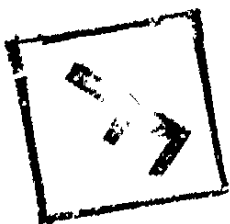


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# annual report and accounts 1978



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## Board of Directors

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Lord Sainsbury of Drury Lane  
Sir Robert Sainsbury

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

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

Secretary N. F. Matthews



## Summary of Results and Retail Statistics

£000	1974	1975	1976	1977	1978
<b>Summary of Results</b>					
Retail Sales	362,137	452,804	543,443	663,776	811,102
% increase on previous year	22.0%	25.0%	20.0%	22.1%	22.2%
Retail Profit	13,747	14,337	15,372	25,303	27,139
% net margin	3.74%	3.17%	2.83%	3.81%	3.35%
Associated Companies—share of profit	82	292	45	879	443
Total profit before taxation	13,624	14,629	15,417	26,182	27,582
% increase on previous year	19.6%	7.4%	5.4%	69.8%	5.3%
Taxation	7,280	7,766	8,018	5,981*	6,563*
Total profit after taxation	6,344	6,863	7,399	20,201*	21,019*
Extraordinary items	—	—	717	909	—
Net profit	6,344	6,863	8,116	21,110*	21,019*
Earnings per share	7.86p	8.42p	8.92p	{ 15.07p 24.36p*	{ 15.85p 25.34p*

\*after providing for tax in accordance with the proposed Statement of Standard Accounting Practice regarding deferred tax.

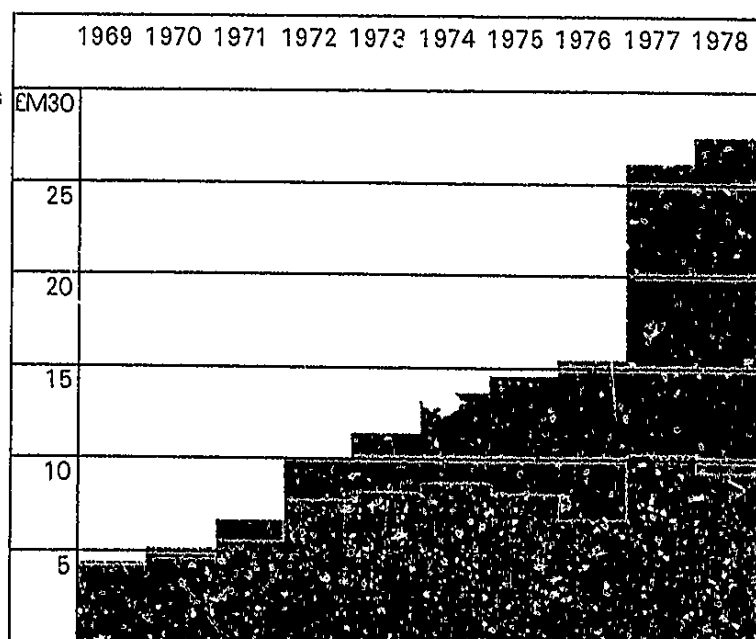
### Retail Statistics

Number of outlets at financial year-end					
Supermarkets above 4,000 sq. ft. sales area	154	163	175	181	185
Other grocery outlets	44	35	27	24	22
Independent freezer centres**	—	8	13	13	15†
SavaCentre hypermarket, 50% owned	—	—	—	—	1
Total outlets	198	206	215	218	223
Retail sales area—incl. 50% of SavaCentre					
Total	sq. ft. 1,711,000	1,936,000	2,240,000	2,391,000	2,538,000
Net increase during year	sq. ft. 259,000	225,000	304,000	151,000	147,000
	% 17.8%	13.2%	15.7%	6.7%	6.1%
Average size of new Supermarkets	sq. ft. 16,280	17,700	19,460	18,970	18,660
Average size of all Supermarkets	sq. ft. 10,500	11,260	12,210	12,690	13,010
Average Supermarket sales					
per Supermarket	£ per week 43,700	51,400	58,800	68,100	81,700
per square foot	£ per week 4.33	4.72	4.97	5.47	6.34
Company market share of grocery outlets based on Dept. of Industry figures					
	6.7%	6.9%	6.9%	7.3%	7.8%

†In addition there were 20 freezer centres within Supermarkets in 1978.

### Pre Tax Profit

■ In constant 1968 money values  
Deflated by Retail Price Index



## Store Openings

### Opened during 1977/78

	Sales area sq. ft.
Cannon Park, Coventry	26,600
Wellingborough	14,400
Lords Hill, Southampton	26,400
Cowley, Oxford	15,000
Kettering	16,000
Haverhill	11,500
Uxbridge	20,700

Total 130,600

### Due to open during 1978/79

	Sales area sq. ft.
Newcastle-under-Lyme	14,300
Wilmslow	14,900
Ashford, Kent	15,500
Solihull	21,600
Weston-super-Mare	17,400
Bowthorpe, Norwich	22,500
Dunstable	19,400
Hayes, Middlesex	14,300

Total 139,900

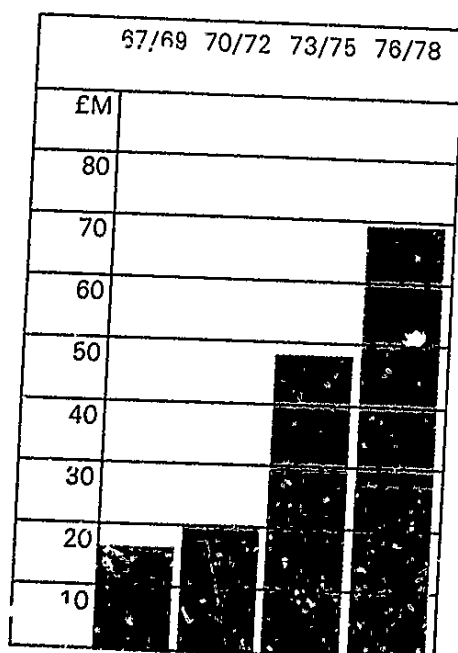
### Hypermarket openings

*SavaCentre Ltd—a joint venture of Sainsbury's and British Home Stores*

		Sales area sq. ft.
Opened during 1977/78	Washington, Tyne & Wear	78,600
Planned to open late 1978	Hempstead, Kent	65,700
Spring 1980	Basildon	83,300
1981	Oldbury	70,000

