

SAINSBURY'S
annual report
and accounts
1977

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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

Departmental Directors

F. R. Bumstead
C. W. P. Burdsey
R. A. Clark
R. G. Condick
H. Galazka
J. Gallacher
M. S. Hughes
D. A. Males
G. A. G. Nichols
E. J. Russell

Five Year Table

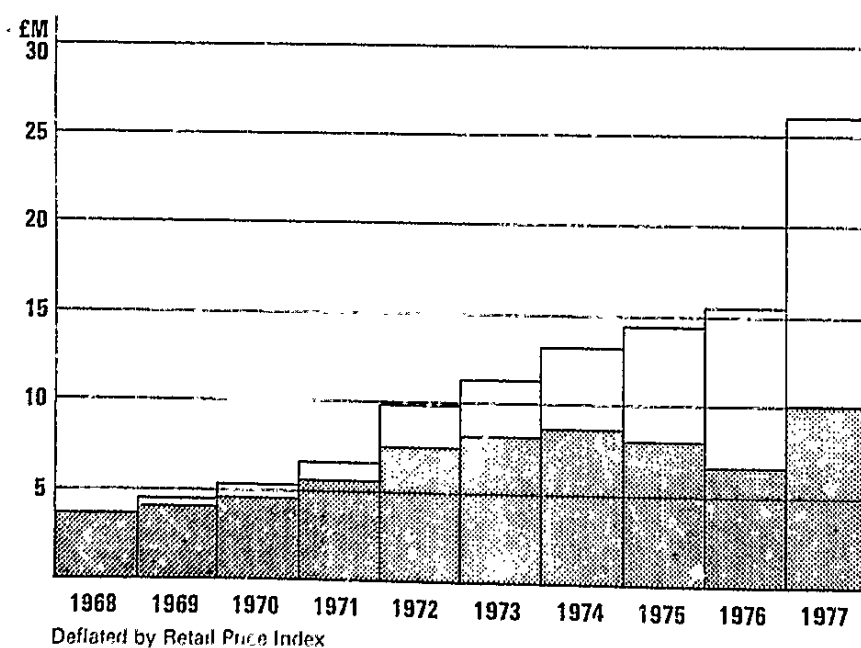
	1973	1974	1975	1976	1977
Financial Summary £000					
Total Turnover	296,862	362,137	452,804	543,443	663,776
Profit before taxation	11,388	13,624	14,629	15,417	26,182
Taxation	4,510	7,280	7,766	8,018	13,687
Profit after taxation	6,878	6,344	6,863	7,399	12,495
Extraordinary items	(604)	—	—	717	909
Net profit	6,274	6,344	6,863	8,116	13,404
Earnings per share—before extraordinary items	8.52p	7.86p	8.42p	8.92p	15.07p

Supermarket Statistics—year end

Total number of supermarkets	138	154	163	175	181
Total sales area—sq. ft.	1,337,000	1,617,000	1,836,000	2,137,000	2,297,000
Average store size—sq. ft.	9,690	10,500	11,260	12,210	12,690

