

SAINSBURY'S

annual report and accounts 1979

185647

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Sainsbury's Annual Report and Accounts 1979



Joint Presidents
Lord Sainsbury of Drury Lane
Sir Robert Sainsbury

Board of Directors
J. D. Sainsbury *Chairman*
S. D. Sainsbury *Deputy Chairman*
E. R. Griffiths *Deputy Chairman*
T. A. D. Sainsbury *MP*
B. T. Ramm
D. J. Sainsbury
G. C. Hoyer Millar
J. H. G. Barnes
L. S. Payne
C. Roberts
R. A. Ingham
P. J. Davis
R. T. Vyner
R. A. Clark

Secretary N. F. Matthews

J Sainsbury Ltd
Registered Office
Stamford House
Stamford Street
London SE1 9LL

Registrars
National Westminster Bank
Registrar's Department
National Westminster Court
37 Broad Street
Bristol BS99 7NH

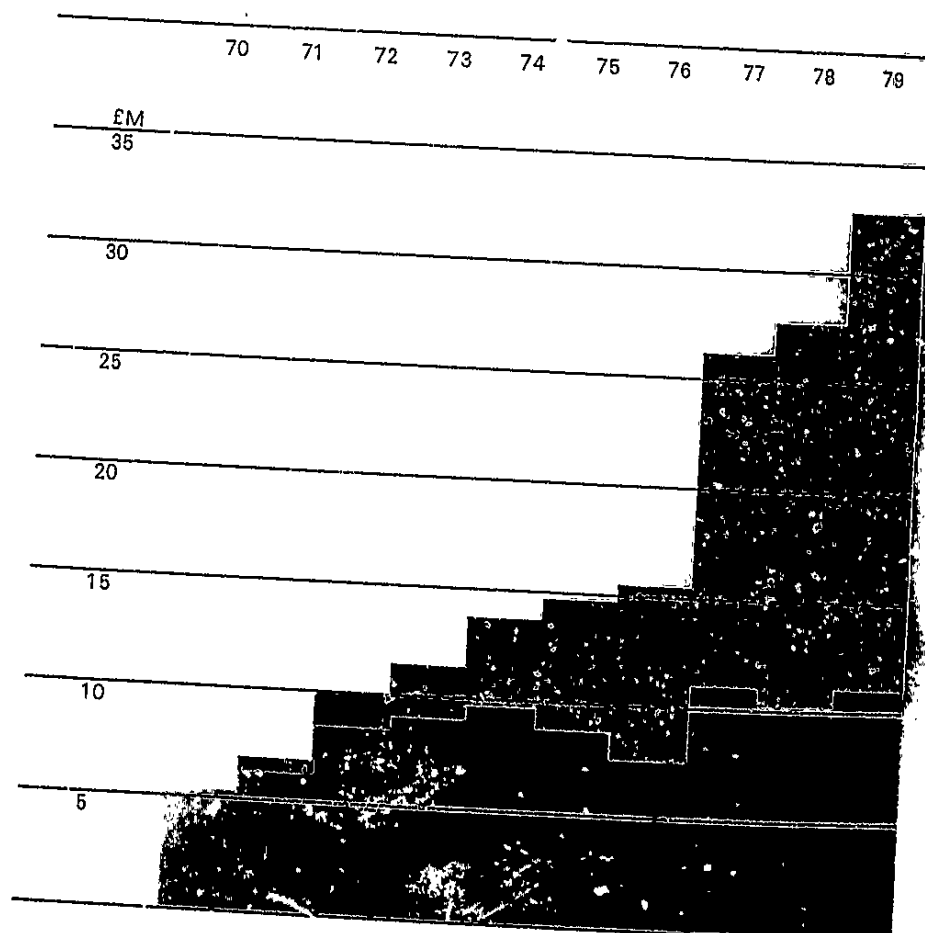
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Summary of Results

£000	1970	1971	1972	1973	1974
Retail sales	187,485	221,399	262,080	296,862	362,137
% increase on previous year	13.1%	18.1%	18.4%	13.3%	22.0%
Retail profit	5,083	6,585	9,861	11,465	13,542
% net margin	2.71%	2.97%	3.76%	3.86%	3.74%
Associated Companies— share of profit/(loss)	214	243	174	(77)	82
Total profit before tax	5,297	6,828	10,035	11,388	13,624
% increase on previous year	16.1%	28.9%	47.0%	13.5%	19.0%
Taxation	2,512	2,596	4,094	4,510	7,280
Total profit after taxation	2,785	4,232	5,941	6,878	6,344
Extraordinary items	—	(161)	(992)	(604)	—
Net profit	2,785	4,071	4,949	6,274	6,344
Earnings per share	3.45p	5.24p	7.36p	8.52p	7.86p

