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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
P. A. C. Snow
J. H. G. Barnes
L. S. Payne
C. Roberts

Departmental Directors

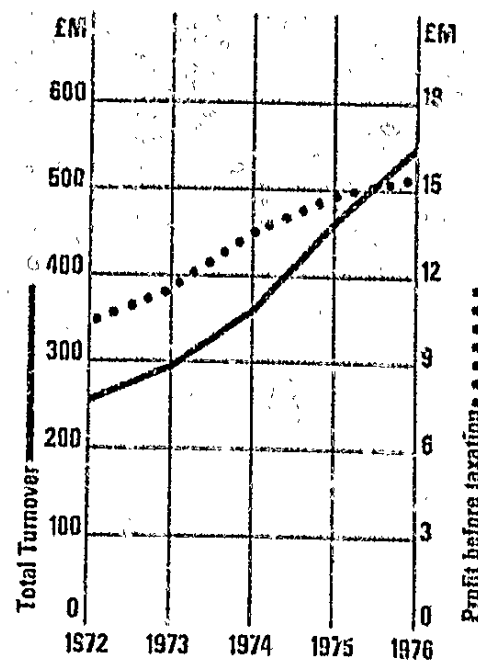
C. W. P. Burdsey
R. A. Clark
R. G. Condict
P. J. Davis
H. Galazka
J. Gallacher
M. S. Hughes
R. A. Ingham
L. A. Lewis
G. A. G. Nichols
E. J. Russell

Secretary S. W. J. Parker Registered Office Stamford House Stamford Street London SE1 9LL

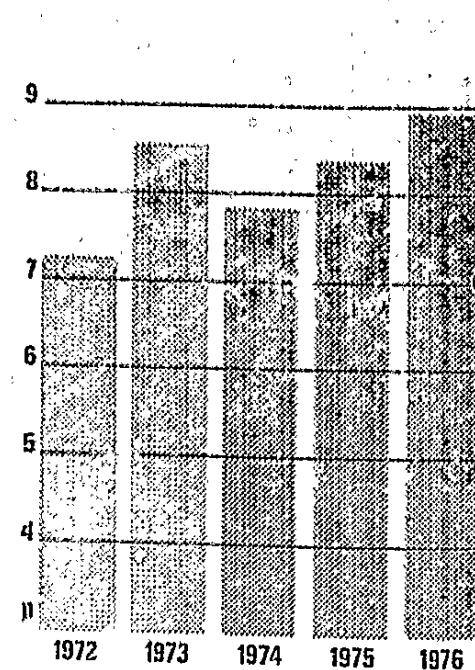
Five Year Table

	1972	1973	1974	1975	1976
Financial Summary £000					
Total Turnover	262,080	296,862	362,137	452,804	543,443
Profit before taxation	10,035	11,388	13,624	14,629	15,417
Taxation	4,094	4,510	7,280	7,766	8,000
Profit after taxation	5,941	6,878	6,344	6,863	7,399
Extraordinary items	(992)	(604)	—	—	717
Net profit	4,949	6,274	6,344	6,863	8,116
Earnings per share—before extraordinary items	7.36p	8.52p	7.86p	8.42p	8.92p
Supermarket Statistics—year end					
Total number of supermarkets	125	138	154	163	175
Total sales area—sq. ft.	1,116,000	1,337,000	1,617,000	1,836,000	2,137,000
Average store size—sq. ft.	8,930	9,690	10,500	11,260	12,210

**Total Turnover
Profit before taxation**



**Earnings per share
after taxation but before extraordinary items**





J SAINSBURY

Sainsbury's largest supermarket was opened in Kempston, outside Bedford on November 18th. In addition to the normal supermarket range the 37,600 square foot sales area contains textiles, do-it-yourself products, hardware, stationery, and books, health and beauty products, and a frozen centre.

Sales during 1975/76 increased by 20% to £543 million, and profits before tax improved by 5.4% to £15.4 million (£14.6 million). After tax this is equivalent to earnings per share of 8.92p (8.42p) or 9.79p if the extraordinary items of £0.7 million are included. The Directors are recommending a final dividend of 3.25p per share which, together with its associated tax credit, is equivalent to a gross dividend of 5p per share, making a total for the year of 7.538p, the maximum permitted under current legislation.

An improved second half-year

The profit before tax in the second half of the year, compared to the equivalent period of the previous year, rose 34% to £9.7 million (£7.1 million). The considerable improvement over the first half's profits of £5.7 million came about, in part, because wage and salary awards dated from the start of the year and thus had a greater adverse effect on operating costs during the first half. It was also helped by more buoyant turnover—in real terms, our sales increased at a time when national expenditure on food was declining.

The changing pattern of consumer purchasing power is clearly shown in Table 1. Pressure on consumer incomes was apparent from the summer of 1975 and resulted in a dramatic decline in expenditure on food, as is shown in Table 2. It is thus

particularly pleasing that we increased our market share during this difficult period and despite intensifying competition.