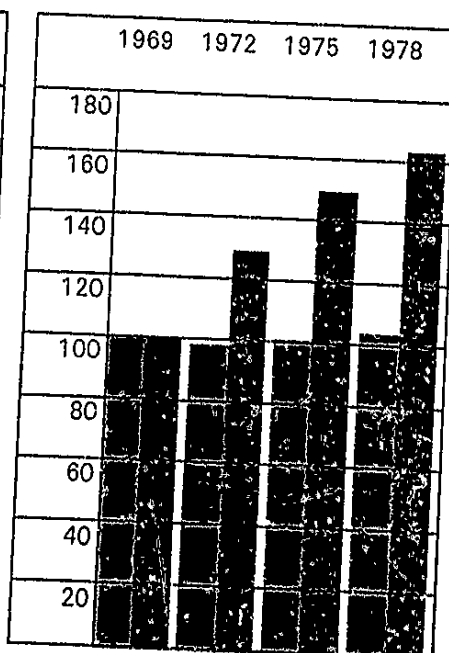
## New Investment

■ In constant 1968 money values  
Deflated by Retail Price Index



## Productivity

■ Index of Staff numbers  
■ Index of Sales volume

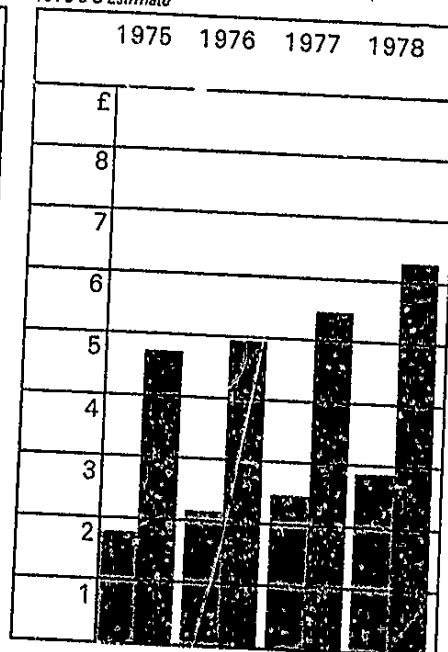


## Supermarket Trade Intensity

weekly turnover per sq. ft.

■ All grocers\*  
■ J Sainsbury

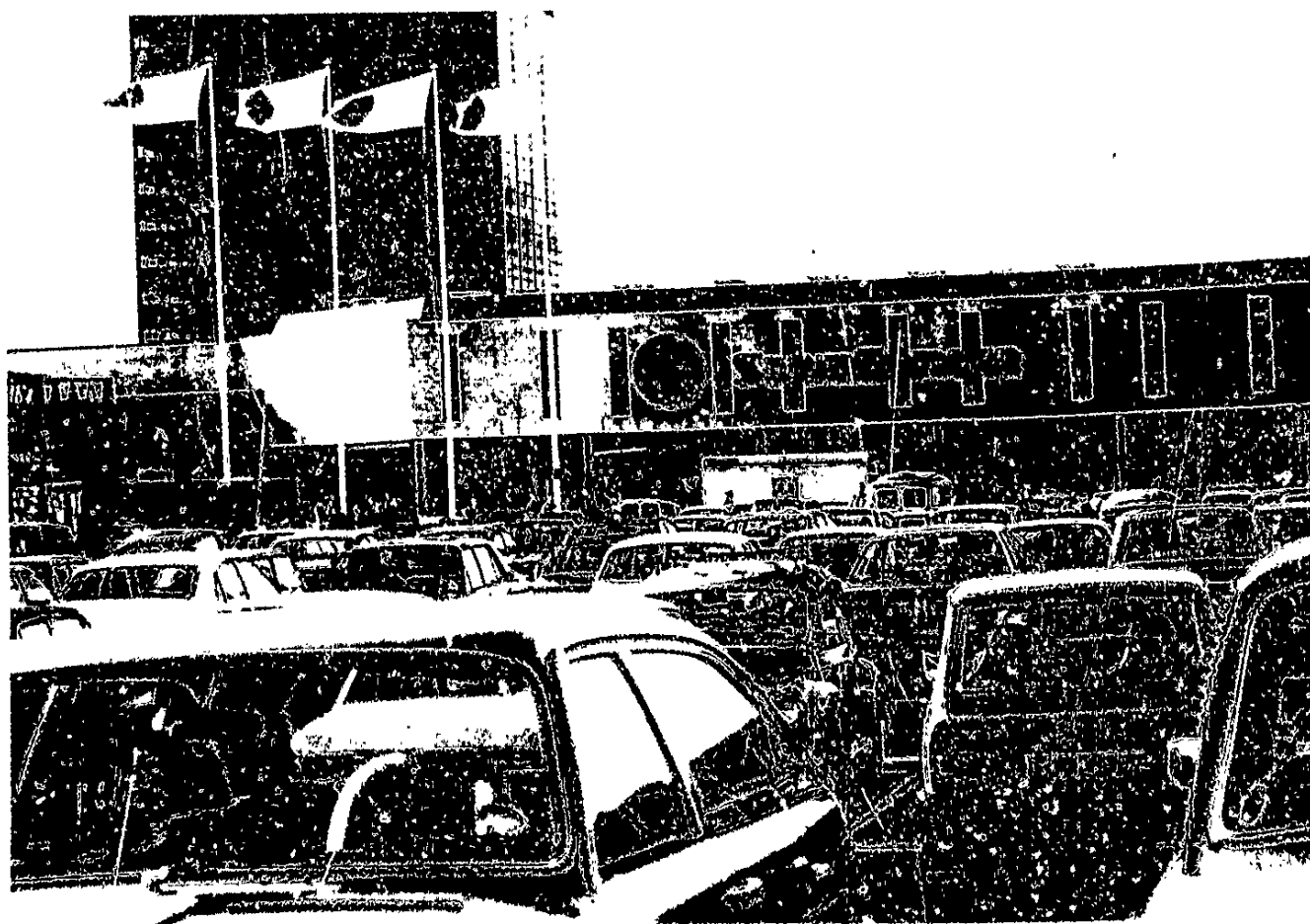
\*Source Institute of Grocery Distribution except 1978 J S Estimate