Pre Tax Profit

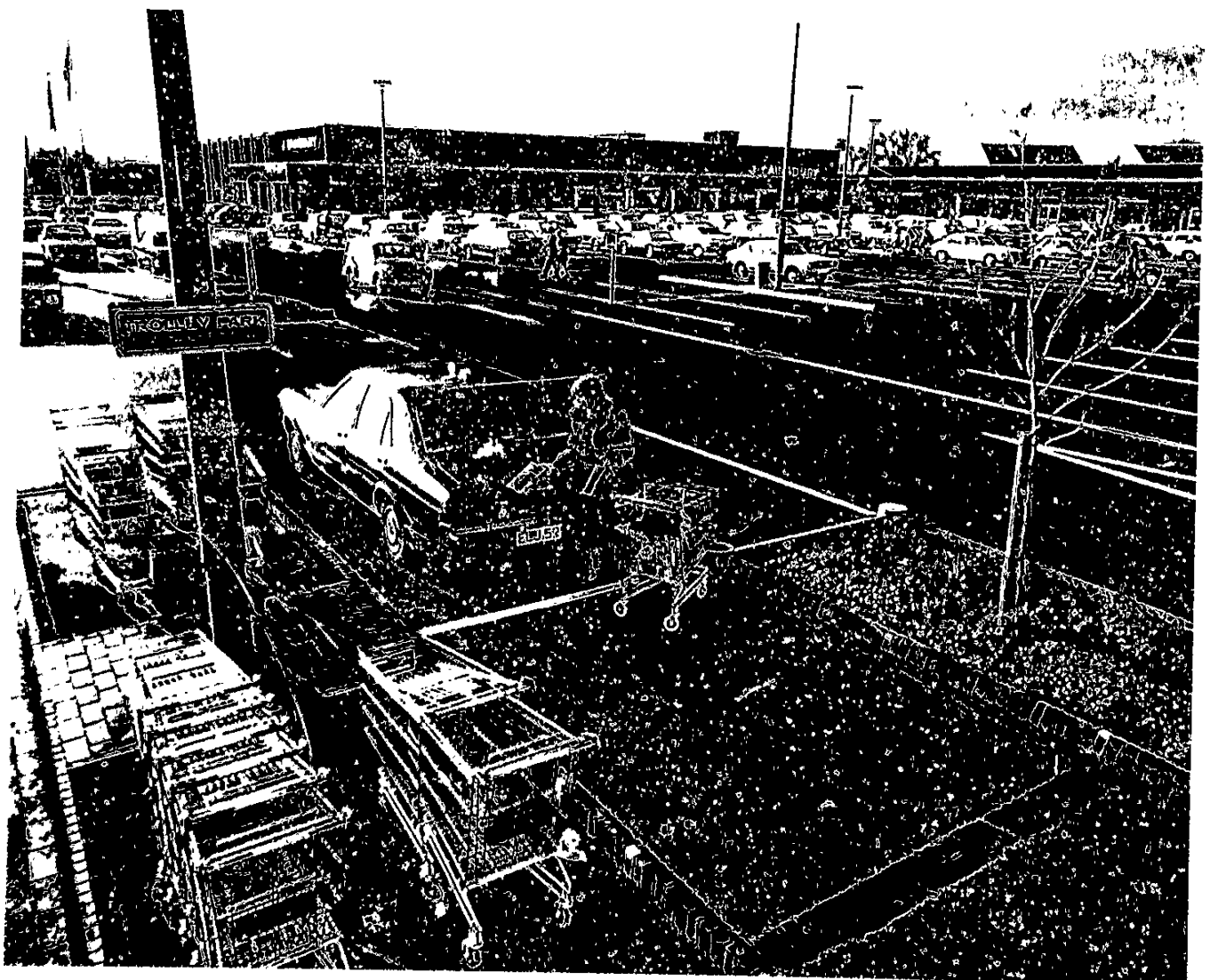
■ Actual Money Values
 ■ Constant 1970 Money Values



1975	1976	1977	1978	1979
452,804	543,443	663,776	811,102	1,007,070
25.0%	20.0%	22.1%	22.2%	24.2%
14,337	15,372	25,303	27,139	31,838
3.17%	2.33%	3.81%	3.35%	3.16%
292	45	879	443	818
14,629	15,417	26,182	27,582	32,656
7.4%	5.4%	69.8%	5.3%	18.4%
7,766	8,018	5,961*	6,563*	6,250*
6,863	7,399	20,201*	21,019*	26,406*
--	717	909	--	--
6,863	8,116	21,110*	21,019*	26,406*
8.42p	8.92p	[15.07p	[15.85p	[18.89p
		[24.36p*	[25.34p*	[31.83p*

Both the photograph and the one on the previous page show a recently opened store at Worle, just outside Weston-Super-Mare. This is typical of a number of district centres projects carried out in co-operation with the local authorities. Besides the supermarket Sainsbury's have undertaken the whole development including a number of shop units which have been let to other traders.

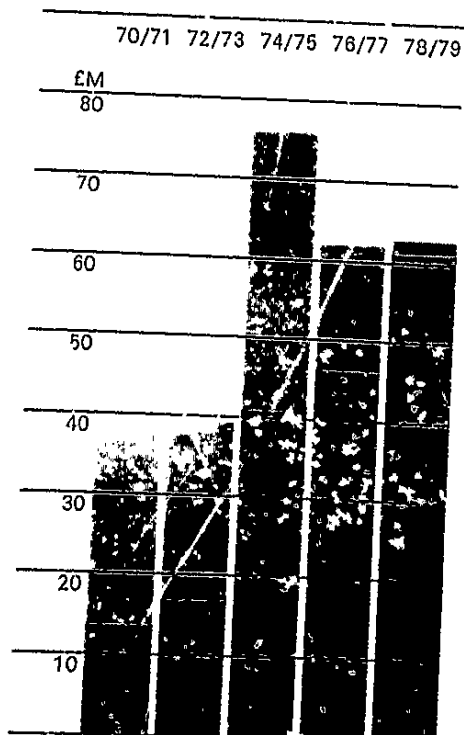
*after providing for tax in accordance with SSAP 15



No. of outlets at financial year end	1970	1971	1972	1973	1974
Supermarkets (above 4,000 sq. ft. sales area)	99	112	125	138	154
Other grocery outlets	126	103	76	56	44
Independent freezer centres	—	—	—	—	—
SavaCentre, 50% owned	—	—	—	—	—
Total outlets	225	215	201	194	198
Retail sales area					
JS (000 sq. ft.)	983	1,108	1,262	1,452	1,711
50% SavaCentre (000 sq. ft.)	—	—	—	—	—
Total (000 sq. ft.)	983	1,108	1,262	1,452	1,711
Net increase during year (000 sq. ft.)	133	125	154	190	259
%	15.6%	12.7%	13.9%	15.0%	17.8%
Average size of new Supermarkets (sq. ft.)	10,210	11,420	12,490	14,950	16,280
Average size of all Supermarkets (sq. ft.)	7,700	8,250	8,930	9,690	10,500
Average Supermarket sales					
per Supermarket (£ per wk)	28,700	31,900	36,000	38,500	43,700
per square foot (£ per wk)	3.90	3.99	4.18	4.13	4.33
Company market share of trade in all grocery outlets, based on DOI figures	5.1%	5.7%	6.1%	6.3%	6.7%

