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SUPPL

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Date: 17 November 2004

Dear Sirs

J Sainsbury plc Interim Results for 28 weeks ended 9 October 2004

Please find enclosed copies of the above announcements made to the London Stock Exchange on 17 November 2004.

Yours sincerely

Hazel Jarvis
Assistant Company Secretary

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Interim Results for 28 weeks ended 9 October 2004

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Key Points

- Underlying profit before tax of £131 million (2003: £366 million) (1)
- Interim dividend of 2.15 pence per share (2003: 4.33 pence per share), as previously announced
- Sale of Shaw's Supermarkets completed 30 April 2004: profit on disposal £275 million
- £639 million returned to shareholders via B share scheme (2)
- Significant Board and management changes: Philip Hampton appointed as Chairman in July 2004
- Sales led profit recovery adopted following Business Review
- Business Review exceptional operating costs of £401 million and property write downs of £25 million
- Net debt reduced to £1.8 billion (27 March 2004: £2.1 billion)

Sainsbury's Supermarkets

- Total sales up 3.5 per cent to £8,348 million (3) (2003 restated: £8,063 million) (4)
- Like-for-like sales growth (including petrol) of 1.5 per cent (2003: 0.1 per cent) (5)
- Like-for-like sales growth (excluding petrol) of negative 0.9 per cent (2003: negative 0.8 per cent) (5)
- Underlying operating profit of £155 million (2003: £313 million) (6)
- Jacksons Stores Ltd acquired in August 2004 (114 convenience stores)
- 14 stores acquired from Morrisons in April 2004, 13 now converted

Sainsbury's Bank

- Net income up 32 per cent to £87 million (2003 restated: £66 million) (4)
- Operating profit down to £6 million (2003: £8 million)

Outlook - no change from that announced on 19 October 2004

- Underlying profit before tax for second half not expected to be significantly different from first half
- Dividend for full year expected to be 7.8 pence per share (2003: 15.69 pence per share)
- Full year exceptional items from the Business Review expected to be approximately £550 million

(1) Before exceptional items of £168 million (2003: £36 million) and amortisation of goodwill of £2 million (2003: £7 million)

(2) £41 million of B shares still to be redeemed

(3) Including VAT of £502 million

(4) Restated for the change in accounting policy for turnover in accordance with FRS 5 Application Note G

(5) All like-for-like sales are Easter adjusted

(6) Underlying operating profit of Sainsbury's Supermarkets is stated before exceptional operating costs of £427 million (2003: £37 million) comprising £401 million in respect of the Business Review (2003: NIL), £26 million from the Business Transformation Programme (2003: £29 million) and NIL Safeway bid costs (2003: £8 million) and amortisation of goodwill of £1 million (2003: NIL)

Philip Hampton, Chairman, said: "Our performance in the first half has been impacted by our significant investment in the customer offer. Investing in price, improving availability and clearing surplus general merchandise all impacted first half results. Exceptional costs relating to our Business Review, the sale of Shaw's Supermarkets and the return of capital also significantly affected the results for the period. We have a new and experienced management team in place, which we have continued to strengthen, led by Justin King. We have now embarked on a sales led recovery, which we believe will enable Sainsbury's to deliver long term sustainable performance and profit."

Justin King, Chief Executive, said: "We are clear on the actions we need to take to make Sainsbury's great again. We are now beginning the implementation of the plans arising from the Business Review to rebuild a sustainable sales led recovery. Early and short-term actions to restore the effective delivery of our customer offer are being implemented. We have re-opened Buntingford depot to help improve availability and deliveries from this location start next week. New improved products are being added to our ranges and many of our Christmas lines are now in store. The recruitment of 3,000 additional colleagues is also well underway."

Business Review

The Business Review, announced on 19 October 2004, including dividend policy and management changes, will be mailed to shareholders as part of the interim results report. It can also be found on the company's website at www.sainsburys.co.uk, by selecting "company info" and following the instructions on screen or by visiting www.j-sainsbury.co.uk/interims04.

Outlook

The Business Review included an Outlook statement for the current year, through to 2007/08. This has been repeated below.

Following the decision by the Board to adopt a sales led profit recovery programme, performance for the second half of the year (2004/05) will be affected by further investment in the customer offer. Accordingly, underlying profit before tax for the second half is not expected to be significantly different from the first half.

