

Directors' report

The Directors present their report and audited financial statements for the 52 weeks to 21 March 2009.

Principal activities

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

Business review

The Business Review sets out a comprehensive review of the development and performance of the business for the 52 weeks ended 21 March 2009 and future developments. The Business Review is set out on pages 1 to 23 of this report. All the information detailed in these pages is incorporated by reference into this report and is deemed to form part of this report.

Dividends

The Directors recommend the payment of a final dividend of 9.6 pence per share (2008: 9.0 pence), making a total dividend for the year of 13.2 pence per share (2008: 12.0 pence), an increase of 10.0 per cent over the previous year. Subject to shareholders approving this recommendation at the Annual General Meeting ("AGM"), the dividend will be paid on 17 July 2009 to shareholders on the register at the close of business on 22 May 2009.

Changes to the Board

No changes were made to the Board in 2008/09.

Re-election of Directors

In accordance with the Articles of Association, Anna Ford, John McAdam and Darren Shapland will retire by rotation and seek re-election at the AGM.

Full biographical details of all of the current Directors are set out on pages 24 and 25.

Annual General Meeting

The AGM will be held on Wednesday, 15 July 2009 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 11.00am. The Chairman's letter and the Notice of Meeting accompany this report, together with notes explaining the business to be transacted at the meeting.

At the meeting, resolutions will be proposed to declare a final dividend, to receive the Annual Report and Financial Statements and approve the Remuneration Report, to elect Directors and to re-appoint PricewaterhouseCoopers LLP as auditors. In addition, shareholders will be asked to renew both the general authority of the Directors to issue shares and the authority to issue shares without applying the statutory pre-emption rights, and to authorise the Company to make market purchases of its own shares. No such purchase has been made during the last financial year. Shareholders will also be asked to adopt new Articles of Association to reflect changes introduced by the provisions of the 2006 Companies Act and authorise Directors to hold general meetings at 14 days notice. A resolution to renew the authority to make 'political donations' as defined by Part 14 of the 2006 Companies Act will also be proposed.

Share capital and control

The following information is given pursuant to Section 992 of the Companies Act 2006.

Except as described below in relation to the Company's employee share schemes, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company; no person holds securities in the Company carrying special rights with regard to control of the Company; and the Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights. Further details on the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles of Association may only be changed with the agreement of shareholders.

Shares acquired through the Company's employee share schemes rank *pari passu* with shares in issue and have no special rights. Where, under the Company's All Employee Ownership Plan, participants are beneficial owners of the shares but the trustee is the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participants. The J Sainsbury Employee Benefit Trust waives its right to vote and to dividends on the shares it holds. Some of the Company's employee share plans include restrictions on transfer of shares while the shares are held within the plan.

At the AGM held in July 2008, the Company was authorised by shareholders to purchase its own shares, within certain limits and as permitted by the Articles of Association. The Company made no purchases of its own shares during the year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge.

All of the Company's employee share schemes contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Company's share schemes may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

Ordinary shares

Details of the changes to the ordinary issued share capital during the year are shown on page 68. At the date of this report, 1,754,033,158 ordinary shares of 28⁷/₇ pence have been issued, are fully paid up and are listed on the London Stock Exchange.

Major interests in shares

As at 12 May 2009, the Company had been notified by the following investors of their interests in three per cent or more of the Company's shares. These interests were notified to the Company pursuant to Disclosure and Transparency Rule 5:

	Number of shares	% of voting rights
Crédit Agricole Cheuvreux International Limited	55,965,129	3.21
Judith Portrait (a trustee of various settlements, including charitable trusts)	71,332,495	4.09
Legal & General Group plc	69,825,844	4.00
Lord Sainsbury of Turville*	102,045,437	5.85
Qatar Holdings LLC	476,792,132	27.28

* Innotech Advisers Limited, an investment company 100 per cent owned by Lord Sainsbury of Turville, holds 92,000,000 shares in J Sainsbury plc.

Directors' interests

The beneficial interests of the Directors and their families in the shares of the Company are shown in the Remuneration Report on pages 33 to 40. The Company's Register of Directors' interests contains full details of Directors' interests, shareholdings and options over ordinary shares of the Company.

