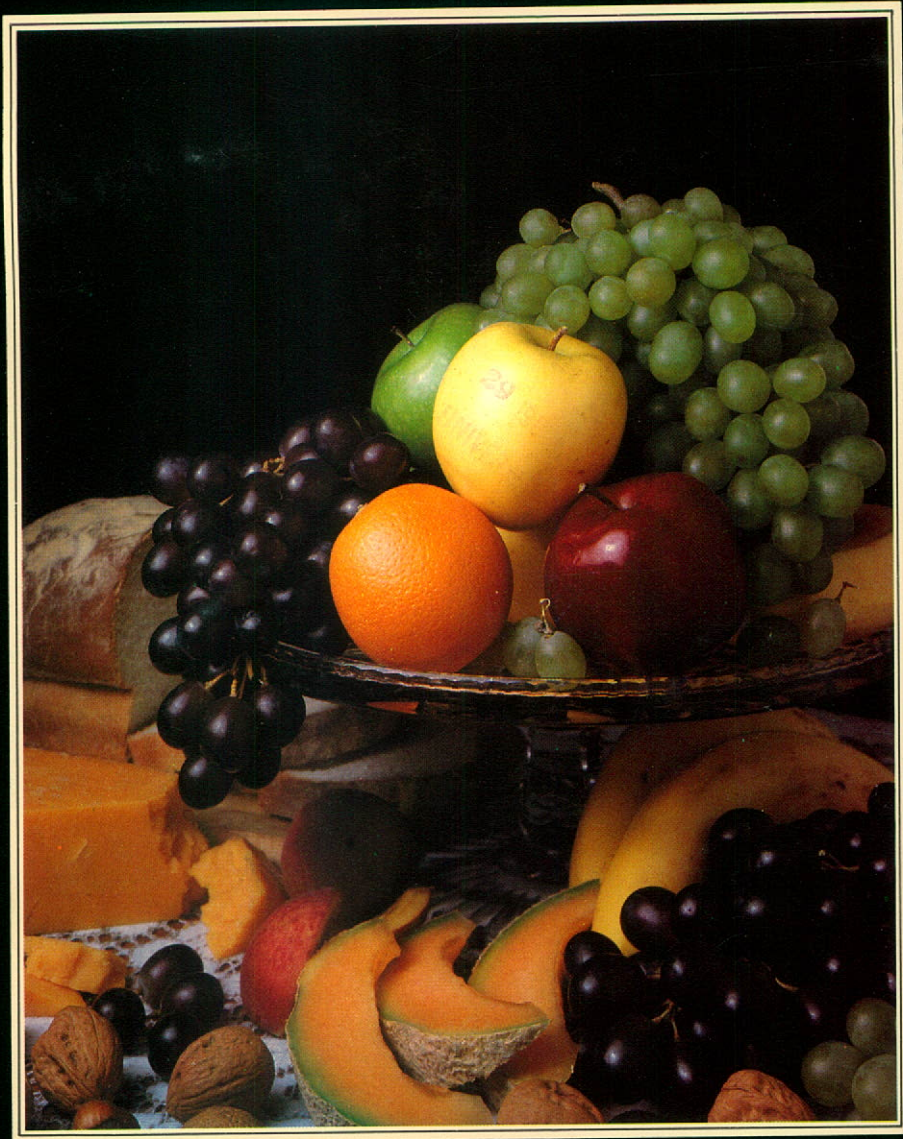


Sobeys Stores Limited



Sobeys 

1982 Annual Report



75 FRIENDLY YEARS

... 1907 ... the S.S. *Lucitania* makes her maiden voyage, and trans-Atlantic wireless telegraphy begins ... the Hoover vacuum cleaner is born, and the first, self-contained electric washing machine ... Police arrest a woman on a Boston beach for wearing a skirtless one-piece bathing suit ... Sunlight soap costs a nickel a bar ... Cadillacs cost \$800 in the States, and though horses sell for as little as \$150, U.S. auto production reaches 43,000 ... In the dusty, wooden coal-mining town of Stellarton, Nova Scotia, people discuss B.E. Fanjoy, a merchant in nearby New Glasgow ... He's got a one-cylinder Reo ... The first motorcar in Pictou County, it's not entirely popular ... And John William Sobey, a 38-year old carpenter and ex-farmer, decides to try selling meat to the mining and railroad families of Stellarton