Continued expansion programme

This was made possible by the continuation of our expansion programme. During the year we opened 17 new supermarkets (13 of them in the second half) with an average sales area of 19,460 sq. ft. Eight of these new stores might be described as "Superstores", having sales areas greater than 20,000 sq. ft., thus allowing the extension of our range of merchandise as I described a year ago. The largest of these is our new store at Kempston, on the edge of Bedford, with a sales floor of 37,000 sq. ft. providing us with sufficient space, not only for our new textile and hardware departments, but also for an extension of our range into gardening, toys, stationery and car care. Whilst this is still experimental, results to date are encouraging and some of these new departments will be included in our largest existing supermarkets, as well as being planned into the largest stores in our development programme. After allowing for the closure of 5 of our older supermarkets (4 of which were replaced by new stores) our total supermarket sales area increased during the year by 300,000 sq. ft. to 2.6 million sq. ft.

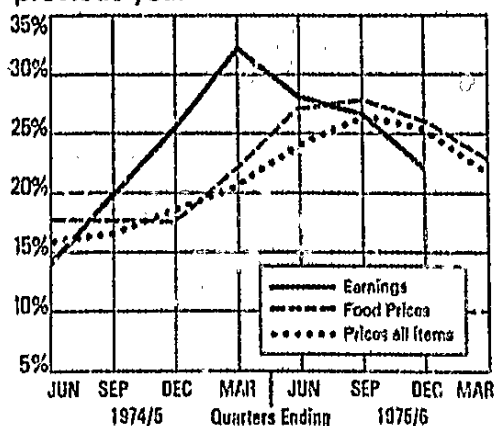
We opened 11 new Freezer Centres and Freezer Food Departments during the year, bringing our total number to 18. We are installing Freezer Food Departments in those supermarkets with sufficient space and believe there to be advantages in integrating the Freezer Centres within the supermarket whenever we can.

As will be seen from the Source and Application of Funds Table, which we publish for the first time, the financing of our new store programme was facilitated by more stringent control of working capital and by the effect of the stock appreciation relief. A limited programme of sale-and-leaseback has also commenced, the results of which will begin to be reflected in next year's table.

The "Price" of inflation

1975 was the year the nation paid the price for the unrestrained increases in pay that took place from February 1974 until the middle of last year. The official figures showing the effect on the operating costs

Table 1. Percentage changes in Earnings & Prices on the previous year



Source — Department of Employment Gazette

of food retailers is shown in Table 3. Labour costs generally account for about 55-60% of a food retailer's costs and thus the level of sales per employee is a vital measurement of productivity and never more so than at a time of such high inflation.

As I reported in 1974, the Company, through investment in new stores, improved equipment and better systems, increased its productivity in the 5 years to 1974 by nearly 50%. Had we not done so the consequences upon us of the past year's inflation would have been very serious. At the beginning of the year we initiated a cost reduction programme, concentrating particularly on central overhead costs. As a result, we are making substantial savings without, I believe, any loss of efficiency. This initiative will be continued, for, while we believe our productivity at retail level is one of the best in our trade, it is evident that there is scope for reducing our central and depot costs.

I should like to draw attention to the increase in the cost of rates—a cost that is outside our control and at times it seems outside anybody else's. The public are only too well aware of the direct cost of the rates as householders, but the massive increase in local government expenditure in the last year has also had a significant indirect effect of increasing the costs of food distribution and ultimately, therefore, the cost of living.

The same can be said of public utilities where, like everyone else, we have had to absorb a staggering level of cost increase.

The future of the Price Code

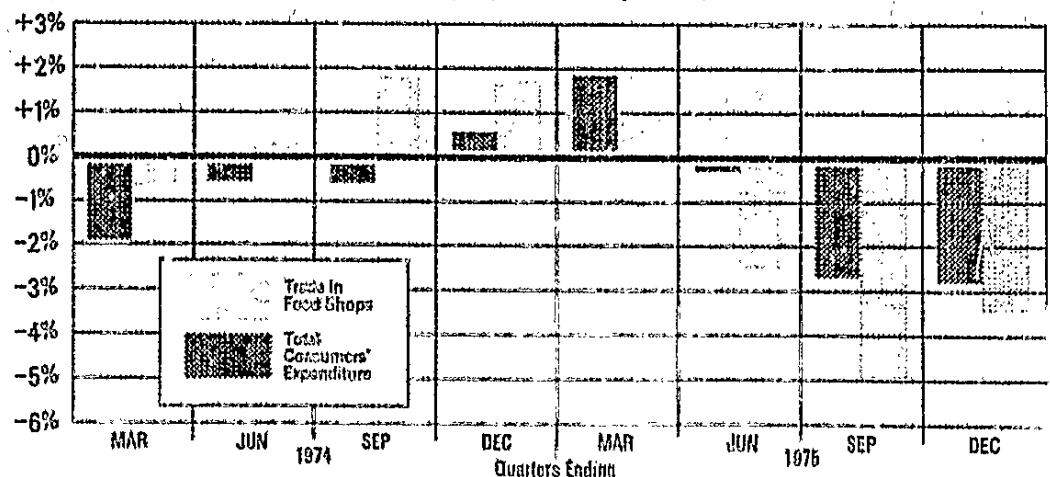
The effect of the unprecedented increase in retailers' costs is to be seen in the Price Commission's reports and it is some cause for satisfaction that the Company's performance compared well with the average for large retailers as published by the Price Commission.

During the 2nd, 3rd and 4th quarters of 1975 reporting food and drink retailers' net profit before tax represented 51% of their reference level, with a net margin of only 1.7%. Our equivalent figure was 60% of reference level and 2.4% net margin.

