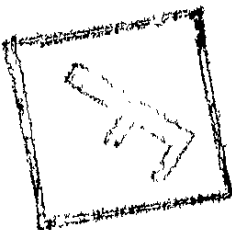


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annual report and accounts 1978



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Joint Presidents

Board of Directors

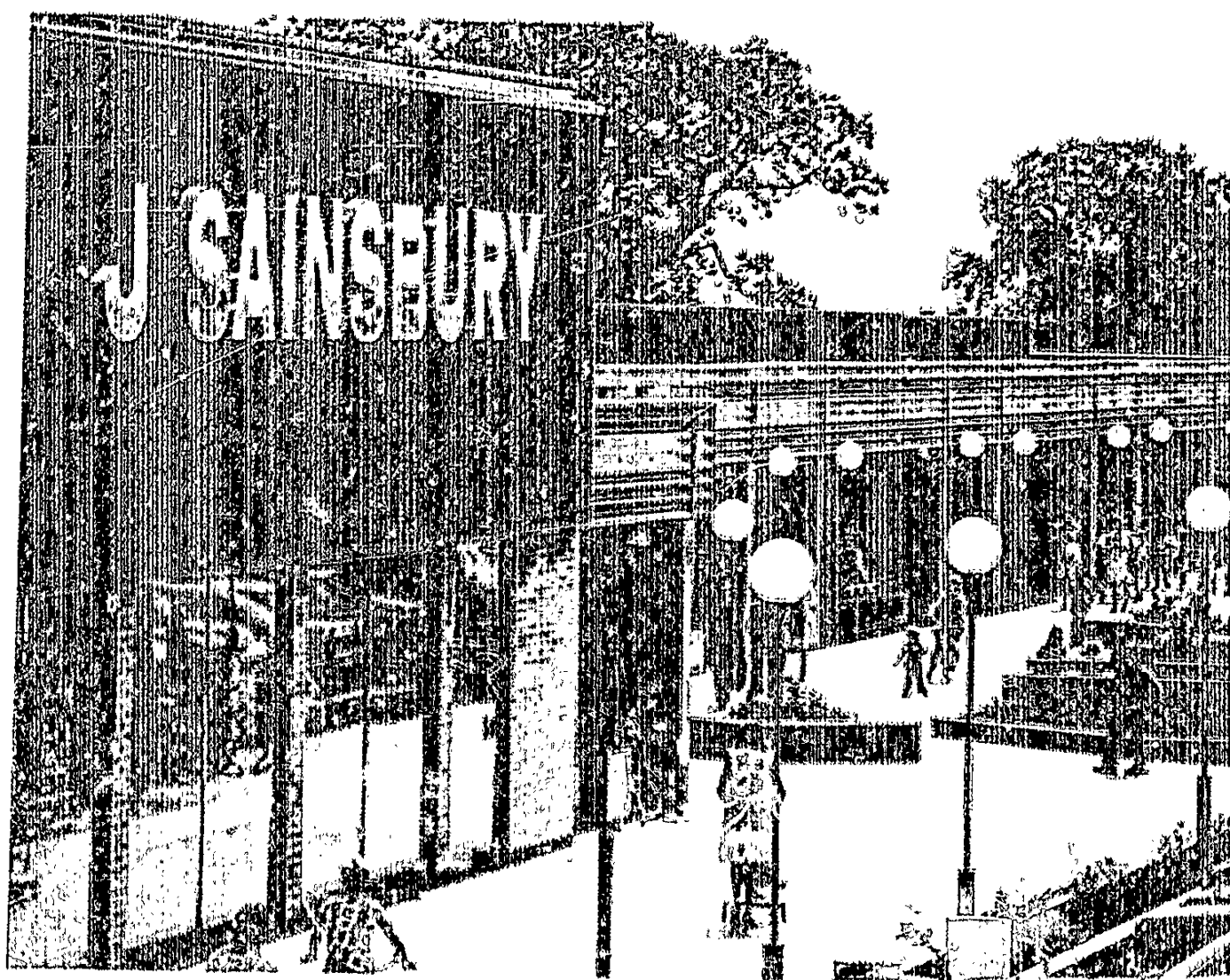
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Lord Sainsbury of Drury Lane
Sir Robert Sainsbury

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
Sturford House
Sturford Street
London SE1 9LL