The plans outlined are a considerable change from previous years and will be implemented by a new management team with proven retail experience and a track record of delivery. Substantial investment is being made in the customer offer, rather than infrastructure, to drive sales and this is underpinned by tight cash flow management and a strong balance sheet. The customer is now at the heart of all decision-making and this is supported by changes to organisation structure and culture.

We expect to grow sales, excluding petrol and Sainsbury's Bank, by £2.5 billion over the next three years to the end of 2007/08. We expect to achieve market growth in sales by the end of 2005/06 and the benefits of the operational gearing in the business to be delivered strongly in the second half of 2006/07.

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We will not be holding an Interim Results Presentation, however a conference call, hosted by Justin King, will take place at **8:30 GMT**. Please visit www.sainsburys.co.uk, select "company info" and follow the instructions on screen or you can access this information directly from www.j-sainsbury.co.uk/interims04 for the Investor Briefing material

A webcast replay of the conference call will be available from **11:00 GMT** by visiting www.sainsburys.co.uk, selecting "company info" and following the instructions on screen, or by visiting www.j-sainsbury.co.uk/interims04.

Group financial summary

Sainsbury's financial results for the first half year were principally impacted by three major factors:

- The sale of Shaw's Supermarkets in the United States on 30 April 2004 and the subsequent return of capital
- Investment in Sainsbury's Supermarkets through lower prices, extra costs in the supply chain and higher wastage from the drive to improve availability
- Business Review exceptional costs, as announced on 19 October 2004

Underlying operating profit (1) from continuing operations was £161 million, a decrease of £160 million compared to 2003.

Underlying profit before tax (2) decreased to £131 million (2003: £366 million). After exceptional costs, the loss before tax in the first half was £39 million (2003 profit: £323 million).

	Sales (3)		Profit	
	2004 £m	change on last year %	2004 £m	change on last year %
Sainsbury's Supermarkets	8,348	3.5	155	(50.5)
Sainsbury's Bank	133	30.4	6	(25.0)
Total Continuing Operations	8,481	3.9	161	(49.8)
Discontinued Operations - Shaw's	209		11	
Sales/underlying operating profit (1)	8,690	(10.4)	172	(57.1)
Interest			(41)	
Underlying profit before tax (2)			131	(64.2)
Exceptional items			(168)	
Amortisation of goodwill			(2)	
Loss before tax			(39)	
Tax on loss			65	
Profit after tax			26	

Sainsbury's Supermarkets' total sales (3) grew by 3.5 per cent to £8,348 million (2003 restated: £8,063 million) (4). Sales growth for the first half includes the acquisition of the Bells and Jacksons convenience store chains, the stores from Morrisons and robust petrol sales growth.

Like-for-like sales growth (including petrol) was 1.5 per cent (2003: 0.1 per cent). Excluding petrol, like-for-like sales growth for the first half was negative 0.9 per cent (2003: negative 0.8 per cent).

Gross margin in the first half was impacted by an acceleration in the investment in the customer offer. Our objective is to increase quality and lower prices. Significant price reductions were implemented in May and the Taste the Difference range was recently relaunched.

Operating costs increased year on year, including wastage, driven by the push for improvements in availability and system implementation issues. Other increases related to the continued under-performance of the automated depots and higher depreciation as a result of prior year capital expenditure.

Sainsbury's Supermarkets' underlying operating profit (1) for the first half was £155 million (2003: £313 million). The underlying operating margin (1) decreased from 3.9 (4) per cent to 1.9 per cent.

- (1) Underlying operating profit is stated before amortisation of goodwill of £2 million (2003: £7 million), £1 million of which relates to discontinued operations (2003: £7 million), and exceptional operating costs of £427 million (2003: £37 million)
- (2) Underlying profit before tax is stated before amortisation of goodwill of £2 million (2003: £7 million), £1 million of which relates to discontinued operations (2003: £7 million), and exceptional items of £168 million (2003: £36 million)
- (3) Including VAT at Sainsbury's Supermarkets of £502 million and sales tax at Shaw's Supermarkets of £2 million
- (4) Restated for the change in accounting policy for turnover in accordance with FRS 5 Application Note G

Sainsbury's Bank achieved net income growth of 32 per cent in the first half, but operating profit was £2 million lower than last year at £6 million (2003: £8 million) due to further revenue investment in growing the long-term customer base of the business and an increase in the bad debt provision. Year on year customer accounts increased by 25 per cent to 2.1 million and loan balances were up 40 per cent to £1.4 billion.