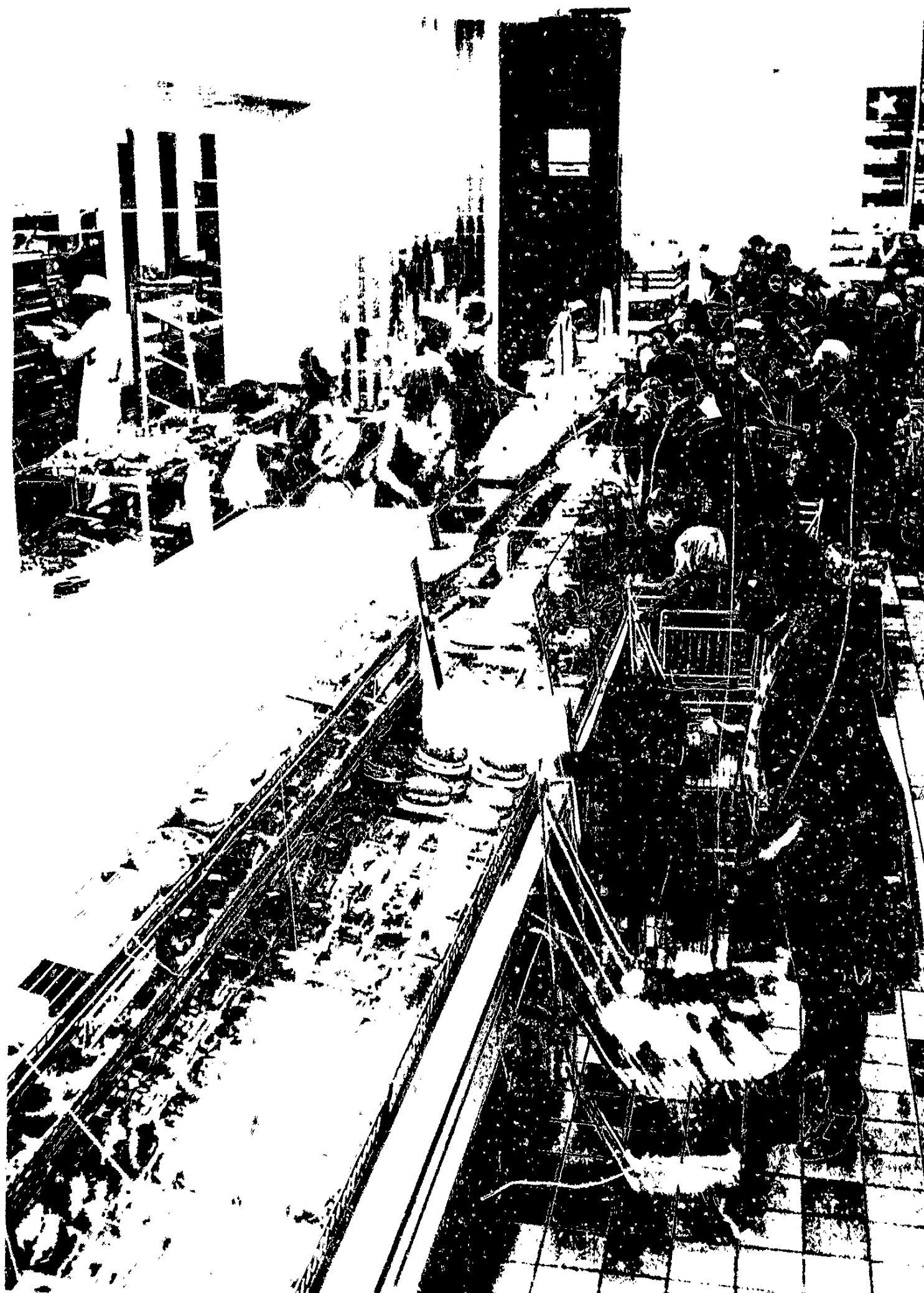
Pre-tax Profit

Shaded area in constant 1968 money values



A new feature for a new branch: so far only a handful of our supermarkets have in-store bakeries, but their popularity with customers means that we will be putting them in many more of the larger branches. This one is at Cwmbran, our first store in Wales, which opened in November 1976, and has been very successful. Another extension of our trading area occurred last year with the opening of stores in York & Co. We will also shortly be trading in the North West.

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Chairman's Statement

Sales during 1976/77 increased by 22% to £664 million, and profits before tax improved by 70% to £26.2 million (£15.4 million). After tax this is equivalent to earnings per share of 15.07p (8.92p) or 16.16p if the extraordinary items of £0.9 million are included. The Directors are proposing the payment of a final dividend of 5.4923p per share inclusive of related tax credit. Together with the interim of 2.8p gross this represents a total gross dividend of 8.2923p per share, the maximum permitted under current legislation. On the basis of a tax charge of 35% the final dividend will result in a net payment of 3.57p per share, which rises to 3.68p in the event of a reduction in the tax charge to 33%. At no time during the year did the Company exceed its permitted margins under the price code.

The results of greater efficiency and record investment

For many reasons the results for 1976/77 are cause for satisfaction. During a period of acute inflation it is particularly pleasing to record that, over the year, food prices in our stores went up less than those of the trade as a whole. In other words we improved the price advantage we have long established over our traditional High Street competitors. Customers were not slow to recognise this and we enjoyed a significant growth in market share and in numbers of customers visiting our supermarkets.

How was this possible? The short answer is through greater efficiency combined with the benefits from the massive investment made in the last three years. In all areas of the business we have been concerned to contain our costs and increase our productivity. Over three years the number of customers we serve each week has increased by 22% while the number of staff has increased by only 3%. We have been particularly successful in reducing the proportions of costs attributable to central overheads while at the same time maintaining the momentum of lowering the costs of store operations. These substantial savings have enabled us to achieve lower prices than otherwise would have been possible.

Despite the trading difficulties and reduced profitability that almost all in the food trade suffered in recent years, our investment programme has never been

curtailed. Whilst we have needed to apply more exacting criteria in assessing the viability of expansion plans, nevertheless there has been no let-up in our traditional policy of continually modernising supermarkets by replacing older out of date branches as well as expanding with larger new stores in new trading areas. As a result we have invested no less than £70 million in the last three years from our own resources and this year have reduced borrowing substantially. The major part of this investment has been in new stores and as a result we have opened 38 new supermarkets in that period. In addition we have spent substantial sums on re-equipping our older supermarkets, updating equipment in our central warehouses and on replacements for our transport fleet.