That decision was the beginning of a merchandising achievement that has no parallel in the province. Sobeys Stores Limited 75 years after "J.W." opened his first butcher shop on Stellarton's Main Street, reported annual sales of \$485.8 million, a food wholesaling and retailing enterprise with over 100 outlets in six provinces, and assets of \$98 million.

How did it all get started? In 1905, when the price of potatoes sank to 60 cents a bushel, J.W. Sobey left his father's farm at Lyon's Brook for a job in Stellarton. As a carpenter in the Allan coal-mining shaft he earned a dollar a day, including a dime for "danger pay". By then, he had a wife and three-year-old son to think about, Frank Hoyse Sobey. In 1907, the Allan mine was hoisting up to 1,000 tons a day and J.W. Sobey, his work in the shaft done, bought a small meat business from Angus Rankin.

"Father operated two meat wagons", Frank Sobey recalled. "He'd get out about six each morning to feed the horses, come back for breakfast, and then go out to cut meat for the wagons. They had a frame and a painted canvas top, and they were loaded with beef, pork, lamb and fish. Each driver had a regular line of customers, and he could lift the back of the wagon to show them what he was offering. There was a cutting board at the back, too, so he could cut off chops, and so forth. In winter, it was sometimes so cold the drivers had to blow on the bit before putting it into the horse's mouth so it wouldn't freeze to his tongue."

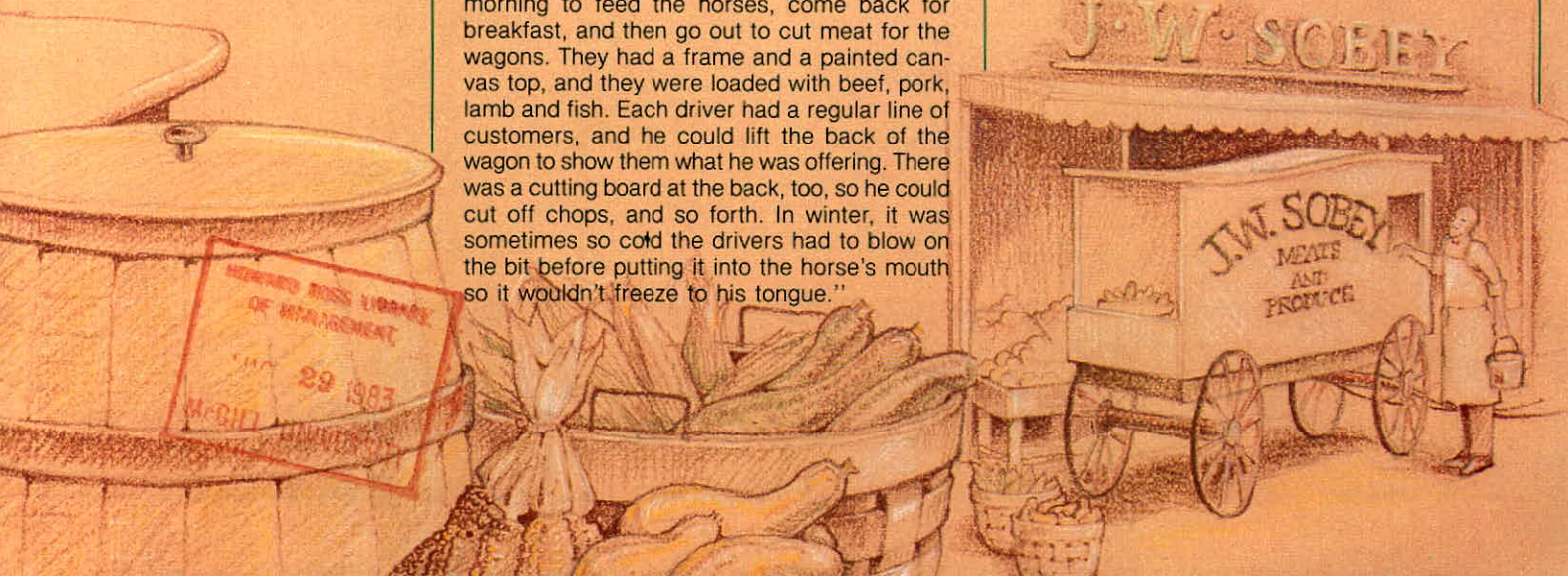
Young Frank, whose obsession with business made him an indifferent student, quit school in 1918 to work for his father. It was not a good year for Stellarton. Townsmen were dying in the trenches of The First World War. The influenza epidemic spared the Sobeys, but it struck down many others. An explosion in the Allan shaft killed 88 men. Frank's duties included taking shifts on the meat wagons and driving a Model T truck into the countryside to buy lambs from hard-bargaining farmers, mostly Nova Scotian Scots. On a folding stool his father had fashioned, he butchered the lambs at roadside.