Net interest payable increased to £41 million (2003: £35 million). Capitalised interest was lower at £3 million (2003: £9 million) and lower average net debt due to the sale of Shaw's was offset by higher interest rates.

Exceptional operating costs of £26 million relating to the conclusion of previous years' Business Transformation Programme were charged in the first half (2003: £29 million Business Transformation Programme, £8 million Safeway bid costs).

Costs directly associated with the **Business Review** were treated as exceptional operating items due both to their size and non-recurring nature. These primarily relate to the write-off of redundant information technology assets, the write-off of automated equipment in the new fulfilment centres, a write down in the carrying value of stock, employee-related reorganisation costs and property costs associated with store closures. The total in the first half was £401 million, a further £25 million has been treated as a non-operating property write down and an estimated £550 million of exceptional costs from the Business Review are expected for the full year.

	Business Review Exceptionals	
	First half	Full year (estimated)
	£m	£m
IT systems	145	145
Employee-related	0	90
Stock	77	77
Supply chain	119	119
Property	39	73
Other	21	21
Operating exceptionals	401	525
Property write-off	25	25
	426	550

Property profits of £8 million (2003: £1 million) include the sale of London Colney, Business Review write-downs of £25 million and other property adjustments. Cash proceeds from property disposals in the half-year were £88 million.

There was a **tax credit** of £65 million in the first half (2003: charge of £114 million) as a result of the high level of exceptional costs, many of which were deductible for tax purposes. The underlying effective tax rate, before exceptional items and amortisation of goodwill, was 36.2 per cent (2003: 32.5 per cent).

Underlying earnings per share, before non equity dividends of £112 million associated with the return of capital, exceptional items and amortisation of goodwill, was 4.5 pence (2003: 12.8 pence). Basic earnings per share before non equity dividends was 1.3 pence (2003: 10.8 pence) mainly as a result of the level of exceptional operating costs. Basic loss per share after the non equity dividends was 4.8 pence (2003: earnings per share 10.8 pence).

The Board has declared an **interim dividend** of 2.15 pence per share (2003: 4.33 pence per share), which represents a decrease of 50 per cent over the previous year. The interim dividend will be paid on 7 January 2005 to shareholders on the Register of Members at the close of business on 26 November 2004. Barring any unforeseen circumstances, the dividend for the full year is expected to be 7.8 pence per share (2003: 15.69 pence per share) - also a reduction of 50 per cent. The medium term objective is to restore dividend cover to at least 1.5 times.

Underlying EBITDA (1) decreased to £424 million (2003: £610 million). On continuing operations underlying EBITDA decreased to £410 million (2003: £497 million). **Working capital** improved by £208 million in the half year, including effects of the disposal of Shaw's and Business Review exceptional items.

Capital expenditure in the first half increased by £203 million to £553 million (2003: £350 million). However, excluding Shaw's and the acquisition of the stores from Morrisons, capital expenditure of £238 million was broadly in line with last year (2003: £217 million), and we are on track to deliver our target for the year of £500 million. In the first half, 12 new stores were opened (including 9 Locals), 14 ex-Safeway/Morrisons stores were acquired, and 3 stores were extended or refurbished.

Jacksons, a chain of 114 convenience stores, was acquired in August 2004.

The Group sold its US supermarkets business **Shaw's Supermarkets** to Albertson's Inc. on 30 April 2004 for a total consideration of \$2,475 million, including \$368 million in assumed lease liabilities. Proceeds, net of expenses, of £1,170 million were received by the Group and a profit of £275 million was realised on the sale. This was offset by £24 million of adjustments relating to prior disposals.

Following the sale of Shaw's, Sainsbury's proposed a **return of capital** of 35 pence per share which equated to £680 million. Total capital returned to shareholders by 9 October 2004 amounted to £639 million, of which £112 million was by way of dividend and £527 million was share redemption. There remain a further 116 million B shares valued at £41 million to be redeemed at a future date.