It can be seen, therefore, that diminishing consumer purchasing power and an increasing degree of competition had more effect than the strictures of the Price Code. In fact, the elaborate machinery of the Price Commission played no role in holding down food prices or retailers' margins during the last year—competition did a more effective job. It is to be hoped that in any revision of anti-inflation legislation the irrelevance of the present Price Code is recognised and a simpler and less bureaucratic reporting procedure is developed.

In the past the Price Code has been a discouragement to investment, a dis-

Table 2. Percentage changes on previous year in Total Consumers' Expenditure & Trade in Food Shops (constant prices)



Sources — Central Statistical Office — Department of Industry

We've always been proud of our laboratories. There's probably no other food retailer in the world that has put more into the control and testing of the food it sells and into research in food technology.

Recently, we've had even more cause to be proud of our laboratories, for in the middle of last year they moved into new quarters especially created for them. The pictures on this page give some idea of the range and scale of their work.

1. The food analysis laboratory examines some 25,000 samples a year to ensure that all Sainsbury's own label goods match up to our own exacting standards and to Government legislation.

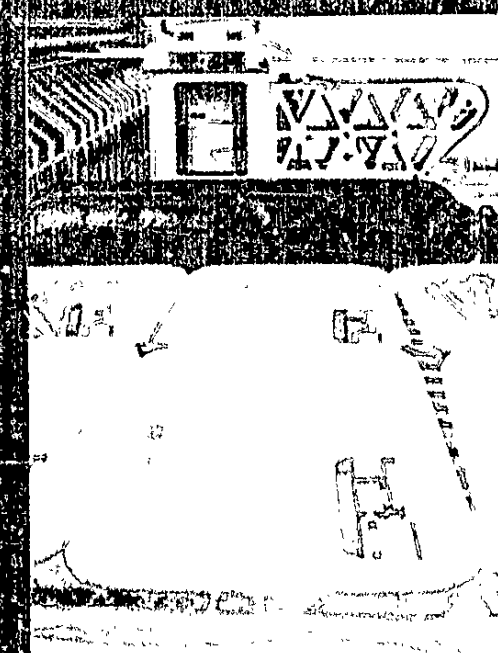
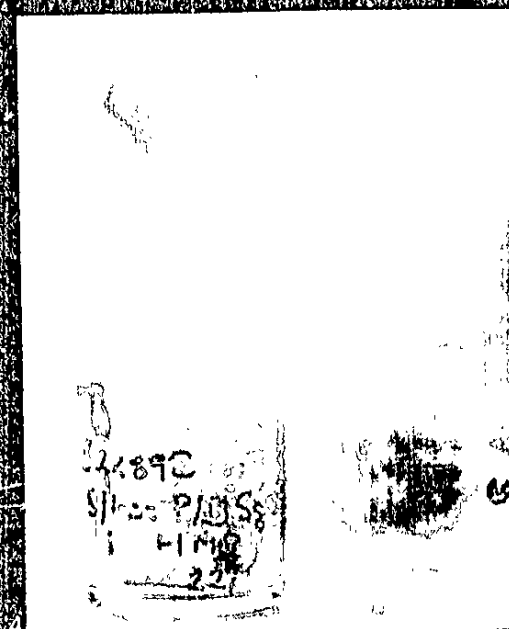
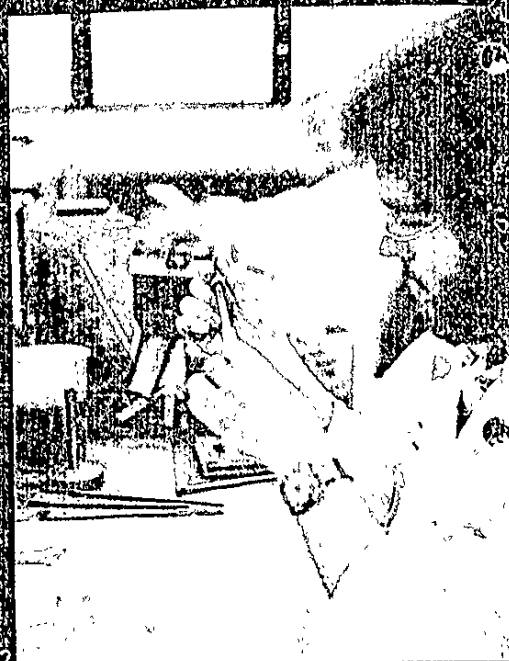
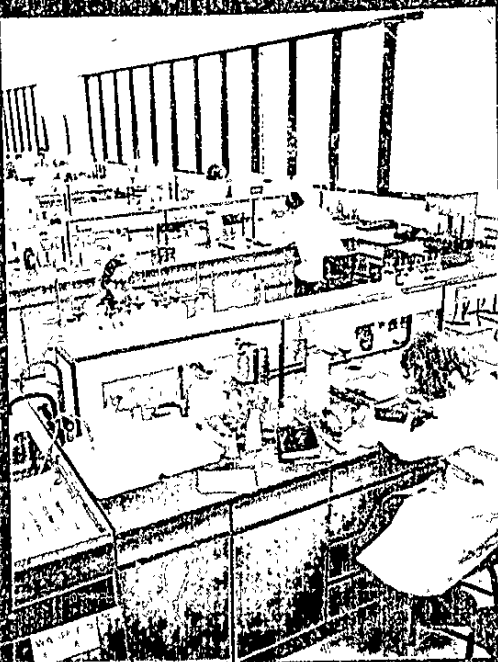
2. As well as being examined chemically, samples are also examined microbiologically. This laboratory handles over 30,000 samples annually.