## Associated Companies

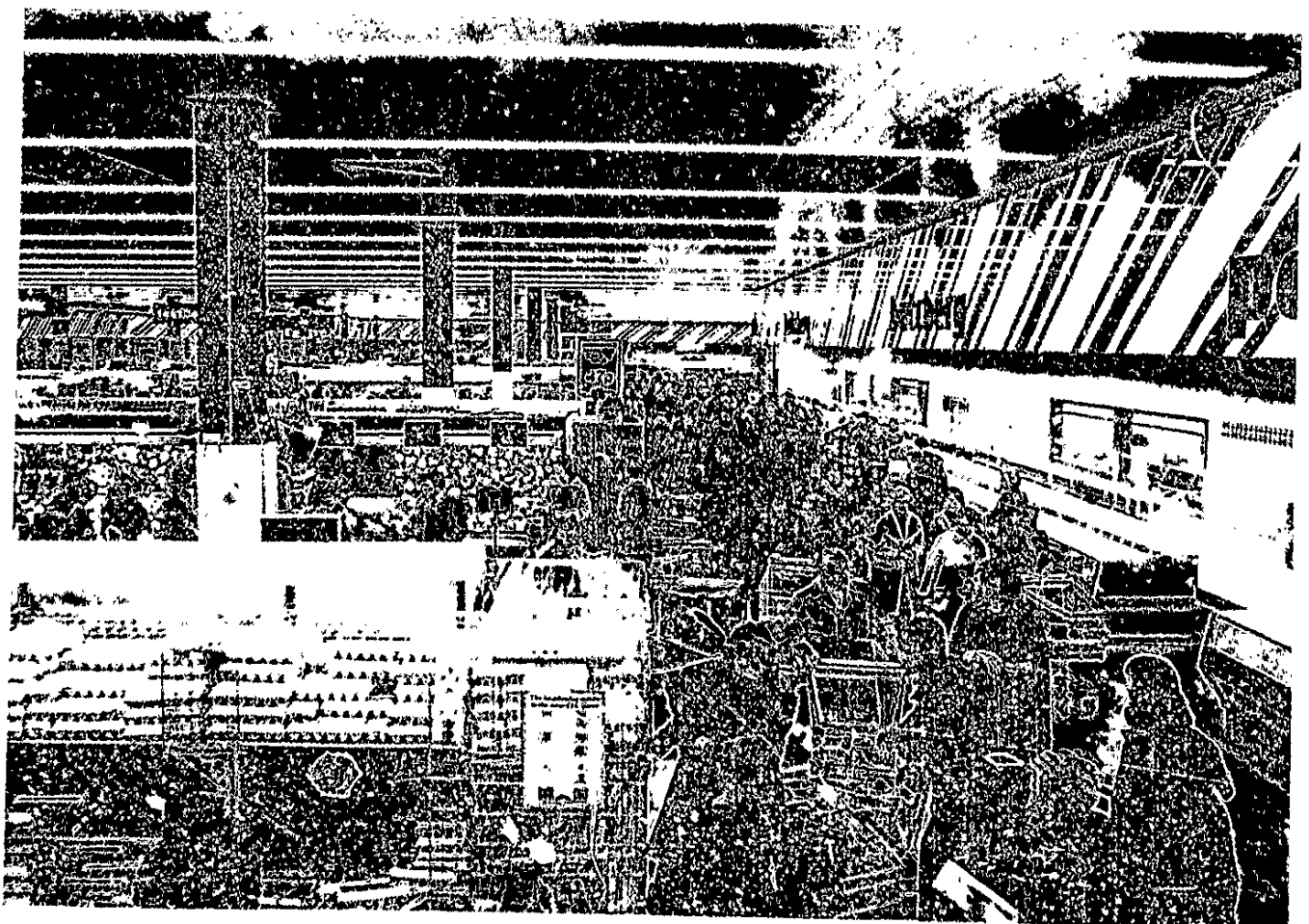
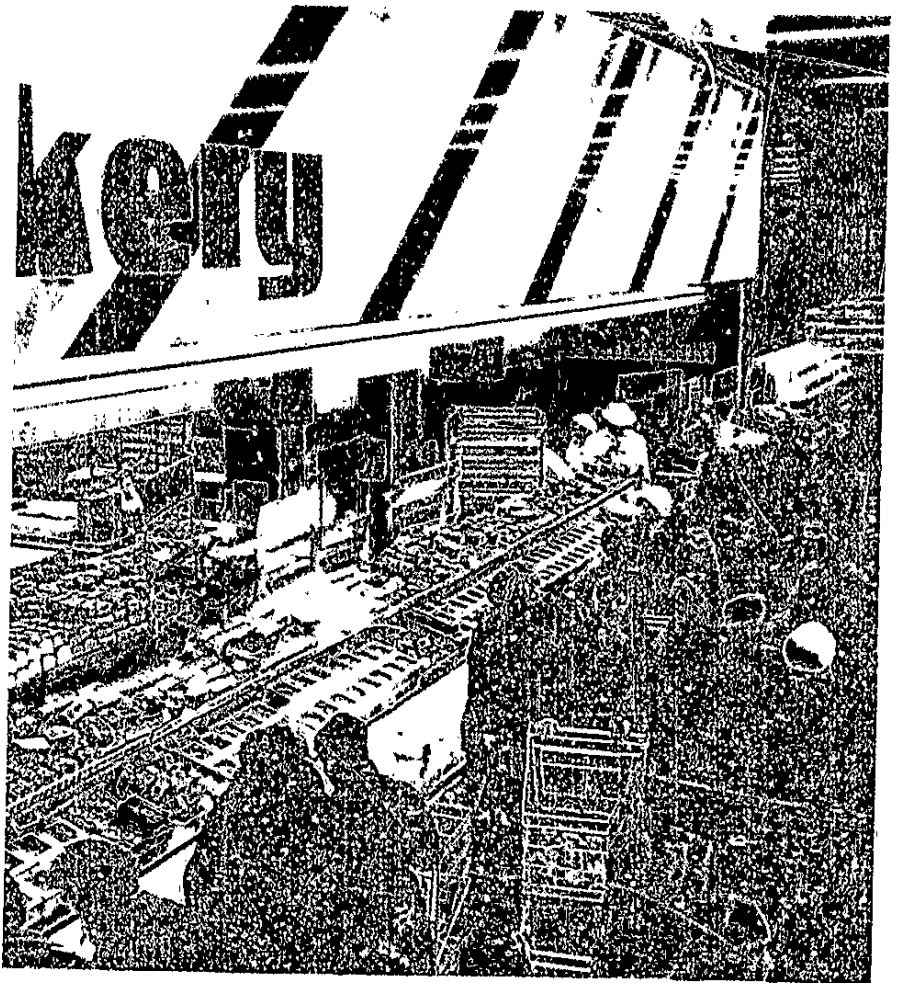
Associated Companies		Share of profit/(loss)	
		1976 £000	1977 £000
Haverhill Meat Products Ltd 50%	Jointly owned with Canada Packers Ltd; processing of pigs into pork bacon sausages and pies	652	722
Sainsbury-Spillers Ltd 40%	Jointly owned with Spillers Ltd; production and packing of poultry and eggs	231	365
Kings Reach Investments Ltd 29%	Jointly owned with The Union International Company Ltd; a subsidiary of Reed International Ltd; and a subsidiary of The Stock Conversion and Investment Trust Ltd; property development adjacent to head office at Blackfriars London SE1	(150)	(260)
Breckland Farms Ltd 50%	Jointly owned with Pauls & Whites Ltd; pig rearing	—	52
SavaCentre Ltd 50%	Jointly owned with British Home Stores Ltd; hypermarkets	(290)	—
SavaCentre (Leasing) Ltd 50%			
Total share of profit		443	879

