective tax rate of 21.5 per cent (2012/13: 21.7 per cent). The underlying and effective tax rates were lower than last year as a result of the one per cent lower statutory corporation tax rate and the impact of this and further reductions in the future statutory rate on the revaluation of the deferred tax balances.

Underlying tax rate 28 weeks to 28 September 2013	**Profit £m**	**Tax £m**	**Rate %**
Profit before tax, and tax thereon	433	93	21.5
Adjustments (and tax thereon) for:			
Profit on disposal of properties	(18)	1	
Investment property fair value movements	(1)	-	
Financing fair value movements	3	-	
IAS 19 Revised financing charge	14	4	
Defined benefit pension scheme expenses	5	1	
One-off items	(36)	(24)	
Deferred tax rate change	-	11	
Underlying profit before tax, and tax thereon	**400**	**86**	**21.5**

In 2013/14, Sainsbury's expects the underlying tax rate to be between 21 and 22 per cent, lower than 2012/13, due to the impact of the reduction in the statutory corporation tax rate.

Earnings per share

Underlying basic earnings per share increased by 9.2 per cent to 16.6 pence in the first half of 2013/14 (2012/13: 15.2 pence), reflecting the improvement in underlying profit before tax and the lower underlying tax rate year-on-year, partially offset by the effect of the additional shares issued during the year.

The weighted average number of shares in issue was 1,894.4 million (2012/13: 1,880.4 million), an increase of 14.0 million shares year-on-year or 0.7 per cent.

Basic earnings per share increased to 17.9 pence (2012/13: 16.5 pence). Basic earnings per share were higher than the underlying basic earnings per share mainly due to the profit on disposal of properties and one-off items.

Underlying earnings per share	**28 weeks to 28 September 2013 pence per share**	28 weeks to 29 September 2012 pence per share[1]
Basic earnings per share	**17.9**	16.5
Adjustments (net of tax) for:		
Profit on disposal of properties	**(1.0)**	(2.6)
Investment property fair value movements	**(0.1)**	0.1
Financing fair value movements	**0.2**	0.5
IAS 19 Revised financing charge	**0.5**	0.4
Defined benefit pension scheme expenses	**0.2**	0.2
One-off items	**(0.6)**	0.2
Deferred tax rate change	**(0.5)**	(0.1)
Underlying basic earnings per share	**16.6**	15.2

1 The prior year financial information has been adjusted to reflect changes as a result of IAS 19 Revised.

Dividends
The Board has recommended an interim dividend of 5.0 pence per share (2012/13: 4.8 pence), equivalent to 30 per cent of the previous full-year dividend. This will be paid on 3 January 2014 to shareholders on the Register of Members at the close of business on 22 November 2013. The interim dividend was approved by the Board on 12 November 2013 and, as such, has not been included as a liability as at 28 September 2013.

Sainsbury's remains focused on delivering returns to shareholders. As announced in the 2011/12 Preliminary Results, the Board plans to increase the dividend each year and intends to build cover to two times over the medium term.

Return on capital employed
The return on capital employed ('ROCE') over the 52 weeks to 28 September 2013 was 11.4 per cent (2012/13: 10.8 per cent), an increase of 57 basis points year-on-year, enhanced by the increase in the net pension deficit, which reduces capital employed.

ROCE excluding the net pension deficit, over the 52 weeks to 28 September 2013 was 10.5 per cent, a year-on-year increase of 19 basis points (2012/13: 10.3 per cent). ROCE accretion was due to both improvements in underlying operating profit and slower growth in capital employed, driven by the property pipeline review which resulted in an impairment of £92 million and the phasing of capital expenditure being weighted to the second half of 2013/14.

Return on capital employed	**52 weeks to 28 September 2013**	52 weeks to 29 September 2012[2]	52 weeks to 16 March 2013[2]
Underlying operating profit (£m)	**858**	807	831
Underlying share of post-tax profit from JVs (£m)	**36**	37	38
Underlying profit before interest and tax (£m)	**894**	844	869
Average capital employed[1] (£m)	**7,865**	7,813	7,851
Return on capital employed (%)	**11.4**	10.8	11.1
Return on capital employed (%) (excluding pension fund deficit)	**10.5**	10.3	10.4
52 week ROCE movement to 28 September 2013	**57 bps**		
52 week ROCE movement to 28 September 2013 (excluding pension fund deficit)	**19 bps**		
ROCE movement since 52 weeks to 16 March 2013	**30 bps**		
ROCE movement since 52 weeks to 16 March 2013 (excluding pension fund deficit)	**9 bps**		

1 Average of opening and closing net assets before net debt.
2 The prior year financial information has been adjusted to reflect changes as a result of IAS 19 Revised.

Net debt and cash flows

Sainsbury's net debt as at 28 September 2013 increased by £8 million year-on-year to £2,187 million (29 September 2012: £2,179 million) and by £25 million since 16 March 2013. The small increase year-on-year was driven by continued investment in estate development and the payment of dividends offset by cash generated from operations and sale and leasebacks.

Cash generated from operations improved by 9.1 per cent to £695 million (2012/13: £637 million, 15.2 per cent). Working capital increased by £2 million from 16 March 2013, driven by an increase in inventories of £65 million and trade and other receivables of £85 million, partly offset by an increase in trade and other payables and provisions of £148 million.

Summary cash flow statement	**28 weeks to 28 September 2013 £m**	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Operating cash flow before changes in working capital	**697**	684	1,294
Increase in working capital	**(2)**	(47)	(26)
Cash generated from operations	**695**	637	1,268
Interest paid	**(74)**	(79)	(143)
Corporation tax paid	**(55)**	(28)	(144)
Net cash from operating activities	**566**	530	981
Net cash used in investing activities	**(323)**	(476)	(862)
Proceeds from issue of shares	**5**	4	17
Receipt of new debt	**150**	75	75
Repayment of borrowings	**(80)**	(105)	(138)
Dividends paid	**(225)**	(218)	(308)
Increase/(decrease) in cash and cash equivalents	**93**	(190)	(235)
(Increase)/decrease in debt	**(77)**	20	36
Fair value and other non-cash movements	**(41)**	(29)	17
Movement in net debt	**(25)**	(199)	(182)

Sainsbury's expects net debt to be around £2.3 billion at the end of 2013/14 excluding the consideration to be paid for the Bank. Including the purchase of Sainsbury's Bank, net debt is expected to increase to £2.5 billion. Consistent with this guidance, future net debt guidance will exclude the consolidation of balances attributable to Sainsbury's Bank.

Financing

The Group's key financing objectives are to diversify funding sources, to minimise refinancing risk and maintain appropriate standby liquidity. Sainsbury's has drawn debt facilities of £2.8 billion and undrawn credit facilities of £0.8 billion.

The principal elements of Sainsbury's core funding comprises two long-term secured loans of £965 million due 2018 and £836 million due 2031, unsecured loans totalling £588 million with maturities ranging from 2014 to 2018, a £190 million convertible bond due July 2014 and £197 million of hire purchase facilities and other finance leases.

For standby purposes Sainsbury's maintains a £690 million syndicated revolving credit facility due October 2015 with £nil drawings as at 28 September 2013 (29 September 2012: £nil drawings). In July 2013, Sainsbury's entered into a £200 million bilateral loan facility due July 2014 under which £100 million was drawn and £100 million was undrawn as at 28 September 2013.