Secretary N. F. Matthews



Summary of Results and Retail Statistics

£000	1974	1975	1976	1977	1978
Summary of Results					
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	13,542	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	{15.85p
after providing for tax in accordance with the proposed Statement of Standard Accounting Practice regarding deferred tax.				{24.3c	{25.34p*

Retail Statistics

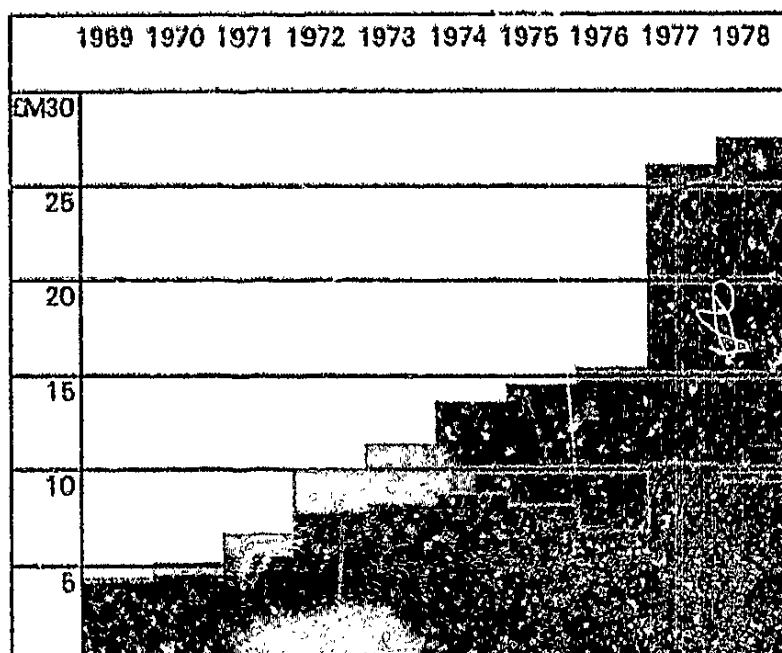
Number of outlets at financial year-end

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	18,660	18,660
Average size of all Supermarkets	sq. ft.	10,500	11,260	12,210	13,010	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.	Due to open during 1978/79	Sales area sq. ft.
Cannon Park, Coventry	26,600	Newcastle-under-Lyme	14,300
Wellingborough	14,400	Wilmslow	14,900
Lords Hill, Southampton	26,400	Ashford, Kent	15,500
Cowley, Oxford.	15,000	Solihull	21,600
Kettering	16,000	Weston-super-Mare	17,400
Haverhill	11,500	Bowthorpe, Norwich	22,500
Uxbridge	20,700	Dunstable	19,400
		Hayes, Middlesex	14,300
Total	130,600	Total	139,900

