Registered Company Number: 6482903

Holborn UK Investments Limited

Annual Report and Financial Statements

For the 52 weeks to 19 March 2011

Holborn UK Investments Limited
Directors' report
For the 52 weeks to 19 March 2011
Registered company number: 6482903

The Directors present their report and the audited financial statements of Holborn UK Investments Limited (the "Company") for the 52 weeks to 19 March 2011

Business review and principal activities
The principal activity of the Company is financing other J Sainsbury group (the "Group") companies

The Company's loss for the financial period is £1 million (2010 loss £145 million)

The Directors do not recommend payment of a dividend

Future outlook
The financial position as at 19 March 2011 was deemed satisfactory No change is planned in the activities of the Company in the next financial year

Key performance indicators (KPIs)
Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Financial risk management
The financial risk management and policies of the Company are disclosed in note 13 of the financial statements

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 36 and 37 of the J Sainsbury plc Annual Report and Financial Statements 2011 which does not form part of this report

Directors
The Directors of Holborn UK Investments Limited who held office during the financial year and up to the date of signing are shown below

John Rogers	(Resigned 19 July 2010)
Richard Learmont	
Sainsburys Corporate Director Limited	
Richard Fleming	(Appointed 19 July 2010)

Financial risk management
The financial risk management and policies of the Company are disclosed in note 12 of the financial statements

Independent auditors
PricewaterhouseCoopers LLP have expressed their willingness to continue in office

Holborn UK Investments Limited
Directors' report (continued)
For the 52 weeks to 19 March 2011

Directors' and Officers' insurance

The Directors are entitled to be indemnified by the parent company, J Sainsbury plc, to the extent permitted by law and the Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities The parent company purchased and maintained Directors' and Officers' liability insurance throughout 2010/11, which was renewed for 2011/12 The insurance covers all Directors and Officers of companies in the Group Neither the indemnities nor insurance provide cover in the event that the Director or Officer is proved to have acted fraudulently

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

By order of the Board

Hazel Jarvis
Company Secretary
23 September 2011

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards ("IFRSs") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board

Hazel Jarvis
Company Secretary
23 September 2011

Independent Auditors' Report to the Members of Holborn UK Investments Limited

We have audited the financial statements of Holborn UK Investments Limited for the 52 weeks ended 19 March 2011 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Cash flow statement, the Statement of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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 the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 19 March 2011 and of its loss and cash flows for the 52 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RW Hughes.

Richard Hughes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 September 2011

Holborn UK Investments Limited
Income statement
For the 52 weeks to 19 March 2011

	Note	2011 £m	2010 £m
Continuing operations			
Finance income	5	3	7
Finance costs	5	(4)	(152)
Loss before taxation		(1)	(145)
Income tax credit	6	-	-
Loss for financial year		(1)	(145)
Attributable to:			
Equity holders		(1)	(145)

Statement of comprehensive income
for the 52 weeks to 19 March 2011

	2011 £m	2010 £m
Loss for the financial year	(1)	(145)
Other comprehensive income/(expense)	-	-
Total comprehensive expense for the financial year	(1)	(145)
Attributable to:		
Equity holders	(1)	(145)

Holborn UK Investments Limited
Balance sheet
As at 19 March 2011 and 20 March 2010

	Note	2011 £m	2010 £m
Non-current assets			
Other receivables	7	**65**	39
		65	39
Current assets			
Other receivables	7	**43**	30
		43	30
Total assets		**108**	69
Current liabilities			
Trade and other payables	8	**(40)**	-
Borrowings	9	**(3)**	(3)
		(43)	(3)
Net current assets		**-**	27
Non-current liabilities			
Borrowings	9	**(40)**	(40)
		(40)	(40)
Net assets		**25**	26
Equity			
Called up share capital	10	**-**	-
Share premium account	10	**180**	180
Retained earnings	11	**(155)**	(154)
Total equity		**25**	26

The financial statements on pages 6 to 16 were approved by the Board of Directors on 23 September 2011 and are signed on its behalf by