3. The food technology laboratory concentrates on product development and on testing goods, in this case flour and cake mixes, by seeing if they respond as they should do in actual use.

4. These samples of sausages were taken for culture tests to ensure that they meet exacting bacteriological standards.

5. This laboratory simulates store conditions in order to conduct storage life tests. Perishables are placed in cabinets and withdrawn at regular intervals for examination.

6. Horticultural development is an important area of activity. This is an experiment in growing lettuces using hydroponics, whereby the roots of the plant are constantly supplied with liquid nutrient.



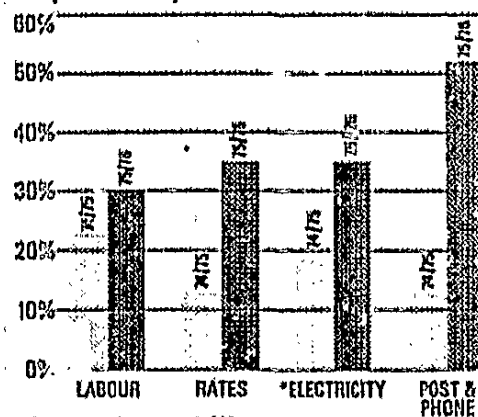
incentive to industrial enterprise and risk taking. This has also been its effect in some sectors of distribution. In more normal times and in a trade as competitive as food distribution Price Code regulations would be wholly unnecessary. However, if at this time their existence assists in the national effort to reduce our level of inflation, they must be accepted—provided always they are so drafted that the need for encouraging efficiency and rewarding investment is recognised fully.

The food trade has supported the Government efforts towards reducing inflation even when, as in the case of the Price Restraint Scheme, they had strong reservations as to the relevance and usefulness of the scheme. What is needed now, however, is less use of devices, and formulas such as the Voluntary Package or the "Red Triangle Price Check" and more reliance on encouraging competition, initiative and enterprise by those whose very existence depends on how well they serve their customers and how successful they are in keeping down prices.

Development plans

As is shown by the number of new stores we have opened in the last year, we have not been diverted from our long term expansion and modernisation plans by the present constraints and difficulties of trade.

**Table 3. Inflation in costs—
Percentage changes nationally
on previous years**



* Estimated Commercial Users
Source—Department of Employment Gazette

The rate and timing of store openings depends on whether we are able to secure planning approval for suitable sites. This is often not predictable and inevitably results in an uneven flow of new stores coming on stream. Next year we will enjoy the benefit of the full year's trade from the large number of stores opened during 1975/76, particularly the 13 opened in the second half. In the year ahead we expect to add nearly 200,000 sq. ft. of selling area by opening a further 10 stores.

We will also be extending our new range of china, glass and other hardware to many of our existing stores which should result in a valuable addition to our sales. A limited range of textiles, as well as some of the other new product ranges will also be extended to some of the largest stores where there is sufficient space. This increased flexibility of the range of merchandise sold in different stores comes about through our policy of gradually increasing the size of our supermarkets. Inevitably this is only achieved at the cost of a lower intensity of trade per sq. ft. of selling area, but this in turn provides our customers with more attractive and less congested shopping conditions.

It has been encouraging to note that there seems to be greater recognition by the planning authorities of the value of permitting a limited number of edge of town supermarkets or superstores. As city centre redevelopment becomes uneconomic with the very high inflation of building costs, the saving to be gained, both in building and operating costs, from the development of larger stores away from the congested high streets becomes relatively greater. The encouragement of new developments of this nature will make a direct contribution to lowering the cost of food distribution while, at the same time, helping to reduce unemployment in building and allied industries.

Joint Company with BHS

SavaCentre Limited, the joint company we have established with British Home Stores, is actively searching for suitable hypermarket sites and should benefit if in fact there has been a shift in planning attitudes. We already have one site with planning approval and, therefore, it is expected that the new company will have opened its first hypermarket within two years.

Improvement at Sainsbury-Spillers

Sainsbury-Spillers recovered from the difficult trading conditions of the previous year with both poultry and egg production operating profitably. This Company enables us to keep in the forefront of developments in this field, and during the course of the year a range of packs was developed for our Freezer Centres. The processing facilities which were purchased by the Company at Stainforth in Yorkshire have now been re-equipped and are operating satisfactorily.

Haverhill Meat Products

As anticipated a year ago, 1975/76 turned out to be a very difficult trading year for Haverhill Meat Products. With pig production nationally at a much reduced level and prices at an all time high, there was a reduction in demand for many of the Company's products. This, together with a whole range of cost increases, meant that a loss was recorded. The outlook is improving, however, and we are looking for a return to profitability during the current year.

Breckland Farms

In January 1976 we announced the formation of a joint company with Pauls & Whites Ltd. to undertake the commercial production of pigs. The new company, known as Breckland Farms Ltd., is well set to achieve its aim of providing Haverhill Meat Products with expanded supplies.