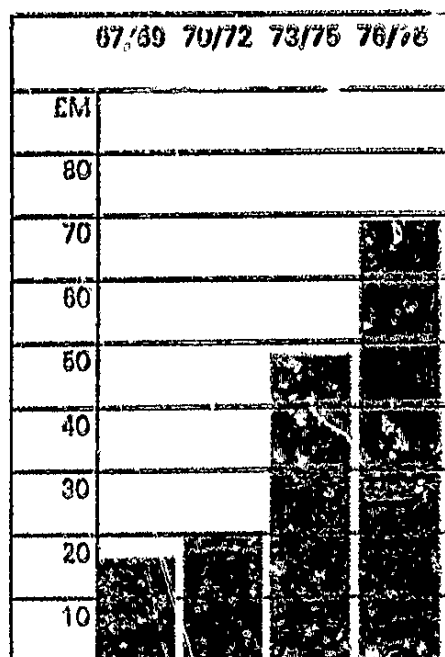
Hypermarket openings

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

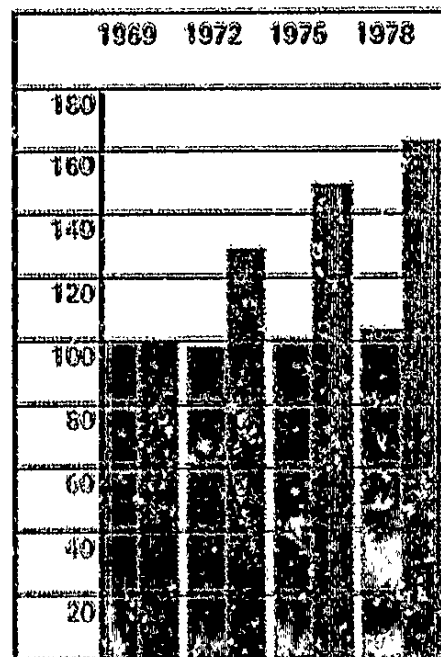
New Investment

In constant 1968 money values
Deflated by Retail Price Index



Productivity

Index of Staff numbers
Index of Sales volume

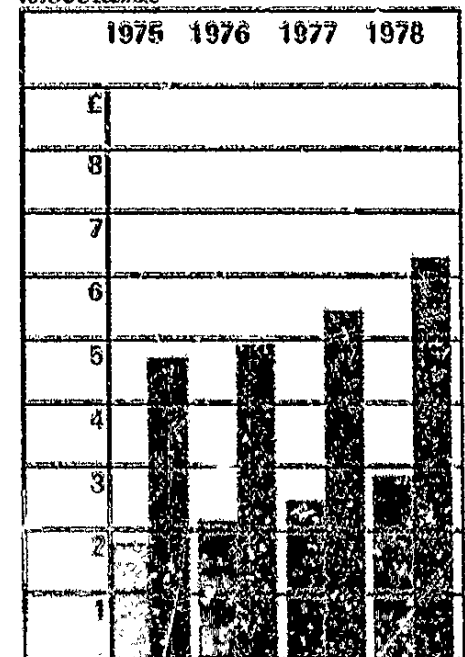


Supermarket Trade Intensity

weekly turnover per sq. ft.

All grocers*
J Sainsbury

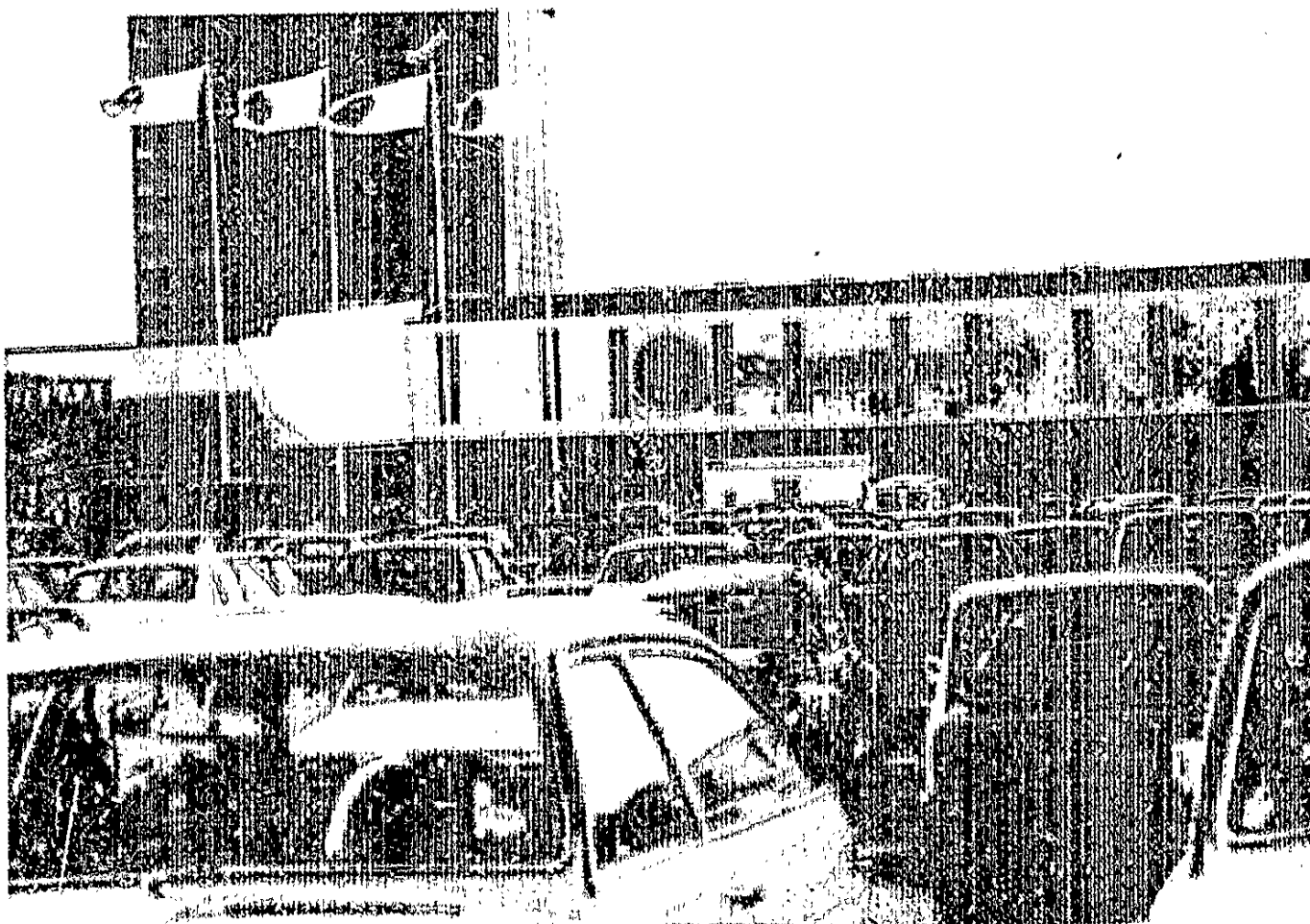
*Source Institute of Grocery Distribution except 1978 J S Estimate