Investment needs profits

In a period of excessive inflation, it is necessary to do more than look at the percentage growth in profit over the previous year. Even the most pedestrian performance can look reasonable in the headlines when inflation over three years has totalled 69%. Looking back at our own results over this period, our profit growth of 92% in money terms becomes a growth in real terms of an average of only 4% per annum despite having invested over £70 million in these three years. This should be compared with our growth over 25 years of an average of 9½% per annum. If we are to justify the continued expansion of the Company and the investment that it entails, we certainly require results such as we have achieved in this past year.

To listen to some opinions on improved Company profitability one can only conclude that the link between good profits and high investment is still only partly understood. Certainly it seems that some commentators associate high profits with high selling prices. Usually the opposite is the case. In the food trade the most competitive prices—the best value for the customer—are to be found in companies earning a higher profit than their industry's average. We are not the only example in our trade of "the lower the prices, the better the profit".

The amendments made to the price code in 1976 did at least recognise the need for higher Company profits if investment was to be encouraged. Now it seems possible that the next phase of prices legislation

could mean that commerce and industry will be under constant threat of investigation to check whether companies are operating in accordance with well intentioned but unquantified criteria. The danger of misuse of this unprecedented power to intervene for short term political purposes is, I believe, sufficient to cause considerable concern. Uncertainty and lack of confidence in industry lead to the all too well known consequences of reducing investment and employment. This may very well be the result of the latest changes in prices legislation.

Declining rewards for skill and responsibility

It is hardly surprising that after three years of pay restraint, unprecedented inflation and escalating taxation there is considerable frustration at almost all levels in industry. The level of inflation assumed as a basis for phase 2 has proved to be wrong and the radical reduction of incentive unacceptable. The skilled shop floor worker and those in junior and middle management have fared very badly in phases 1 and 2 of the pay policy and I must record my great concern with the fact that, in the last three years, inflation combined with the pay policy and higher taxation have caused a decline of about 12% in the living standards of managers in the middle and junior ranks.

It is those men and women upon whom the good management of every company

depends and in whose hands is the future commercial and industrial leadership of our country. Relatively, British managers are, after tax, worse paid than those in any country amongst our principal industrial competitors, and the latest budget proposals represent only a tentative step in the direction of what is needed to improve the position. Unless the Government restores the incentive to initiative and success for the small business man as well as for the manager in commerce and industry, there will be very little likelihood of a sustained national economic recovery.

The mistake of Bullock

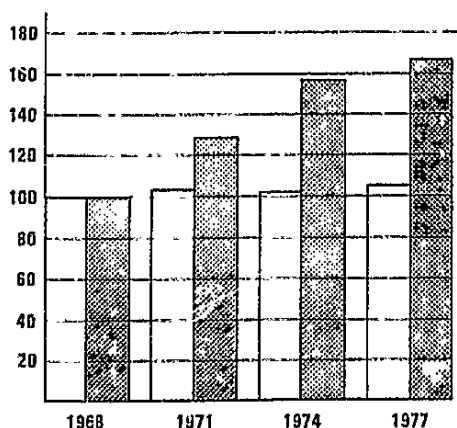
It is hard to add anything new to what has been said about the report of the Bullock Committee. I disagree profoundly with the majority report. The Boardroom requires not representatives of conflicting interests, but a group of people who, through their ability, training and experience, can collectively give a company the leadership that to be successful must take account of the interests of its customers and its workforce as well as those of its shareholders.

Only in the very short term can the interests of any one of those three groups be ignored. Long term the broad interests of the customers, workers and owners of a company must be common—that is the strength and success of the enterprise.

Like other successful businesses, we have

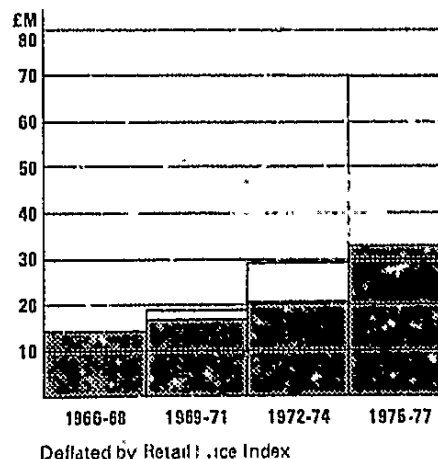
Productivity

Indices of staff numbers and sales volume (shaded)



New Investment

Shaded areas in constant 1968 money values



always believed in that long term identity of interest. This is not to say that in today's changing environment we should not seek new methods for the fuller involvement and participation of those at all levels in a business. This we should do, and the State can help by defining in Company law the parameters within which this could be done. But these must be parameters that allow for the different characteristics of different businesses—not one strait-jacket for all to fit into. The formula should be concerned with genuine participation—not a crude struggle for power—and, most important of all, it should grow from the shop floor upwards and include all staff, not just the members of unions.