Tribute to our suppliers

Once again, I have pleasure in acknowledging the very good relations we have had with our suppliers and in thanking them for the excellent support they have given us throughout the year. The restrictions of the Price Code have had the consequence of distorting the normal buyer/seller relations, sometimes by preventing the seller charging a proper economic price and, at other times, making it impossible for the buyer to resist price increases "approved by the Price Commission".

Overall, I believe the food manufacturing industry has been damaged because the Price Code has had the effect of discouraging, and at times making impossible, the investment necessary for it to remain as efficient in the future as it has been in the past.

The difficulties caused to our suppliers will, in turn, rebound upon our customers unless there is a radical revision of the present Price Code.

Recognition to our staff

Such success as we have had in combating the difficulties created by inflation and the country's decreasing standard of living owes so much to the hard work and dedication of our staff. For this I wish to express my sincere appreciation.

I believe that the strength of our Company depends more than anything else on the quality of performance—a less easily measured strength than the first need of productivity. Perhaps also it is less easily achieved at a time when declining standards are evident in so many walks of life and when inflation and Government controls make impossible the full recognition and reward of all those who excel in effort and performance or who shoulder the responsibilities of management.

It is, therefore, all the more necessary and right that I should pay tribute this year to the very high standards of performance that have been achieved by our staff. Due to the effort at all levels, throughout the Company, our standards have been enhanced rather than eroded during the year, despite the considerable pressures inflation has imposed upon the Company as a whole and upon all those who work in it.

John Sainsbury *Chairman*
4th June 1976

Although price is more important than ever nowadays, Sainsbury's have not compromised on quality. Anyone can cut prices on inferior goods; our reputation rests on the much more difficult task of combining high quality and competitive price.

The laboratories obviously have an important place in the quality control system, but no less important is the inspection and tasting of samples by our buyers.

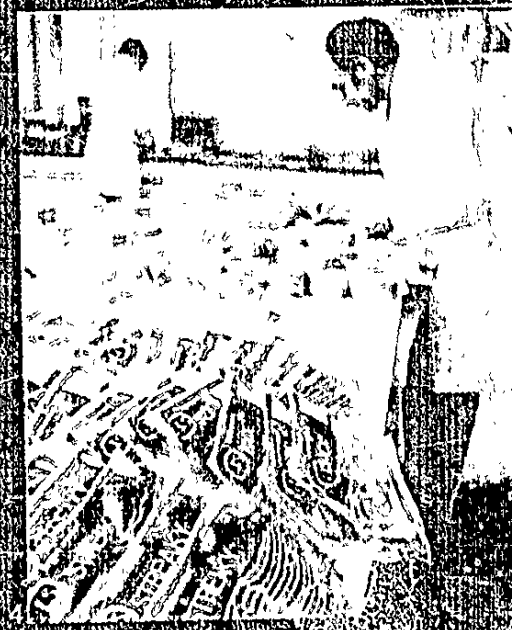
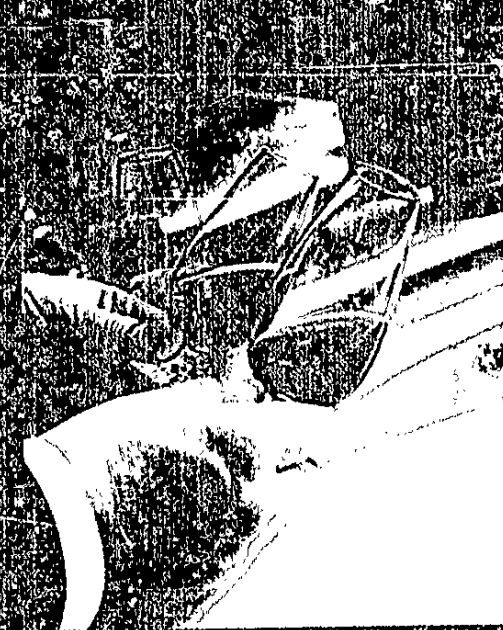
1. Here in the home economics department, own label and proprietary goods are cooked and laid out for evaluation by the buyers.

2. A buyer checks that quality is being maintained on a batch of prepared meat products. Sampling of products as they come from our suppliers is carried out daily.

3. The reputation of Sainsbury's own label wines is growing as their number and availability increases. Regular tasting by our own experts ensures that standards are maintained.

Samples of products are taken at random from our stores and sent daily to the sampling rooms at Blackfriars for inspection by experts.

5 & 6. Canned goods, cakes and biscuits go through the same careful, painstaking evaluation as all the other goods sold by Sainsbury's.



Report of the Directors

For the 52 weeks ended 6th March 1976

Profits and Dividends

The profit after taxation, including extraordinary items, was £8,116,000, details of which are shown on page 13.

The Directors are proposing the payment of a final dividend of 3.25p per share on 30th July 1976 to shareholders on the register at 3rd June 1976. Together with its associated tax credit this dividend is equivalent to a gross dividend of 5p per share and makes a total gross dividend for the year of 7.538p per share, the maximum permitted under current legislation.

Share Capital

On 7th November 1975 the Company granted further options under the Company's Savings-Related Share Option Scheme over 144,354 ordinary shares to 374 employees at an option price of 151p per share. The outstanding options under the scheme at 6th March 1976 totalled 1,253,385.