Richard Fleming
Director

Holborn UK Investments Limited
Cash flow statement
For the 52 weeks to 19 March 2011

	2011 £m	2010 £m
Cash flows from operating activities		
Operating result	-	-
(Increase)/decrease in trade and other receivables	(39)	272
Increase in trade and other payables	40	-
Net cash from operating activities	1	272
Cash flows from investing activities		
Interest received	3	7
Interest paid	(4)	(152)
Net cash from investing activities	(1)	(145)
Cash flows from financing activities		
Decrease in borrowings	-	(119)
Decrease in derivative financial instruments	-	(8)
Net cash from financing activities	-	(127)
Net increase in cash and cash equivalents	-	-
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	-	-

Statement of changes in equity
for the 52 weeks to 19 March 2011

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total Equity £m
At 21 March 2010	-	180	(154)	26
Total comprehensive expense	-	-	(1)	(1)
At 19 March 2011	-	180	(155)	25

	£m	£m	£m	£m
At 22 March 2009	-	180	(9)	171
Total comprehensive expense	-	-	(145)	(145)
At 20 March 2010	-	180	(154)	26

Holborn UK Investments Limited
Notes to the financial statements
For the 52 weeks to 19 March 2011

1 General information

Holborn UK Investments Limited ('the Company') is a private limited company incorporated in the United Kingdom The Company's registered address is 33 Holborn, London EC1N 2HT

The financial year represents the 52 weeks to 19 March 2011 and the prior year represents the 52 weeks to 20 March 2010

2 Accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

The financial statements are presented in sterling, rounded to the nearest million (£m) unless otherwise stated They have been prepared on the going concern basis under the historical cost convention

The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2c

The accounting policies have been applied consistently to all periods presented in the financial statements

New standards, interpretations and amendments to published standards
Effective for the Company in these financial statements

- IFRS 3 'Business Combinations' (revised) The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3 For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments subsequently re-measured through the Company income statement There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets All acquisition-related costs are expensed as they are incurred
- IAS 27 'Consolidated and Separate Financial Statements' (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses The standard also specifies the accounting when control is lost Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the Company income statement

The following new standards, interpretations and amendments to published standards were also effective for the Company for the financial year beginning 21 March 2010

2 Accounting policies (continued)

- Amendments to IAS 1 'Presentation of Financial Statements'
- Amendment to IAS 39, 'Financial instruments. Recognition and measurement'
- IFRIC 17 'Distribution of non-cash assets to owners'
- IFRIC 18 'Transfers of assets from customers'
- Amendments to IFRS 2 'Share-based Payment' relating to group cash-settled share-based payment transactions which clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements
- Amendments to certain IFRSs and IASs arising from the April 2009 Annual Improvements to IFRS by the International Accounting Standards Board ('IASB')
- Amendments to IFRS 5 'Non current assets held for sale and discontinued operations'
- Amendments to IAS 32 'Classification of rights issues'

The Company has considered the above new standards, interpretations and amendments to published standards and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements, apart from additional disclosures

Effective for the Company for the financial year beginning 20 March 2011

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

The Company has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Company or that they would not have a significant impact on the Company's financial statements, apart from additional disclosures

The following new standards and interpretations have not yet been endorsed by the EU

- Amendments to IFRS 7 'Financial Instruments Disclosures' enhancing disclosures about transfers of financial assets
- IFRS 9 'Financial Instruments'
- Limited scope amendments to IAS 12 'Income Taxes'

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company

Taxation
Income tax on the profit or loss for the year comprises current tax

Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the balance sheet date Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years

2 Accounting policies (continued)

Financial instruments

Financial assets

The Company classifies its financial assets as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market The Company has no intention of trading these loans and receivables Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement

Financial liabilities

Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Interest-bearing bank loans are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs Subsequently, these liabilities are held at amortised cost using the effective interest method

Fair value estimation

The methods and assumptions applied in determining the fair values of financial assets and financial liabilities are disclosed in note 13