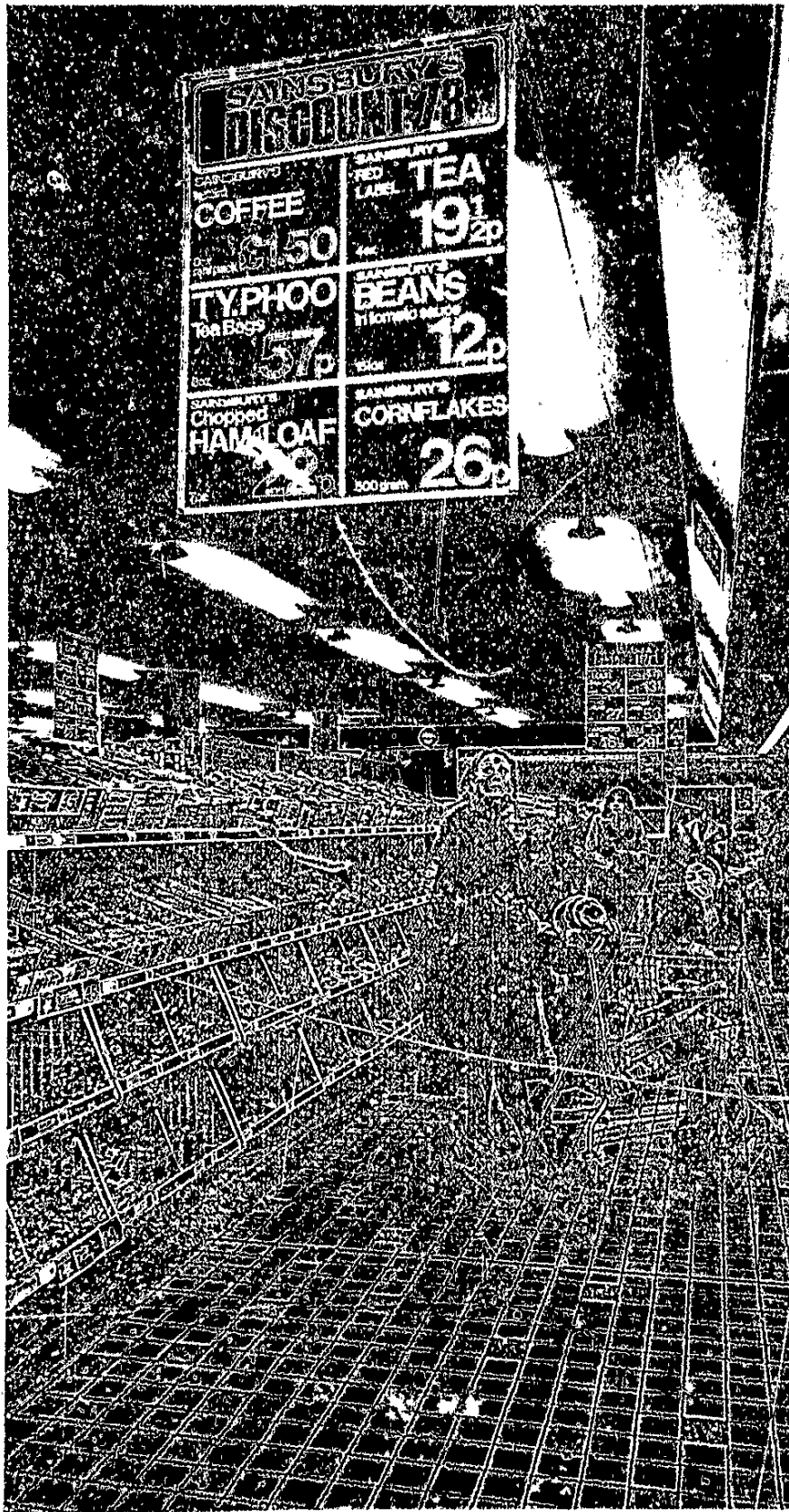
*The percentages represent the interest of J Sainsbury Ltd in the equity of each company*



SavaCentre, which is jointly owned with British Home Stores, opened its first hypermarket in November, in Washington, Tyne and Wear. The store, which is one of the most advanced in the country, has a sales area of 78,600 sq. ft., and 36 checkouts. It is part of a major extension of shopping facilities in this growing town and an interesting example of the benefits of new developments in retailing, increasing the range of shopping available. The success that it is already showing is proof of the popularity of this kind of store.

On the food side there is a fresh fish department together with an instore bakery, service delicatessen and provisions, and self-selection produce, besides a full range of Sainsbury label products. On the non-food side there are D.I.Y., electrical goods and hardware items, as well as the well-known BHS textiles and lighting departments. Outside the checkout area, but within the main store, there are a number of shops operated on a concession basis by, amongst others, W. H. Smith and Dixons Photographic. There is also a 350 seater restaurant using BHS expertise. Outside is extensive ground floor car parking, and also a petrol station operated by SavaCentre, selling cut price petrol.





I am pleased to be able to report that 1977/78 was a year when not only did we show substantial increase in sales, but for the second consecutive year we achieved a significant growth in market share (from 6.9% to 7.8% in 2 years) and in the number of customers visiting our stores. This is particularly satisfactory in the light of the continued decline in real terms of national food expenditure and the intensification of competition during the year.

The calculation of the increase in market share is based on Department of Industry published figures on total expenditure through grocery outlets and is the only comprehensive measurement of the food retailing market that is available. Our good performance in this respect was sustained throughout the year including the period in the summer when we suffered an unofficial industrial dispute in a number of our distribution depots which affected supplies to our stores for several weeks. This increase in volume of trade and in customer numbers was against a background of heavy promotional activity by major competitors from June onwards. During this period the Company's strength in perishable food was particularly noticeable and more than made up for any effect of competitors' activity on branded groceries.

A welcome feature of the year was the decline in the rate of inflation in food prices. This was helped by the return to a more normal level of prices for vegetables and sharp reductions in the world price for both tea and coffee. Skilful buying allowed us to lead the way down in tea prices, whilst by importing supplies of instant coffee we were able to ensure that new lower prices could be enjoyed by our customers far earlier than would otherwise have been possible.

By January the rate of food price inflation had fallen to the lowest level for over 5 years and, with the consequent greater stability of costs, we felt able to introduce a new scheme of discount pricing. For over a year we had been operating discount prices in 20 of our larger stores and the greater trade generated justified the reduced profit margin without any loss of our quality in trading standards.

Discount '78, by extending this to all our stores, brought new low prices over a wide range of frequently purchased food stuffs for all our customers.

Discount '78 is a modern interpretation and continuation of a traditional policy that goes back to the foundation of the business. This is that our leadership in quality should be matched by a lead in low prices—in fact to quote our well known slogan—Good Food Costs Less at Sainsbury's. This initiative was launched on January 9th and has been outstandingly successful both in generating a substantial growth in sales as well as yielding a satisfactory level of profitability despite the lower percentage margin of profit.

Last year I drew attention to the size of our development programme and the consequent benefit we have enjoyed through improved productivity. Our capital investment has continued to increase and it is encouraging to be able to report that whilst the number of new stores opened in 1977/78 and due to open in 1978/79 is lower than one would like because of the difficulties in obtaining planning permission, the forward programme shows a greater number of new store openings in 1979/80. This is likely to be maintained in the following year. If we had not had a consistently high level of investment over recent years we would not have been able to contain the pressure of rising costs or attain the level of efficiency necessary to be able to mount successfully Discount '78.

As predicted, the second half of the year was in marked contrast to the exceptionally buoyant conditions that we enjoyed in the previous year. There was never any likelihood of repeating last year's exceptionally high net profit percentage in the second half and I believe it to be reasonably satisfactory to have attained a similar level of percentage margin to that experienced in the second half of 1975/76. The retailing profit percentage for the year as a whole is close to the average margin achieved in the last 5 years and, given the conditions described above of declining expenditure and increasing competition, is a mark of the strength of the Company.

In November SavaCentre's first hypermarket opened in Washington, Tyne and Wear. This Company jointly

owned with British Home Stores has got off to an excellent start. Washington was built and ready for trading one year from the start of building work and succeeded in making a small trading profit in its first quarter's trading. Three more hypermarkets are being planned to open over the next 4 years. Inevitably the high pre-opening expenses of new hypermarkets, fully reflected in this year's results, will mean that SavaCentre will not be making significant profit contribution over these first few years. Nevertheless both parent companies are confident of the considerable potential for SavaCentre. There is no doubt of the very close common viewpoint between ourselves and our partners nor of the substantial contribution that both companies are making by providing their own label merchandise and knowhow to SavaCentre.

We share the concern expressed in planning circles and by the government about the decay of some inner city areas. It has long been our policy to site supermarkets in town centres as well as seeking edge of town sites and district centre sites which have the well known advantages of lower costs, greater convenience and easier access for both car and pedestrian shoppers. SavaCentre's proposed development in Oldbury is an excellent example of siting a hypermarket in a town centre environment desperately in need of revitalising.