Fixed Assets

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 6th March 1976.

The movements of fixed assets are set out in Note 5 to the Accounts.

Principal Activity

The principal activity of the Company is the retail distribution of food. There are no exports.

Employees

The average number of employees was 16,126 full-time and 15,392 part-time and their aggregate remuneration was £51,189,000.

Donations

Donations to charitable organisations amounted to £92,000 and to political parties nil.

Directors

The Directors are shown on page 1, all of whom held office throughout the year. Apart from T. A. D. Sainsbury, MP, all Directors hold executive office and therefore are not subject to retirement by rotation, but in accordance with the Articles of Association a Resolution will be submitted to the Annual General Meeting for the re-appointment of T. A. D. Sainsbury, MP.

No Directors were interested in any contracts subsisting during or at the end of the financial year.

Directors' Interests

The number of ordinary shares and units of loan stock held by Directors and their families at 6th March 1976 are shown on page 22.

Articles of Association

Special resolutions will be proposed at the Annual General Meeting to make minor alterations to the provisions concerning the retirement by rotation of Directors and the service of notices by post.

Auditors

Clark, Battams & Co., who are now practising in the name of Clark Pixley, are willing to continue in office in the latter name and a Resolution authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

By Order of the Board
S W J Parker
Secretary

27th May 1976

Statement of Source and Application of Funds

For the 52 weeks to 6th March 1976

	1976 £000	1975 £000
Source of Funds		
Profit before taxation	15,417	14,629
Adjustment for items not involving the movement of funds		
Depreciation	5,305	4,436
Associated Companies—share of profit	(45)	(292)
Sale of fixed assets	5,759	641
Dividend received from Associated Company	105	38
	<u>26,541</u>	<u>19,452</u>
Application of Funds		
Capital expenditure	30,373	26,122
Redemption of Debentures	155	128
Dividends paid (Note 1)	2,031	1,058
Taxation paid	1,355	765
Investment in Associated Companies	1,030	—
Movement of Working Capital		
Increase in Stocks	3,291	5,874
Increase in Debtors	504	2,113
Increase in Creditors and Unpresented Cheques	(8,780)	(2,122)
	<u>29,959</u>	<u>33,938</u>
Movement in Net Liquid Funds		
Increase in Cash in Hand	(721)	(606)
Increase in Net Bank Borrowing	4,139	15,092
	<u>3,418</u>	<u>14,486</u>

Note 1

The increase in dividends paid mainly arises because the dividends paid in 1974/75 were partly in cash and partly by way of coupon dividends, whereas in 1975/76 the dividends were declared in cash with waivers being received in respect of certain shares.

Balance Sheet
6th March 1976

	Note	1976 £000	1975 £000
Capital Employed			
Share Capital	1	20,734	20,734
Reserves	2	99,179	93,301
		<u>119,913</u>	<u>114,035</u>
Loan Capital	3	6,279	6,407
Deferred Taxation	4	26,457	21,926
		<u>152,649</u>	<u>142,368</u>
Represented by			
Fixed Assets	5	171,305	151,540
Subsidiary and Associated Companies	6	4,094	3,140
Current Assets	7	48,322	43,806
		<u>223,721</u>	<u>198,486</u>
Less Current Liabilities	8	71,072	56,118
		<u>152,649</u>	<u>142,368</u>

Notes on pages 14 to 21 form part of these accounts

John Sainsbury *Director*

Simon Sainsbury *Director*

CERTIFIED TO BE A TRUE AND CORRECT AS AT <u>6 MARCH 1976</u> THEREON AND OF THE ACCOUNTS WHICH ACCOMPANIED IT.	<u>John Sainsbury</u> DIRECTOR <u>Simon Sainsbury</u> SECRETARY
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Profit and Loss Account For the 52 weeks to 6th March 1976

	Note	1976 £000	1975 £000
Turnover—including VAT £8.7m (£7.3m)		543,443	452,804
Profit before Taxation	9	15,372	14,337
Associated Companies—Share of Profit	6	45	292
		15,417	14,629
Taxation	10	8,018	7,766
Profit after Taxation		7,399	6,863
Extraordinary Items	11	717	—
		8,116	6,863
Dividends	12	2,238	2,843
Profit Retained	2	5,878	4,020
Earnings per Share: Before Extraordinary Items		8.92p	8.42p
After Extraordinary Items		9.79p	8.42p

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.
- 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.

3 Loan Capital

	1976 £000	1975 £000
6½% First Mortgage Debenture Stock 1988/93	2,518	2,648
7½% First Mortgage Debenture Stock 1987/92	823	848
Accrued Interest	73	46
6% Irredeemable Unsecured Loan Stock	2,865	2,865
	<u>6,279</u>	<u>6,407</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 6th March 1976 have been met in this way.

4 Deferred Taxation

	£000
Balance 8th March 1975	21,926
Charge for the year (Note 10)	6,961
Transfers—current taxation and extraordinary items	(398)
Advance Corporation Tax recoverable	(2,032)
	<u>26,457</u>

Taxation deferred by reason of the stock relief provisions at the 6th March 1976 amounted to £8,743,000.