Capital expenditure
Core capital expenditure decreased by £127 million in the first half of 2013/14 to £449 million (2012/13: £576 million). This included a reduction in the value of land purchases and expenditure on future new stores.

Supermarket openings increased in the half-year with six supermarkets (2012/13: five supermarkets). Expenditure on extensions was lower following a reduction in extensions in the half-year with only two extensions (2012/13: three extensions). Sainsbury's also completed 30 refurbishments (2012/13: 26 refurbishments), including eight supermarkets (2012/13: 14 supermarkets) and 22 convenience stores (2012/13: 12 convenience stores).

Core capital expenditure as a percentage of sales (including fuel, including VAT) was 3.2 per cent (2012/13: 4.3 per cent).

Sainsbury's took advantage of continued good property yields in the half-year to achieve £122 million in property disposal proceeds (2012/13: £131 million), which contributed to a total profit on disposal of properties of £18 million (2012/13: £48 million). Net capital expenditure was £332 million (2012/13: £487 million).

Capital expenditure	**28 weeks to 28 September 2013 £m**	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
New store development	**234**	312	593
Extensions and refurbishments	**140**	202	271
Other – including supply chain and IT	**75**	62	176
Core capital expenditure	**449**	576	1,040
Acquisition of freehold and trading properties	**5**	42	37
Proceeds from property transactions	**(122)**	(131)	(202)
Net capital expenditure	**332**	487	875

In 2013/14, Sainsbury's expects core capital expenditure of around £1.1 billion, before any capital investment associated with Sainsbury's Bank, with core capital expenditure as a percentage of sales (including fuel, including VAT) to be similar to 2012/13. In the medium term, the Group expects core capital expenditure as a percentage of sales (including fuel, including VAT) to fall to below 3.5 per cent.

Summary balance sheet
Shareholders' funds as at 28 September 2013 were £5,762 million (16 March 2013: £5,838 million), a decrease of £76 million. This is mainly attributable to the increase in the retirement benefit obligation (net of deferred tax) of £74 million.

The book value of property, plant and equipment, including land and buildings, has decreased by £14 million since the start of the year, as increased investment in space to support future growth has been more than offset by depreciation, sale and leasebacks and a £92 million write-down to the value of certain sites where the Group no longer intends to build a supermarket.

Net debt was £25 million higher than at 16 March 2013 (2012/13: £199 million higher than at 17 March 2012), due to investment in space growth offset by the continued profitable growth of the underlying business.

Adjusted net debt to EBITDAR was in line with last half-year at 4.1 times (2012/13: 4.1 times) and interest cover improved to 7.9 times (2012/13: 7.3 times). Fixed charge cover was in line with the first half of 2012/13 at 3.0 times (2012/13: 3.0 times). Gearing decreased year-on-year to 38.0 per cent (2012/13: 38.9 per cent) as a result of stable net debt and an increase in net assets. Excluding the pension deficit, gearing reduced to 34.1 per cent (2012/13: 35.2 per cent).

Summary balance sheet

	28 September 2013 £m	Movement since 16 March 2013 £m	29 September 2012[6] £m	16 March 2013[6] £m
Land and buildings (freehold and long leasehold)	**7,176**	20	7,121	7,156
Land and buildings (short leasehold)	**702**	27	651	675
Fixtures and fittings	**1,912**	(61)	1,858	1,973
Property, plant and equipment	**9,790**	(14)	9,630	9,804
Other non-current assets	**958**	49	909	909
Inventories	**1,051**	64	1,016	987
Trade and other receivables	**381**	75	421	306
Cash and cash equivalents	**603**	86	551	517
Debt	**(2,790)**	(111)	(2,730)	(2,679)
Net debt	**(2,187)**	(25)	(2,179)	(2,162)
Trade and other payables and provisions	**(3,573)**	(151)	(3,598)	(3,422)
Retirement benefit obligations, net of deferred tax	**(658)**	(74)	(597)	(584)
Net assets	**5,762**	(76)	5,602	5,838
Key financial ratios:				
Adjusted net debt to EBITDAR[1]	**4.1 times**		4.1 times	4.1 times
Interest cover[2]	**7.9 times**		7.3 times	7.8 times
Fixed charge cover[3]	**3.0 times**		3.0 times	3.1 times
Gearing[4]	**38.0%**		38.9%	37.0%
Gearing (excluding pension deficit)[5]	**34.1%**		35.2%	33.7%

1 Net debt plus capitalised lease obligations (5.5 per cent discount rate) divided by underlying EBITDAR, calculated on a rolling 52 week basis.
2 Underlying profit before interest and tax divided by underlying net finance costs, calculated for a 28 week period at half-year, and 52 week period at year-end.
3 Underlying EBITDAR divided by net rent and underlying net finance costs**,** calculated for a 28 week period at half-year, and 52 week period at year-end.
4 Net debt divided by net assets.
5 Net debt divided by net assets, excluding the pension deficit.
6 The prior year financial information has been adjusted to reflect changes as a result of IAS 19 Revised.

As at 28 September 2013, Sainsbury's estimated market value of properties, including our 50 per cent share of properties held within property JVs, was £11.8 billion (16 March 2013: £11.5 billion). The £0.3 billion increase since the start of the year, was driven by a £0.5 billion increase due to a 23 basis point improvement in the yield to 4.7 per cent (16 March 2013: 4.9 per cent), partly offset by property disposal proceeds of £0.1 billion and the £0.1 billion impairment resulting from the review of our property pipeline.

Defined benefit pensions

As a result of the amendments made under IAS 19 Revised, the Group has restated prior year financial information in accordance with the revised standard. Application of the revised standard has resulted in an increase to underlying profit of £1 million and an additional charge of £13 million outside of underlying profit during the 28 weeks to 28 September 2013. Net assets increased by £104 million for the restated opening period at 17 March 2013 as a result of the removal of the expense reserve from the pension liability.

Retirement benefit obligations

	28 September 2013 £m	29 September 2012[1] £m	16 March 2013[1] £m
Present value of funded obligations	**(6,580)**	(5,977)	(6,460)
Fair value of plan assets	**5,884**	5,343	5,841
Pension deficit	**(696)**	(634)	(619)
Present value of unfunded obligations	**(13)**	(10)	(13)
Retirement benefit obligations	**(709)**	(644)	(632)
Deferred income tax asset	**51**	47	48
Net retirement benefit obligations	**(658)**	(597)	(584)

1 The prior year financial information has been adjusted to reflect changes as a result of IAS 19 Revised.

Following a comprehensive consultation, we announced the closure of Sainsbury's defined benefit ('DB') pension scheme to future accrual from 28 September 2013. This plan amendment generates a past service credit of £172 million, offset by £14 million of enhanced early retirement costs. Additional transitional contributions of £28 million will be made to active members' defined contribution ('DC') plans over a 64 week period commencing from 29 September 2013, with these costs recognised in one-off items.