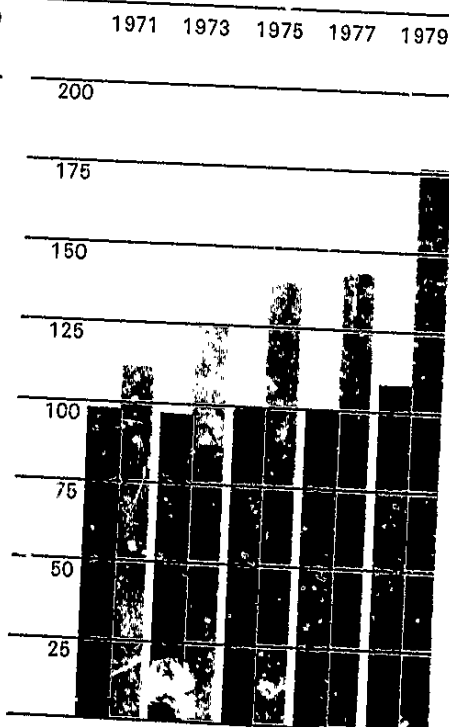
Investment

Actual Money Values
Constant 1979 Money Values



Productivity

Index of Staff Numbers 1970=100
Index of Sales Volume 1970=100

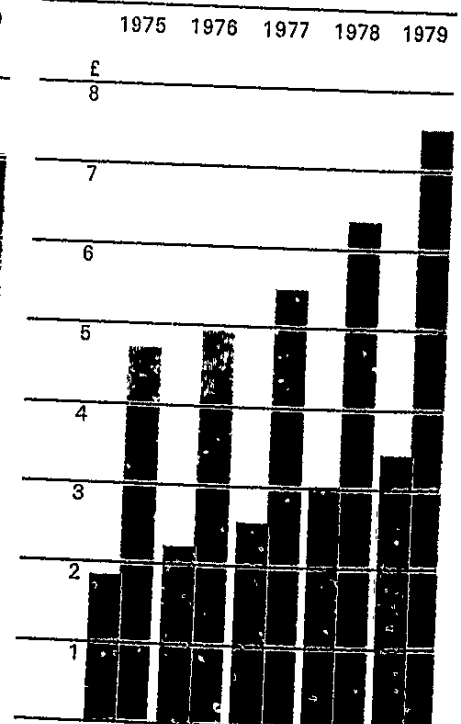


Supermarket Trade Intensity

(Weekly sales per sq. ft.)

All grocers*
J Sainsbury

*Source Institute of Grocery Distribution except 1978, 1979 J S Estimate



1975	1976	1977	1978	1979	Due to open during 1979/80	Sales sq. ft.
163	175	181	185	190	Hayes, Middlesex	14,320
35	27	24	22	21	Northwich	14,160
8	13	13	15	18	Lexden, Colchester	16,770
206	215	218	223	231	Tamworth	15,050
1,936	2,240	2,391	2,499	2,616	Kingsbury	12,100
1,936	2,240	2,391	39	72	Stafford	13,820
225	304	151	2,538	2,688	Winton	15,630
13.2%	15.7%	6.7%	147	150	Rugby	20,240
17,700	19,460	18,970	6.1%	5.9%	South Woodford	17,230
11,260	12,210	12,690	13,660	18,040	Clifton Down, Bristol	14,420
			13,010	13,260	Surbiton	17,640
					Woodhall Farm,	
					Hemel Hempstead	16,930
51,400	58,800	68,100	81,700	99,100	Total	188,310
4.72	4.97	5.47	6.34	7.52		
6.9%	6.9%	7.3%	7.8%	8.6%		

Wine sales in supermarkets have grown substantially in recent years. A recent survey by AGB showed Sainsbury's to have the leading share for this market. It has been our policy to stock a wide range and to give clear and straightforward information about wine, both on the label and on special shelf tickets.





There is no doubt that 1978/9 was one of the most successful years in our Company's history during which a number of significant records were established.

For the first time our sales exceeded a thousand million pounds and profits reached the record level of £32,656,000. Earnings per share rose by over 25%.

The annual increase in sales volume was the highest we have achieved since the ending of wartime controls. The sales increase of 24.2%, when adjusted for inflation, represents a volume growth of 16%.

Our market share of the grocery trade reached a new record, rising over one tenth to become 8.6% as measured against Department of Industry figures for total sales in grocery outlets, and by a fifth to 10.8% as measured on a proportion of the grocery market by AGB.

As well as establishing important new milestones in the Company's history 1978/9 has other significance for us. It is the end of the first decade of our second hundred years. Since 1969 when we celebrated our centenary our profits have grown seven-fold. Allowing for the fact that 1969's pound is only worth 33p today, we have increased profitability by 2.4 times while over the ten years our earnings per share have risen in real terms no less than 10% a year. Today we serve about two million more customers every week and sell nearly twice the volume of goods that we did ten years ago.

We have invested heavily during these ten years, spending over £175m—all of it self-financed. We have opened 127 supermarkets having a total of nearly two million sq. ft. of sales area. This is equivalent to about 80% of existing sales space. Stores opened in the past five years now account for over a quarter of total sales.

Board Changes

On a personal level it was ten years ago that I became Chairman of the Company, and my brother Simon, Deputy Chairman. As I

announced last December, Simon has decided to retire at the Annual General Meeting, having completed twenty-three years with the Company, of which twenty were as a Director. Simon's contribution to the success of the Company during all these years has been quite outstanding and invaluable.

Since he became Deputy Chairman in 1969 we have worked very closely together and no one could have helped me more to forward the growth and development of the Company. In 1973 he was responsible for the complex planning, organisation and negotiations for the flotation of the Company, not only the largest but also one of the most successful ever made in the City of London. Whilst in recent years he has gradually relinquished his executive responsibilities he has since 1974 been Chairman of our associate company Haverhill Meat Products and played a key role during its recent successful expansion and development.

However, it is for the quality of his contribution to our deliberations at the Board that Simon will be most missed by all his colleagues. His knowledge and depth of understanding of the business have been unrivalled and these, together with his financial acumen and vision, have brought great strength to the Board. The Company, his colleagues on the Board, and none more than I, owe the greatest debt of thanks for all his wisdom, support and achievements over many years.

I also announced in December that Bernard Ramm would be retiring at the Annual General Meeting. Bernard joined the Company in 1949 and has been a Director since 1962. Originally responsible for the statistical services within the Company he assumed Board responsibility for the Data Processing Department from its earliest days. Under his guidance it has developed into one of the largest and most efficient installations serving the retail trade, and this amongst other things allows us to operate one of the fastest and most effective supermarket ordering systems in use anywhere in the world. Bernard has served on the Economic Development Committee for the Distributive Trades, and is well-known outside the

Company for his statistical expertise and knowledge of the industry. He will be greatly missed by all his colleagues for the unique experience and great insight that he has brought to bear on many areas of the Company's activities.

I am pleased to be able to report that during the year Mr. R. T. Vyner and Mr. R. A. Clark were appointed to the Board. Tom Vyner joined the Company this year to take responsibility for our Grocery Division having spent his career in the food industry rising to Board level with a major retailer. Angus Clark who has become Personnel Director, joined the Company in 1966 and has since then held important posts in both the Distribution and Personnel Divisions.

Success for Discount Trading

As is well known we started our discount trading in January 1978 so that 1978/9 is the first complete year of this policy. The very success we have enjoyed is justification for the move we made. As I said last year, our discount programme is a modern interpretation of our traditional policy that goes back to the foundation of the business. This is that our leadership in quality should be matched by a leadership in prices. More than ever this year, "good food costs less at Sainsbury's", and we have more than maintained our competitive lead against high street prices that was established with the start of Discount '78 and is being continued with Discount '79.