This year's new stores

During the year we opened ten new supermarkets which had a total sales area of 190,000 sq. ft. Three of these replaced older much smaller stores (Bexhill, Maidstone and Poole). Included in the year's programme was our first store in Wales which opened with great success at Cwmbran, and our most westerly supermarket which opened equally well in Exeter.

Allowing for store extensions and the closure of two of our smaller out of date supermarkets, our net increase in supermarket sales area was 7.5%, bringing the total to 2.3 million sq. ft.

A significant feature in the year's sales growth was the considerable contribution made by supermarkets that had opened during 1975/76. In many cases these large stores (eight over 20,000 sq. ft.) were by the year end achieving increases in sales of over 75% against the same period a year before and among the most spectacular performances were those in new trading areas noted for their highly competitive conditions.

Our freezer centres also enjoyed very large year on year sales growth. We opened 16 new freezer centres (or freezer departments), 14 of them being within the sales areas of supermarkets. While it remains our policy to open "independent" freezer centres, most of the expansion in this area will be within or adjacent to our supermarkets.

As I forecast a year ago we have added a number of new departments to existing supermarkets. We now stock a range of health and beauty aids in 68 stores, kitchen ware, glass and china in 57 stores, car care

items including our own label motor oil—in 18, and a limited range of household textiles and clothing in 13. Considerable progress has been made in all these areas over the past year resulting in a substantial gain in sales. Our objective in these new departments is to offer our customers as good value for money as we do in our traditional food range. I believe we have already achieved this and as we gain more experience and benefit from increased economies of scale we should be able to generate further valuable expansion of trade.

Future plans

The number of new supermarkets to be opened in the year ahead will not be as many as we would like, the constraint continuing to be the availability of suitable sites with planning permission at economic rents, properly located for the car as well as the pedestrian shopper. Nevertheless during 1977/78 we anticipate opening seven new supermarkets totalling 136,000 sq. ft., two of which are particularly noteworthy being edge of town stores at Cannon Park, Coventry and Lords Hill, Southampton. Because of their location, both these stores have not only the merit of being close to residential areas and served by public transport, but also the convenience of easy access and surface car parking for the car shopper. The high cost and ugliness of multi-level car parking is avoided and it is possible to provide the added attraction of a low price petrol station. The stores themselves are more spacious than is normally possible in city centre locations, while as part of the development there will also be a number of small specialist shops adjacent to our supermarket.

SavaCentre

The most exciting new opening with which we will be concerned next year will be the first hypermarket to be opened by SavaCentre, our joint company with British Home Stores. This will be at Washington—close to Newcastle and Sunderland—where the 70,000 sq. ft. store will open in November 1977. This will be followed about a year later by SavaCentre's second hypermarket at Hempstead—outside Chatham—and shortly after that by a third store at Basildon. Obtaining sites for three hypermarkets so soon after the establishment of our joint venture is most encouraging, as is the

number of other sites now being evaluated.

I confidently believe that, through SavaCentre, the two parent companies will bring to hypermarket trading a unique combination of their own high standards and wide experience whilst achieving the attraction of hypermarket trading at very low prices. SavaCentre will be run as an independent company with minimum overheads and considerable authority devolved upon local store management.

Haverhill Meat Products

There has been very satisfactory progress at Haverhill Meat Products during the year. Efficiency has improved and many of the initial production problems associated with the rapid expansion of manufacturing facilities in the early seventies have now been overcome. In addition, more stable pig prices during 1976/77 have enabled

margins to be improved while at the same time volume sales have increased. By its nature, however, the business remains vulnerable to fluctuations in pig prices, and once again faces the prospect of declining pig production in the second half of the year which would inhibit further profit improvement in 1977/78.

Sainsbury Spillers

Sainsbury Spillers had another good year with profits and turnover growing substantially.

Now that the Company is involved in most of the stages of the production and marketing of eggs and poultry meat, it is looking at profitable opportunities in related activities. This year a by-products plant was opened at Bury St. Edmunds, and with current prices buoyant prospects for this development are good.

In some branches on farmers was now select and weigh out fruit and vegetables for themselves, as well as having pre-packed available. This is far cheaper and clearly popular with many shoppers, the best of both worlds. However if business is to be price sensitive, pre-packed is a lot more expensive.



Breckland Farms

The joint venture set up in January 1976 with Pauls & Whites Limited to undertake the commercial production of pigs has had a full year of successful operation, despite the well publicised problems of the pig industry, and we look forward to a continuing profitable growth.

Kings Reach Investments

This riverside development at Blackfriars is now complete. The offices, which were pre-let, are fully occupied, and good progress is being made in the sale of flats and letting of the small number of shops. Accordingly, it seems appropriate to include our share of the results of the company for the first time, even though these will continue to show a loss until the first review of the offices to full market rent in 1982. By that time, however, we are confident that the investment will show a very satisfactory return. Recently K.R.I. has made further arrangements for medium term finance.