In addition to the return of capital, there was also a **consolidation of Sainsbury's shares**. For every eight Sainsbury's shares held at the close of business on 16 July 2004, shareholders received seven new ordinary shares. As a result, the number of shares in issue reduced from 1,943 million to 1,700 million.

Net debt at the half-year decreased by £0.3 billion to £1.8 billion (27 March 2004: £2.1 billion) and gearing decreased to 40 per cent (27 March 2004 restated: 42 per cent). Excluding the proceeds for the sale of Shaw's, the return of capital and the purchase of new stores, underlying cashflow for the half year was positive, an improvement on last year of over £300 million.

Return on capital employed decreased to 5.0 per cent (2003 restated: 11.6 per cent) as a result of the fall in profit in Sainsbury's Supermarkets.

International Financial Reporting Standards (IFRS)

We are preparing for the adoption of IFRS. In 2005/06 we will produce IFRS compliant accounts, reconciled to UK GAAP. To help understanding of the key issues, we will be updating investors and analysts before the preliminary announcement on 18 May 2005. We are also intending to issue restated 2004/05 accounts prior to the 2005/06 interim results announcement.

(1) Underlying EBITDA is underlying operating profit of £172 million (2003: £401 million) before exceptional operating costs of £427 million (2003: £37 million) and adjusted for depreciation of £252 million (2003: £209 million). On continuing operations, underlying EBITDA is before the same exceptional operating costs and comprises underlying operating profit of £161 million (2003: £321 million) and depreciation of £249 million (2003: £176 million).

Group profit and loss account

		28 weeks to 9 October 2004 (Unaudited) £m	Restated (1) 28 weeks to 11 October 2003 (Unaudited) £m
	Note		
Turnover including VAT and sales tax (2)	2	8,690	9,695
VAT and sales tax		(504)	(580)
Continuing operations		7,979	7,597
Discontinued operations		207	1,518
Turnover excluding VAT and sales tax	2	8,186	9,115
Continuing operations - underlying operating profit (3)		161	321
Exceptional operating costs	3	(427)	(37)
Amortisation of goodwill		(1)	-
Continuing operations - operating (loss)/profit		(267)	284
Discontinued operations - underlying operating profit (3)		11	80
Amortisation of goodwill		(1)	(7)
Discontinued operations - operating profit		10	73
Group operating (loss)/profit	2	(257)	357
Profit on sale of properties	3	8	1
Disposal of operations - discontinued	3	251	-
Profit on ordinary activities before interest		2	358
Net interest payable and similar items		(41)	(35)
Underlying profit on ordinary activities before tax (4)		131	366
Exceptional items		(168)	(36)
Amortisation of goodwill		(2)	(7)
(Loss)/profit on ordinary activities before tax		(39)	323
Tax on loss/(profit) on ordinary activities	4	65	(114)
Profit on ordinary activities after tax		26	209
Equity minority interest		(2)	(3)
Profit for the financial period		24	206
Non equity dividends	8	(112)	-
Profit for the financial period after non equity dividends		(88)	206
Equity dividends		(36)	(83)
Retained (loss)/profit for the financial period		(124)	123
Basic (loss)/earnings per share after non equity dividends	5	(4.8)p	10.8p
Basic earnings per share before non equity dividends	5	1.3p	10.8p
Underlying earnings per share before non equity dividends (4)	5	4.5p	12.8p
Diluted (loss)/earnings per share after non equity dividends	5	(4.8)p	10.8p
Diluted earnings per share before non equity dividends	5	1.3p	10.8p
Underlying diluted earnings per share before non equity dividends (4)	5	4.5p	12.7p
Dividend per share		2.15p	4.33p

(1) Restated for the change in accounting policy for turnover in accordance with FRS 5 Application Note G (see note 1)

(2) Including VAT at Sainsbury's Supermarkets and sales tax at Shaw's Supermarkets

(3) Before exceptional operating costs and amortisation of goodwill

Group statement of total recognised gains and losses

	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Profit for the financial period	24	206
Currency translation differences on foreign currency net investments	1	(4)
Total recognised gains since last annual report	25	202