During the year, no Director had any material interest in any contract of significance to the Group's business.

Directors' indemnities

The Directors are entitled to be indemnified by the Company to the extent permitted by law and the Company's Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The Company has executed deeds of indemnity for the benefit of each Director in respect of liabilities which may attach to them in their capacity as Directors of the Company. The Company purchased and maintained Directors' and Officers' liability insurance throughout 2008/09, which was renewed for 2009/10. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

Market value of properties

The Directors believe that the aggregate open market value of Group properties exceeds the net book value as set out in note 11 on page 58 and 59 of the financial statements.

Essential contracts

Sainsbury's has contractual and other arrangements with numerous third parties in support of its business activities. None of the arrangements is individually considered to be essential to the business of Sainsbury's.

Policy on payment of creditors

The policy of the Company and its principal operating companies is to agree terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices. The Company is a holding company and therefore has no trade creditors. Statements on the operating companies' payment of suppliers are contained in their financial statements.

Corporate responsibility

Sainsbury's has a strong record in its commitment to corporate responsibility, which is an everyday part of how the Company does business. Details of the Company's principal corporate responsibility initiatives and activities are set out on pages 12 to 15. The Company's Corporate Responsibility Report, which will be published in July 2009 (www.j-sainsbury.co.uk/crreport2009), provides a comprehensive statement on corporate responsibility and describes the Company's policies and activities in relation to its five corporate responsibility principles: Best for Food and Health, Sourcing with Integrity, Respect for Our Environment, Making a Positive Difference to Our Community and A Great Place to Work.

As part of 'A Great Place to Work' the Company has well developed policies for fair and equal treatment of all colleagues, employment of disadvantaged persons and colleague participation. During their employment, the Company seeks to work with each individual, enabling them to reach and maximise their potential in the context of their own personal circumstances.

Under the banner of a new programme, 'You Can', the Company also actively works with a number of organisations which seek to promote inclusion within the workplace. These include Local Employment Partnerships, The Employers' Forum on Disability (Gold member), the Shaw Trust, Rempoy and Mencap. The Company has also focused on the broader skills agenda and has set ambitious targets for enabling colleagues to achieve nationally recognised qualifications.

The Company's quarterly, interim and annual results are presented to all senior management and are communicated to all colleagues. Colleagues have always been encouraged to hold shares in the Company and over 45,000 colleagues are shareholders directly or through the Commitment Shares Plan Trust or the Sainsbury's Share Purchase Plan Trust.

Donations

During the year, cash and in-kind donations to charitable organisations and other community projects totalled £5.7 million (2008: £5.6 million). Sainsbury's colleagues, customers and suppliers raised £17.4 million (2008: £7.4 million) for charities through events supported by the Company, including Comic Relief and Fareshare, a charity specialising in food donation.

The Company made no political donations in 2009 (2008: £nil).

Post balance sheet events

Events after the balance sheet date are disclosed in note 38 on page 92 of the financial statements.

Financial risk management

The financial risk management and policies of the Group are disclosed in note 29 on pages 73 to 77 of the financial statements.

Going concern

As highlighted in the Financial Review on pages 16 to 21, the Group manages its financing by diversifying funding sources, configuring core borrowings with long-term maturities and maintaining sufficient stand by liquidity. Full details of the Group's financing arrangements can be found in note 20 on pages 64 and 65 of the financial statements.

The debt refinancing in March 2006 removed the Group's reliance on unsecured credit markets for medium and long-term finance and the Group's first significant refinancing exposure is not until 2018.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current challenging economic outlook. The Directors are satisfied that the Company 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 which are shown on pages 43 to 92.

In addition, notes 29 and 30 on pages 73 to 79 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Disclosure of information to auditors

Each of the Directors confirms that, so far as he/she is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to be reappointed as auditors of the Company. Upon the recommendation of the Audit Committee, resolutions to reappoint them as auditors and to authorise the Directors to determine their remuneration will be proposed at the AGM.

By order of the Board

Tim Fallowfield

Company Secretary
12 May 2009