Derivative financial instruments

The Company's activities expose it to financial risks associated with movements in interest rates The Company uses interest rate swap contracts to manage these exposures The use of financial derivatives is governed by the Group's treasury policies, as approved by the J Sainsbury plc Board of Directors The Company does not use derivative financial instruments for speculative purposes

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred

(c) Judgements and estimates

The Company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below

Impairment of assets

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value Recoverable amount is based on a calculation of expected future cash flows which includes management assumptions and estimates of future performance

Income taxes
The Company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made Detail of the tax charge is set out in note 6

3 Operating result
The auditors' remuneration has been borne by Sainsbury's Supermarkets Ltd, a Group company that makes no recharge to the Company

4 Employee costs
The average monthly number of persons (including Directors) employed by the Company during the financial year was nil (2010 nil)

All of the Directors are also employees of the ultimate parent company, J Sainsbury plc, or other Group companies The Directors' emoluments are borne by Sainsbury's Supermarkets Ltd, a Group company that makes no recharge to the Company It is not possible to make an accurate apportionment of the Directors' emoluments as they serve as Directors to a number of Group companies Accordingly, the income statement does not include emoluments in respect of the Directors

5 Finance income and finance costs

	2011 £m	2010 £m
Amounts due from parent company	**3**	7
Finance income	**3**	7
Bank loans	**(4)**	(13)
Financing fair value losses[1]	**-**	(139)
Finance costs	**(4)**	(152)

[1] Financing fair value losses relates to fair value adjustments on non-derivative financial liabilities carried at amortised cost and on derivatives relating to financing activities

6 Income tax

	2011 £m	2010 £m
Loss before taxation	**(1)**	(145)
Income tax at UK corporation tax rate of 28% (2010 28%)	**-**	(41)
Group relief surrendered for nil consideration	**1**	41
Total income tax credit in income statement	**-**	-

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax would reduce from 28 per cent to 27 per cent with effect from 1 April 2011 This change was substantively enacted in July 2010

In addition to this, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014

None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, their effect is not included in these financial statements

7 Other receivables

	2011 £m	2010 £m
Non-current		
Amounts due from parent company	65	39
Current		
Amounts due from parent company	3	30
Interest-bearing deposit	40	-
	43	30

Non-current amounts due from the parent company are denominated in sterling, carry fixed rates of interest, and are repayable in 2015

Current amounts due from the parent company are denominated in sterling, are interest bearing at the Bank of England base rate, and are payable upon demand

Amounts due from the parent company are not considered overdue or impaired

8 Other payables

	2011 £m	2010 £m
Current		
Amounts due to parent company	40	-

Current amounts due to parent are denominated in sterling, are interest bearing at the Bank of England base rate, and are repayable on demand

9 Borrowings

	2011			2010		
	Within one year £m	After one year £m	Total £m	Within one year £m	After one year £m	Total £m
Term loan due 2015	3	40	43	3	40	43
Total borrowings	3	40	43	3	40	43

As at 19 March 2011 the Company has a £40 million bilateral loan at floating rates of interest subject to a cap The carrying amount of the loan is £43 million (2010 £43 million) and the loan is repayable over four years

10 Called up share capital and share premium account

	2011 £	2010 £
Called up share capital		
Allotted and fully paid - ordinary shares	10	10
	£m	£m
Share premium account		
Allotted and fully paid - ordinary shares	180	180

11 Retained earnings

	£m
At 21 March 2010	**(154)**
Loss for the year	**(1)**
At 19 March 2011	**(155)**

	£m
At 22 March 2009	(9)
Loss for the year	(145)
At 20 March 2010	(154)

12 Financial risk management

Treasury management
Treasury policies are reviewed and approved by the ultimate parent company's board The J Sainsbury plc Chief Executive and Chief Financial Officer have joint delegated authority from the ultimate parent company's board to approve finance transactions