The food business in Stellarton was competitive. Households dealt with their favorite stores. A food merchant, just to survive, had to be "tight as bark on a tree" while running his shop but, at the same time, ready to give his customers good value, highly personal service and, extensive credit.

As J.W. Sobey grew older, Frank assumed more direction, and became a catalyst of expansion. They opened five more stores in nearby towns and, in 1946 and '47, took three important steps: they dissolved the 20-year-old, father-son partnership and incorporated Sobeys Stores Limited; they bought another grocery chain, Barkers Stores; and opened their first, modern, self-serve, cash-and-carry groceteria. It was an instant success.

The Barkers acquisition gave the new Sobeys Stores 12 outlets, with total sales of more than \$1.6 million. Since J.W. was 77, Frank became President and Managing Director, and his younger brother Harold, Secretary-Treasurer. The early directors included such eminent figures as J. McG. Stewart, Frank Stanfield, H. Scott Cameron and R.M. Colwell. Already, two of Frank's sons, William M. Sobey and David F. Sobey, were learning the business from the bottom up.

By 1959, when Sobeys Stores "went public" with its first issue of stock, William and David were both vice-presidents and, as their father devoted time and energy to his duties as chairman of the new Industrial Estates Limited, they took over much of the daily direction of Sobeys Stores. Their brother Donald would join them as a director of the Company in 1964.



The Fifties had been a period of tight money, and nowhere more so than in the Maritimes; but nevertheless, in 1959, the Company boasted 23 stores in Nova Scotia and New Brunswick, most of them modern supermarkets. Growth was even more explosive in the Sixties. Between 1959 and 1971, for instance, the Company's assets multiplied sixfold, rising from \$5.6 million to \$33.4 million.

As early as 1966 the number of stores more than doubled, to 48, and by 1971 — a time of fierce price wars among supermarkets — the network extended to all four Atlantic provinces,

and the Gaspé area of Quebec. At the \$5 million Avalon Mall, opened at St. John's, Newfoundland in 1967, the Company operated the biggest food store in eastern Canada. In 1969, Sobeys Stores bought control of Lumsden Brothers Limited, a successful wholesale grocery company that held the franchise for Foodland and Clover Farm stores in thriving southern Ontario. In 1970, the Company acquired T.R.A. Foods Limited, a wholesale grocery firm operating in the Annapolis Valley and on the South Shore of Nova Scotia.

The Company and subsidiaries continued to invest throughout the Seventies, acquiring Johnson and MacDonald Limited, wholesalers for northern Nova Scotia; establishing wholesale grocery distribution throughout Newfoundland, and forming Clover Produce Limited, through acquisition of the Nova Scotia and New Brunswick fruit and vegetable division of Canada Packers Inc. Shifting to satisfy changing demand, Sobeys created the Lofood division to operate no-frills "box stores"; and though price wars and the declining economy meant business failure for some in the food industry, the Company continued its remarkable growth with sales rising from 92.8 million in 1971 to \$485.8 million in 1982. In 1982 Sobeys Stores operated 77 Sobeys supermarkets, 13 Lofood box stores, 11 distribution centres and 7 wholesale cash and carry outlets.