As at 28 September 2013, the post-tax pension deficit was £74 million higher than year-end at £658 million (16 March 2013: £584 million). The one-off credit as a result of the closure of the scheme to future accrual reduced the deficit by £158 million, however this was more than offset by a 0.1 per cent fall in the real discount rate that increased the liability by £194 million and the interest cost on scheme liabilities outweighing a 1.3 per cent increase in the value of plan assets.

The DB pension scheme was subject to a triennial valuation at March 2012 by Towers Watson, the scheme's independent actuaries. On the basis of the assumptions agreed, the actuarial deficit at 17 March 2012 was £592 million, a decrease of £635 million from the March 2009 deficit of £1,227 million, mainly as a result of the scheme's interest in a Property Partnership of over £500 million. As a result, the Company will continue with the Recovery Plan that was agreed with the Group after the valuation as at March 2009. This incorporates a £49 million annual cash contribution towards the deficit.

The DB service cost included within UPBT for the 28 weeks to 28 September 2013 was £34 million (2012/13: £33 million).

Sainsbury's will not incur a DB service cost post closure of the DB scheme to future accrual. Contributions to the DB scheme will be replaced by contributions to the DC schemes.

Group income statement (unaudited)
for the 28 weeks to 28 September 2013

	Note	28 weeks to 28 September 2013 £m	Restated 28 weeks to 29 September 2012 £m	Restated 52 weeks to 16 March 2013 £m
Revenue	4	**12,684**	12,160	23,303
Cost of sales		**(11,974)**	(11,512)	(22,026)
Gross profit		**710**	648	1,277
Administrative expenses		**(239)**	(241)	(462)
Other income		**18**	49	67
Operating profit		**489**	456	882
Finance income	5	**10**	10	19
Finance costs	5	**(84)**	(86)	(153)
Share of post-tax profit from joint ventures		**18**	17	24
Profit before tax	4	**433**	397	772
Analysed as:				
Underlying profit before tax	4	**400**	374	758
Profit on disposal of properties	3	**18**	48	66
Investment property fair value movements	3	**1**	(1)	(10)
Financing fair value movements	3	**(3)**	(11)	(10)
IAS 19 Revised pension financing charge	3	**(14)**	(7)	(16)
Defined benefit pension scheme expenses	3	**(5)**	(3)	(7)
One-off items	3	**36**	(3)	(9)
		433	397	772
Income tax expense	6	**(93)**	(86)	(170)
Profit for the financial period		**340**	311	602
Attributable to:				
Owners of the parent		**340**	311	602
Non-controlling interests		-	-	-
		340	311	602

Earnings per share	7	**pence**	pence	pence
Basic		**17.9**	16.5	32.0
Diluted		**17.6**	16.4	31.5
Underlying basic		**16.6**	15.2	30.8
Underlying diluted		**16.3**	15.1	30.3

Certain amounts here have been restated and do not correspond to the interim condensed consolidated financial statements as at 29 September 2012 and the annual report as at 16 March 2013. These reflect adjustments made as a result of IAS 19 Revised as detailed in Note 2.

The notes on pages 25 to 39 form an integral part of these Condensed Consolidated Interim Financial Statements.

Group statement of comprehensive income (unaudited)
for the 28 weeks to 28 September 2013

	28 weeks to 28 September 2013 £m	Restated 28 weeks to 29 September 2012 £m	Restated 52 weeks to 16 March 2013 £m
Profit for the period	**340**	311	602
Items that will not be reclassified subsequently to the income statement:			
Remeasurement on defined benefit pension schemes	**(229)**	(297)	(339)
Current tax relating to items not reclassified	**19**	13	23
Deferred tax relating to items not reclassified	**8**	58	53
	(202)	(226)	(263)
Items that may be reclassified subsequently to the income statement:			
Currency translation differences	**(1)**	-	1
Available-for-sale financial assets fair value movements:			
Group	**22**	4	11
Joint ventures	**-**	2	2
Cash flow hedges effective portion of fair value movements:			
Group	**(36)**	(14)	17
Joint ventures	**1**	-	1
Current tax relating to items that may be reclassified	**-**	-	1
Deferred tax relating to items that may be reclassified	**1**	2	1
	(13)	(6)	34
Total other comprehensive expense for the period (net of tax)	**(215)**	(232)	(229)
Total comprehensive income for the period	**125**	79	373
Attributable to:			
Owners of the parent	**125**	79	373
Non-controlling interests	**-**	-	-
	125	79	373

Certain amounts here have been restated and do not correspond to the interim condensed consolidated financial statements as at 29 September 2012 and the annual report as at 16 March 2013. These reflect adjustments made as a result of IAS 19 Revised as detailed in Note 2.

The notes on pages 25 to 39 form an integral part of these Condensed Consolidated Interim Financial Statements.

Group balance sheet (unaudited)
at 28 September 2013

	Note	**28 September 2013 £m**	Restated 29 September 2012 £m	Restated 16 March 2013 £m
Non-current assets				
Property, plant and equipment		**9,790**	9,630	9,804
Intangible assets		**175**	159	171
Investments in joint ventures		**557**	561	532
Available-for-sale financial assets	11	**211**	183	189
Other receivables		**50**	37	38
Derivative financial instruments	11	**33**	40	47
		10,816	10,610	10,781
Current assets				
Inventories		**1,051**	1,016	987
Trade and other receivables		**381**	421	306
Derivative financial instruments	11	**57**	78	91
Cash and cash equivalents	9b	**603**	551	517
		2,092	2,066	1,901
Non-current assets held for sale		**-**	-	13
		2,092	2,066	1,914
Total assets		**12,908**	12,676	12,695
Current liabilities				
Trade and other payables		**(2,869)**	(2,842)	(2,726)
Borrowings		**(481)**	(132)	(165)
Derivative financial instruments	11	**(65)**	(91)	(65)
Taxes payable		**(153)**	(211)	(148)
Provisions		**(9)**	(13)	(11)
		(3,577)	(3,289)	(3,115)
Net current liabilities		**(1,485)**	(1,223)	(1,201)
Non-current liabilities				
Other payables		**(190)**	(171)	(173)
Borrowings		**(2,354)**	(2,644)	(2,617)
Derivative financial instruments	11	**(15)**	(12)	(4)
Deferred income tax liability		**(263)**	(255)	(277)
Provisions		**(38)**	(59)	(39)
Retirement benefit obligations	12	**(709)**	(644)	(632)
		(3,569)	(3,785)	(3,742)
Net assets		**5,762**	5,602	5,838
Equity				
Called up share capital		**543**	539	541
Share premium account		**1,079**	1,064	1,075
Capital redemption reserve		**680**	680	680
Other reserves		**123**	102	140
Retained earnings		**3,336**	3,216	3,401
Equity attributable to owners of the parent		**5,761**	5,601	5,837
Non-controlling interests		**1**	1	1
Total equity		**5,762**	5,602	5,838

Certain amounts here have been restated and do not correspond to the interim condensed consolidated financial statements as at 29 September 2012 and the annual report as at 16 March 2013. These reflect adjustments made as a result of IAS 19 Revised as detailed in Note 2.

The notes on pages 25 to 39 form an integral part of these Condensed Consolidated Interim Financial Statements.