This is all the more satisfactory in the light of the fact that we have held our net margin at 3.16%, close to the average achieved in the last ten years—a performance which compares very favourably with the trade as a whole.

New Developments

During 1978/9 we opened seven new supermarkets, adding 126,280 sq. ft. of new sales area. I commented a year ago that our new store programme was being limited by planning difficulties. I am pleased to be able to report that lately we have been more successful in securing suitable sites and gaining planning permission and that as a result in the next three years we

expect to open well over fifty new stores—the largest expansion programme we have ever undertaken.

One of the features of the year has been the success that our new supermarkets have enjoyed in what is a new but expanding area for us in the North West. Stores at Newcastle-under-Lyme, Wilmslow and Northwich (opened in April 1979) have all done extremely well. Additionally the two stores we opened in Yorkshire in 1974 and 1975 have continued to progress most satisfactorily. It was particularly encouraging therefore that recently we secured an excellent site on the edge of Leeds. Our intention is to continue to open new stores north of our existing trading areas as appropriate sites become available.

SavaCentre

SavaCentre, our joint company with British Home Stores, has had a most encouraging year. The first SavaCentre hypermarket opened in Washington (Tyne & Wear) in November 1977. During the year it achieved a satisfactory profit with sales growth well above expectations. Already its volume of trade is such that no more than two or three hypermarkets in the country are trading at a higher level. Our second SavaCentre at Hempstead in Kent opened last October. Sales here are also well ahead of expectations and this year SavaCentre should achieve a satisfactory level of profit.

Next May we anticipate opening our third SavaCentre at Basildon, to be followed within a year by another at Oldbury close to Birmingham. Probably the best SavaCentre news of the year was receiving planning permission for a hypermarket on the edge of Reading. This is an excellent site and will be the first SavaCentre development that is "free-standing". The site is close to the M4 motorway and is planned to have a sales area of about 75,000 sq. ft., with car parking for 1,200 cars. We believe it will become one of the most impressive hypermarkets in the country.

We have a number of other sites under negotiation and both our partners, British Home Stores, and ourselves, have great confidence

in the future development of our joint company.

Introduction of Profit Sharing

Discount '78 and the great growth in the volume of our business were a challenge to all staff and it is to their considerable credit that by dint of hard work and initiative the unprecedented increase in the level of trade was handled. It is important therefore that I take this opportunity to record the Board's appreciation for all that was achieved by staff during the course of the year, both in responding to the success of Discount '78 and for the part they played in continuing to uphold our traditional standards of service and quality.

Last year I commented on the importance we give to creating full and effective staff communication on Company progress and the financial results. (A copy of this year's report to staff is enclosed). Now we believe we should carry our objective of developing staff commitment to the Company to a new dimension by seeking shareholders' approval at the Annual General Meeting for the creation of a profit sharing scheme for all full and part-time staff who have worked for the Company for more than two years. We are proposing that this should be based on a published formula rather than, as is often the case, the discretion of the Directors.

Equally important we believe it should be a scheme closely related to performance so that profit sharing would only come into effect when the Company's net margin exceeds 2.5%. Thereafter the level of profit distributed to employees is dependent upon both the percentage net margin and the total pre-tax retail profit achieved in the year. Thus the distribution to each participant will be directly related to the two most relevant measurements of a retailer's performance.

This plan is additional to and independent of normal remuneration policies. A full explanation is circulated to shareholders with this Report and if approved the Scheme will be operative for 1979/80. It is appropriate to record that we estimate that if the Scheme had been effective this year there would have been a

distribution of just under £1 million in shares or cash to about 19,000 staff.

Although we believe it right that employees should have the choice of receiving this in either cash or shares I am confident that time will prove that not only will it be in the interest of the Company, but also of the employee, for profit sharing to be taken in the form of shares.

Support from Suppliers

The intensive competition in the retail food trade has been the subject of much comment during the course of the year. Not surprisingly the so-called price war has been seen to be a significant factor in the housewife's battle against rising prices—and a much more effective factor than all the Government intervention on prices that our industry has suffered since 1973.

Tougher competition in the high street naturally has had widespread repercussions through the trade. The majority of our suppliers have responded magnificently to the greater demands that our growth in sales have placed upon them. They have served us well and in many cases I am delighted to say derived considerable benefit from the greater trade our discount programme has generated. It is with pleasure therefore that I place on record our appreciation for the co-operation and support we have received from the vast majority of our suppliers.

While it would be foolish not to recognise that keener competition does make life more difficult for everyone, I must record that there has been a tendency in some quarters of the food manufacturing industry (although not usually I am pleased to say from our suppliers) to use the competitive retail scene as an alibi for indifferent performance.

If products are sold by manufacturers at uneconomically low prices it is primarily the result of weak management rather than tough buying by retailers. The balance of market power plays a part, but that is more often tilted in the direction of the manufacturer rather than the food retailer, however large the latter may be. In many areas of the food trade only two manufacturers control over 60%

of the market while the sales of the five largest multiple retailers taken together usually represent under a quarter of total sales in all food shops.

The point, however, is that if a manufacturer pursues uneconomic sales for short term benefit, not only does he bring great harm to himself but to the industry as a whole. In these circumstances no good comes from blaming retailers whose task it is for their own good as well as for their customers' to buy at the best price they can.

There is even less reason to turn to legislation as a cure for inadequate manufacturing profit. The answer cannot lie with yet more regulations and controls. In a highly competitive market the law cannot provide a substitute for good commercial management; rather it would inhibit change and stifle enterprise. In the long term it would provide benefit for none but the legal profession.

Future Policy

With all the changes over the last decade in national, political, economic and commercial life our trading policy remains constant. That is to sustain and develop our traditional trading strengths, particularly in not allowing any weakening in the high quality standards that we set at a time when we have so clearly strengthened price competitiveness.

Our particular strength as a food retailer is that unrivalled combination of quality pre-eminence allied to low prices. For long we have undersold competitors having the nearest quality standards to ourselves but with our discount trading we now have significantly lower prices than are generally available elsewhere in the high street whatever the standards of trading.

It is that that is responsible for our record achievements in the last year; it is our traditional policy of quality and low prices that explains the progress we have shown in the last ten years.