Frank Hoyse Sobeys, in his eightieth year, remains active in the Company. With grandsons rising in the family business that still makes its headquarters in the town where his father founded it, he has much to be proud about.

Seventy-five friendly years have also been 75 exciting years.

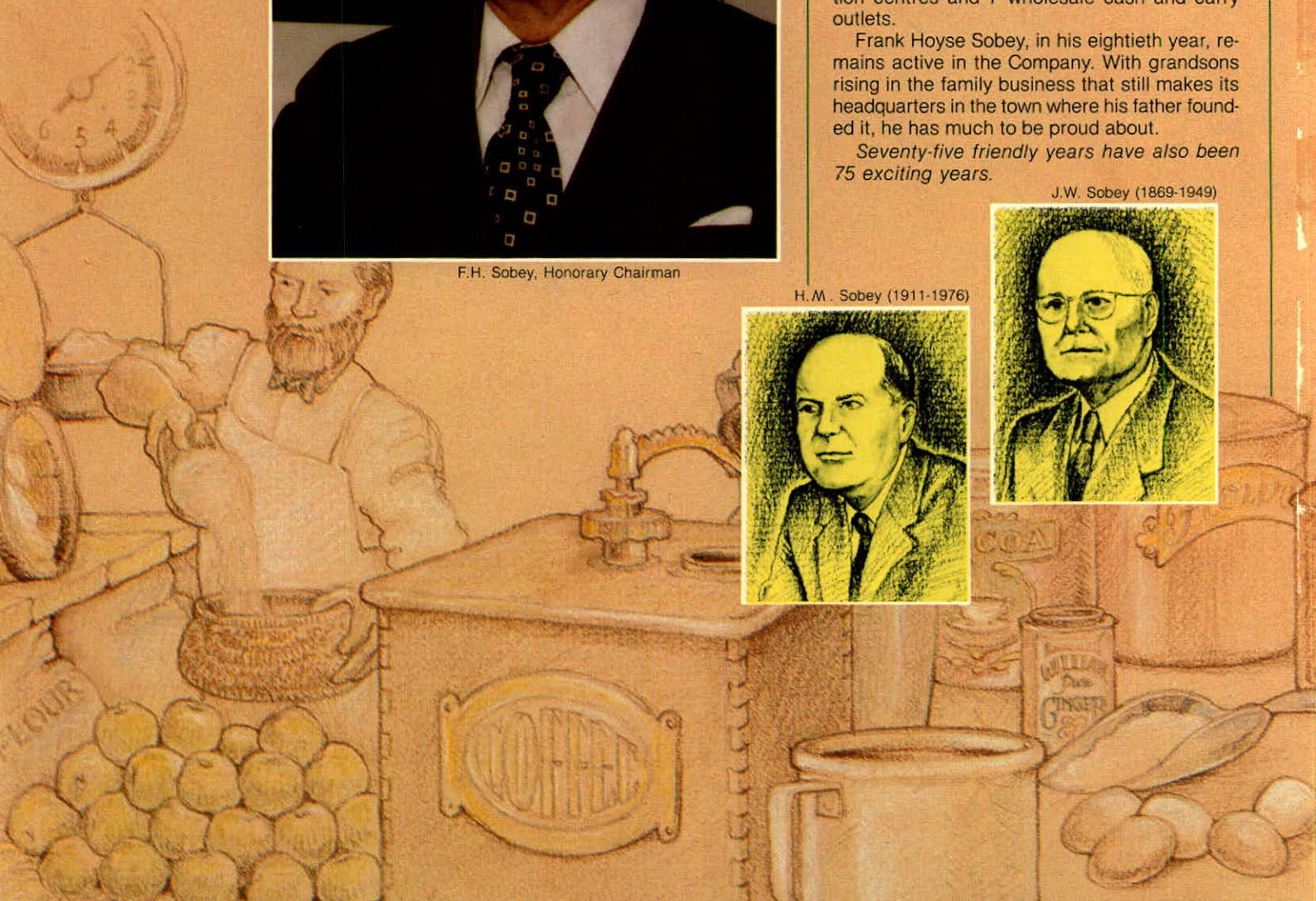


F.H. Sobeys, Honorary Chairman

J.W. Sobeys (1869-1949)



