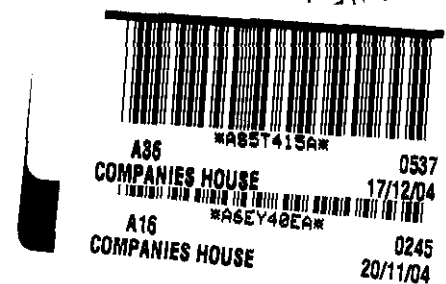


N/M  
w/m  
COMPANY NUMBER: FC024449

**JS FINANCE CORPORATION**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2004**



**JS Finance Corporation  
Report of the Directors  
for the year ended 28 February 2004**

The Directors present herewith their report and the audited financial statements of the Company for the year ended 28 February 2004.

**Statement of Directors' responsibilities for financial statements**

Irish company law requires the Directors to prepare financial statements for each financial period that 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts 1963 to 2003, and the European Communities (Companies: Group Accounts) Regulations, 1992. 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.

**Principal activities**

The principal activity of the Company is to act as an intermediate holding company on behalf of its ultimate parent undertaking, J Sainsbury plc.

**Books of account**

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at 33 Holborn, London, EC1N 2HT.

**Review of business and future developments**

The Company sold its investment in 99% of the share capital of JS USA Holdings Inc to J Sainsbury plc during the year for US\$ 1,200million. The Company changed its tax residency to the UK at the beginning of the period. The financial position as at 28 February 2004 was deemed satisfactory. No change is planned in the activities of the Company in the next financial year.

**Results and dividends**

The results for the period are set out in the profit and loss account on page 6. The Company's retained profit for the period is US\$ 50,726,075 (2003: US\$ 2,075,597). The Directors do not recommend payment of a dividend (2003: US\$ 32,000,000).

**JS Finance Corporation  
Report of the Directors  
for the period ended 28 February 2004**

**Directors and their interests**

The names of the persons who were directors at any time during the period ended 28 February 2004 are set out below. Unless otherwise indicated they served as directors for the entire period.

R Burke (resigned 28 February 2003)  
B Casey (resigned 28 February 2003)  
T Fallowfield (appointed 28 February 2003)  
W Hamilton (appointed 28 February 2003, resigned 24 December 2003)  
J S Lavelli  
R J Learmont (appointed 28 February 2003)  
J P Mason  
C Matthews (appointed 28 February 2003, resigned 26 May 2004)  
R J Matthews (appointed 28 February 2003)  
D McGing (resigned 28 February 2003)

The Directors do not have any interests in the share capital of the Company, or any of its subsidiaries.

The number of Stg25p ordinary shares and options over Stg25p ordinary shares of J Sainsbury plc held by Directors who were not also Directors of the ultimate parent company, and their immediate families, were:

	<b>Ordinary shares</b>	
	<b>28 February 2004</b>	<b>27 February 2003*</b>
Beneficially owned:		
T Fallowfield	377	320
J S Lavelli	8,506	6,055
R J Learmont	486	306
J P Mason	2,294	2,237
C Matthews	57	-

		Share options			
	28 February 2004	Granted during year	Exercised during year	Lapsed during Year	28 February 2003*
T Fallowfield	245,590	113,338	-	-	132,252
J S Lavelli	193,939	30,994	689	-	163,634
R J Learmont	132,595	43,859	-	-	88,736
J P Mason	346,252	139,181	-	-	207,071
C Matthews	107,973	51,413	-	-	56,560

\* or as at date of appointment

R J Matthews is also Director of J Sainsbury plc and his interests and details of his share options are disclosed in the Annual Report and financial statements of J Sainsbury plc.

## **Independent auditors' report to the shareholders of JS Finance Corporation**

We have audited the financial statements on pages 6 to 11.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out in the statement of directors' responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to hold an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information required by law regarding directors' remuneration or directors' transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report - continued**

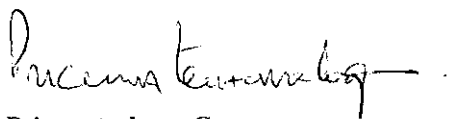
**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 28 February 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 1 to 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 7, are more than half the amount of its called up share capital and, in our opinion, on that basis there did not exist on 28 February 2004 a financial situation which, under Section 40(1) of the Companies (Amendment) Act 1983, would require the convening of an extraordinary general meeting of the company.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**Dublin**

**29 October 2004**

**JS Finance Corporation**  
**Profit and loss account**  
**for the year ended 28 February 2004 and 27 February 2003**

	Note	2004 US\$	2003 US\$
Interest receivable and similar income		35,384,604	38,478,686
Income from shares in group company	2	-	8,933
Net operating income/(expenses)		(20,852)	(695,449)
Gain on disposal of advances to affiliates		15,840,000	-
<b>Operating profit / profit on ordinary activities before tax</b>	3	<b>51,203,752</b>	<b>37,792,170</b>
Tax on profit on ordinary activities	4	(477,677)	(3,716,573)
<b>Profit on ordinary activities after tax</b>		<b>50,726,075</b>	<b>34,075,597</b>
Dividend paid/proposed	5	-	(32,000,000)
<b>Profit for period retained</b>		<b>50,726,075</b>	<b>2,075,597</b>