Group cash flow statement (unaudited)
for the 28 weeks to 28 September 2013

	Note	**28 weeks to 28 September 2013 £m**	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Cash flows from operating activities				
Cash generated from operations	9a	**695**	637	1,268
Interest paid		**(74)**	(79)	(143)
Corporation tax paid		**(55)**	(28)	(144)
Net cash inflow from operating activities		**566**	530	981
Cash flows from investing activities				
Purchase of property, plant and equipment		**(457)**	(609)	(1,067)
Purchase of intangible assets		**(12)**	(8)	(26)
Proceeds from disposal of property, plant and equipment		**143**	132	205
Acquisition of and investment in subsidiaries net of cash acquired		**-**	(21)	(21)
Increase in loans to joint ventures		**(2)**	(4)	(5)
Investment in joint ventures		**(4)**	-	(1)
Proceeds from repayment of loan to joint venture		**-**	-	16
Interest received		**9**	10	19
Dividends received		**-**	24	18
Net cash outflow from investing activities		**(323)**	(476)	(862)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		**5**	4	17
Proceeds from short-term borrowings		**100**	-	-
Repayment of short-term borrowings		**-**	(50)	(50)
Proceeds from long-term borrowings		**50**	75	75
Repayment of long-term borrowings		**(63)**	(40)	(61)
Repayment of capital element of obligations under finance lease payments		**(13)**	(11)	(20)
Interest elements of obligations under finance lease payments		**(4)**	(4)	(7)
Dividends paid		**(225)**	(218)	(308)
Net cash outflow from financing activities		**(150)**	(244)	(354)
Net increase/(decrease) in cash and cash equivalents		**93**	(190)	(235)
Opening cash and cash equivalents		**504**	739	739
Closing cash and cash equivalents	9b	**597**	549	504

The notes on pages 25 to 39 form an integral part of these Condensed Consolidated Interim Financial Statements.

Group statement of changes in equity (unaudited)

for the 28 weeks to 28 September 2013

	Called up share capital £m	Share premium account £m	Capital redemption and other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 17 March 2013 Restated	**541**	**1,075**	**820**	**3,401**	**5,837**	**1**	**5,838**
Profit for the period	**-**	**-**	**-**	**340**	**340**	**-**	**340**
Other comprehensive (expense)/income:							
Currency translation differences	**-**	**-**	**(1)**	**-**	**(1)**	**-**	**(1)**
Remeasurements on defined benefit pension schemes (net of tax)	**-**	**-**	**-**	**(202)**	**(202)**	**-**	**(202)**
Available-for-sale financial assets fair value movements (net of tax):							
Group	**-**	**-**	**23**	**-**	**23**	**-**	**23**
Cash flow hedges effective portion of changes in fair value (net of tax):							
Group	**-**	**-**	**(36)**	**-**	**(36)**	**-**	**(36)**
Joint ventures	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Total comprehensive (expense)/income for the period ended 28 September 2013	**-**	**-**	**(13)**	**138**	**125**	**-**	**125**
Transactions with owners:							
Dividends paid	**-**	**-**	**-**	**(225)**	**(225)**	**-**	**(225)**
Amortisation of convertible bond equity component	**-**	**-**	**(4)**	**3**	**(1)**	**-**	**(1)**
Share-based payment (net of tax)	**-**	**-**	**-**	**20**	**20**	**-**	**20**
Allotted in respect of share option schemes	**2**	**4**	**-**	**(1)**	**5**	**-**	**5**
At 28 September 2013	**543**	**1,079**	**803**	**3,336**	**5,761**	**1**	**5,762**

At 18 March 2012	538	1,061	315	3,715	5,629	-	5,629
IAS 19 Revised restatement	-	-	476	(384)	92	-	92
At 18 March 2012 Restated	538	1,061	791	3,331	5,721	-	5,721
Profit for the period	-	-	-	311	311	-	311
Other comprehensive (expense)/income:							
Remeasurements on defined benefit pension schemes (net of tax)	-	-	-	(226)	(226)	-	(226)
Available-for-sale financial assets fair value movements (net of tax):							
Group	-	-	6	-	6	-	6
Joint ventures	-	-	2	-	2	-	2
Cash flow hedges effective portion of changes in fair value (net of tax):							
Group	-	-	(14)	-	(14)	-	(14)
Total comprehensive (expense)/income for the period ended 29 September 2012	-	-	(6)	85	79	-	79
Transactions with owners:							
Dividends paid	-	-	-	(218)	(218)	-	(218)
Amortisation of convertible bond equity component	-	-	(3)	3	-	-	-
Share-based payment (net of tax)	-	-	-	16	16	-	16
Shares issued	-	-	-	-	-	1	1
Allotted in respect of share option schemes	1	3	-	(1)	3	-	3
At 29 September 2012 Restated	539	1,064	782	3,216	5,601	1	5,602

Certain amounts here have been restated and do not correspond to the interim condensed consolidated financial statements as at 29 September 2012 and the annual report as at 16 March 2013. These reflect adjustments made as a result of IAS 19 Revised as detailed in Note 2.

The notes on pages 25 to 39 form an integral part of these Condensed Consolidated Interim Financial Statements.

Group statement of changes in equity (continued) (unaudited)
for the 28 weeks to 28 September 2013

	Called up share capital £m	Share premium account £m	Capital redemption and other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 18 March 2012	538	1,061	315	3,715	5,629	-	5,629
IAS 19 Revised restatement	-	-	476	(384)	92	-	92
At 18 March 2012 Restated	538	1,061	791	3,331	5,721	-	5,721
Profit for the period	-	-	-	602	602	-	602
Other comprehensive income/(expense):							
Currency translation differences	-	-	1	-	1	-	1
Remeasurements on defined benefit pension schemes (net of tax)	-	-	-	(263)	(263)	-	(263)
Available-for-sale financial assets fair value movements (net of tax):							
Group	-	-	13	-	13	-	13
Joint ventures	-	-	2	-	2	-	2
Cash flow hedges effective portion of changes in fair value (net of tax):							
Group	-	-	17	-	17	-	17
Joint ventures	-	-	1	-	1	-	1
Total comprehensive income for the 52 weeks to 16 March 2013	-	-	34	339	373	-	373
Transactions with owners:							
Dividends paid	-	-	-	(308)	(308)	-	(308)
Amortisation of convertible bond equity component	-	-	(5)	5	-	-	-
Share-based payment (net of tax)	-	-	-	36	36	-	36
Shares issued	-	-	-	-	-	1	1
Shares vested	-	-	-	1	1	-	1
Allotted in respect of share option schemes	3	14	-	(3)	14	-	14
At 16 March 2013 Restated	541	1,075	820	3,401	5,837	1	5,838

Certain amounts here have been restated and do not correspond to the interim condensed consolidated financial statements as at 29 September 2012 and the annual report as at 16 March 2013. These reflect adjustments made as a result of IAS 19 Revised as detailed in Note 2.

The notes on pages 25 to 39 form an integral part of these Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

1 General information

J Sainsbury plc is a public limited company ('Company') incorporated in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 33 Holborn, London EC1N 2HT, United Kingdom.