Associated Companies

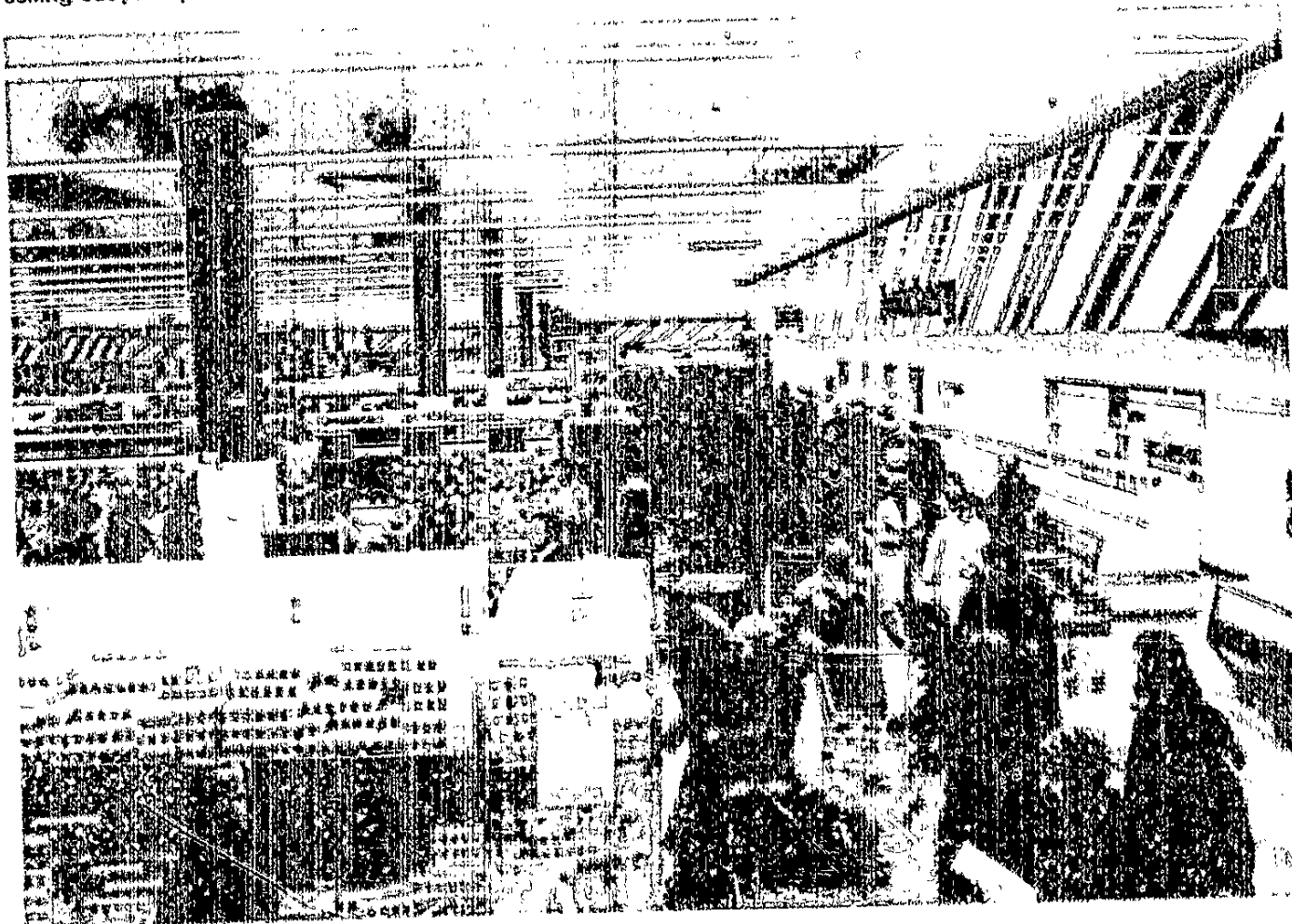
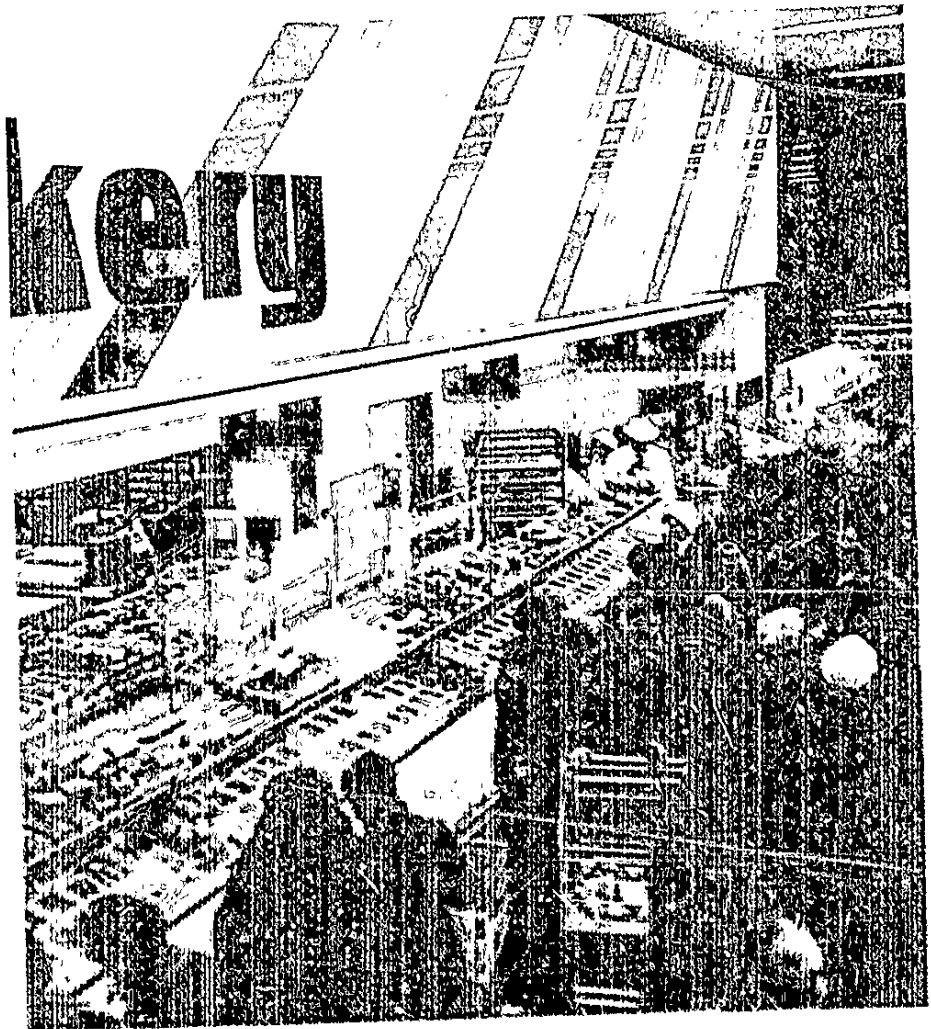
Associated Companies		Share of profit/(loss)	
		1978 £000	1977 £000
Haverhill Meat Products Ltd 50%	Jointly owned with Canada Packers Ltd; processing of pigs into pork bacon sausages and pies	652	722
Sainsbury-Spillers Ltd 40%	Jointly owned with Spillers Ltd; production and packing of poultry and eggs	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 in-store 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 discounting. For over a year we had been operating discount prices in 20 of our supermarkets and the greater benefits realised justified the reduced level of inflation with no loss of our quality 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 the number of new stores opened in 1977/78 and due to open in 1978/79 is lower than one would like because of 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 1976/77. The retailing profit percentage for the year as a whole is close to the average margin achieved in the last five 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 joint-