5 Fixed Assets

	Land and Buildings £000	Plant Equipment & Vehicles £000	Total £000
Cost or Valuation			
At 8th March 1975	118,786	52,628	171,414
Additions	16,175	14,198	30,373
Disposals	(4,396)	(3,311)	(7,707)
At 6th March 1976	<u>130,565</u>	<u>63,515</u>	<u>194,080</u>
Depreciation			
At 8th March 1975	278	19,596	19,874
Provided in the Year	158	147	5,305
Disposals	—	(2,404)	(2,404)
At 6th March 1976	<u>436</u>	<u>22,339</u>	<u>22,775</u>
Net Book Value			
At 6th March 1976	<u>130,129</u>	<u>41,176</u>	<u>171,305</u>
At 8th March 1975	<u>118,508</u>	<u>33,032</u>	<u>151,540</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 6th March 1976				
Included at Valuation	82,661	56,819	23,089	2,753
Included at Cost	<u>47,904</u>	<u>19,097</u>	<u>27,923</u>	<u>884</u>
	<u>130,565</u>	<u>75,916</u>	<u>51,012</u>	<u>3,637</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.

Associated Companies

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	

	1976	1975
	£000	£000
Shares at Cost	2,130	1,100
Advances	1,449	1,449
Share of retained profits and reserves	515	591
	<u>4,094</u>	<u>3,140</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 six weeks of the end of the financial year. The results of Kings Reach Investments Limited have not been consolidated because in the Directors' view this would be misleading as its development is not completed. The results of Breckland Farms Limited since the date of acquisition have not been consolidated as they are not material. SavaCentre Limited did not trade during the financial year.

A dividend of £105,000 has been received by J Sainsbury Limited out of the above reserves.

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

7 Current Assets

Stocks
Debtors
Cash

1976	1975
£000	£000
37,371	34,080
5,389	4,885
5,562	4,841
<u>48,322</u>	<u>43,806</u>

8 Current Liabilities

Creditors and Accrued Charges
Bank Overdrafts and Unpresented Cheques
Taxation
Dividends (Note 12)

1976	1975
£000	£000
36,558	28,043
29,612	25,497
2,207	90
2,695	2,488
<u>71,072</u>	<u>56,118</u>

9 Profit Before Taxation

The Profit before taxation has been arrived at after:

Charging

Depreciation
Debenture Interest
Loan Stock Interest
Bank and Other Interest
Directors' Emoluments – Fees Nil (Note 13)
Auditors' Remuneration

1976	1975
£000	£000
5,305	4,436
224	236
228	229
1,407	1,100
209	165
33	28

Crediting

Profit on Redemption of Debentures
Interest

71	66
53	67

The amount of profit for the year after taxation dealt with in the accounts of J Sainsbury Limited was £8,192,000.

2c

10 Taxation	1976 £000	1975 £000
Based on profits for the year at 52%		
Corporation Tax	1,041	950
Deferred Taxation (Note 4)	6,961	6,662
Share of Associated Companies' Taxation	16	154
	<u>8,018</u>	<u>7,766</u>

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

11 Extraordinary Items	1976 £000	1975 £000
Net surplus arising on disposal of properties	931	—
Less plant scrapped on reorganisation, net of taxation	214	—
	<u>717</u>	<u>—</u>

12 Dividends	1976 £000	1975 £000
Interim after waivers of £650,000 (1975 reduced by scrip dividend)	718	355
Proposed Final before waivers	2,695	2,488
	<u>3,413</u>	<u>2,843</u>
Deduct waivers on Final Dividend of £2,488,000 in 1975	1,175	—
	<u>2,238</u>	<u>2,843</u>

The interim dividend was at the rate of 1.65p per share, which is equivalent to 2.538p gross.

The proposed final dividend of 3.25p per share is equivalent to 5p gross.

13 Directors' Emoluments	1976	1975
Chairman	<u>£25,000</u>	<u>£22,000</u>
Emoluments of all Directors fell within the following ranges:		
£ 5,001—£ 7,500	—	1
£ 7,501—£10,000	1	2
£12,501—£15,000	1	2
£15,001—£17,500	2	1
£17,501—£20,000	1	4
£20,001—£22,500	4	1
£22,501—£25,000	2	—

14 Employees' Emoluments

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

	1976	1975
£10,001—£12,500	10	9
£12,501—£15,000	4	1
£17,501—£20,000	3	2

15 Future Capital Expenditure

	1976 £000	1975 £000
Contracted for but not provided for in the accounts	12,000	16,000
Authorised to date by Board of Directors but not contracted for	15,000	12,000

16 Contingent Liabilities

i) The Company has guaranteed, or undertaken to provide, facilities for Associated Companies to the extent of £6,651,000 (1975 £6,651,000). Other contingent liabilities are estimated at £412,000 (1975 £356,000).