The Condensed Consolidated Interim Financial Statements are unaudited but have been reviewed by the auditors whose report is set out on page 41. The financial information presented herein does not amount to full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements 2013 have been filed with the Registrar of Companies. The Independent Auditors' report on the Annual Report and Financial Statements 2013 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The financial period represents the 28 weeks to 28 September 2013 (prior financial period 28 weeks to 29 September 2012; prior financial year 52 weeks to 16 March 2013). The financial information comprises the results of the Company and its subsidiaries (the 'Group') and the Group's interests in joint ventures.

The Group's principal activities are grocery and related retailing.

2 Basis of preparation

The Interim Results, comprising the Condensed Consolidated Interim Financial Statements and the Interim Management Report, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The financial information contained in the Interim Results is presented in sterling, rounded to the nearest million (£m) unless otherwise stated.

The financial information contained in the Condensed Consolidated Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements 2013, which were prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The accounting policies have remained unchanged since the 52 weeks ended 16 March 2013 other than the adoption of IAS 19 Revised, IAS 1 amendments and IFRS 13.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 17 March 2013:

- Amendment to IAS 1, 'Presentation of financial statements', Presentation of items of other comprehensive income *
- Amendments to IAS 12 'Income Taxes', Deferred tax accounting for investment properties
- IAS 19 Revised, 'Employee benefits' *
- Amendment to IFRS 1, 'First-time adoption', Government loans *
- Amendment to IFRS 7 and IFRS 32, 'Financial instruments: Offsetting requirements and converged disclosures
- IFRS 13, 'Fair value measurement' *
- Annual Improvements 2011 *

* These standards and interpretations have been endorsed by the EU.

2 Basis of preparation (continued)

An amended version of IAS 19 'Employee Benefits' was issued in June 2011 ('IAS 19 Revised') and became effective for the Group's financial year ending 15 March 2014. Changes under the amended standard have been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in an adjustment of prior year financial information. Under the revised standard, the expected return on plan assets based on management's best estimate is replaced with interest income calculated at the liability discount rate. The defined benefit obligation no longer includes a reserve for scheme expenses; defined benefit pension scheme expenses are presented separately within the income statement and included within the Group's definition of adjusted items to arrive at underlying profit before tax as detailed in Note 3.

The change in accounting policy resulted in an increase to underlying profit of £1 million and an additional charge of £13 million outside of underlying profit during the 28 weeks to 28 September 2013. Net assets increased by £104 million for the restated opening period at 17 March 2013 as a result of removal of the expense reserve. The impact on prior periods is as follows:

	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Impact on the income statement:		
Increase in administrative expenses	(2)	(5)
Increase in finance costs	(6)	(11)
Decrease in profit before tax	**(8)**	**(16)**
(Increase)/decrease in tax charge	(1)	4
Decrease in profit after tax	**(9)**	**(12)**
Increase in underlying profit before tax	**1**	**2**
Impact on other comprehensive expense:		
Decrease in remeasurements on defined benefit pension schemes	14	27
Increase/(decrease) in tax credit on other comprehensive expense	3	(3)
Decrease in other comprehensive expense	**17**	**24**
Impact on the balance sheet		
Decrease in retirement benefit obligations	129	134
Increase in deferred income tax liability	(29)	(30)
Increase in net assets	**100**	**104**

IFRS 13 'Fair value measurement' has impacted the measurement criteria of fair value for certain assets and liabilities and also introduced new disclosures as set out in Note 11. No retrospective changes were required as a result of the adoption of the Standard.

The amendments to IAS 1 'Presentation of financial statements' require items of other comprehensive income and expense to be grouped into those items that will not be reclassified subsequently to the income statement and those items which may be reclassified in accordance with the respective IFRS standard to which they relate, including their associated income tax. This presentational amendment has been applied retrospectively to the Group statement of other comprehensive income and does not affect the Group's financial position.

The Group has concluded that the remaining above new standards, interpretations and amendments are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements, apart from additional disclosure.

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 IFRS 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 Revised;
- Defined benefit pension scheme expenses; 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:

	28 weeks to 28 September 2013 £m	Restated 28 weeks to 29 September 2012 £m	Restated 52 weeks to 16 March 2013 £m
Underlying profit before tax	**400**	374	758
Profit on disposal of properties[1]	**18**	48	66
Investment property fair value movements	**1**	(1)	(10)
Financing fair value movements[2]	**(3)**	(11)	(10)
IAS 19 Revised pension financing charge	**(14)**	(7)	(16)
Defined benefit pension scheme expenses	**(5)**	(3)	(7)
One-off items	**36**	(3)	(9)
Total adjustments	**33**	23	14
Profit before tax	**433**	397	772

1 Profit on disposal of properties for the 28 weeks to 28 September 2013 comprised £18 million for the Group (29 September 2012: £49 million) and £nil for the joint ventures (29 September 2012: £(1) million).
2 Financing fair value movements for the 28 weeks to 28 September 2013 comprised £(2) million for the Group (29 September 2012: £(10) million) and £(1) million for the joint ventures (29 September 2012: £(1) million).

One-off items

One-off items of £36 million for the 28 week period to 28 September 2013 include: the impact of a past service credit net of compensation payments of £158 million as a result of the closure of Sainsbury's defined benefit pension scheme to future accrual; an impairment of £92 million; costs of £17 million in relation to the ongoing purchase of the remaining 50 per cent of Sainsbury's Bank; and other one-off costs of £13 million mainly as a result of a provision for a commercial item, for which we intend to defend our position.

The impairment of £92 million has been recognised to write-down the value of certain sites where the Group no longer intends to build a supermarket following a review of the Group's property pipeline. The recoverable amount of these sites has been determined on a fair value less cost to sell basis.

4 Operating segments

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

- Retailing (Supermarkets and Convenience);
- Financial services (Sainsbury's Bank joint venture); and
- Property investment (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.

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.

28 weeks to 28 September 2013	**Retailing £m**	**Financial services £m**	**Property investment £m**	**Group £m**
Segment revenue	**12,684**	**-**	**-**	**12,684**
Underlying operating profit	**440**	**-**	**-**	**440**
Underlying finance income	**10**	**-**	**-**	**10**
Underlying finance costs	**(68)**	**-**	**-**	**(68)**
Underlying share of post-tax profit from joint ventures	**(2)**	**12**	**8**	**18**
Underlying profit before tax	**380**	**12**	**8**	**400**
Profit on disposal of properties	**18**	**-**	**-**	**18**
Investment property fair value movements	**-**	**-**	**1**	**1**
Financing fair value movements	**(2)**	**-**	**(1)**	**(3)**
IAS 19 Revised pension financing charge	**(14)**	**-**	**-**	**(14)**
Defined benefit pension scheme expenses	**(5)**	**-**	**-**	**(5)**
One-off items	**53**	**(17)**	**-**	**36**
Profit before tax	**430**	**(5)**	**8**	**433**
Income tax expense				**(93)**
Profit for the financial period				**340**
Assets	**12,351**	**-**	**-**	**12,351**
Investment in joint ventures	**3**	**171**	**383**	**557**
Segment assets	**12,354**	**171**	**383**	**12,908**
Segment liabilities	**(7,146)**	**-**	**-**	**(7,146)**

