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COMPANY NUMBER: FC 025390

HOLBORN FUNDING LIMITED

NON-STATUTORY REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 6 APRIL 2004 TO 26 MARCH 2005



**Holborn Funding Limited
Report of the Directors
for the period to 26 March 2005**

The Directors present their report and the audited non-statutory financial statements of the Company for the period ended 26 March 2005.

Principal activities and review of business

The Company was incorporated in the Cayman Islands on 6 April 2004. The principal activity of the Company during the period was the lending of monies.

No change is planned in the activities of the Company in the next financial year.

Results and Dividends

The Company's profit on the ordinary activities of the Company before taxation amounted to £35,097,000. The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors of Holborn Funding Limited during the period and subsequent to the period ended 26 March 2005 are shown below:

H De Vries	(appointed 7 April 2004, resigned 7 April 2004)
E Gatti	(appointed 7 April 2004, resigned 7 April 2004)
T Fallowfield	(appointed 7 April 2004, resigned 24 June 2005)
J S Lavelli	(appointed 7 April 2004, resigned 29 July 2005)
R J Learmont	(appointed 7 April 2004)
J P Mason	(appointed 7 April 2004, resigned 9 November 2005)
C Matthews	(appointed 7 April 2004, resigned 26 May 2004)
R J Matthews	(appointed 7 April 2004, resigned 24 June 2005)
G Willits	(appointed 9 November 2005)

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

Holborn Funding Limited
Report of the Directors
for the period to 26 March 2005 (continued)

The number of 28 ⁴/₇p (2004: 25p) ordinary shares, B shares of 35p (2004: nil) and options over 28 ⁴/₇p (2004: 25p) ordinary shares of J Sainsbury plc held by Directors who were not also Directors of the ultimate parent company, and their immediate families, were:

	<u>Ordinary shares</u>		<u>B shares</u>	
	26 March 2005	6 April 2004	26 March 2005	6 April 2004
Beneficially owned:				
T Fallowfield	329	377	-	-
J S Lavelli	8,768	8,546	894	-
R J Learmont	548	494	175	-
J P Mason	2,017	2,307	2,250	-

The B shares receive a preference dividend of 75% of the 6 month LIBOR, until their redemption which is fixed at 35 pence per B share. The future redemption dates are 18 January and 18 July each year until 18 July 2007. B shareholders have no voting rights except in a resolution for the winding up of the Company.

	<u>Share options</u>				
	26 March 2005	Granted during year	Exercised during year	Lapsed during year	6 April 2004
T Fallowfield	345,607	100,017	-	-	245,590
J S Lavelli	216,770	40,036	-	-	176,734
R J Learmont	188,061	55,712	-	-	132,349
J P Mason	484,787	138,535	-	-	346,252

The interest of R J Matthews, who was also a Director of the ultimate parent company, J Sainsbury plc, is shown in the annual report of that company.

Auditors

The directors have appointed PricewaterhouseCoopers LLP, as auditors of the Company. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By Order of the Board



H D Jarvis
Secretary

3rd January 2006

Holborn Funding Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of that period, and of the profit or loss of the Company for that period. In preparing 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;
- state whether applicable UK accounting standards 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 assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. 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.

Holborn Funding Limited**Independent auditors' report to the directors of Stores Overseas Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

These financial statements have not been prepared under section 226 of the Companies Act 1985 and were prepared solely for the purposes of management.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body 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. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

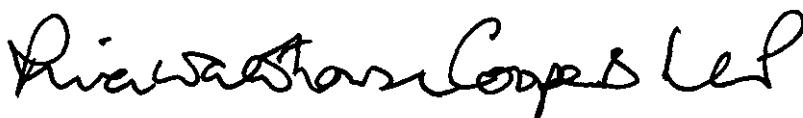
Basis of audit opinion

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 26 March 2005 and of its profit for the period from 6 April 2004 to 26 March 2005.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

Date:

31/06

Holborn Funding Limited
Profit and loss account
for the period 6 April 2004 to 26 March 2005

**6 April 2004 to
26 March 2005
£'000**

	<u>Note</u>	
Interest receivable	4	35,097
Profit on ordinary activities before taxation		35,097
Tax on profit on ordinary activities	5	-
Profit for the financial period		35,097
Dividends		-
Retained profit for the financial period		35,097

All the activities of the Company are continuing.

There are no recognised gains or losses other than the profit for the year above and therefore no separate statement of total recognised gains and losses has been presented.

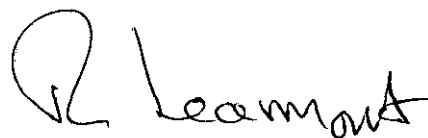
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above, and their historical cost equivalents.