**Statement of movement in Profit and Loss Account**  
**Year ended 28 February 2004**

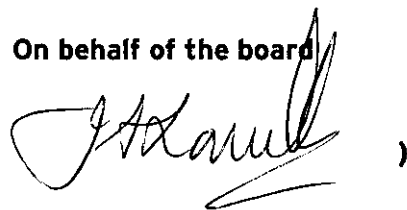
	2004 US\$	2003 US\$
Balance at beginning of year	95,921,449	93,845,852
Profit for period retained	50,726,075	2,075,597
<b>Retained at end of year</b>	<b>146,647,524</b>	<b>95,921,449</b>

The company has no recognised gains or losses, other than those included in the profits above, and therefore, no separate statement of total recognised gains and losses has been presented. All profits shown above are in respect of continuing operations.

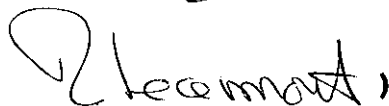
There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial period stated above, and their historical cost equivalents.

The notes on pages 8 to 11 form part of these financial statements.

On behalf of the board



) Directors

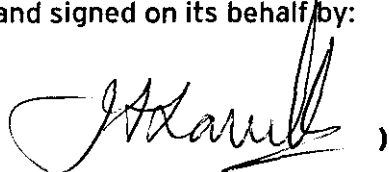


29 October 2004

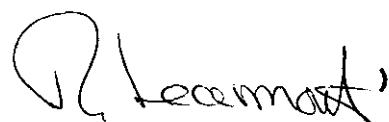
**JS Finance Corporation**  
**Balance sheet**  
**as at 28 February 2004 and 27 February 2003**

	Note	2004 US\$	2003 US\$
<b>Fixed assets</b>			
Financial assets	6	3,000,000	1,203,000,000
<b>Current assets</b>			
Advances to parent company due within one year		688,877,058	20,000,000
Advances to fellow subsidiary undertakings due within one year		-	609,000,000
Advances to fellow subsidiary undertakings due after more than one year		1,286,840,000	62,000,000
Investments	7	-	45,630,933
Interest receivable		123,210	14,257,554
Cash		24,813,307	1,168,766
		<b>2,000,653,575</b>	<b>752,057,253</b>
<b>Creditors (amounts falling due within one year)</b>	8	<b>(6,051)</b>	<b>(2,135,804)</b>
<b>Net current assets</b>		<b>2,000,647,524</b>	<b>749,921,449</b>
<b>Total assets less current liabilities</b>		<b>2,003,647,524</b>	<b>1,952,921,449</b>
<b>Capital and reserves</b>			
Called up share capital	9	1,857,000,000	1,857,000,000
Revenue reserves		146,647,524	95,921,449
<b>Shareholders' funds - equity interests</b>	10	<b>2,003,647,524</b>	<b>1,952,921,449</b>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 29 October 2004 and signed on its behalf by:



Directors



**JS Finance Corporation**  
**Notes to the financial statements**  
**for the year ended 28 February 2004**

## **1 Accounting policies and estimates**

The significant accounting policies and estimates adopted by the company are as follows:

### **Basis of preparation**

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts 1963 to 2003, and the European Communities (Companies: Group Accounts) Regulations 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

### **Accounting convention**

The financial statements have been prepared under the historical cost convention.

### **Consolidation**

The company does not prepare consolidated financial statements as it is a wholly owned subsidiary and its ultimate holding company prepares consolidated financial statements incorporating the financial statements of the company.

### **Shares in subsidiary undertakings**

Shares in subsidiary undertakings are valued at the lower of cost less impairment.

### **Foreign currencies**

Monetary assets and liabilities in foreign currencies have been translated at the exchange rates in effect at the balance sheet date. All exchange differences are dealt with in arriving at profit before taxation.

### **Interest income**

Interest income has been credited to the profit and loss account on an accruals basis.