This type of development can be viable in certain circumstances but this should not mean the prevention of developments in new locations that are attuned to the needs of today and which will not have an adverse effect on the prosperity of town centres. This year could hardly be a better demonstration of the benefits to the consumer of strong retail competition. Planning difficulties continue to inhibit new store development and thus to a significant degree, protect the status quo and limit new competition. There should be room for both a sensible and forward looking policy for urban areas that have declined without denying the shopping public the benefits that derive from developments on the edge of towns such as that illustrated on page 1 of our district shopping centre outside Southampton.

The contribution from our associated companies other than SavaCentre declined somewhat. This was largely due to Sainsbury-Spillers who experienced very competitive conditions in the poultry industry as well as higher average costs of feed-stuffs. Haverhill Meat Products' profits were broadly in line with the previous year, and while the Company will always be exposed to adverse movements in pig prices there is potential for further profitable growth. The reduced loss by Kings Reach Investments reflects the completion of the sale of the flats. We remain confident that this investment will show a very satisfactory return on the first review of the offices to full market rent in 1982.

Our staff's commitment to serve our customers well is truly outstanding. In particular this year I should like to single out the enthusiasm that has been shown by all to make Discount '78 the success it is, and also, earlier in the year, the determination that so many staff showed in trying to overcome the difficulties created by the depot strike. Such energy, determination and commitment is surely the greatest strength we have as a business.

Shareholders will be interested to know that over the last 5 years we have developed a considerable programme to inform staff about the Company results, to discuss these with them, and to answer any questions they have. We hold meetings across the whole Company to which every one of our 32,000 staff can come, and provide an easily assimilated tape-slide presentation of the key facts for use at every supermarket or depot. We also support these efforts with a specially prepared handbook issued to every employee.

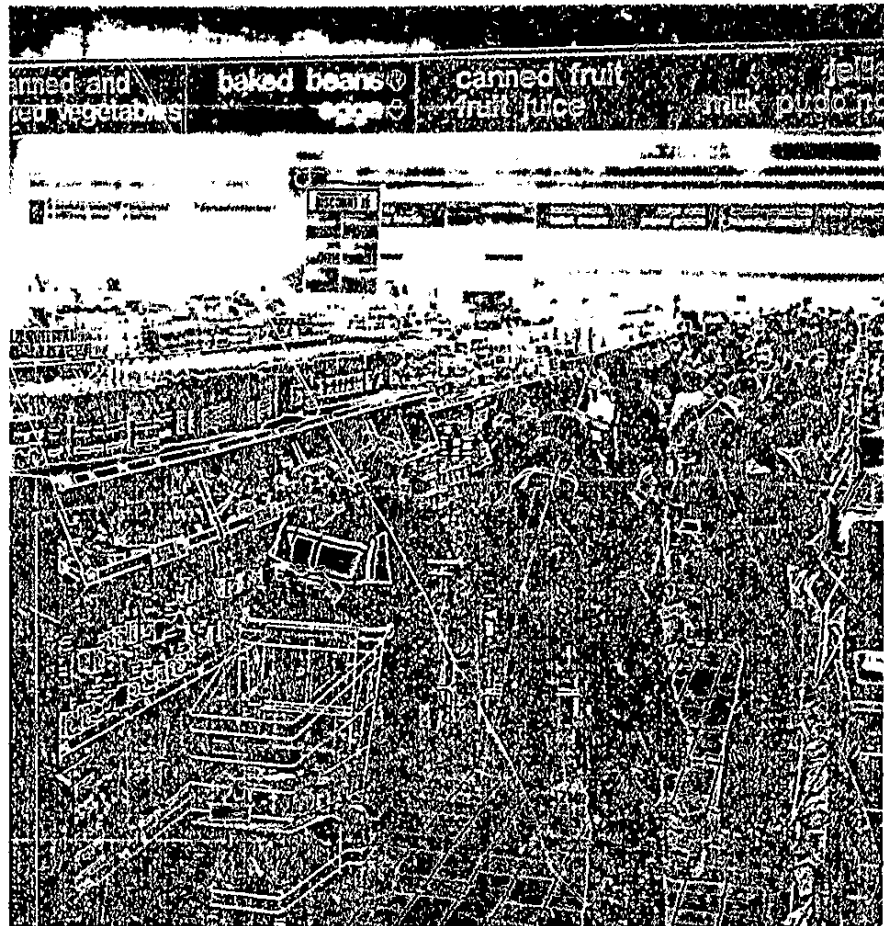
We believe that only by sharing the facts affecting the business with all our employees in a full, careful and detailed way, can we create constructive staff consultation in depth, and develop this greatest asset of our business—the people who work within it.

John Sainsbury *Chairman*  
3rd May 1978

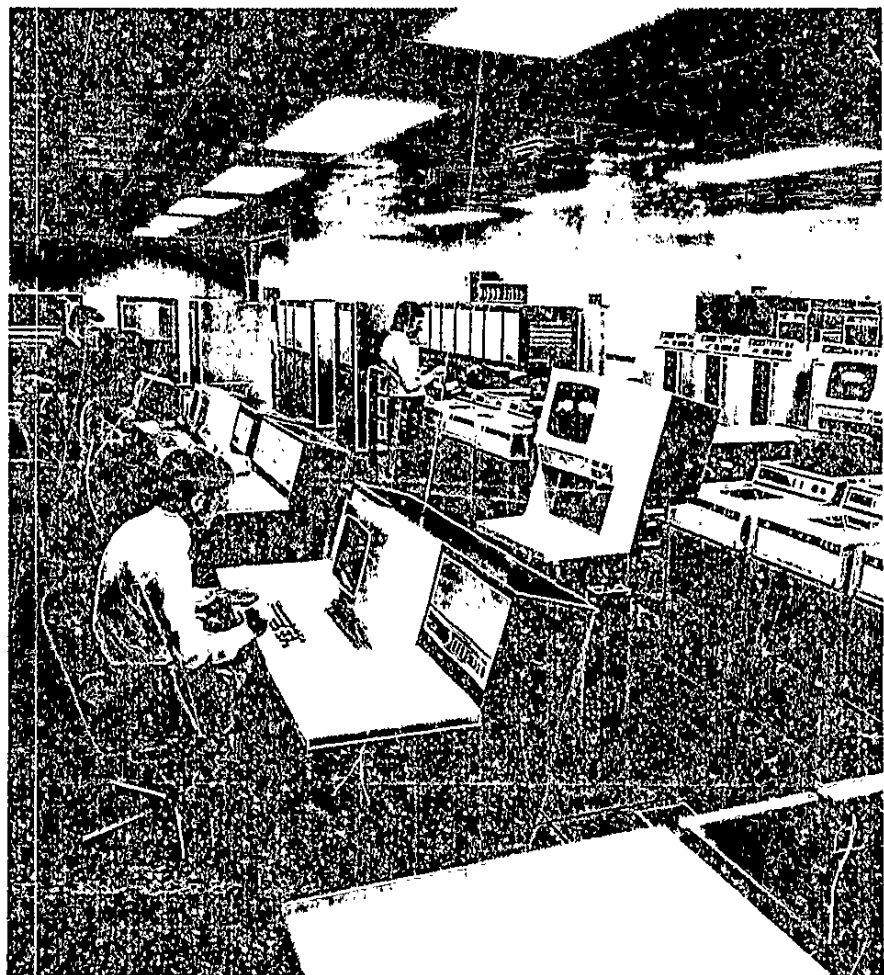


### Lords Hill, Southampton

This is a superb example of the district shopping centre, which Sainsbury's are able to build as developers in conjunction with local authorities. This is situated outside Southampton with access to good road communications, and in the middle of an extensive new housing development. The main unit is a 26,400 sq. ft. selling area supermarket for J Sainsbury, but there are also 13 other shops. These are occupied by a wide variety of trades to provide a full range of shopping, including chemists, D.I.Y., newsagent, butcher, green grocer, as well as a bank. The site has good ground floor parking and a petrol station operated by Sainsbury's and selling cut price petrol. This centre provides very good shopping facilities for this community and as part of the development Sainsbury's have built a new library for the local authority.