4 Operating segments (continued)

28 weeks to 29 September 2012 Restated	Retailing £m	Financial services £m	Property investment £m	Group £m
Segment revenue	12,160	-	-	12,160
Underlying operating profit	413	-	-	413
Underlying finance income	10	-	-	10
Underlying finance costs	(69)	-	-	(69)
Underlying share of post-tax profit from joint ventures	-	12	8	20
Underlying profit before tax	354	12	8	374
Profit on disposal of properties	49	-	(1)	48
Investment property fair value movements	-	-	(1)	(1)
Financing fair value movements	(10)	-	(1)	(11)
IAS 19 Revised pension financing charge	(7)	-	-	(7)
Defined benefit pension scheme expenses	(3)	-	-	(3)
One-off items	(3)	-	-	(3)
Profit before tax	380	12	5	397
Income tax expense				(86)
Profit for the financial period				311
Assets	12,115	-	-	12,115
Investment in joint ventures	-	148	413	561
Segment assets	12,115	148	413	12,676
Segment liabilities	(7,074)	-	-	(7,074)

52 weeks to 16 March 2013 Restated	Retailing £m	Financial services £m	Property investment £m	Group £m
Segment revenue	23,303	-	-	23,303
Underlying operating profit	831	-	-	831
Underlying finance income	19	-	-	19
Underlying finance costs	(130)	-	-	(130)
Underlying share of post-tax profit from joint ventures	-	22	16	38
Underlying profit before tax	720	22	16	758
Profit on disposal of properties	67	-	(1)	66
Investment property fair value movements	-	-	(10)	(10)
Financing fair value movements	(7)	-	(3)	(10)
IAS 19 Revised pension financing charge	(16)	-	-	(16)
Defined benefit pension scheme expenses	(7)	-	-	(7)
One-off items	11	(20)	-	(9)
Profit before tax	768	2	2	772
Income tax expense				(170)
Profit for the financial year				602
Assets	12,163	-	-	12,163
Investment in joint ventures	-	159	373	532
Segment assets	12,163	159	373	12,695
Segment liabilities	(6,857)	-	-	(6,857)

5 Finance income and finance costs

	28 weeks to 28 September 2013 £m	Restated 28 weeks to 29 September 2012 £m	Restated 52 weeks to 16 March 2013 £m
Interest on bank deposits and other financial assets	**10**	10	19
Finance income	**10**	10	19
Borrowing costs:			
Secured borrowings	**(49)**	(54)	(98)
Unsecured borrowings	**(29)**	(30)	(55)
Obligations under finance leases	**(4)**	(4)	(7)
Provisions – amortisation of discount	**(1)**	(1)	(2)
	(83)	(89)	(162)
Other finance costs:			
IAS 19 Revised pension financing charge	**(14)**	(7)	(16)
Interest capitalised – qualifying assets	**15**	20	32
Financing fair value losses[1]	**(2)**	(10)	(7)
	(1)	3	9
Finance costs	**(84)**	(86)	(153)

1 Financing fair value 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

	28 weeks to 28 September 2013	Restated 28 weeks to 29 September 2012	Restated 52 weeks to 16 March 2013
	£m	£m	£m
Current tax expense	**98**	87	153
Deferred tax (credit)/expense	**(5)**	(1)	17
Total income tax expense in income statement	**93**	86	170
Underlying tax rate	**21.5%**	23.5%	23.6%
Effective tax rate	**21.5%**	21.7%	22.0%

	£m	£m	£m
Income tax expense on underlying profit	**86**	88	179
Tax on items below:			
Profit on disposal of properties	**(1)**	-	11
Financing fair value movements	**-**	(1)	(2)
IAS 19 Revised pension financing charge	**(4)**	-	(4)
Defined benefit pension scheme expenses	**(1)**	-	(2)
One-off items	**24**	-	(1)
Revaluation of deferred tax balances	**(11)**	(1)	(11)
Total income tax expense in income statement	**93**	86	170

The current and deferred tax in relation to the Group's defined benefit pension scheme's remeasurements and available-for-sale fair value movements have been charged or credited through other comprehensive income.

In the March 2013 Budget statement, it was announced that the main rate of corporation tax would reduce from 23 per cent to 21 per cent from 1 April 2014, and to 20 per cent from 1 April 2015. Both of these changes were substantively enacted in July 2013 and hence the effect of the total 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 Revised pension financing element, defined benefit pension scheme expenses 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.

	28 weeks to 28 September 2013 million	Restated 28 weeks to 29 September 2012 million	Restated 52 weeks to 16 March 2013 million
Weighted average number of shares in issue	**1,894.4**	1,880.4	1,881.5
Weighted average number of dilutive share options	**24.1**	11.2	20.5
Weighted average number of dilutive convertible bonds	**46.0**	46.0	46.0
Total number of shares for calculating diluted earnings per share	**1,964.5**	1,937.6	1,948.0

	£m	£m	£m
Profit for the financial period	**340**	311	602
Add interest on convertible bonds, net of tax	**6**	6	11
Diluted earnings for calculating diluted earnings per share	**346**	317	613

	£m	£m	£m
Profit for the financial period attributable to equity holders of the parent	**340**	311	602
(Less)/add (net of tax):			
Profit on disposal of properties	**(19)**	(48)	(55)
Investment property fair value movements	**(1)**	1	10
Financing fair value movements	**3**	10	8
IAS 19 Revised pension financing charge	**10**	7	12
Defined benefit pension scheme expenses	**4**	3	5
One-off items	**(12)**	3	8
Revaluation of deferred tax balances	**(11)**	(1)	(11)
Underlying profit after tax	**314**	286	579
Add interest on convertible bonds, net of tax	**6**	6	11
Diluted underlying profit after tax	**320**	292	590

	pence per share	Restated pence per share	Restated pence per share
Basic earnings	**17.9**	16.5	32.0
Diluted earnings	**17.6**	16.4	31.5
Underlying basic earnings	**16.6**	15.2	30.8
Underlying diluted earnings	**16.3**	15.1	30.3

8 Dividend

	28 weeks to 28 September 2013	28 weeks to 29 September 2012	52 weeks to 16 March 2013
Amounts recognised as distributions to equity holders in the period:			
Dividend per share (pence)	**11.9**	11.6	16.4
Total dividend charge (£m)	**225**	218	308

Post the half-year, an interim dividend of 5.0 pence per share (29 September 2012: 4.8 pence per share) has been approved by the Board of Directors for the financial year ending 15 March 2014, resulting in a total interim dividend of £95 million (29 September 2012: £90 million). The interim dividend was approved by the Board on 12 November 2013 and as such has not been included as a liability at 28 September 2013.