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

Reconciliation of movements in equity shareholders' funds

	Note	28 weeks to 9 October 2004 (Unaudited) £m	Restated (1) 28 weeks to 11 October 2003 (Unaudited) £m
Profit for the financial period		24	206
Non equity dividends	8	(112)	-
Equity dividends		(36)	(83)
		(124)	123
Currency translation differences		1	(4)
Goodwill previously written off to reserves		86	-
Share redemption	8	(527)	-
Share redemption expenses		(2)	-
Proceeds from ordinary shares issued for cash		-	4
Net movement in equity shareholders' funds		(566)	123
Opening equity shareholders' funds as restated (1)		5,018	4,917
Closing equity shareholders' funds		4,452	5,040

(1) Restated for change in accounting policy in accordance with UITF Abstract 38 "Accounting for ESOP Trusts" (see note 1). Shareholders' funds as published were £5,126 million at 11 October 2003 before deducting a prior year adjustment of £86 million (£5,104 million at 27 March 2004 before deducting a prior year adjustment of £86 million)

Group balance sheet

	Note	9 October 2004 (Unaudited) £m	Restated (1) 11 October 2003 (Unaudited) £m	Restated (1) 27 March 2004 (Audited) £m
Fixed assets				
Intangible assets		120	206	208
Tangible assets		7,335	7,559	8,214
Investments		19	24	30
		7,474	7,789	8,452
Current assets				
Stock		553	898	753
Debtors		256	246	319
Sainsbury's Bank's current assets	6	1,352	1,414	1,329
Sainsbury's Bank's debtors due after more than one year	6	1,295	996	1,170
Assets held for resale		60	-	-
Investments		29	26	19
Cash at bank and in hand		389	352	465
		3,934	3,932	4,055
Creditors: amounts falling due within one year				
Sainsbury's Bank's current liabilities	6	(2,450)	(2,236)	(2,306)
Other		(2,290)	(2,248)	(2,600)
		(4,740)	(4,484)	(4,906)
Net current liabilities				
		(806)	(552)	(851)
Total assets less current liabilities				
		6,668	7,237	7,601
Creditors: amounts falling due after more than one year				
		(1,779)	(1,870)	(2,194)
Provisions for liabilities and charges				
		(354)	(255)	(308)
Total net assets				
		4,535	5,112	5,099
Capital and reserves				
Called up share capital		640	485	486
Share premium account		757	1,427	1,438
Capital redemption reserve fund	8	527	-	-
Revaluation reserve		22	22	22
Profit and loss account		2,506	3,106	3,072
Equity shareholders' funds				
		4,452	5,040	5,018
Equity minority interest		83	72	81
		4,535	5,112	5,099

(1) Restated for the change in accounting policy in accordance with UITF Abstract 38 (see note 1). Shareholders' funds as published were £5,126 million at 11 October 2003 before deducting a prior year adjustment of £86 million (£5,104 million at 27 March 2004 before deducting a prior year adjustment of £86 million). Investments have been correspondingly reduced.

The effect of the change of accounting policy on the Group balance sheet at 9 October 2004 is to reduce shareholders' funds and investments by £86 million.

Group cash flow statement

	Note	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Net cash inflow from operating activities	7	483	444
Dividend received from joint venture		-	1
Returns on investments and servicing of finance			
Interest received		16	16
Interest paid		(67)	(59)
Interest element of finance lease payments		(2)	(20)
Non equity dividends paid	8	(112)	-
Net cash outflow from returns on investments and servicing of finance		(165)	(63)
Taxation		(71)	(100)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(515)	(439)
Sale of tangible fixed assets		88	77
Net cash outflow from capital expenditure and financial investment		(427)	(362)
Acquisitions and disposals			
Payments relating to disposal of fixed asset investments		-	(23)
Acquisition of subsidiaries		(94)	-
Cash balances of businesses acquired		2	-
Proceeds from disposal of operations		1,164	-
Cash balances of businesses sold		(27)	-
Net cash inflow/(outflow) for acquisitions and from disposals		1,045	(23)
Equity dividends paid to shareholders		(218)	(217)
Net cash outflow before use of liquid resources and financing		647	(320)
Financing			
Issue of ordinary share capital		-	4
Capital redeemed	8	(527)	-
Capital redemption expenses		(2)	-
(Decrease)/increase in short-term borrowings		(3)	87
Decrease in long-term borrowings		(150)	(1)
Capital element of finance lease payments		(32)	(35)
Net cash (outflow)/inflow from financing		(714)	55
Decrease in net cash in the period		(67)	(265)