### **Dividend income**

Dividend income is included in the profit and loss account on an accruals basis

## **2 Income from shares in group companies**

	2004 US\$	2003 US\$
Dividend received	-	32,008,933
Impairment amount applied against investment	-	(32,000,000)
	-	8,933

## **3 Operating profit/profit on ordinary activities before tax**

This is stated after crediting/(charging):

	2004 US\$	2003 US\$
Interest income on loans to affiliates	34,969,658	37,291,858
Directors' fees	-	(14,513)
Audit fees	(12,385)	(8,438)
Dividends received from subsidiary undertakings	-	32,008,933
Exchange loss	-	(464,818)



**JS Finance Corporation**  
**Notes to the financial statements**  
**for the year ended 28 February 2004**

**4 Tax on profit on ordinary activities**

	2004 US\$	2003 US\$
<b>Current tax:</b>		
Corporation tax at 30% (2003: 10%)	-	3,778,224
Adjustment in respect of prior years	477,677	(61,651)
	<u>477,677</u>	<u>3,716,573</u>

From 28 February 2003, the company changed its tax residency from Ireland to the UK. The tax charge for the year is different to the profit before tax multiplied by the standard rate of tax. The difference is explained as follows:

	2004 US\$	2003 US\$
Profit before tax	51,203,752	37,792,170
Expected tax charge	15,361,125	3,779,217
Group relief received for nil consideration	(15,361,125)	-
Sundry differences	-	(993)
Actual tax charge	<u>-</u>	<u>3,778,224</u>

**5 Dividends**

	2004 US\$	2003 US\$
Dividend paid of nil (2003: US\$ 0.017232) per US\$1 ordinary share	<u>-</u>	<u>32,000,000</u>

**6 Financial assets**

	2004 US\$	2003 US\$
Investment in shares in fellow subsidiaries at cost:		
JS USA Holdings Inc	-	1,200,000,000
Savacentre Limited	35,000,000	35,000,000
Less provision for impairment in Savacentre Limited	(32,000,000)	(32,000,000)
	<u>3,000,000</u>	<u>1,203,000,000</u>

Details of the company's principal subsidiary is as follows:

Name of company	Class of shares	% holding	Nature of business	Registered office
Savacentre Limited	Preference	100	Holding company	33 Holborn London EC1N 2HT

During the year the company sold its investment in 99% of the share capital of JS USA Holdings Inc. to J Sainsbury plc for \$1,200 million, with no profit or loss on disposal arising.

**JS Finance Corporation**  
**Notes to the financial statements**  
**for the year ended 28 February 2004**

In presenting details of the principal subsidiary undertakings the exemption permitted by the European Communities (Companies: Group Accounts) Regulations, 1992, has been availed of, and in accordance with the Regulations, JS Finance Corporation will annex to its annual return to the companies registration office a full listing of subsidiary accounts.

**7 Investments**

Investments consist of commercial paper with a maturity of less than one year.

**8 Creditors - amounts falling due within one year**

	2004 US\$	2003 US\$
Corporation tax	-	2,078,996
Accruals	6,051	56,808
	<u>6,051</u>	<u>2,135,804</u>

**9 Called up share capital**

	2004 US\$	2003 US\$
Authorised Ordinary shares of US\$1 each	2,250,000,000	2,250,000,000
Issued and fully paid Ordinary shares of US\$1 each	1,857,000,000	1,857,000,000

**10 Statement of movement on shareholders' funds - equity interests**

	2004 US\$	2003 US\$
Profit after tax	50,726,075	34,075,597
Dividends	-	(32,000,000)
Profit for period retained	50,726,075	2,075,597
Net addition to shareholders' funds	50,726,075	2,075,597
Opening shareholders' funds	1,952,921,449	1,950,845,852
Closing shareholders' funds	<u>2,003,647,524</u>	<u>1,952,921,449</u>

**11 Ultimate parent company**

The company is a subsidiary of J Sainsbury Holdings. The directors regard J Sainsbury plc, a company incorporated in the United Kingdom, as the ultimate parent company. The largest and smallest group in which the financial statements of JS Finance Corporation are consolidated is that headed by J Sainsbury plc. Copies of the consolidated financial statements of J Sainsbury plc may be obtained from the Company Secretary, J Sainsbury plc, 33 Holborn, London, EC1N 2HT.

**JS Finance Corporation**  
**Notes to the financial statements**  
**for the year ended 28 February 2004**

**12 Cash flow statement**

The directors have availed themselves of the exemptions in Financial Reporting Standard No. 1 (Revised) which permits greater than 90% owned subsidiaries of an undertaking which itself produces a cash flow statement and whose consolidated financial statements are publicly available, not to produce a cash flow statement.

**13 Related party disclosures**

The controlling party of the company, JS Finance Corporation, is J Sainsbury Holdings which is controlled by J Sainsbury plc, the ultimate parent company.

The company has availed itself of the exemptions under Financial Reporting Standard No. 8 "Related Party Disclosures" which allows an undertaking in which 90% or more of its voting rights are controlled within the group and where the consolidated financial statements in which the subsidiary is included are publicly available, not to disclose any transactions with entities that are part of the group.

There were no transactions requiring disclosure except as disclosed in note 14 below.

**14 Transactions involving directors**

During the period there were no transactions involving directors requiring disclosure. In the prior period, the company incurred legal expenses of US\$11,810 for services provided by McCann Fitzgerald a firm in which Mr Robert Burke is a partner.

**15 Reporting currency**

The currency used in these financial statements is the US Dollar which is denoted by the symbol "US\$".

**16 Approval of financial statements**

The financial statements were approved by the board of directors on 29 October 2004.