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 city 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 despite its 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 hinder new store development and thus to a significant degree protect the status quo and limit new competition. There should be room for both as we and forward looking policy for urban areas that have declined without denying the shopping public the benefits that derive from development in the outskirts of towns such as that just mentioned on page 1 of our paper. Shopping centres 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.

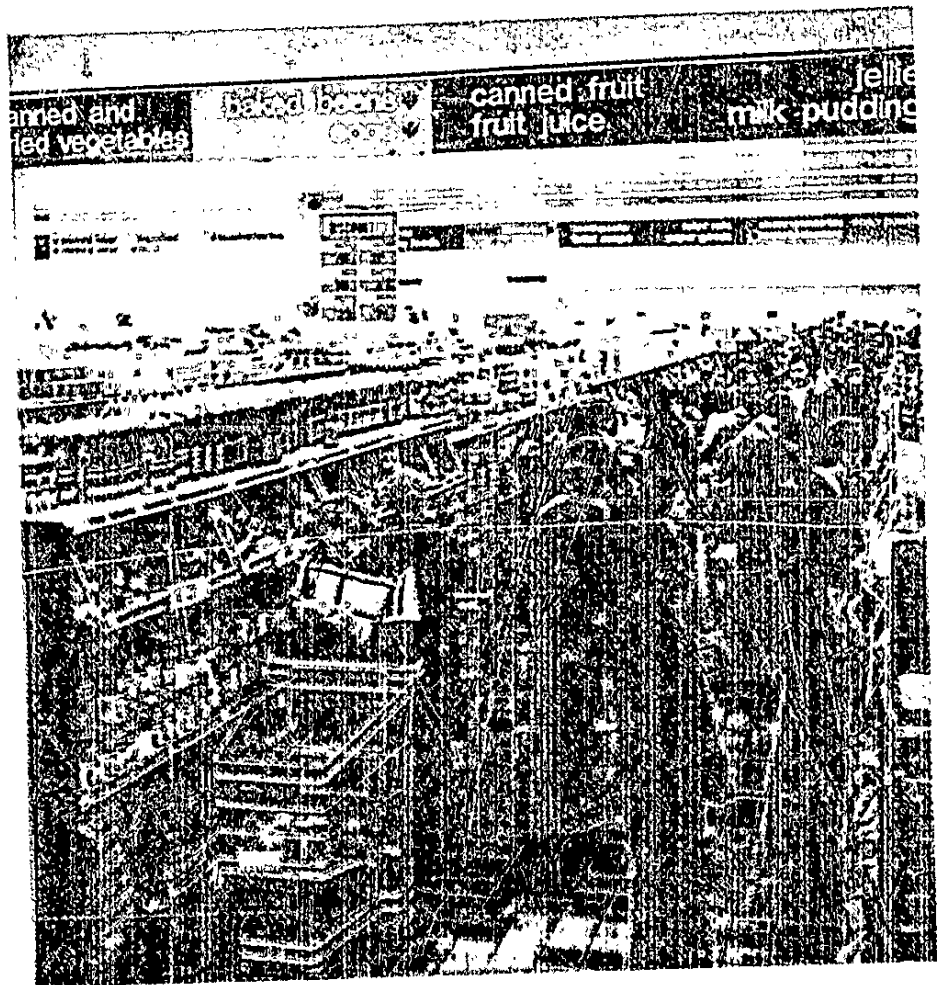
Shareholders will be interested to know that over the last 5 years we have developed a considerable programme to inform staff about the Company's results, to discuss these with them, and to answer any questions they have. We hold meetings across the whole Company to which every one of our 32,000 staff 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 with 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 UK 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 computer hardware - an ICL Dec 2090 computer system - was installed.



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

Profits and Dividends

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.

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.

Share Capital

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 210p 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.

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 4th March 1978.

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 16,361 full-time and 15,842 part-time and their aggregate remuneration was £64,697,000.