John Sainsbury Chairman
31st May 1979

Profits and Dividends	<p>The profit after taxation was £26,406,000, details of which are shown on page 11. As will be seen in the notes on Accounting Policies on page 12, the charge for taxation has been arrived at in accordance with SSAP 15.</p> <p>The Directors are proposing the payment of a final dividend of 4.85p per share on 27th July 1979 to shareholders on the Register at the close of business on 29th June 1979. Together with its associated tax credit (at the rate of 33%) this dividend is equivalent to a gross dividend of 7.2388p per share and makes a total gross dividend for the year of 10.6268p per share. The increase of 17.1% in the net dividend is the maximum currently allowed.</p>
Share Capital	<p>On 3rd November 1978 the Company granted further options under the Company's Savings-Related Share Option Scheme over 133,826 ordinary shares to 386 employees at an option price of 210p per share. During the year the Company issued 51,366 ordinary shares under the Scheme for cash, and at 3rd March 1979 outstanding options totalled 1,411,555.</p>
Fixed Assets	<p>Certain freehold and leasehold properties were revalued at open market value at 10th March 1973. This revaluation was included in the accounts at that date and additions since that date have been included at cost. The Directors are of the opinion that taken overall the total market value of the Company's properties exceeds the book value at 3rd March 1979 and an internal valuation is being prepared.</p> <p>The movements of fixed assets are set out in Note 5 to the Accounts.</p>
Principal Activity	<p>The principal activity of the Company is the retail distribution of food. There are no exports.</p>
Employees	<p>The average number of employees was 16,658 full-time and 18,180 part-time and their aggregate remuneration was £76,728,000.</p>
Donations	<p>Donations to charitable organisations amounted to £101,000 and to political parties nil.</p>
Directors	<p>The Directors are shown on page 1. Apart from R. T. Vyner and R. A. Clark who were appointed on 28th September 1978 and 1st January 1979 respectively, all Directors held office throughout the year. All Directors hold executive office and therefore are not subject to retirement by rotation but, in accordance with the Articles of Association, Resolutions will be submitted to the Annual General Meeting for the re-appointment of R. T. Vyner and R. A. Clark. No Directors were interested in any contracts subsisting during or at the end of the financial year.</p>
Directors' and Other Interests	<p>The number of ordinary shares and units of loan stock held by Directors and their families at 3rd March 1979 and other substantial interests notified to the Company are shown on page 22.</p>
Current Cost Accounting	<p>A statement of profit adjusted for the effects of inflation has been prepared and is set out on page 21 in the form which the Directors consider appropriate to the nature of the Company's business.</p>
Auditors	<p>Clark Pixley are willing to continue in office and a Resolution to re-appoint them as Auditors and to authorise the Directors to fix their remuneration will be submitted to the Annual General Meeting.</p>

By Order of the Board
N. F. Matthews
Secretary

31st May 1979

	Note	1979 £000	1978 £000
Capital Employed			
Share Capital	1	20,744	20,736
Reserves	2	182,958	160,401
		<u>203,702</u>	<u>181,137</u>
Loan Capital	3	6,011	6,136
Deferred Taxation	4	6,295	3,382
		<u>216,008</u>	<u>190,654</u>

Represented by

Fixed Assets	5	216,524	192,118
Subsidiary and Associated Companies	6	12,460	10,070
Current Assets	7	97,228	72,358
		<u>326,212</u>	<u>274,546</u>
Less Current Liabilities	8	110,204	83,882
		<u>216,008</u>	<u>190,664</u>

Notes on pages 12 to 19 form part of these accounts

John Sainsbury Director

Simon Sainsbury Director

✓ E. R. Quinn
David B. Sainsbury

	Note	1979 £000	1978 £000
Sales—including VAT £18.2m (£13.8m)		<u>1,007,070</u>	<u>811,102</u>
Profit before Taxation	9	31,838	27,139
Associated Companies—Share of Profit	6	<u>818</u>	<u>443</u>
Taxation		32,656	27,582
Profit after Taxation	10	<u>6,250</u>	<u>6,563</u>
Dividends		26,406	21,019
Profit Retained	11	<u>3,867</u>	<u>3,000</u>
	2	<u>22,539</u>	<u>18,019</u>
Earnings per Share		31.83p	25.34p

Sales

Sales consist solely of sales through retail outlets, and exclude rental and other income.

Deferred Taxation

In accordance with the Statement of Standard Accounting Practice No. 15, provision is made on the liability method for deferred taxation which could become payable within the foreseeable future and which has been calculated in the light of the Company's projected levels of trading and capital expenditure.

No provision is made for any potential liability to corporation tax on capital gains in respect of either net gains arising on disposals of assets subsequent to 6th April 1965 or future gains that might arise if the properties were disposed of at the values included in the accounts, since any liability has been or will be deferred under the provisions of Section 33 of the Finance Act 1965.

Depreciation

Following the publication of the Statement of Standard Accounting Practice No. 12 relating to depreciation, the Company's policy of providing for depreciation has been revised.

Freehold land is not depreciated.

Freehold buildings and long leasehold properties with more than 50 years unexpired, are depreciated when the book value exceeds the estimated residual value at the end of the useful life to the Company, so as to write off the excess in equal annual instalments.

Leasehold properties with less than 50 years unexpired are depreciated to write off their book value in equal annual instalments over the unexpired period of the lease.

Freehold buildings and leasehold properties are written down to market value where the book value exceeds the estimated market value.

Plant, equipment and vehicles are depreciated to write off their cost over their estimated useful lives in equal annual instalments not exceeding 15 years and commencing in the accounting year following purchase.

Stocks

Stocks are valued at the lower of cost and net realisable value; stocks at warehouses are valued at invoiced prices, and at retail outlets at calculated average cost prices.

Research

Research and Development expenditure is written off as incurred against the profits of the year.

Associated Companies

Associated Companies are those shown on page 16. An Associated Company is one in which the Company participates in commercial and financial policy and has an interest of between 20 per cent. and 50 per cent.

Earnings per Share

The calculation of earnings per share is based on profit after taxation but before extraordinary items, and on the weighted average of ordinary shares in issue during the financial year. Comparative figures are adjusted for capitalisation issues.