Pension Funding

We have recently had a revaluation of the Pension Fund, from which it appears that at the current level of Company contribution we are making adequate provision for funding the pension scheme. We have, however, felt it prudent to set aside a further £1,350,000 in the present accounts to cover the recent increase in pensions being paid to retired employees.

Board changes

The end of the year saw the retirement of Mr. P. A. C. Snow who, for the last seven years, has been Director responsible for Store Operations. Mr. Snow joined the Company 38 years ago and was the first Store Manager to be appointed to the Board. During his long career he contributed much to the business, bringing to his tasks an unrivalled grasp of trading detail and an irrepressible determination to achieve the highest retailing standards. We wish him a long and happy retirement.

Following the changes in Board responsibilities consequent upon Mr. Snow's retirement, Mr. R. A. Ingham and Mr. P. J. Davis were appointed to the Board. Mr. Ingham has a lifetime experience in our Buying and Trading Departments, while

Mr. Davis, who joined the Company last year, has had 12 years experience in food manufacturing and retailing.

Tribute to suppliers and staff

As always, no report would be complete without acknowledging the support we have received during the year from our suppliers. Inflation in raw material costs and the regime of the Price Commission have created acute difficulties for most food manufacturers, while the fall in the value of sterling has added to the difficulties for overseas suppliers as well as to the cost of our imports. Our product quality standards depend upon having the closest collaboration and understanding with our suppliers. We are both proud of and grateful for those strong links with our many suppliers throughout the world.

During the year many of our staff have suffered a decline in their standard of living and through taxation, phase 2 and inflation, an erosion of the differentials which they had earned by their hard work, skills and ability. The extent to which this has occurred is not acceptable at any time but particularly not when the Company has experienced a year of such successful growth. It is therefore more than ever right to record that our success has been due to the great number of men and women throughout the business who, despite the frustrations of the past year, have given the Company unstinted loyalty and immense hard work to make these results possible.

John Sainsbury *Chairman*
26th May 1977

Our frozen food business continued its growth during the year with the opening of 16 new freezer centres, most of them forming part of the sales area of supermarkets.



Report of the Directors

For the 52 weeks ended 5th March 1977

Profits and Dividends	<p>The profit after taxation, including extraordinary items, was £13,404,000, details of which are shown on page 13.</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 as outlined in the Chancellor's Budget on 29th March.</p>
Share Capital	<p>On 5th November 1976 the Company granted further options under the Company's Savings-Related Share Option Scheme over 157,675 ordinary shares to 275 employees at an option price of 102p per share. The outstanding options under the scheme at 5th March 1977 totalled 1,382,425.</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 5th March 1977.</p> <p>The movements of fixed assets are set out in Note 5 to the Accounts.</p>
Kings Reach Investments Limited	<p>During the development of the site at Blackfriars, owned by the associated company Kings Reach Investments Limited, the 29% interest held by the Company was not consolidated. The development is substantially completed and the results have been consolidated this year, as set out in Note 6 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 16,045 full-time and 15,046 part-time and their aggregate remuneration was £57,973,000.</p>
Donations	<p>Donations to charitable organisations amounted to £111,000 and to political parties nil.</p>
Directors	<p>The Directors are shown on page 1. Apart from R. A. Ingham and P. J. Davis who were appointed on the 7th March 1977 all Directors, including P. A. C. Snow who retired on 9th April 1977, 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. A. Ingham and P. J. Davis.</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 Directors and their families at 5th March 1977 and other substantial interests notified to the Company are shown on page 22.</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

Statement of Source and Application of Funds
For the 52 weeks to 5th March 1977

	1977 £000	1976 £000
Source of Funds		
Profit before taxation	26,182	15,417
Adjustment for items not involving the movement of funds		
Depreciation	6,834	5,305
Associated Companies—share of profit	(879)	(45)
Sale of fixed assets		
Leased back	3,505	2,435
Other	2,869	3,324
Dividend received from Associated Company	175	105
	<u>38,686</u>	<u>26,541</u>
Application of Funds		
Capital expenditure	20,242	30,373
Redemption of Debentures	61	155
Dividends paid	1,453	2,031
Taxation paid	1,321	1,355
Investment in Associated Companies	453	1,030
	<u>23,530</u>	<u>34,944</u>
Increase in Working Capital		
Increase in Stocks	13,172	3,291
Deduct net Creditors	11,813	8,300
	<u>1,359</u>	<u>(5,009)</u>
Increase in Net Liquid Funds	<u>13,797</u>	<u>(3,394)</u>

Balance Sheet

5th March 1977

	Note	1977 £000	1976 £000
Capital Employed			
Share Capital	1	20,734	20,734
Reserves	2	110,061	99,179
		<u>130,795</u>	<u>119,913</u>
Loan Capital	3	6,216	6,279
Deferred Taxation	4	33,589	26,457
		<u>170,600</u>	<u>152,649</u>