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 1977 for consideration equivalent to the said valuations, and were not replaced, the maximum possible taxation liability could be £17 million (1975 £16.5 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 give a true and fair view of the Company's affairs at 6th March 1976 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, Battams & Co
Chartered Accountants
London
27th May 1976

Directors' Interests

Ordinary Shares

	Beneficial		Non-Beneficial	
	1976	1975	1976	1975
J. D. Sainsbury	9,499,741	9,499,741	787,784	789,784
S. D. Sainsbury	6,400,000	7,400,000	7,908,362	7,957,471
E. R. Griffiths	10,000	16,277	—	—
T. A. D. Sainsbury MP	8,643,558	8,643,558	1,000,000	1,002,000
B. T. Ramm	15,018	24,018	—	—
D. J. Sainsbury	26,280,022	26,566,486	150,000	150,000
G. C. Hoyer Millar	9,250	26,845	—	—
P. A. C. Snow	18,186	23,186	—	—
J. H. G. Barnes	6,831	15,931	—	—
C. Roberts	4,813	4,813	—	—

369,443 (1975 369,443) ordinary shares are duplicated under beneficial holdings; 150,000 (1975 150,000) ordinary shares are duplicated under non-beneficial holdings; and 7,689,970 (1975 7,689,970) ordinary shares under beneficial holdings are duplicated under non-beneficial holdings.

Loan Stock

	Beneficial		Non-Beneficial	
	1976	1975	1976	1975
J. D. Sainsbury	39,683	39,683	455,000	455,000
S. D. Sainsbury	—	—	541,874	541,874
T. A. D. Sainsbury MP	9,197	9,197	—	—
D. J. Sainsbury	—	—	2,095	2,095

48,780 (1975 48,780) units of loan stock under beneficial holdings are duplicated under non-beneficial holdings; and 455,000 (1975 455,000) units of loan stock are duplicated under non-beneficial holdings.

In addition to the Directors' Interests shown above, J. D. Sainsbury, S. D. Sainsbury, T. A. D. Sainsbury and D. J. Sainsbury have a contingent interest in 193,169 (1975 193,169) ordinary shares, 68,392 (1975 117,501) of which are duplicated under non-beneficial holdings; J. D. Sainsbury, S. D. Sainsbury and T. A. D. Sainsbury have a contingent interest in 140,132 (1975 140,132) ordinary shares; and J. D. Sainsbury's and T. A. D. Sainsbury's children have a contingent interest in 7,024,453 (1975 7,024,453) ordinary shares of which 4,595,489 (1975 4,595,489) are duplicated under beneficial interests.

J. D. Sainsbury, S. D. Sainsbury, T. A. D. Sainsbury and D. J. Sainsbury have a contingent interest in 91,000 (1975 91,000) units of loan stock and J. D. Sainsbury and T. A. D. Sainsbury have a contingent interest in a further 18,200 (1975 18,200) units of this stock.

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, P. A. C. Snow, 1,850 shares, J. H. G. Barnes, 980 shares, L. S. Payne, 1,850 shares, and C. Roberts, 1,850 shares.

Between the 7th March 1976 and 5th May 1976 there have been no changes in the Directors' interests shown above.

Shareholders' Interests

Shareholdings Range	Shareholders Number	%	Shares Number	%
100 and under	11,430	43.3	1,018,073	1.2
101 to 250	9,251	35.1	1,270,139	1.5
251 to 500	2,617	9.9	980,839	1.2
501 to 1,000	1,678	6.4	1,165,019	1.4
1,001 to 10,000	1,249	4.7	3,047,845	3.7
10,001 to 100,000	122	.4	3,886,441	4.7
100,001 to 1,000,000	46	.1	14,222,264	17.2
over 1,000,000	13	.1	57,344,606	69.1
	<u>26,406</u>	<u>100.0</u>	<u>82,935,226</u>	<u>100.0</u>

Category of Shareholders

Pension Funds	48	.2	1,175,443	1.4
Insurance Companies	41	.1	3,628,162	4.4
Investment Trusts	34	.1	118,244	.1
Banks and Nominee Companies	424	1.6	4,752,890	5.8
Other Corporate Bodies	263	1.0	1,852,629	2.2
Other Shareholders	25,596	97.0	71,407,858	86.1
	<u>26,406</u>	<u>100.0</u>	<u>82,935,226</u>	<u>100.0</u>

Other than the holdings set out under Directors' Interests on page 22, the Directors are not aware that any other person holds 10% or more of the share capital of the Company on 6th March 1976.

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

30

Notice is hereby given that the fifty-fourth Annual General Meeting of J Sainsbury Limited will be held at Connaught Rooms, Great Queen Street, London WC2 on Wednesday, the 7th day of July 1976 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 ending 6th March 1976 and the Report of the Auditors thereon.
- 2 To declare a final dividend on the ordinary shares.
- 3 To re-appoint Mr. T. A. D. Sainsbury, MP, a Director.
- 4 To authorise the Directors to fix the remuneration of the Auditors.

And as special business, to consider, and if thought fit, to pass the following Resolutions which will be proposed as Special Resolutions

- 5 That Article 106 of the Articles of Association of the Company (dealing with the retirement by rotation of Directors) be amended by inserting immediately after the words "that Director shall retire" the words "and provided also that in any year no Director who has retired in accordance with the provisions of this Article at the Annual General Meeting in either of the two immediately preceding years shall so retire".
- 6 That Article 159 of the Articles of Association of the Company (dealing with the time when service of a notice by post is deemed to be effected) be amended by inserting immediately after the words "twenty four hours after the time when the letter, envelope, card or cover containing the same is posted" the words "(by whatever class of post)".

By Order of the Board
S W J Parker
Secretary
4th June 1976

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.