9 Notes to the cash flow statement
(a) Reconciliation of operating profit to cash generated from operations

	28 weeks to 28 September 2013 £m	Restated 28 weeks to 29 September 2012 £m	Restated 52 weeks to 16 March 2013 £m
Profit before tax	**433**	397	772
Net finance costs	**74**	76	134
Share of post-tax profits of joint ventures	**(18)**	(17)	(24)
Operating profit	**489**	456	882
Adjustments for:			
Depreciation expense	**277**	258	504
Amortisation expense	**7**	8	13
Profit on disposal of properties	**(18)**	(49)	(67)
Impairment loss	**92**	-	-
Foreign exchange differences	**(3)**	4	-
Share-based payment expense	**18**	16	33
Retirement benefit obligations[1]	**(165)**	(9)	(71)
Operating cash flows before changes in working capital	**697**	684	1,294
Changes in working capital:			
Increase in inventories	**(65)**	(78)	(57)
Increase in trade and other receivables	**(85)**	(134)	(34)
Increase in trade and other payables	**152**	164	87
(Decrease)/increase in provisions and other liabilities	**(4)**	1	(22)
Cash generated from operations	**695**	637	1,268

1 The adjustment for retirement benefit obligations reflects the difference between the service charge of £34 million (29 September 2012: £33 million, 16 March 2013: £59 million) for the defined benefit scheme, defined benefit pension scheme expenses £5 million (29 September 2012: £3 million, 16 March 2013: £7 million), one-off past service credit of £(158) million (29 September 2012: £nil, 16 March 2013: £nil) and the cash contributions of £46 million made by the Group to the defined benefit scheme (29 September 2013: £45 million, 16 March 2013: £137 million).

(b) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	28 September 2013 £m	29 September 2012 £m	16 March 2013 £m
Cash and cash equivalents	**603**	551	517
Bank overdrafts	**(6)**	(2)	(13)
Net cash and cash equivalents	**597**	549	504

10 Analysis of net debt

	28 September 2013 £m	29 September 2012 £m	16 March 2013 £m
Non-current assets			
Interest bearing available-for-sale financial assets	**35**	31	34
Derivative financial instruments	**33**	40	47
	68	71	81
Current assets			
Cash and cash equivalents	**603**	551	517
Derivative financial instruments	**57**	78	91
	660	629	608
Current liabilities			
Bank overdrafts	**(6)**	(2)	(13)
Borrowings	**(447)**	(109)	(131)
Finance leases	**(28)**	(21)	(21)
Derivative financial instruments	**(65)**	(91)	(65)
	(546)	(223)	(230)
Non-current liabilities			
Borrowings	**(2,185)**	(2,503)	(2,478)
Finance leases	**(169)**	(141)	(139)
Derivative financial instruments	**(15)**	(12)	(4)
	(2,369)	(2,656)	(2,621)
Total net debt	**(2,187)**	(2,179)	(2,162)

Reconciliation of net cash flow to movement in net debt

	28 weeks to 28 September 2013 £m	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Net debt at beginning of the period	**(2,162)**	(1,980)	(1,980)
Net increase/(decrease) in net cash and cash equivalents	**93**	(190)	(235)
Net (increase)/decrease in borrowings[1]	**(41)**	8	27
Net decrease in derivatives[1]	**1**	27	26
Net increase in obligations under finance leases[2]	**(37)**	(15)	(17)
Fair value movements	**(41)**	(24)	17
Other non-cash movements	**-**	(5)	-
Net debt at the end of the period	**(2,187)**	(2,179)	(2,162)

1 Excluding fair value movements.
2 Excluding additions of property, plant and equipment under finance leases.

In June 2013, the Group entered into a £50 million five year hire purchase facility with respect to moveable in-store assets due 2018.

In July 2013, the Group entered into a £200 million one year loan facility due July 2014, with £100 million drawn on the facility as at 28 September 2013.

The Group maintains a £690 million syndicated revolving credit facility due October 2015 for liquidity standby purposes. Interest on drawings under this facility is charged at a margin over LIBOR. There are £nil drawings under the facility as at 28 September 2013 (16 March 2013: £nil drawings; 29 September 2012: £nil drawings).

11 Financial instruments

Carrying amount versus fair values

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are carried in the financial statements other than at fair value. The fair value of financial assets and liabilities are based on prices that are available from the market on which the instruments are traded where available. The fair values of all other financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values of short-term deposits, trade receivables, overdrafts and payables are assumed to approximate to their book values:

At 28 September 2013	**Carrying amount £m**	**Fair value £m**
Non-current assets		
Available-for-sale financial assets	**211**	**211**
Other receivables	**48**	**35**
Derivative financial instruments	**33**	**33**
Current assets		
Trade and other receivables	**336**	**336**
Derivative financial instruments	**57**	**57**
Current liabilities		
Trade and other payables	**(2,823)**	**(2,823)**
Short-term borrowings	**(481)**	**(498)**
Derivative financial instruments	**(65)**	**(65)**
Non-current liabilities		
Other payables	**(188)**	**(188)**
Long-term borrowings[1]	**(2,354)**	**(2,697)**
Derivative financial instruments	**(15)**	**(15)**

1 Includes £234 million accounted for as a fair value hedge.

11 Financial instruments (continued)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are recognised at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 28 September 2013	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Available-for-sale financial assets[1]				
Interest bearing financial assets	-	35	-	**35**
Other financial assets	-	-	175	**175**
Financial assets at FVTPL				
Derivative financial assets	-	84	6	**90**
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(80)	-	**(80)**

1 Available-for-sale financial assets also includes £1 million in relation to unlisted equity investments which are carried at cost as the fair value cannot be reliably measured and has been excluded from the fair value hierarchy table above.

Reconciliation of Level 3 fair value measurements of financial assets:

Details of the determination of Level 3 fair value measurements for the 28 weeks to 28 September 2013 are set out below:

	Available-for-sale financial assets	Derivative financial assets	Total
	£m	£m	£m
Opening balance	154	4	**158**
Included in finance cost in the Group income statement	-	2	**2**
Included in other comprehensive income	21	-	**21**
Total Level 3 financial assets	**175**	**6**	**181**

Available-for-sale other financial assets

The Group holds a beneficial interest in a property investment pool with a fair value of £175 million at 28 September 2013. The fair value has been derived by calculating the net present value of the Group's interest in the various freehold reversions owned by the property investment pool assuming a property growth rate of three per cent per annum and a discount rate of nine per cent. The discount rate is based on the Group's pre-tax weighted average cost of capital. The sensitivity of this balance to changes of 0.5 per cent in the assumed rate of property rental growth and one per cent in the discount rate holding other assumptions constant is shown below:

	Change in discount rate +/- 1.0%	Change in growth rate +/- 0.5%
	£m	£m
Available-for-sale assets	**(16)/16**	**10/(11)**

11 Financial instruments (continued)

Derivative financial assets – power purchase agreement

The Group has entered into several long term fixed price power purchase agreements with independent producers. Included within derivative financial assets is £6 million relating to these agreements at 28 September 2013. The Group values its power purchase agreements as the net present value of the estimated future usage at the contracted fixed price less the market implied forward energy price discounted back at the prevailing swap rate. The Group also makes an assumption regarding expected energy output based on the historical performance and the producer's estimate of expected electricity output. The sensitivity of this balance to changes of 20 per cent in the assumed rate of energy output and ten per cent in the implied forward energy prices holding other assumptions constant is shown below:

	Change in volume +/- 20.0%	**Change in electricity forward price +/ - 10.0%**
	£m	**£m**
Derivative financial assets	**1/(1)**	**11/(11)**

12 Retirement benefit obligations

Retirement benefit obligations relate to the funded defined benefit scheme, the Sainsbury's Pension Scheme (the 'Scheme'), and an unfunded pension liability relating to certain senior employees. The Scheme was closed to new employees on 31 January 2002 and closed to future accrual on 28 September 2013. A one-off past service credit has been recognised as a result as disclosed within Note 3. 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 2012 on the projected unit basis. The results of this valuation were finalised in August 2013. The retirement benefit obligations at 28 September 2013 have been based, where appropriate, on the most recent actuarial valuation and updated by KPMG as actuarial advisers to the Group to take account of the requirements of IAS 19 Revised.