Reconciliation of net cash flow to movement in net debt

Decrease in net cash in the period		(67)	(265)
Decrease/(increase) in debt		153	(86)
Loans and finance leases disposed of with subsidiaries		230	-
Movement in finance leases		32	(9)
Exchange adjustments		(20)	53
Movement in net debt in the period	9	328	(307)
Net debt at the beginning of the period	9	(2,088)	(1,404)
Net debt at the end of the period	9	(1,760)	(1,711)

1. Accounting policies

The financial information has been prepared using the accounting policies set out in the Annual Report and Financial Statements 2004 with the exception of the policies for revenue recognition, accounting for ESOP Trusts and employee share schemes.

UITF Abstract 38 - Accounting for ESOP Trusts requires that the cost of shares held by ESOPs should be shown as a deduction from equity shareholders' funds, whereas they were previously shown as investments in the Group balance sheet. The effect of this change in accounting policy is to reduce shareholders' funds in 2004 by £86 million (2003: £86 million). Investments have been correspondingly reduced. There was no material impact from UITF Abstract 17 (revised 2003) - Employee share schemes.

In accordance with FRS 5 Application note G - Revenue Recognition, sales through retail outlets are shown net of the cost of Nectar reward points issued and redeemed, staff discounts, vouchers and sales made on an agency basis. In the previous interim statement, these costs were reported as an expense in cost of sales. FRS 5 (ANG) requires that only commission earned from sales through concessions can be recognised in turnover, whereas previously gross concession turnover was included as sales. The effect of this change in accounting policy is to reduce turnover in 2004 by £133 million (2003: £145 million) and to reduce cost of sales correspondingly.

2. Group turnover and operating profit

Set out below are the Group turnover and operating profit.

	28 weeks to 9 October 2004 (Unaudited) £m		Restated (1) 28 weeks to 11 October 2003 (Unaudited) £m	
Group turnover	Turnover including VAT	Turnover excluding VAT	Turnover including VAT	Turnover excluding VAT
Continuing operations				
Food retailing - UK	8,348	7,846	8,063	7,495
Financial services - UK	133	133	102	102
Total	8,481	7,979	8,165	7,597
Discontinued operations				
Property development - UK	-	-	13	13
Food retailing - US	209	207	1,517	1,505
Total	209	207	1,530	1,518
Total turnover	8,690	8,186	9,695	9,115

(1) Prior year comparative sales have been restated in order to comply with FRS 5 (ANG) and are now shown net of Nectar reward points issued and redeemed, staff discounts, vouchers and sales made on an agency basis.

Group operating (loss)/profit	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Continuing operations		
Food retailing - UK	155	313
Financial services - UK	6	8
Total	161	321
Discontinued operations		
Property development - UK	-	6
Food retailing - US	11	74
Total	11	80
Underlying operating profit before exceptional costs and amortisation of goodwill	172	401
Exceptional operating costs - Food retailing - UK	(427)	(37)
Amortisation of goodwill - Food retailing - UK	(1)	-
Amortisation of goodwill - Food retailing - US	(1)	(7)
Total	(257)	357

3.1 Exceptional operating costs

	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Business Transformation Programme costs	26	29
Business Review costs	401	-
Safeway bid costs	-	8
Exceptional operating costs	427	37

Exceptional costs relating to the conclusion of the previous years' Business Transformation Programme comprised primarily of reorganisation and asset write-offs.

Costs directly associated with the Business Review have been treated as exceptional operating items due both to their size and non-recurring nature. Business Review costs primarily relate to the write-off of redundant information technology assets, the write-off of automated equipment in the new fulfillment centres, a write down in the carrying value of stock and property costs associated with store closures and development sites. An estimated £550 million exceptional cost as a result of the Business Review is expected to be incurred for the full year.