1 Share Capital

	£000
Ordinary Shares of 25p each Authorised—100,000,000 Shares	25,000
Issued at 4th March 1978	20,736
Shares issued under the Share Option Scheme	8
Issued at 3rd March 1979, 82,975,120 Shares Fully Paid	20,744

Under the Company's Savings-Related Share Option Scheme, certain employees hold options to purchase ordinary shares in the Company. The options are normally exercisable five years from the date that they are taken out. In certain circumstances however, options can be exercised earlier. During the year, options were exercised in respect of 31,366 ordinary shares of 25p each, of which 30,569 shares were at a price of 80p per share and 797 shares were at a price of 151p per share. The outstanding options at 3rd March 1979 were as follows:

Number of Shares	Price	Option Granted
941,758	80p	8th November 1974
104,368	151p	7th November 1975
134,556	102p	5th November 1976
97,258	219p	4th November 1977
133,615	210p	3rd November 1978

2 Reserves

	Company £000	Associated Companies £000	Total £000
General			
Balance 4th March 1978	158,321	2,075	160,396
Profit Retained	22,155	384	22,539
Balance 3rd March 1979	180,476	2,459	182,935
Share Premium Account			
Balance 4th March 1978	5	—	5
Premium arising on shares issued during the year under the Savings-Related Share Option Scheme (Note 1)	18	—	18
Balance 3rd March 1979	23	—	23
Reserves 3rd March 1979	180,499	2,459	182,958

3 Loan Capital

6½% First Mortgage Debenture Stock 1988/93
 7½% First Mortgage Debenture Stock 1987/92
 Accrued Interest
 8% Irredeemable Unsecured Loan Stock

1979 £000	1978 £000
2,317	2,417
784	785
66	68
2,865	2,865
<u>6,011</u>	<u>6,135</u>

Each mortgage debenture issue provides for repayment on the following terms:

- By redemption at par within five years of the terminal date.
- By yearly drawing out of a sinking fund to be established for the purpose.

The sinking fund obligations in any year may be satisfied by tendering, at the lower of par or inclusive cost, stock previously purchased by the Company; the obligations in respect of both stocks arising in the year ended 3rd March 1979 have been met in this way.

4 Deferred Taxation

The total potential liabilities, and the amount provided against each, in respect of all timing differences and stock relief are as follows:

- Timing differences between depreciation and capital allowances
- Relief due to increases in values of stocks held

Total £000	Provided £000
30,556	2,219
25,544	6,058
<u>56,100</u>	<u>8,277</u>
	1,982
	<u>6,295</u>

Less Advance Corporation Tax recoverable

Balance at 3rd March 1979

The disposal of all properties for consideration equivalent to the values attributed in these accounts, after taking account of net gains already deferred, could produce a maximum potential taxation liability of £17,500,000 (1978 £17,500,000)

5 Fixed Assets

	Land and Buildings £000	Plant Equipment & Vehicles £000	Total £000
Cost or Valuation			
At 4th March 1978			
Additions	142,674	82,317	224,991
Disposals	20,455 (1,837)	15,093 (3,414)	35,548 (5,251)
At 3rd March 1979	<u>161,292</u>	<u>93,996</u>	<u>255,288</u>
Depreciation			
At 4th March 1978			
Provided in the Year	524	32,349	32,873
Disposals	300 (45)	8,014 (2,378)	8,314 (2,423)
At 3rd March 1979	<u>779</u>	<u>37,985</u>	<u>38,764</u>
Net Book Value			
At 3rd March 1979	<u>160,513</u>	<u>56,011</u>	<u>216,524</u>
At 4th March 1978	142,150	49,968	192,118

Certain Freehold and Leasehold properties were revalued at open market value on 10th March 1973, by Messrs. Healey and Baker and/or Messrs. G. L. Hearn and Partners.

Land and Buildings

	Total £000	Freehold £000	Long Leasehold £000	Short Leasehold £000
At 3rd March 1979				
Included at Valuation	75,377	51,464	21,326	2,587
Included at Cost	85,915	37,256	47,296	1,363
	<u>161,292</u>	<u>88,720</u>	<u>68,622</u>	<u>3,950</u>

6 Subsidiary and Associated Companies

Subsidiary Companies

J Sainsbury (Properties) Limited	} The Company holds 100% of the Ordinary Shares
The Cheyne Investments Limited	
J Sainsbury (Farms) Limited	
J Sainsbury Trustees Limited	} Limited by guarantee
The Sainsbury Charitable Fund Limited	

The subsidiary companies did not trade during the year, except for J Sainsbury (Farms) Limited which made neither profit nor loss. No consolidated balance sheet has been prepared. The advances to J Sainsbury (Farms) Limited of £659,000 are represented by the cost of plant, equipment and vehicles of £168,000 (less depreciation of £29,000), and stocks of ££20,000.

Associated Companies: Unquoted

	Share of Issued Capital	Profit or (Loss)	
		1979 £000	1978 £000
Haverhill Meat Products Limited 500,000 "B" Ordinary Shares of £1 each	50%	1,000	652
Sainsbury-Spillers Limited 6,000 "A" Ordinary Shares of £1 each 5,333 "C" Ordinary Shares of £1 each	40%	—	231
Kings Reach Investments Limited 28,760 Ordinary Shares of 1p each	29%	(100)	(150)
Breckland Farms Limited 200,000 "B" Ordinary Shares of £1 each 141,532 1% Redeemable Preference Shares of £1 each	50%	156	—
SavaCentre Limited 50 "B" Ordinary Shares of £1 each SavaCentre (Leasing) Limited 50 "B" Ordinary Shares of £1 each	50%	(238)	(290)
		<u>818</u>	<u>443</u>

Subsidiary Companies

Shares at cost
Amounts owing on current account
Advances

4,217	4,217
(4,217)	(4,217)
659	487

Associated Companies

Shares at cost or valuation
Advances
Share of retained profits and reserves

2,130	2,130
7,212	5,378
2,459	2,075
<u>12,460</u>	<u>10,070</u>

The proportion of the profits and losses of the associated companies attributable to the Company and the reserves included in the balance sheet are taken from the latest Directors' accounts produced within two months of the end of the financial year.

The reserves shown above are after deducting a dividend received by J Sainsbury Limited of £231,000.

The principal country of operation of all subsidiary and associated companies is England.

7 Current Assets

	1979	1978
	£000	£000
Stocks	79,101	59,579
Debtors	7,170	5,420
Cash	10,957	8,359
	<u>97,228</u>	<u>72,358</u>

Debtors include a three year secured loan of £750,000.

8 Current Liabilities

	1979	1978
	£000	£000
Creditors and Accrued Charges	76,759	55,528
Bank Overdrafts and Unpresented Cheques	25,420	18,670
Taxation	4,001	6,377
Dividends (Note 11)	4,024	3,307
	<u>110,204</u>	<u>83,882</u>

9 Profit Before Taxation

1979	1978
£000	£000

The profit before taxation has been arrived at after:

Charging		
Depreciation	8,314	6,657
Company Pension Scheme Contribution	4,663	2,818
Debenture Interest	208	214
Loan Stock Interest	229	229
Bank and Other Interest	122	98
Directors' Emoluments—Fees Nil (Note 12)	320	264
Auditors' Remuneration	39	35
Crediting		
Profit on Redemption of Debentures	39	27
Interest	1,600	836

The change in the depreciation policy does not have a material effect on the charge for the year.