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 Consumer Price Index ('CPI') rather than the Retail Price Index ('RPI') has been used as the basis for inflationary increases to pensions in all cases where this is permitted by the Scheme rules.

The amounts recognised in the balance sheet, based on valuations performed by KPMG, are as follows:

	28 September 2013	Restated 29 September 2012	Restated 16 March 2013
	£m	£m	£m
Present value of funded obligations	**(6,580)**	(5,977)	(6,460)
Fair value of plan assets	**5,884**	5,343	5,841
	(696)	(634)	(619)
Present value of unfunded obligations	**(13)**	(10)	(13)
Retirement benefit obligations	**(709)**	(644)	(632)
Deferred income tax asset	**51**	47	48
Net retirement benefit obligations	**(658)**	(597)	(584)

12 Retirement benefit obligations (continued)

	28 September 2013 %	29 September 2012 %	16 March 2013 %
Discount rate	**4.4**	4.4	4.6
Inflation rate	**3.4**	2.8	3.5
Real discount rate	**1.0**	1.6	1.1

The retirement benefit obligations and the associated deferred income tax asset are shown within different line items on the balance sheet. The deferred income tax asset includes the impact of the Sainsbury's Property Scottish Limited Partnership.

The amounts recognised in the income statement in respect of the IAS 19 Revised charges for the defined benefit scheme are as follows:

	28 September 2013 £m	Restated 29 September 2012 £m	Restated 16 March 2013 £m
Included in underlying profit before tax:			
IAS 19 Revised defined benefit service cost	**(34)**	(33)	(59)
Excluded from underlying profit before tax:			
Interest cost on pension scheme liabilities	**(157)**	(147)	(274)
Interest income on plan assets	**143**	140	258
IAS 19 Revised pension financing charge (Note 5)	**(14)**	(7)	(16)
Defined benefit pension scheme expenses	**(5)**	(3)	(7)
Past service credit net of compensation payments	**158**	-	-
Total excluded from underlying profit before tax (Note 3)	**139**	(10)	(23)
Total IAS 19 Revised income statement credit/(expense)	**105**	(43)	(82)

13 Capital expenditure and commitments

In the financial period, there were additions to property, plant and equipment of £467 million (29 September 2012: £636 million) and additions to intangible assets of £12 million (29 September 2012: £7 million).

In the financial period, there were disposals of property, plant and equipment with a net book value of £111 million (29 September 2012: £75 million), disposals of assets held for sale with a net book value of £13 million (29 September 2012: £nil million) and disposals of intangible assets with a net book value of £1 million (29 September 2012: £nil million).

At 28 September 2013, capital commitments contracted, but not provided for by the Group, amounted to £334 million (29 September 2012: £338 million).

14 Related party transactions

The Group's significant related parties are its joint ventures as disclosed in its Annual Report and Financial Statements 2013.

Transactions with joint ventures

For the 28 weeks to 28 September 2013, the Group entered into various transactions with joint ventures as set out below.

	28 weeks to 28 September 2013 £m	28 weeks to 29 September 2012 £m	52 weeks to 16 March 2013 £m
Management services provided	**10**	9	17
Offset of creditor balance with investment	**-**	-	(43)
Interest income received in respect of interest bearing loans	**-**	1	1
Dividend income received	**-**	24	18
Repayment of loan to joint ventures	**-**	-	16
Investment in joint ventures	**(4)**	-	(1)
Loan to joint venture	**(2)**	(4)	(5)
Acquisition of companies	**-**	(21)	(21)
Rental expenses paid	**(39)**	(38)	(71)

Balances arising from transactions with joint ventures

	28 September 2013 £m	29 September 2012 £m	16 March 2013 £m
Receivables			
Other receivables	**20**	21	14
Loans due from joint ventures:			
Floating rate subordinated undated loan capital	**25**	25	25
Floating rate subordinated dated loan capital	**30**	30	30
Other	**15**	20	15
Payables			
Loans due to joint ventures	**(5)**	(48)	(5)

15 Contingent liabilities

The Group has a contingent liability for indemnities arising from the disposal of subsidiaries. No provision has been recognised on the basis that any potential liability arising is not considered probable. It is not possible to quantify the impact of this liability with any certainty.

16 Other matters

Accounting for VAT on the redemption of Nectar points in store by customers has been the subject of a legal case between HM Revenue and Customs ('HMRC') and Aimia, the company who administer the Nectar scheme, for several years. A Supreme Court ruling in June 2013 ruled in favour of Aimia, thereby potentially enabling Sainsbury's to recover historic VAT payments it has made in relation to Nectar redemptions. We are currently working with HMRC to establish the amount and timing of any recovery, and therefore no accounting entries have been made.

Principal risks and uncertainties

Risk is an inherent part of doing business. The J Sainsbury plc Board has overall responsibility for the management of the principal risks and internal control of the Company. The Board has identified the following factors as the principal potential risks to the successful operation of the business. These risks, along with the events in the financial markets and their potential impacts on the wider economy, remain those most likely to affect the Group in the second half of the year.

- Business continuity and major incidents response
- Business strategy
- Colleague engagement, retention and capability
- Data security
- Developing new business
- Environment and sustainability
- Financial strategy and treasury risk
- Health and safety – people and product
- IT systems and infrastructure
- Pension risk
- Regulatory environment
- Trading environment
- Transitional risk – Sainsbury's Bank

For greater detail of these risks, which are unchanged from the Group's Annual Report and Financial Statements 2013, please refer to page 51 and 52 of the Group's Annual Report and Financial Statements 2013, a copy of which is available on the Group's corporate website www.j-sainsbury.co.uk.

Statement of Directors' responsibilities

The Directors confirm that this set of Condensed Consolidated Interim Financial Statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of J Sainsbury plc are listed in the J Sainsbury plc Annual Report and Financial Statements 2013. On 1 June 2013, Lady Susan Rice joined the Board as a Non-Executive Director.

By order of the Board

Justin King
Chief Executive
12 November 2013

John Rogers
Chief Financial Officer
12 November 2013

Independent review report to J Sainsbury plc

Introduction

We have been engaged by the Company to review the Condensed Consolidated Interim Financial Statements included in the Interim Results for the 28 weeks ended 28 September 2013, which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group cash flow statement, the Group statement of changes in equity and related notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed Consolidated Interim Financial Statements.

Directors' responsibilities

The Interim Results are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The Condensed Consolidated Interim Financial Statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Condensed Consolidated Interim Financial Statements included in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Statements included in the Interim Results for the 28 weeks ended 28 September 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
12 November 2013

The maintenance and integrity of the J Sainsbury plc website is the responsibility of the Directors; the work carried out by PricewaterhouseCoopers LLP does not involve consideration of these matters and, accordingly, PricewaterhouseCoopers LLP accept no responsibility for any changes that may have occurred to the Condensed Consolidated Interim Financial Statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the Condensed Consolidated Interim Financial Statements may differ from legislation in other jurisdictions.