Represented by

Fixed Assets	5	179,105	171,305
Subsidiary and Associated Companies	6	4,657	4,094
Current Assets	7	61,306	48,322
		<u>245,068</u>	<u>223,721</u>
Less Current Liabilities	8	74,468	71,072
		<u>170,600</u>	<u>152,649</u>

Notes on pages 14 to 21 form part of these accounts

John Sainsbury *Director*

Simon Sainsbury *Director*

CERTIFIED TO BE A TRUE COPY OF THE BALANCE SHEET
AS AT...5/3/77...AND OF THE AUDITOR'S REPORT
THEREON AND OF THE REPORT OF THE DIRECTORS WHICH
ACCOMPANIED IT.

E. R. G. Smith DIRECTOR.
N. J. H. Smith SECRETARY.

Profit and Loss Account

For the 52 weeks to 5th March 1977

	Note	1977 £000	1976 £000
Turnover—including VAT £10.9m (£8.7m)		<u>663,776</u>	<u>543,443</u>
Profit before Taxation	9	25,303	15,372
Associated Companies—Share of Profit	6	<u>879</u>	<u>75</u>
		26,182	15,417
Taxation	10	<u>13,687</u>	<u>8,018</u>
Profit after Taxation		12,495	7,399
Extraordinary Items	11	<u>909</u>	<u>717</u>
		13,404	8,116
Dividends	12	<u>2,522</u>	<u>2,238</u>
Profit Retained.	2	<u>10,882</u>	<u>5,878</u>
Earnings per Share: Before Extraordinary Items		15.07p	8.92p
After Extraordinary Items		16.16p	9.79p

Accounting Policies

Turnover

Turnover consists of sales through retail outlets. Other income including rentals is immaterial and not included in turnover.

Taxation

- i) Corporation Tax is based on the profits attributable to the year.
- ii) Deferred Taxation is provided at current rates on the excess of aggregate book values of plant, equipment and vehicles over their corresponding tax written down values, and on stock increase relief claimed.
- iii) 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 18. 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, 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

Ordinary Shares of 25p each	£000
Authorised—100,000,000 Shares	25,000
Issued—82,935,226 Shares Fully Paid	20,734

Under the Company's Savings-Related Share Option Scheme, certain employees hold options to purchase ordinary shares in the Company. The outstanding options are as follows:

Number of Shares	Price	Option Granted	Option Exercisable
1,088,404	80p	8th November 1974	8th November 1979
139,601	151p	7th November 1975	7th November 1980
154,420	102p	5th November 1976	5th November 1981

2 Reserves

	Company £000	Associated Companies £000	Total £000
Balance 6th March 1976	98,664	515	99,179
Profit Retained	10,772	110	10,882
Balance 5th March 1977	109,436	625	110,061

3 Loan Capital

	1977	1976
	£000	£000
6½% First Mortgage Debenture Stock 1988/93	2,482	2,518
7½% First Mortgage Debenture Stock 1987/92	798	823
Accrued Interest	71	73
8% Irredeemable Unsecured Loan Stock	2,865	2,865
	<u>6,216</u>	<u>6,279</u>

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

- i) By redemption at par within five years of the terminal date.
- ii) 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 5th March 1977 have been met in this way.

4 Deferred Taxation

	£000
Balance 6th March 1976	26,457
Charge for the year (Note 10)	7,175
Transfer from current taxation	1,983
Advance Corporation Tax recoverable	(2,026)
	<u>33,589</u>

Taxation deferred by reason of the stock relief provisions at the 6th March 1977 amounted to £13,770,000 (1976 £18,745,000).

5 Fixed Assets

	Land and Buildings £000	Plant Equipment & Vehicles £000	Total £000
Cost or Valuation			
At 6th March 1976	130,565	63,515	194,080
Additions	8,952	11,290	20,242
Disposals	(4,871)	(2,511)	(7,382)
At 5th March 1977	<u>134,646</u>	<u>72,294</u>	<u>206,940</u>
Depreciation			
At 6th March 1976	436	22,339	22,775
Provided in the Year	135	6,699	6,834
Disposals	(106)	(1,668)	(1,774)
At 5th March 1977	<u>465</u>	<u>27,370</u>	<u>27,835</u>
Net Book Value			
At 5th March 1977	<u>134,181</u>	<u>44,924</u>	<u>179,105</u>
At 6th March 1976	<u>130,129</u>	<u>41,176</u>	<u>171,305</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 5th March 1977				
Included at Valuation	79,342	54,637	22,252	2,453
Included at Cost	55,304	21,615	32,695	994
	<u>134,646</u>	<u>76,252</u>	<u>54,947</u>	<u>3,447</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 Trustees Limited	} Limited by guarantee	
The Sainsbury Charitable Fund Limited		
		£000
Shares at Cost		4,217
Amounts owing on current account		(4,217)

The subsidiary companies did not trade during the financial year.