H.M. Sobeys (1911-1976)



Future Outlook

Beginning the 1983 fiscal year the outlook for economic improvement is at best uncertain. High unemployment, high interest rates, a weak Canadian dollar and a lack of effective economic policy direction by Government has significantly deteriorated consumer and business confidence.

This difficult environment has resulted in layoffs, wage freezes, roll backs and a general attitude of uncertainty on the part of the consumer. For the food industry this has been manifested in rapid changes in consumer buying habits and intensified competitive activity particularly in the form of limited service and limited variety box stores and warehouse markets.

The rate of food price inflation has dropped noticeably in many market areas, yet inflationary price increases of other cost components have not abated to the same extent. This has

necessitated increased emphasis on rigid cost controls, tight labour scheduling and greater awareness of the need to focus on maximizing return on investment and efficient utilization of company resources as compared to the focus on market share which was the prevalent attitude of the 1970's.

The 1980's dictate the need for a back to "basic management" approach, with a focus on good planning; customer service; competitive pricing; hard work and an acute sense of value for money.

The company has no full-range supermarkets under construction or planned for 1983 other than a replacement store which is under evaluation. We are very conscious of the changing consumer buying habits and plan to move carefully on any major changes in merchandising presentation. We will continue to evaluate the opportunities to expand and, if deemed advisable, convert some full-range food stores to our Lofood concept.

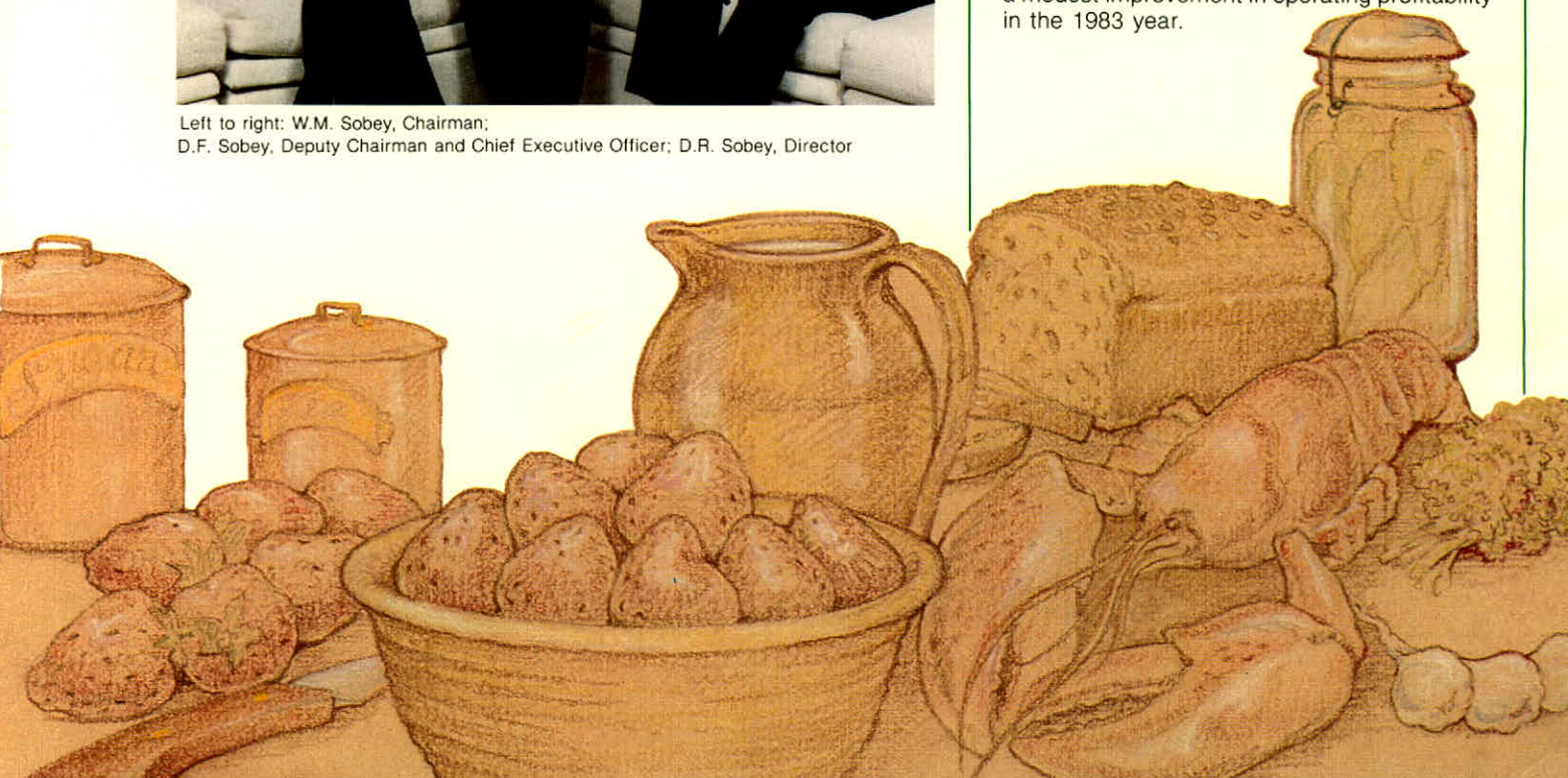
Construction is planned to commence on the addition of a frozen food storage facility for our Clover Produce plant in Halifax. A major portion of the company's capital expenditures will be directed towards productivity aids, scanning and improved systems while maintaining a progressive store improvement program.