Donations

Donations to charitable organisations amounted to £104,000 and to political parties nil.

Directors

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.

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

Directors' and Other Interests

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.

Current Cost Accounting

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.

Auditors

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.

By Order of the Board
N. F. Matthews
Secretary

26th May 1978

Balance Sheet
4th March 1978

	Note	1978 £000	1977 £000
Capital Employed			
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>
Represented by			
Fixed Assets	5	192,118	179,163
Subsidiary and Associated Companies	6	10,070	5,704
Current Assets	7	72,358	61,586
		<u>274,546</u>	<u>246,453</u>
Less Current Liabilities	8	83,882	74,463
		<u>190,664</u>	<u>171,947</u>

Notes on pages 12 to 19 form part of these accounts

John Sainsbury *Director*

Simon Sainsbury *Director*

E.R.G. 7/11

Chubb

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

	Note	1978 £000	1977 £000
Turnover—includes VAT £13.8m (£10.9m)		<u>811,102</u>	<u>663,776</u>
Profit before Taxation	9	27,139	25,303
Associated Companies —Share of Profit	6	<u>443</u>	<u>879</u>
		27,582	26,182
Taxation	10	<u>6,563</u>	<u>5,931</u>
Profit after Taxation		21,019	20,251
Extraordinary Items	11	<u>—</u>	<u>909</u>
		21,019	21,160
Dividends	12	<u>3,600</u>	<u>2,522</u>
Profit Retained	2	<u>17,419</u>	<u>18,638</u>
Earnings per Share		25.24p	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 tax on 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	25,000
Authorised—100,000,000 Shares	
	<u>20,734</u>
Issued at 5th March 1977	2
Shares issued under the Share Option Scheme	
	<u>20,736</u>
Issued at 4th March 1978, 82,943,754 Shares Fully Paid	

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	103,436	625	110,061
Prior year adjustments for deferred tax (Note 4)	24,129	481	24,610
Re 6th March 1978			
Profit Retained 5th March 1977	10,772	110	10,882
As previously reported	17,912	676	18,588
Restated	7,140	536	7,676
Adjustment			
	140,705	1,672	142,377
Balance 5th March 1977 restated	17,816	403	18,019
Profit Retained for the year	158,321	2,075	160,396
Balance 4th March 1978			
Share Premium Accounts			
Premium arising on shares issued during the year under the Savings-Related Share Option Scheme (Note 1)	5	—	5
	158,326	2,075	160,401
Reserves 4th March 1978			

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, 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 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	<u>16,634</u>	<u>2,028</u>
	<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 (15% of £116.7 million based on a rate of 30%).

5 Fixed Assets

	Land and Buildings £000	Plant Equipment & Vehicles £000	Total £000
Cost or Valuation			
At 5th March 1977	134,646	72,294	206,940
Additions	12,397	12,250	24,647
Disposals	(4,389)	(2,227)	(6,596)
At 4th March 1978	<u>142,674</u>	<u>82,317</u>	<u>224,991</u>
Depreciation			
At 5th March 1977	465	27,370	27,835
Provided in the Year	123	6,534	6,657
Disposals	(84)	(1,555)	(1,639)
At 4th March 1978	<u>524</u>	<u>32,349</u>	<u>32,873</u>
Net Book Value			
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 Cheyne Investments Limited
J Sainsbury (Farms) Limited

} The Company holds
100% of the Ordinary Shares

J Sainsbury Trustees Limited
The Sainsbury Charitable Fund Limited

} Limited by
guarantee

Shares at Cost

Amounts owing on current account

Advances

1978	1977
£000	£000
4,217	4,217
(4,217)	(4,217)
487	—
487	—

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

Associated Companies: Unquoted

Haverhill Meat Products Limited
500,000 "B" Ordinary Shares of £1 each

50%

Sainsbury-Spillers Limited
6,000 "A" Ordinary Shares of £1 each
5,333 "C" Ordinary Shares of £1 each

40%

Kings Reach Investments Limited
28,760 Ordinary Shares of 1p each

29%

Breckland Farms Limited
200,000 "B" Ordinary Shares of £1 each
141,532 1% Redeemable Preference Shares of £1 each

50%

SavaCentre Limited
50 "B" Ordinary Shares of £1 each

50%

SavaCentre (Leasing) Limited
50 "B" Ordinary Shares of £1 each

50%

Shares at Cost or Valuation

2,120 2,150

Advances

5,378 1,902

Share of retained profits and reserves

2,075 1,072

9,568 6,704

10,070 8,704

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 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.