3.2 Exceptional non-operating items

Profits on sale of properties were as follows:

	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Sainsbury's Supermarkets	8	1

Profit/(loss) on disposal of operations were as follows:

	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Shaw's Supermarkets	275	-
Other previously discontinued operations	(24)	-
	251	-

Note

4. Taxation

Taxation in the profit and loss account comprises:

	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Current tax	47	112
Deferred tax	-	7
Tax relief on exceptional operating costs	(33)	(5)
	(79)	-
Tax on (loss)/profit on ordinary activities	(65)	114

Current tax exceeds the charge based on the statutory rate of UK corporation tax principally due to the lack of effective tax relief on depreciation of UK retail properties.

Current tax relief on exceptional operating costs relates primarily to stock provisions. Deferred tax relief on exceptional operating costs relates to the write-off of redundant information technology assets and the write-off of automated equipment in the new fulfillment centres. There was no current or deferred tax arising on the disposal of operations or properties in 2004.

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, after deducting the non equity dividends paid as part of the return of capital to shareholders in July 2004, by the weighted average number of ordinary shares in issue during the period, excluding those held by the Employee Share Ownership Trusts which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential 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 period to 9 October 2004.

	28 weeks to 9 October 2004 (Unaudited) million	28 weeks to 11 October 2003 (Unaudited) million
Weighted average number of shares in issue	1,814.3	1,912.7
Weighted average number of dilutive share options	3.0	1.6
Total number of shares for calculating diluted earnings per share	1,817.3	1,914.3

The alternative measure of earnings per share is provided because it reflects the Group's underlying trading performance by excluding the effect of non equity dividends realised as a result of the capital return to shareholders, exceptional items and amortisation of goodwill.

	28 weeks to 9 October 2004 (Unaudited)	28 weeks to 11 October 2003 (Unaudited)	Per share amount pence	Per share amount pence
	Earnings £m	Earnings £m		
Basic (loss)/earnings after deducting non equity dividends	(88)	206	(4.8)	10.8
Add back non equity dividends	112	-	6.1	-
Basic earnings before non equity dividends	24	206	1.3	10.8
Exceptional items net of tax:				
Included in operating profit	315	32	17.3	1.7
Profit on sale of properties	(8)	(1)	(0.4)	(0.1)
Disposal of operations	(251)	-	(13.8)	-
Amortisation of goodwill	2	7	0.1	0.4
Underlying earnings before non equity dividends, exceptional items and amortisation of goodwill	82	244	4.5	12.8
Diluted (loss)/earnings after deducting non equity dividends	(88)	206	(4.8)	10.8
Diluted earnings before non equity dividends	24	206	1.3	10.8
Underlying diluted earnings before non equity dividends, exceptional items and amortisation of goodwill	82	244	4.5	12.7

In accordance with FRS 14, prior period earnings per share has not been restated for the capital return and share consolidation as the overall commercial effect is that of a share repurchase at fair value.

6. Current assets and current liabilities of Sainsbury's Bank

	9 October 2004 (Unaudited) £m	11 October 2003 (Unaudited) £m	27 March 2004 (Audited) £m
Current assets			
Cash	92	47	78
Treasury bills and other eligible bills	66	70	61
Loans and advances to banks	91	109	33
Loans and advances to customers	1,041	781	934
Debt securities	25	374	148
Prepayments and accrued income	37	33	75
	1,352	1,414	1,329
Loans and advances to customers due in more than one year	1,295	996	1,170
	2,647	2,410	2,499
Current liabilities: amounts falling due within one year			
Loan from minority shareholder	27	20	27
Deposits by banks	-	5	-
Customer accounts	2,318	2,132	2,200
Accruals and deferred income	105	79	79
	2,450	2,236	2,306

In addition to the above assets, Sainsbury's Bank had fixed assets of £29 million at 9 October 2004 (11 October 2003: £16 million; 27 March 2004: £27 million) included in tangible fixed assets and inter company liabilities of £39 million (11 October 2003: £31 million; 27 March 2004: £38 million) included in creditors due within one year.