The Group operates a central treasury function which is responsible for managing the Company's liquid resources, funding requirements and interest rate and currency exposures

Interest rate risk
The Company is exposed to interest rate risk on borrowings and deposits

(i) Sensitivity analysis for amounts due from parent company
The Company had a receivable from the parent company with carrying value of £65 million as at the balance sheet date, which is interest bearing at a fixed rate

(ii) Sensitivity analysis for amounts due to parent company
The Company had a payable to the parent company with a carrying value of £40 million as at the balance sheet date, which is interest bearing at the Bank of England base rate An increase of 100 bps in the interest rate would have decreased post-tax profit by £287,000 and a decrease of 100 bps in the interest rate would have increased post-tax profit by £144,000

(iii) Cash flow sensitivity for term loan due 2015
The Company holds £40 million (2010 £40 million) of borrowings A change of 100 basis points in the rate would have an impact of £288,000 (2010 £300,000) on the post-tax income statement

(iv) Cash flow sensitivity for interest bearing deposit
The Company holds £40 million of interest bearing deposits An increase of 100 bps in the interest rate would have increased post-tax profit by £288,000 and a decrease of 100 bps in the interest rate would have decreased post-tax profit by £230,000

12 Financial risk management (continued)

Liquidity risk
The Company has a £40 million (2010 £40 million) loan maturing in 2015

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows or an estimate in respect of floating interest rate liabilities

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
19 March 2011				
Term loan due 2015	**5**	**5**	**56**	**-**
Amounts due to parent company	**40**	**-**	**-**	**-**
20 March 2010				
Term loan due 2015	5	5	16	45

Credit risk
The Company's exposure to credit risk is limited to amounts receivable from the parent company and deposits with banks

During the year there were no breaches of deposit limits and management does not expect any losses from non-performance of deposit counterparties

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide services to the Group and to maintain an optimal capital structure

13 Financial instruments

Fair values
The fair values of financial assets and liabilities are based on the prices available from the market on which the instruments are traded where available The fair value of all other financial assets and liabilities have been calculated by discounting future cash flows at prevailing interest rates The fair values of short-term deposits with a maturity of less than one year are assumed to approximate their book values, and excluded from the analysis below

The term loan due in 2015 has a fair value of £54 million (2010 £59 million) and carrying value of £43 million (2010 £43 million)

Amounts due from the parent company have a fair value of £72 million (2010 £73 million) and carrying value of £68 million (2010 £69 million)

Amounts due to the parent company have a fair value of £40 million and carrying value of £40 million

13 Financial instruments (continued)

Financial instruments income, expense, gains and losses

Set out below are the accounting classifications of income, expense, gains and losses experienced on financial instruments in the 52 weeks to 19 March 2011 and 20 March 2010

	2011 £m	2010 £m
At fair value through profit or loss, held for trading		
Net gains and losses	-	(99)
Loans and receivables		
Interest income	3	7
Other financial liabilities		
Net gains and losses	-	(40)
Interest expense	(4)	(13)

14 Related party transactions

The ultimate and immediate parent company and controlling party of the Company is J Sainsbury plc, which is registered in England and Wales, and forms the only group into which the financial statements of the Company are consolidated Copies of the parent company's financial statements may be obtained from www j-sainsbury co uk

(a) Key management personnel

The key management personnel of the Company comprise members of the Board of Directors The Directors do not receive any remuneration from the Company as their emoluments are borne by Group companies The Company did not have any transactions with the Directors during the period

(b) Transactions with parent company

	2011 £m	2010 £m
Amounts due from parent company		
Amounts due from parent company	**69**	67
Net advances from the parent company	**(44)**	(5)
Interest earned in respect of interest bearing loans	**3**	7
Year end balances arising from transactions with parent company	**28**	69

During the year interest income of £3 million was earned from the parent company (2010 £7 million)

During the year, the Company received advances of £40 million from the parent company, which was subsequently placed on deposit at floating rates Additional advances were made to the Company by the parent to cover any shortfall on external interest due on term loan