10 Taxation

	1979 £000	1978 £000
Corporation Tax	3,000	6,300
Deferred Taxation	3,003	923
Share of Associated Companies' Taxation	203	40
Payment for Group Relief	44	—
	<u>6,250</u>	<u>7,268</u>
Repayment of corporation tax in respect of previous years	—	705
	<u>6,250</u>	<u>6,563</u>

The corporation tax charge for the Parent Company is calculated at 52% on taxable profits after taking the benefit of stock relief, capital allowances and group relief totalling £27,000,000 and is payable in December 1979. The Company is a "close company" under the terms of the Taxes Act 1970.

11 Dividends

	1979 £000	1978 £000
Addition to Final of previous year	50	45
Interim after waivers of £778,000 (1978 £733,000)	1,106	953
Proposed Final before waivers	4,024	3,307
	<u>5,180</u>	<u>4,305</u>
Less waivers on Final Dividend of previous year	1,313	1,305
	<u>3,867</u>	<u>3,000</u>

The interim dividend, paid on 26th January 1979, of 2.27p per share, is equivalent to 3.388p gross, and the proposed final of 4.85p per share is equivalent to 7.2388p gross, assuming a standard rate of income tax of 33%. Due to a reduction in the standard rate of tax from 34%, an additional 0.0604p per share has been paid in respect of the 1978 final dividend.

12 Directors' Emoluments

	1979 £33,000	1978 £27,500
Chairman		
Emoluments of all Directors fell within the following ranges:		
£ 2,501—£ 5,000	1	—
£ 7,501—£10,000	2	2
£10,001—£12,500	1	—
£15,001—£17,500	—	1
£17,501—£20,000	1	2
£20,001—£22,500	1	2
£22,501—£25,000	1	2
£25,001—£27,500	3	3
£27,501—£30,000	1	1
£32,501—£35,000	2	1
	2	—

13 Employees' Emoluments

The number of employees whose total remuneration exceeded £10,000 was as follows:

	1979	1978
£10,001—£12,500	37	17
£12,501—£15,000	17	6
£15,001—£17,500	5	3
£17,501—£20,000	6	2

14 Future Capital Expenditure

	1979 £000	1978 £000
Contracted for but not provided for in the accounts	18,000	15,000
Authorised to date by Board of Directors but not contracted for	52,000	20,000

15 Contingent Liabilities

The Company has guaranteed, or undertaken to provide, facilities for Associated Companies to the extent of £7,377,000 (1978 £7,665,000). Other contingent liabilities are estimated at £668,000 (1978 £509,000).

Auditors' Report

To the Members of J Sainsbury Limited

In our opinion the accounts set out on pages 10 to 20 which have been prepared under the historical cost convention including the revaluation of certain properties give, on this basis, a true and fair view of the Company's affairs at 3rd March 1979 and of the profit and source and application of funds for the period ended on that date and comply with the Companies Acts 1948 and 1967.

We have also examined the current cost statement together with the notes on page 21 for the period ended 3rd March 1979. In our opinion the statement has been prepared in accordance with the methods set out in the notes, to give the information in the Accounting Standards Committee's Interim Recommendation on Inflation Accounting of November 1977, amended to include the additional adjustment set out in note 3.

Clark Pixley
Chartered Accountants
London

31st May 1979

Statement of Source and Application of Funds
For the year ended 31 December 1979

	1979 £000	1978 £000
Source of Funds		
Profit before taxation	32,656	27,582
Adjustment for items not involving the movement of funds		
Depreciation	8,314	6,057
Associated Companies—share of profit	(818)	(443)
Sale of fixed assets		
Leased back	—	2,360
Other	2,828	2,608
Share Capital Issued	26	7
	<u>43,006</u>	<u>38,780</u>
Application of Funds		
Capital expenditure	35,548	24,847
Redemption of Debentures	124	81
Dividends paid	3,150	3,467
Taxation paid	5,520	5,778
Investment in Associated and Subsidiary Companies, less Dividends received	1,775	3,983
	<u>46,117</u>	<u>37,928</u>
Increase in Working Capital		
Increase in Stocks	20,522	8,036
Deduct net Creditors	19,481	7,124
	<u>1,041</u>	<u>912</u>
Decrease in Net Liquid Funds	<u>4,152</u>	<u>58</u>

Statement of Profit for the 52 weeks ended 3rd March 1979
adjusted for inflation on a Current Cost Accounting Basis

	Note	1979 £000	1978 £000
Sales		<u>1,007,070</u>	<u>811,702</u>
Profit before taxation, including Associated Companies, per Historical Accounts		32,656	27,582
Current Cost Adjustments			
Additional Depreciation	2	5,904	5,513
Cost of Sales	3	3,106	5,773
Less Financed by Net Trading Creditors	3	<u>(3,106)</u>	<u>(5,492)</u>
Associated Company	1	<u>321</u>	<u>281</u>
Gearing	4	<u>441</u>	<u>552</u>
Taxation	5	<u>6,250</u>	<u>6,563</u>
Adjusted Profit after Taxation		20,622	15,777
Dividends		<u>3,867</u>	<u>3,000</u>
Profit Retained—adjusted for inflation		<u>16,755</u>	<u>12,777</u>

Notes

- 1 Specific inflation adjustments have been calculated for J Sainsbury Limited and in 1979 for an Associated Company—Haverhill Meat Products Limited. No inflation adjustments have been incorporated in respect of the other Associated Companies.
- 2 The additional depreciation adjustment has been based on:
 - (a) Official price indices published by the Central Statistical Office and applied to plant, equipment and vehicles.
 - (b) Asset lives as set out in the Company's Accounting Policies.
 No additional depreciation has been calculated on freehold or leasehold property.
- 3 The cost of sales adjustment for stocks has been based on price indices maintained by the Company relative to its own trade and has been arrived at using the averaging method.

The food retail trade is characterised by its sales for cash and its rapid turnover of stocks. This fact, together with the credit terms prevalent in the trade on which goods for resale are acquired, produces the need for an adjustment beyond the simple approach of the Accounting Standards Committee's Interim Recommendation on Inflation Accounting.

A separate adjustment has therefore been calculated for the finance provided by creditors for goods for resale using the same Company indices as for the cost of sales adjustment and using the averaging method.
- 4 The gearing adjustment has been calculated by reference to the Hyde proposals except in so far as net trading monetary liabilities have been taken into account in Note 3 above.

The taxation charge has been included on the same basis as the charge in the historical accounts.