In 1961 Sainsbury's were the first U.K. food retailer to computerise the distribution of goods to their stores when they introduced a computer controlled replenishment system far in advance of anything anywhere else in the world at that time. Today they operate one of the most sophisticated and heavily loaded retailers computer installations in the country. During the past year, new on-line systems have been introduced to provide an even quicker and more sensitive response to the shops' needs for perishable foodstuffs. To cope with the demands of these and other new systems, together with the Company's ever growing volume of business, during the last weeks of the year the latest in computer hardware, an ICL Dual 2970 computer system, was installed.



**Report of the Directors**  
For the 52 weeks ended 4th March 1978

Profits and Dividends	<p>The profit after taxation was £21,019,000, 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 the proposed Statement of Standard Accounting Practice regarding deferred tax.</p> <p>The Directors' recommendation for final dividend is as set out in Resolution 2 in the Notice of Meeting on page 24. The wording of the recommendation is designed to ensure that shareholders, other than those who execute waivers in respect of the final dividend, will receive the maximum dividend which the Company is permitted to pay under existing legislation, whether or not there is any reduction in the rate of advance corporation tax.</p>
Share Capital	<p>On 4th November 1977 the Company granted further options under the Company's Savings-Related Share Option Scheme over 110,114 ordinary shares to 364 employees at an option price of 219p per share. During the year the Company issued 8,528 ordinary shares under the Scheme for cash, and at 4th March 1978 outstanding options totalled 1,370,232.</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 is not materially different from the book value at 4th March 1978.</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 16,361 full-time and 15,842 part-time and their aggregate remuneration was £64,697,000.</p>
Donations	<p>Donations to charitable organisations amounted to £104,000 and to political parties nil.</p>
Directors	<p>All Directors, except P.A.C. Snow who retired on 9th April 1977, held office throughout the year, and are shown on page 1. All Directors hold executive office and therefore are not subject to retirement by rotation.</p> <p>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 the Directors and their families at 4th March 1978 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

25th May 1978

**Balance Sheet**  
4th March 1978

	Note	1978 £000	1977 £000
<b>Capital Employed</b>			
Share Capital	1	20,736	20,734
Reserves	2	160,401	142,377
		<u>181,137</u>	<u>163,111</u>
Loan Capital	3	6,135	6,216
Deferred Taxation	4	3,392	2,320
		<u>190,664</u>	<u>171,647</u>
<b>Represented by</b>			
Fixed Assets	5	192,118	179,105
Subsidiary and Associated Companies	6	10,070	5,704
Current Assets	7	72,358	61,306
		<u>274,546</u>	<u>246,115</u>
Less Current Liabilities	8	83,882	74,468
		<u>190,664</u>	<u>171,647</u>

Notes on pages 12 to 19 form part of these accounts

John Sainsbury *Director*

Simon Sainsbury *Director*

*E.R. Sainsbury*  
*Choburn*

**Profit and Loss Account**  
For the 52 weeks to 4th March 1978

	Note	1978 £000	1977 £000
Turnover—includes VAT £13.8m (£10.9m)		811,102	663,776
Profit before Taxation	9	27,139	25,303
Associated Companies —Share of Profit	6	443	879
		27,582	26,182
Taxation	10	6,563	5,981
Profit after Taxation		21,019	20,201
Extraordinary Items	11	—	909
		21,019	21,110
Dividends	12	3,000	2,522
Profit Retained	2	18,019	18,588
Earnings per Share		25.34p	24.36p

## **Accounting Policies**

### **Turnover**

Turnover consists solely of sales through retail outlets, and excludes rental and other income.

### **Deferred Taxation**

In previous years it has been the policy of the Company to provide in full for taxation deferred by reason of the timing differences between tax allowances and the appropriate depreciation charged in the Accounts. Similarly, taxation deferred by reason of stock appreciation relief has hitherto also been provided in full. In accordance with Exposure Draft 19 of the Accounting Standards Committee, it has now been decided to provide only 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.

As hitherto, no provision is made for any potential liability to corporation tax on capital gains deferred under the provisions of Section 33 of the Finance Act 1965 in respect of net gains arising on the disposal of assets subsequent to 6th April 1965.

### **Depreciation**

No depreciation is provided on freehold properties or long leaseholds with more than 50 years unexpired except where in the Directors' opinion circumstances require specific depreciation.

Other fixed assets are depreciated to write off their cost as follows:

- i) Leasehold properties, with less than 50 years unexpired, in equal annual instalments over the unexpired period of the lease.
- ii) Plant, equipment and vehicles 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.

## Notes on the Accounts

### 1 Share Capital

	£000
Ordinary Shares of 25p each	
Authorised—100,000,000 Shares	25,000
Issued at 5th March 1977	20,734
Shares issued under the Share Option Scheme	2
Issued at 4th March 1978, 82,943,754 Shares Fully Paid	20,736

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 8,528 ordinary shares of 25p each at a price of 80p per share. The outstanding options at 4th March 1978 were as follows:

Number of Shares	Price	Option Granted
998,413	80p	8th November 1974
113,952	151p	7th November 1975
148,765	102p	5th November 1976
109,102	219p	4th November 1977

### 2 Reserves

	Company £000	Associated Companies £000	Total £000
General			
Balance 5th March 1977 as previously reported	109,436	625	110,061
Prior year adjustments for deferred tax (Note 4) Pre 6th March 1976	24,129	481	24,610
Profit Retained 5th March 1977			
As previously reported	10,772	110	10,882
Restated	17,912	676	18,588
Adjustment	7,140	566	7,706
Balance 5th March 1977 restated	140,705	1,672	142,377
Profit retained for the year	17,616	403	18,019
Balance 4th March 1978	158,321	2,075	160,396
Share Premium Account			
Premium arising on shares issued during the year under the Savings-Related Share Option Scheme (Note 1)	5	—	5
Reserves 4th March 1978	158,326	2,075	160,401

### 3 Loan Capital

	1978 £000	1977 £000
6½% First Mortgage Debenture Stock 1988/93	2,417	2,482
7½% First Mortgage Debenture Stock 1987/92	785	798
Accrued Interest	68	71
8% Irredeemable Unsecured Loan Stock	2,865	2,865
	<u>6,135</u>	<u>6,216</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, 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 4th March 1978 have been met in this way.