7. Reconciliation of operating profit to net cash inflow from operating activities

	28 weeks to 9 October 2004 (Unaudited) £m	28 weeks to 11 October 2003 (Unaudited) £m
Group operating (loss)/ profit	(257)	357
Depreciation	252	209
Exceptional write-off of fixed assets	282	5
Amortisation of intangible assets	2	8
Loss on sale of equipment, fixtures and vehicles	-	10
Decrease/(Increase) in stocks	53	(107)
(Increase)/Decrease in debtors	(13)	34
Increase/(Decrease) in creditors and provisions	168	(58)
Increase in Sainsbury's Bank current assets	(148)	(13)
Increase/(Decrease) in Sainsbury's Bank current liabilities	144	(1)
Net cash inflow from operating activities	483	444

Share Redemption and Capital Return
 J Sainsbury plc proposed a capital return of 35 pence per share which equated to £680 million. The return, by way of a B share scheme, was approved by shareholders at the Company's Annual General Meeting on 12 July 2004.

Shareholders were given the option of receiving a single dividend of 35 pence for each B share held, redeeming the B shares immediately or in the future.

Total capital returned to shareholders by 9 October 2004 amounted to £639 million, of which £112 million was by way of dividend and £527 million was through share redemption. There remains a further 116 million B shares valued at £41 million to be redeemed at a future date.

The dividend of £112 million is shown as a non equity dividend in the profit for the year and as part of returns on investments and servicing of finance in the cash flow.

The redemptions are shown in Financing in the cash flow and a transfer has been made from the profit and loss account to capital redemption reserve of £527 million.

In addition to the return of capital, there was also a consolidation of Sainsbury's shares whereby for every eight Sainsbury's shares held at the close of business on 16 July 2004, shareholders received seven new shares. As a result of this, the number of shares in issue reduced from 1,943 million to 1,700 million.

9. Analysis of net debt

	At 27 March 2004 (Audited) £m	Cash flow £m	Acquisitions and disposals £m	Other non-cash movements £m	Exchange movements £m	At 9 October 2004 (Unaudited) £m
Current asset investments	19	10	-	-	-	29
Cash at bank and in hand	465	(52)	(25)	-	1	389
	484	(42)	(25)	-	1	418
Due within one year:						
Borrowings	(362)	3	-	-	-	(359)
Finance leases	(41)	32	5	(36)	-	(40)
Due after one year:						
Borrowings	(1,879)	150	10	-	(16)	(1,735)
Finance leases	(290)	-	215	36	(5)	(44)
	(2,572)	185	230	-	(21)	(2,178)
Total net debt	(2,088)	143	205	-	(20)	(1,760)

10. Sale of Shaw's Supermarkets

The Group sold its US supermarkets business ('Shaw's') to Albertson's Inc. on 30 April 2004 for a total consideration of \$2,475 million, including \$368 million in assumed lease liabilities. Proceeds, net of expenses, of £1,170 million were received by the Group and a profit of £275 million was realised on the sale.

	£m
Tangible fixed assets	805
Intangible fixed assets	164
Fixed asset investments	11
Stock	162
Debtors and other assets	75
Cash and current asset investments	27
Debt	(230)
Net debt	(203)
Other creditors and provisions	(205)
Net assets disposed	809
Net cash received	(1,170)
Goodwill previously written off to reserves	86
Profit on disposal of the business	275

Shaw's had a £15 million net operating cash outflow prior to its sale, paid £3 million in respect of net returns on investments and servicing of finance and purchased £11 million of tangible fixed assets.

Financial Information

The Interim Results are unaudited but have been reviewed by the Auditors. The financial information presented herein does not amount to full accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). The figures for the 52 weeks to 27 March 2004 have been extracted from the Annual Report and Financial Statements 2004, which have been filed with the Registrar of Companies. The audit report on the Annual Report and Financial Statements 2004 was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The Group's results will be published in the Interim Statement, which will be posted to shareholders on 22 November 2004. Copies will also be available from J Sainsbury plc, 33 Holborn, London EC1N 2HT and at its paying agents Citibank, N.A., 336 Strand, London WC2R 1HB and Chase Manhattan Bank, Trinity Tower, 9 Thomas More Street, London E1 9YT.

Information about Sainsbury's can be obtained by selecting "company info" from our website: www.sainsburys.co.uk

Independent review report to J Sainsbury plc

Introduction

We have been instructed by the Company to review the financial information which comprises the Group profit and loss account, Group statement of total recognised gains and losses, reconciliation of movements in equity shareholders' funds, Group balance sheet, Group cash flow statement, and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 28 weeks ended 9 October 2004.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH
16 November 2004

Notes:

- (a) The maintenance and integrity of the J Sainsbury plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.