Directors' and Other Interests

Ordinary Shares

	Beneficial		Non-Beneficial	
	1979	1978	1979	1978
J. D. Sainsbury	9,235,991	9,235,991	787,784	787,794
S. D. Sainsbury	5,300,000	5,700,000	7,773,970	7,753,970
E. R. Griffiths	3,162	3,162	—	—
T. A. D. Sainsbury MP	8,079,058	8,279,058	875,000	1,000,000
B. T. Ramm	4,268	4,268	—	—
D. J. Sainsbury	24,733,569	25,136,319	165,316	165,316
G. C. Hoyer Millar	—	11,000	—	—
J. H. G. Barnes	3,381	3,881	—	—
C. Roberts	4,813	4,813	—	—
R. A. Ingham	7,400	8,200	—	—
R. A. Clark	1,740	1,740*	—	—

*As at the date of appointment.

369,443 (1978 369,443) ordinary shares are duplicated under beneficial holdings; 150,000 (1978 150,000) ordinary shares are duplicated under non-beneficial holdings; and 7,573,970 (1978 7,573,970) ordinary shares under beneficial holdings are duplicated under non-beneficial holdings.

Certain Directors hold options to purchase shares under the Company's Savings-Related Share Option Scheme. They are E. R. Griffiths, 25 shares, B. T. Ramm, 1,850 shares, G. C. Hoyer Millar, 1,425 shares, J. H. G. Barnes, 980 shares, L. S. Payne, 1,850 shares, C. Roberts, 1,850 shares, R. T. Vyner, 704 shares, R. A. Clark, 925 shares.

Certain of the above shareholdings are held by trustees of settlements, the trustees of which variously include H. O. N. & V. Trustee Limited and Vanheimer Trustee Limited (being trust companies owned by the partners of Herbert Oppenheimer, Nathan & Vandyk, the Company's solicitors), W. M. Pybus and W. Picton-Turbervill, partners in Herbert Oppenheimer, Nathan & Vandyk. No individual trust interest exceeds 5%, but at 1st May 1979 the total holdings of the trusts of which the above are trustees amounted to 13%, 11%, 10%, and 9% respectively. Lady (Robert) Sainsbury as a trustee and beneficially holds 6%.

Loan Stock

	Beneficial		Non-Beneficial	
	1979	1978	1979	1978
J. D. Sainsbury	50	50	455,000	455,000
S. D. Sainsbury	—	—	508,991	508,991
T. A. D. Sainsbury MP	9,197	9,197	—	—
D. J. Sainsbury	—	—	2,035	2,095

9,147 (1978 9,147) units of loan stock under beneficial holdings are duplicated under non-beneficial holdings; and 455,000 (1978 455,000) units of loan stock are duplicated under non-beneficial holdings.

Between 3rd March 1979 and 1st May 1979 there have been no changes in the Directors' interests.

Shareholders' Interests

Shareholdings Range

100 and under
101 to 250
251 to 500
501 to 1,000
1,001 to 10,000
10,001 to 100,000
100,001 to 1,000,000
over 1,000,000

Shareholders Number	%	Shares Number	%
9,058	41.23	792,642	.96
7,206	32.80	998,245	1.20
2,381	10.84	915,513	1.10
1,775	8.08	1,301,221	1.57
1,325	6.03	3,049,150	3.67
146	.66	5,444,326	6.56
69	.31	23,056,420	27.79
11	.05	47,417,603	57.15
<u>21,971</u>	<u>100.00</u>	<u>82,975,120</u>	<u>100.00</u>

Category of Shareholders

Pension Funds	40	.18	3,548,599	4.28
Insurance Companies	67	.30	4,726,650	5.70
Investment Trusts	22	.10	71,568	.08
Banks and Nominee Companies	344	1.57	7,438,727	8.97
Other Corporate Bodies	201	.91	2,740,114	3.30
Other Shareholders	21,297	96.94	64,449,462	77.67
	<u>21,971</u>	<u>100.00</u>	<u>82,975,120</u>	<u>100.00</u>

Financial Calendar

1 Dividend and Interest Payments

Ordinary dividend:	Interim announced:	November	paid: January
	Final proposed:	May	paid: July
6½% First Mortgage Debenture Stock 1988/93		31st May	30th November
7½% First Mortgage Debenture Stock 1987/92		7th March	7th September
8% Irredeemable Unsecured Loan Stock		1st March	1st September

2 Other Dates

Results for half-year:	announced November
Results for year:	announced May
Report & Accounts:	circulated in June
Annual General Meeting:	July

Notice of Annual General Meeting

Notice is hereby given that the fifty-seventh Annual General Meeting of J Sainsbury Limited will be held at Cornaught Rooms, Great Queen Street, London WC2 on Wednesday, the 4th day of July 1979 at 12 noon for the following purposes:

As ordinary business

- 1 To receive and adopt the Report of the Directors and the Accounts for the 52 weeks ended 3rd March 1979 and the Report of the Auditors thereon.
- 2 To declare a final dividend on the ordinary shares.
- 3 To re-appoint as Directors:
 - i) Mr. R. A. Clark
 - ii) Mr. R. T. Vyner
- 4 To re-appoint Messrs. Clark Pixley as Auditors and to authorise the Directors to fix their remuneration.

And, as special business, to consider, and if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution:

- 5 That:
 - i) the J Sainsbury Limited Profit Sharing Scheme ("the Scheme"), the main features of which are summarised in the Appendix to a letter from the Chairman of the Company dated 31st May 1979, be and is hereby approved;
 - ii) the Directors be authorised to do all acts and things necessary to establish and carry the Scheme into effect and to make such modifications to the Share Trust referred to in the said letter as may be necessary to obtain the approval of the Board of Inland Revenue pursuant to the provisions of Paragraph 1 of Part I of Schedule 9 to the Finance Act 1978; and
 - iii) the Directors may vote and be counted in the quorum on any matter connected with the Scheme notwithstanding that they may be interested in the same and the prohibition on voting by Directors having such an interest (contained in Article 91 of the Articles of Association) be and is hereby accordingly relaxed to that extent.

By Order of the Board
N. F. Matthews
Secretary

31st May 1979

Notes

- 1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- 2 Although this Annual Report is sent to Debenture and Loan Stockholders, only holders of ordinary shares or their proxies are entitled to attend and vote at this meeting.
- 3 There will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturday excepted) from the date of this Notice until the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting:
 - i) The Register of Directors' interests kept by the Company under Section 29 of the Companies Act 1967.
 - ii) Copies of all service contracts for periods in excess of one year between Directors and the Company.