### 4 Deferred Taxation

	£000
Balance 5th March 1977	33,589
Less provisions no longer required transferred to Reserves (Note 2)	
For 1976 and previous years	24,129
For year ended 5th March 1977	<u>7,140</u>
	31,269
Balance 5th March 1977 restated	2,320
Charge for year (Note 10)	928
Transfer from current taxation	<u>2,026</u>
	5,274
Less Advance Corporation Tax recoverable	<u>1,882</u>
	<u>3,392</u>

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

	Total £000	Provided £000
a) Timing differences between depreciation and capital allowances	26,856	3,246
b) Relief due to increases in values of stocks held	16,634	2,028
	<u>43,490</u>	<u>5,274</u>

In the event of future sales of properties included in the accounts at valuation, it is considered that any notional liability for capital gains tax would be the subject of deferment under Section 33, Finance Act 1965. If all the properties were to be disposed of in the year ending March 1979 for a consideration equivalent to the said valuations and were not replaced, the maximum potential taxation liability could be £17.5 million (1977 £17 million) based on a rate of 30%.

## 5 Fixed Assets

	Land and Buildings £000	Plant Equipment & Vehicles £000	Total £000
<b>Cost or Valuation</b>			
At 5th March 1977	134,646	72,294	206,940
Additions	12,397	12,250	24,647
Disposals	(4,369)	(2,227)	(6,596)
At 4th March 1978	<u>142,674</u>	<u>82,317</u>	<u>224,991</u>
<b>Depreciation</b>			
At 5th March 1977	465	27,370	27,835
Provided in the Year	123	6,534	6,657
Disposals	(64)	(1,555)	(1,619)
At 4th March 1978	<u>524</u>	<u>32,349</u>	<u>32,873</u>
<b>Net Book Value</b>			
At 4th March 1978	<u>142,150</u>	<u>49,968</u>	<u>192,118</u>
At 5th March 1977	<u>134,181</u>	<u>44,924</u>	<u>179,105</u>

Certain Freehold and Leasehold properties were revalued at open market value on the 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 4th March 1978				
Included at Valuation	76,688	52,242	22,187	2,259
Included at Cost	65,986	26,887	37,931	1,168
	<u>142,674</u>	<u>79,129</u>	<u>60,118</u>	<u>3,427</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	

	1978	1977
	£000	£000
Shares at Cost	4,217	4,217
Amounts owing on current account	(4,217)	(4,217)
Advances	487	—
	<u>487</u>	<u>—</u>

The subsidiary companies did not trade during the year, except for J Sainsbury (Farms) Limited which made neither profits nor losses. No consolidated balance sheet has been prepared. The advances to J Sainsbury (Farms) Limited of £487,000 are represented by the cost of plant, equipment and vehicles of £85,000 (less depreciation of £15,000), and stocks of £417,000.

	Share of Issued Capital		
<b>Associated Companies: Unquoted</b>			
Haverhill Meat Products Limited	50%		
500,000 "B" Ordinary Shares of £1 each			
Sainsbury-Spillers Limited	40%		
6,000 "A" Ordinary Shares of £1 each			
5,333 "C" Ordinary Shares of £1 each			
Kings Reach Investments Limited	29%		
28,760 Ordinary Shares of 1p each			
Breckland Farms Limited	50%		
200,000 "B" Ordinary Shares of £1 each			
141,532 1% Redeemable Preference Shares of £1 each			
SavaCentre Limited	50%		
50 "B" Ordinary Shares of £1 each			
SavaCentre (Leasing) Limited	50%		
50 "B" Ordinary Shares of £1 each			
Shares at Cost or Valuation		2,130	2,130
Advances		5,378	1,902
Share of retained profits and reserves		2,075	1,672
		<u>9,583</u>	<u>5,704</u>
		<u>10,070</u>	<u>5,704</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 principal country of operation of all subsidiary and associated companies is England.

7 Current

Current Assets

	1978 £000	1977 £000
Stocks		
Debtors		
Cash		
	58,579	50,543
	5,420	3,944
	8,359	6,819
	<u>72,358</u>	<u>61,306</u>

Short-term bridging loans to Officers of the Company of £22,500 existed at 7th March 1977 and, together with £80,000 advanced during the year, were all repaid before 4th March 1978.

8 Current

Current Liabilities

	1978 £000	1977 £000
Creditors		
Bank Overdrafts		
Taxation		
Dividends		
	55,528	46,928
	18,670	17,072
	6,377	6,704
	3,307	3,764
	<u>83,882</u>	<u>74,468</u>

9 Profit

Profit Before Taxation

	1978 £000	1977 £000
The profit before taxation has been arrived at after:		
Charging		
Depreciation		
Company Pension Scheme Contribution – Annual	6,657	6,834
– Special	2,818	2,582
Debt Interest	—	1,350
Bank and Other Interest	214	220
Directors' Emoluments – Fees Nil (Note 13)	229	229
Auditors' Remuneration	98	629
	264	220
	35	35
Credit		
Profit on Redemption of Debentures	27	27
Interest	836	263

**10 Taxation**

	1978 £000	1977 £000
Corporation Tax	6,300	5,918
Deferred Taxation (Note 4)	928	35
Share of Associated Companies' Taxation	40	28
	<u>7,268</u>	<u>5,981</u>
Repayment of corporation tax in respect of previous years	705	—
	<u>6,563</u>	<u>5,981</u>

The corporation tax charge for the Parent Company is calculated at 52% on taxable profits after taking the benefit of consortium relief of £654 000 and is payable in December 1978.

The Company is a 'close company' under the terms of the Taxes Act 1970.

**11 Extraordinary Items**

	1978 £000	1977 £000
Net surplus arising on disposal of properties	—	909

**12 Dividends**

	1978 £000	1977 £000
Addition to 1977 Final	26	—
Interim after waivers of £733,000 (1977 £707,000)	953	803
Proposed Final before waivers	3,307	2,961
	<u>4,286</u>	<u>3,764</u>
Less waivers on Final Dividend of £2,961,000 in 1977	1,286	1,242
	<u>3,000</u>	<u>2,522</u>

Due to a reduction in the standard rate of tax from 35% to 34% an additional .0549p per share has been paid in respect of the 1977 final dividend. The interim dividend paid on 27th January 1978 of 3.08p per share included a related tax credit at 34% and the net amount was 2.0328p per share. The proposed final dividend of 6.0415p per share gross would, on the basis of a related tax credit of 34%, result in a net payment of 3.9874p per share. In the event of the tax rate being reduced to 33% the net payment would rise to 4.0478p per share and increase the cost of the dividend before waivers by £50,000.

**13 Directors' Emoluments**

	1978	1977
Chairman	£27,500	£25,000
Emoluments of all Directors fell within the following ranges:		
£ 7,501—£10,000	2	1
£12,501—£15,000	—	1
£15,001—£17,500	1	1
£17,501—£20,000	2	2
£20,001—£22,500	2	4
£22,501—£25,000	3	2
£25,001—£27,500	1	—
£27,501—£30,000	1	—
Highest Paid Director	£28,500	—

#### 14 Employees' Emoluments

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

	1978	1977
£10,001—£12,500	17	4
£12,501—£15,000	6	9
£15,001—£17,500	3	1
£17,501—£20,000	2	2

#### 15 Future Capital Expenditure

	1978 £000	1977 £000
Contracted for but not provided for in the accounts	15,000	10,500
Authorised to date by Board of Directors but not contracted for	20,000	20,500

#### 16 Contingent Liabilities

The Company has guaranteed, or undertaken to provide, facilities for Associated Companies to the extent of £7,665,000 (1977 £7,401,000). Other contingent liabilities are estimated at £509,000 (1977 £511,000).