Current

Current Assets

1978
£000

1977
£000

58,579
5,420
8,359

50,543
3,944
6,819

72,358

61,306

Short-term

March

repaid

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

Current

Current Liabilities

1978
£000

1977
£000

55,528
18,670
6,377
3,307

40,928
17,072
6,704
3,764

63,882

74,468

creditors

Bank Over

drawings

provision

creditors and Accrued Charges
Bank Overdraws and Unpresented Cheques
Provision
Dividends (Note 12)

Profit

Profit Before Taxation

1978
£000

1977
£000

The profit

profit before taxation has been arrived at after:

Charged

Depreciation

Competition

Debit

Loan

Bank

Director

Auditor

Credit

Profit

Interest

Depreciation
Competition
Debit
Loan
Bank
Director
Auditor
Creditor
Profit
Interest

6,657
2,618
—
214
229
33
264
35

6,534
2,582
1,320
220
220
629
250
39

27
836

27
263

on Redemption of Debentures

10 Taxation

Corporation Tax
Deferred Taxation (Note 4)
Share of Associated Companies' Taxation

1978	1977
£000	£000
6,300	5,918
928	35
40	28
<u>7,268</u>	<u>5,981</u>
705	—
<u>6,563</u>	<u>5,981</u>

Repayment of corporation tax in respect of previous years

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

Net surplus arising on disposal of properties

1978	1977
£000	£000
—	989

12 Dividends

Addition to 1977 Final
Interim after waivers of £733,000 (1977 £737,000)
Proposed Final before waivers

1978	1977
£000	£000
28	—
953	803
<u>3,207</u>	<u>2,961</u>
4,286	3,764
<u>1,286</u>	<u>1,242</u>
<u>3,000</u>	<u>2,522</u>

Less waivers on Final Dividend of £2,961,000 in 1977

Due to a reduction in the standard rate of tax from 35% to 34% an additional 0.549p per share has been paid in respect of the 1977 Final dividend. The interim dividend paid on 27th January 1978 of 3.000p 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

Chairman

Emoluments of all Directors fell within the following ranges:

£7,501—£10,000
£12,501—£15,000
£15,001—£17,500
£17,501—£20,000
£20,001—£22,500
£22,501—£25,000
£25,001—£27,500
£27,501—£30,000

Highest Paid Director

1978	1977
£27,500	£25,000
2	1
1	1
1	2
2	1
2	2
3	1
1	1
<u>1</u>	<u>1</u>
<u>£28,500</u>	

14 Employees' Emoluments

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

£10,001—£12,500
£12,501—£15,000
£15,001—£17,500
£17,501—£20,000

1978	1977
17	4
6	9
3	1
2	2

15 Future Capital Expenditure

Contracted for but not provided for in the accounts

Authorised to date by Board of Directors but not contracted for

1978 £000	1977 £000
15,000	10,500
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 £500,000 (1977 £611,000).

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 Interim Accounting of November 1977, amended to include the additional adjustment set out in note 3.

Clark Pixley
Chartered Accountants
London

25th May 1978

Statement of Source and Application of Funds
For the 52 weeks to 4th March 1978

	1978 £000	1977 £000
Source of Funds		
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>
Application of Funds		
Capital expenditure	24,647	20,242
Redemption of Debentures	91	61
Dividends paid	3,457	1,453
Taxation paid	5,778	1,321
Investment in Associated and Subsidiary Companies	3,962	433
	<u>37,935</u>	<u>23,510</u>
Increase in Working Capital		
Increase in Stocks	8,028	12,172
Deduct net Creditors	7,124	11,813
	<u>904</u>	<u>1,359</u>
(Decrease)/Increase in Net Liquid Funds	<u>(65)</u>	<u>15,797</u>

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

	Note	1978 £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	9,395,991	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 48,790) 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	1,204,640	1.45
1,001 to 10,000	1,259	5.52	2,898,147	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
7½% First Mortgage Debenture Stock 1987/92		7th March	7th September
8% Irredeemable Unsecured Loan Stock		1st March	1st September

2 Other Dates

Results for half-year:	announced November
Results for year:	announced May
Report & Accounts:	circulated 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.