Holborn Funding Limited
Balance sheet
as at 26 March 2005

	<u>Note</u>	26 March 2005 £'000
Current assets		
Debtors	6	911,506
Net assets		911,506
Capital and reserves		
Called up share capital	7	16
Share premium	8	876,393
Profit and loss account	8	35,097
Total shareholders' funds	9	911,506

The non-statutory financial statements on pages 5 to 9 were approved by the Board of Directors on *3rd January 2006* and are signed on its behalf by:

Director

 R. Leamont

The notes on pages 7 to 9 form part of these financial statements.

Holborn Funding Limited
Notes to the Financial Statements
for the period ended 26 March 2005

1. Accounting Policies

a) Basis of financial statements

These financial statements are not prepared under section 226 of the Companies Act 1985. The financial statements have been prepared on the historical cost basis, solely for the purposes of management. The directors have decided to prepare these non-statutory financial statements to support the tax return made to the UK authorities. The financial year represents the period from 6 April 2004 to 26 March 2005.

b) Cash flow and related party disclosures

The Company is a wholly-owned subsidiary of the ultimate holding company J Sainsbury plc and is included in the consolidated financial statements of J Sainsbury plc, which are publicly available. Consequently, advantage has been taken of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). Also the exemption under the terms of FRS 8, has been taken from disclosing related party transactions (but not balances) with entities that are part of the J Sainsbury plc Group or investees in the J Sainsbury plc Group.

2. Auditors' remuneration

Any expenses incurred, including auditors' remuneration, have been borne by the ultimate parent undertaking, J Sainsbury plc or other group undertakings.

3. Employees and Directors' remuneration

The average monthly number of persons (including Executive Directors) employed by the Company during the period was nil.

All of the Directors are also Directors or employees of the parent company J Sainsbury plc, and in some cases are directors of other group undertakings. For those Directors who are also directors of J Sainsbury plc their emoluments are borne by J Sainsbury plc. However, the Directors do not believe it is possible to meaningfully allocate these emoluments between their respective duties. The emoluments of those Directors who are directors of the parent company are disclosed in the financial statements of J Sainsbury plc. The Directors do not receive any remuneration from the Company.

4. Interest receivable

	26 March 2005
	£'000
<u>Interest receivable from group undertakings</u>	<u>35,097</u>

Holborn Funding Limited
Notes to the Financial Statements
for the period ended 26 March 2005 (continued)

5. Tax on profit on ordinary activities

	26 March 2005
	£'000
The tax charge based on the profit for the year is:	
Corporation tax at 30%	-
	-

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:

	2005
	£'000
Profit before tax	35,097
Expected tax charge at 30%	10,529
Group relief received for nil consideration	(10,529)
Actual tax charge	-

6. Debtors

	26 March 2005
	£'000
Revolving loan due from group undertaking	15,660
Loans due from group undertaking	876,679
Interest receivable from group undertaking	19,167
	911,506

The revolving loan to the ultimate parent company matures on 13 April 2005 and yields a variable rate of interest.

The loans to the ultimate parent company mature on 13 April 2005 and yield a fixed rate of interest of 4.75%.

The interest receivable from the ultimate parent is due on 13 April 2005.

7. Called up share capital

	26 March 2005
	£'000
Authorised	
2,500,000 ordinary shares of £0.01 each	25
Allotted, called-up and fully paid	
1,608,672 ordinary shares of £0.01 each	16

Holborn Funding Limited
Notes to the Financial Statements
for the period ended 26 March 2005 (continued)

8. Reserves

	Share Premium account £'000	Profit and loss account £'000
Retained profit for the financial period	-	35,097
Premium on issue of shares	876,393	-
At 26 March 2005	876,393	35,097

On 14 April 2004, Holborn Funding Limited issued 50,000 ordinary shares to Stores Investments Limited at par. On the same date a further 277,660 ordinary shares were issued to Stores Investments Limited at £153,998,891, representing a premium of £153,996,114.

On 29 April, Holborn Funding Limited issued 1,281,012 ordinary shares to Stores Investments Limited at £722,409,713 representing a premium of £722,396,903.

Holborn Funding Limited loaned the proceeds of the share transactions described above to J Sainsbury plc, its ultimate parent, as set out in note 6.

9. Reconciliation of shareholders' funds

	26 March 2005 £'000
Profit for the financial period	35,097
Net proceeds from issue of share capital	876,409
Closing shareholders' funds	911,506

10. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Stores Investments Limited.

The ultimate parent undertaking 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 undertaking's financial statements may be obtained from the Secretary, J Sainsbury plc, 33 Holborn, London EC1N 2HT.