	Share of Issued Capital	
Associated Companies: Unquoted		
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%
10,000 "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		
	1977	1976
	£000	£000
Shares at Cost or Valuation	2,130	2,130
Advances	1,802	1,449
Share of retained profits and reserves	625	515
	<u>4,657</u>	<u>4,094</u>

The proportion of the profits and losses 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 results of Kings Reach Investments Limited have been consolidated and the Company's interest has been revalued to eliminate the deficit on profit and loss account at 7th March 1976. The deficit arises from interest paid during development, and the proportion attributable to the Company amounts to £812,000. The Directors are of the opinion that the market value of this investment is not less than the book value at 5th March 1977.

The reserves shown above are after deducting a dividend received by J Sainsbury Limited of £175,000.

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

7 Current Assets

	1977 £000	1976 £000
Stocks	50,543	37,371
Debtors	3,944	5,389
Cash	6,819	5,562
	<u>61,306</u>	<u>48,322</u>

Debtors include bridging loans of £42,500 falling within Section 197 of the Companies Act 1948 advanced during the year and since repaid.

8 Current Liabilities

	1977 £000	1976 £000
Creditors and Accrued Charges	46,928	36,558
Bank Overdrafts and Unpresented Cheques	17,072	29,612
Taxation	6,704	2,207
Dividends (Note 12)	3,764	2,695
	<u>74,468</u>	<u>71,072</u>

9 Profit Before Taxation

	1977 £000	1976 £000
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The profit before taxation has been arrived at after:

Charging

Depreciation	6,834	5,305
Company Pension Scheme Contribution — Annual	2,582	1,933
— Special	1,350	—
Debenture Interest	220	224
Loan Stock Interest	229	228
Bank and Other Interest	629	1,407
Directors' Emoluments — Fees Nil (Note 13)	220	215
Auditors' Remuneration	35	33

Crediting

Profit on Redemption of Debentures	27	71
Interest	263	53

The amount of profit for the year after taxation dealt with in the accounts of J Sainsbury Limited was £13,294,000.

10 Taxation	1977	1976
	£000	£000
Based on profits for the year at 52%		
Corporation Tax	5,918	1,041
Deferred Taxation (Note 4)	7,175	6,961
Share of Associated Companies' Taxation	594	16
	<u>13,687</u>	<u>8,018</u>

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

11 Extraordinary Items	1977	1976
	£000	£000
Net surplus arising on disposal of properties	909	931
Less plant scrapped on reorganisation, net of taxation	—	214
	<u>909</u>	<u>717</u>

12 Dividends	1977	1976
	£000	£000
Interim after waivers of £707,000 (1976 £650,000)	803	718
Proposed Final before waivers	2,961	2,695
	<u>3,764</u>	<u>3,413</u>
Deduct waivers on Final Dividend of £2,695,000 in 1976	1,242	1,175
	<u>2,522</u>	<u>2,238</u>

The interim dividend, paid on 7th March 1977, of 2.8p per share gross included a related tax credit at 35% and the net amount was 1.82p per share. The proposed final dividend of 5.4923p per share gross, would, on the basis of a related tax credit of 35% result in a net payment of 3.57p per share. In the event of the tax charge being reduced to 33% the net payment would rise to 3.68p per share and increase the cost of the dividend before waivers by £91,000.

13 Directors' Emoluments	1977	1976
	£25,000	£25,000
Chairman	<u>£25,000</u>	<u>£25,000</u>
Emoluments of all Directors fell within the following ranges:		
£ 7,501—£10,000	1	1
£12,501—£15,000	1	1
£15,001—£17,500	1	2
£17,501—£20,000	2	1
£20,001—£22,500	4	4
£22,501—£25,000	2	2

14 Employees' Emoluments

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

	1977	1976
£10,001—£12,500	4	10
£12,501—£15,000	9	4
£15,001—£17,500	1	—
£17,501—£20,000	2	3

15 Future Capital Expenditure

	1977 £000	1976 £000
Contracted for but not provided for in the accounts	10,500	12,000
Authorised to date by Board of Directors but not contracted for	20,500	15,000

16 Contingent Liabilities

i) The Company has guaranteed, or undertaken to provide, facilities for Associated Companies to the extent of £7,401,000 (1976 £6,651,000). Other contingent liabilities are estimated at £511,000 (1976 £412,000).

ii) No provision has been made for any tax on capital gains in the event of future sales of properties at the valuations at which they are included in these accounts as it is considered that any notional liability would be subject to deferment under the provisions of Section 33, Finance Act 1965. If all the properties were to be disposed of in the year ending March 1978 for consideration equivalent to the said valuations, and were not replaced, the maximum possible taxation liability could be £17 million (1976 £17 million) based on a rate of 30%.