#### 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 4th March 1978 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 4th March 1978. 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

25th May 1978

	1978 £000	1977 £000
<b>Source of Funds</b>		
Profit before taxation	27,582	26,182
Adjustment for items not involving the movement of funds		
Depreciation	6,657	6,834
Associated Companies—share of profit	(443)	(879)
Sale of fixed assets		
Leased back	2,369	3,505
Other	2,608	2,869
Dividend received from Associated Company	—	175
Share Capital Issued	7	—
	<u>38,780</u>	<u>38,686</u>
<b>Application of Funds</b>		
Capital expenditure	24,647	20,242
Redemption of Debentures	81	61
Dividends paid	3,457	1,453
Taxation paid	5,778	1,321
Investment in Associated and Subsidiary Companies	3,963	453
	<u>37,926</u>	<u>23,530</u>
<b>Increase in Working Capital</b>		
Increase in Stocks	8,036	13,172
Deduct net Creditors	7,124	11,813
	<u>912</u>	<u>1,359</u>
<b>(Decrease)/Increase in Net Liquid Funds</b>	<u>(58)</u>	<u>13,797</u>

**Statement of Profit for the 52 weeks ended 4th March 1978**  
**adjusted for inflation on a Current Cost Accounting Basis**

	Note	£000	1978 £000	£000	1977 £000
Turnover			811,102		663,776
Profit before taxation, including Associated Companies, per Historical Accounts			27,582		26,182
Current Cost Adjustments					
Additional Depreciation	2		5,513		5,271
Cost of Sales	3	5,773		8,949	
Less Financed by Net Trading Creditors	3	(5,492)		(8,291)	
			281		658
			21,788		20,253
Gearing	4		552		713
			22,340		20,966
Taxation	5		6,563		5,981
Adjusted Profit after Taxation			15,777		14,985
Extraordinary Items			—		909
			15,777		15,894
Dividends			3,000		2,522
Profit Retained—adjusted for inflation			12,777		13,372

**Notes**

- Specific inflation adjustments have been calculated for J Sainsbury Limited, but none has been incorporated in respect of Associated Companies.
- The additional depreciation adjustment has been based on:
  - Official price indices published by the Central Statistical Office and applied to plant, equipment and vehicles.
  - Asset lives as set out in the Company's Accounting Policies.

No additional depreciation has been calculated on short leaseholds, nor has any depreciation been provided on freehold properties and long leaseholds.
- 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.
- 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	
	1978	1977	1978	1977
J. D. Sainsbury	9,235,991	9,385,991	787,784	787,784
S. D. Sainsbury	5,700,000	5,920,000	7,783,970	7,787,362
E. R. Griffiths	3,162	5,241	—	—
T. A. D. Sainsbury MP	8,279,058	8,429,058	1,000,000	1,000,000
B. T. Ramm	4,268	14,268	—	—
D. J. Sainsbury	25,136,319	25,679,893	165,316	100,000
G. C. Hoyer Millar	11,000	7,130	—	—
J. H. G. Barnes	3,881	4,331	—	—
C. Roberts	4,813	4,813	—	—
R. A. Ingham	8,200	8,700	—	—

369,443 (1977 369,443) ordinary shares are duplicated under beneficial holdings; 150,000 (1977 150,000) ordinary shares are duplicated under non-beneficial holdings; and 7,573,970 (1977 7,573,970) ordinary shares under beneficial holdings are duplicated under non-beneficial holdings.

In addition, J. D. Sainsbury, S. D. Sainsbury, T. A. D. Sainsbury and D. J. Sainsbury have a contingent interest in 60,000 (1977 63,392) ordinary shares, all of which 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, 925 shares, B. T. Ramm, 1,850 shares, G. C. Hoyer Millar, 1,450 shares, J. H. G. Barnes, 980 shares, L. S. Payne, 1,850 shares and C. Roberts, 1,850 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 26th April 1978 the total holdings of the trusts of which the above are trustees amounted to 14.03%, 12.55%, 10.41%, and 9.65% respectively. Lady (Robert) Sainsbury as a trustee and beneficially holds 6.95%.

### Loan Stock

	Beneficial		Non-Beneficial	
	1978	1977	1978	1977
J. D. Sainsbury	50	39,683	455,000	455,000
S. D. Sainsbury	—	—	508,991	548,624
T. A. D. Sainsbury MP	9,197	9,197	—	—
D. J. Sainsbury	—	—	2,095	2,095

9,147 (1977 48,780) units of loan stock under beneficial holdings are duplicated under non-beneficial holdings; and 455,000 (1977 455,000) units of loan stock are duplicated under non-beneficial holdings.

In addition, J. D. Sainsbury, S. D. Sainsbury, T. A. D. Sainsbury and D. J. Sainsbury have a contingent interest in 91,000 (1977 91,000) units of loan stock and J. D. Sainsbury and T. A. D. Sainsbury have a contingent interest in a further 18,200 (1977 18,200) units of this stock.

Between 4th March 1978 and 26th April 1978 there have been no changes in the Directors' interests.

## Shareholders' Interests

Shareholdings Range	Shareholders Number	%	Shares Number	%
100 and under	9,629	42.16	846,268	1.03
101 to 250	7,691	33.67	1,061,451	1.28
251 to 500	2,402	10.52	916,708	1.11
501 to 1,000	1,666	7.29	1,304,640	1.45
1,001 to 10,000	1,259	5.52	398,147	3.49
10,001 to 100,000	128	.56	5,102,702	6.15
100,001 to 1,000,000	52	.23	18,706,693	22.55
over 1,000,000	12	.05	52,207,145	62.94
	<u>22,839</u>	<u>100.00</u>	<u>82,943,754</u>	<u>100.00</u>

### Category of Shareholders

Pension Funds	34	.15	2,297,950	2.77
Insurance Companies	52	.23	4,150,369	5.00
Investment Trusts	20	.09	40,768	.05
Banks and Nominee Companies	315	1.38	6,973,087	8.41
Other Corporate Bodies	220	.96	2,898,108	3.49
Other Shareholders	22,198	97.19	66,583,472	80.28
	<u>22,839</u>	<u>100.00</u>	<u>82,943,754</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
7¾% 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 June
Annual General Meeting:	July



## Notice of Annual General Meeting

Notice is hereby given that the fifty-sixth Annual General Meeting of J Sainsbury Limited will be held at Connaught Rooms, Great Queen Street, London WC2 on Wednesday, the 5th day of July 1978 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 4th March 1978 and the Report of the Auditors thereon.
- 2 To consider and if thought fit pass the following Resolution: that in respect of the financial period of the Company ended 4th March 1978 a final dividend of such sum as shall, inclusive of the related tax credit, amount to 6.0415p per share be paid, as to 3.9874p per share, exclusive of the related tax credit, on 28th July 1978 to shareholders whose names appear on the Register of Members at the close of business on 30th June 1978 and, as to the balance, if any, exclusive of the related tax credit, in January 1979 to shareholders whose names appear on the Register of Members at the close of business on a date, to be announced in November 1978, provided that, in respect of each of those shares in respect of which the right to receive the excess over 0.1p, exclusive of the related tax credit, of the final dividend has been waived, such final dividend shall be 0.1p per share, exclusive of the related tax credit, and shall be paid at the same time and in the same manner as the amount of 3.9874p referred to above.
- 3 To re-appoint Messrs. Clark Pixley as Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board  
N. F. Matthews  
Secretary

25th May 1978

### 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.