Auditors' Report

To the Members of J Sainsbury Limited

In our opinion the accounts set out on pages 11 to 21 which have been prepared under the historic cost convention including the revaluation of certain properties give, on this basis, a true and fair view of the Company's affairs at 5th March 1977 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.

Clark Pixley
Chartered Accountants
London
26th May 1977

Directors' and Other Interests

Ordinary Shares

	Beneficial		Non-Beneficial	
	1977	1976	1977	1976
J. D. Sainsbury	9,385,991	9,499,741	787,784	787,784
S. D. Sainsbury	5,920,000	6,400,000	7,787,362	7,908,362
E. R. Griffiths	5,241	10,000	—	—
T. A. D. Sainsbury MP	8,429,058	8,643,558	1,000,000	1,000,000
B. T. Ramm	14,268	15,018	—	—
D. J. Sainsbury	25,679,893	26,280,022	100,000	150,000
G. C. Hoyer Millar	7,130	9,250	—	—
P. A. C. Snow	800	18,186	—	—
J. H. G. Barnes	4,331	6,831	—	—
C. Roberts	4,813	4,813	—	—

369,443 (1976 369,443) ordinary shares are duplicated under beneficial holdings; 150,000 (1976 150,000) ordinary shares are duplicated under non-beneficial holdings; and 7,573,970 (1976 7,689,970) 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 63,392 (1976 193,169) ordinary shares, 63,392 (1976 68,392) 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 First C.B. Trustee Limited, H.O.N. & V. Trustee Limited (being trust companies owned respectively by the partners of Clark Pixley, the Company's auditors, and 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 the total holdings of the trusts of which the above are trustees amount to 28.2%, 12.9%, 11.9% and 9.9% respectively. Lady (Robert) Sainsbury as a trustee and beneficially holds 7.2%.

Loan Stock

	Beneficial		Non-Beneficial	
	1977	1976	1977	1976
J. D. Sainsbury	39,683	39,683	455,000	455,000
S. D. Sainsbury	—	—	548,624	541,874
T. A. D. Sainsbury MP	9,197	9,197	—	—
D. J. Sainsbury	—	—	2,095	2,095

48,780 (1976 46,780) units of loan stock under beneficial holdings are duplicated under non-beneficial holdings; and 455,000 (1976 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 (1976 91,000) units of loan stock and J. D. Sainsbury and T. A. D. Sainsbury have a contingent interest in a further 18,200 (1976 18,200) units of this stock.

Between the 6th March 1977 and 4th May 1977 there have been no changes in the Directors' interests.

Shareholders' Interests

Shareholdings Range	Shareholders Number	%	Shares Number	%
100 and under	10,968	43.0	972,608	1.2
101 to 250	8,796	34.5	1,210,001	1.4
251 to 500	2,615	10.2	991,611	1.2
501 to 1,000	1,700	6.7	1,198,722	1.4
1,001 to 10,000	1,220	4.8	2,960,481	3.6
10,001 to 100,000	125	.5	4,552,861	5.5
100,001 to 1,000,000	45	.2	14,089,294	17.0
over 1,000,000	14	.1	56,959,648	68.7
	<u>25,483</u>	<u>100.0</u>	<u>82,935,226</u>	<u>100.0</u>

Category of Shareholders

Pension Funds	43	.2	1,753,273	2.1
Insurance Companies	42	2	3,860,053	4.6
Investment Trusts	23	.1	44,488	.1
Banks and Nominee Companies	340	1.3	5,393,144	6.5
Other Corporate Bodies	248	1.0	2,497,214	3.0
Other Shareholders	24,787	97.2	69,387,054	83.7
	<u>25,483</u>	<u>100.0</u>	<u>82,935,226</u>	<u>100.0</u>

Financial Calendar

1 Dividend and Interest Payments

Ordinary dividend:	Interim Announced: Final Proposed:	November May	paid: January 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 and Accounts:	Circulated June
Annual General Meeting:	July

Notice of Annual General Meeting

Notice is hereby given that the fifty-fifth Annual General Meeting of J Sainsbury Limited will be held at Connaught Rooms, Great Queen Street, London WC2 on Wednesday, the 6th day of July 1977 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 5th March 1977 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 5th March 1977 a final dividend of such sum as shall, inclusive of the related tax credit, amount to 5.4923p per share be paid, as to 3.57p per share, exclusive of the related tax credit, on 29th July 1977 to shareholders whose names appear on the Register of Members at the close of business on 25th May 1977 and, as to the balance, if any, exclusive of the related tax credit, in January 1978 to shareholders whose names appear on the Register of Members at a date in November 1977 to be announced, 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 3.57p referred to above.
- 3 To re-appoint as Directors:
 - i) Mr. R. A. Ingham
 - ii) Mr. P. J. Davis
- 4 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
26th May 1977

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.