Several collective bargaining agreements will expire during the year. We are hopeful that the realities of the marketplace will prevail and reasonable settlements can be obtained.

All areas of the Company's operations are being carefully scrutinized to eliminate waste and redundancy. Expenditure programs have been selectively deferred or curtailed and management, supervisory and executive compensation has been frozen. Notwithstanding the uncertain economic environment we believe the planned actions undertaken by the Company will enable a modest improvement in operating profitability in the 1983 year.

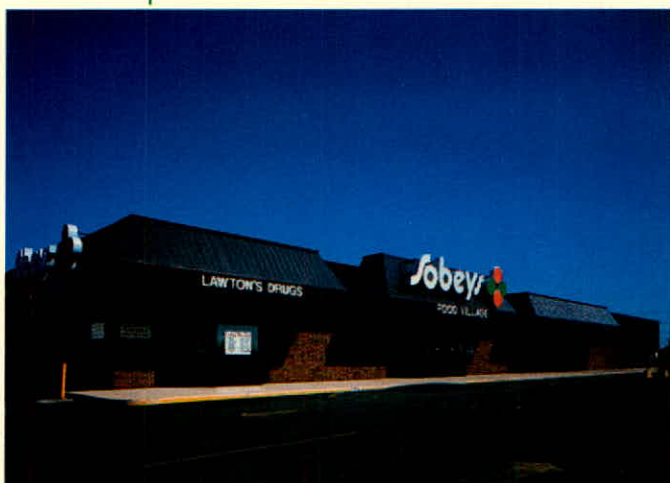


Left to right: W.M. Sobey, Chairman;
D.F. Sobey, Deputy Chairman and Chief Executive Officer; D.R. Sobey, Director



The Year in Review

The 1982 year continued the program of aggressive expansion of facilities at both the retail and wholesale level. Retail operations were expanded with the opening of 8 Sobeys supermarkets, 6 Lofood box stores and 3 wholesale cash and carry outlets. The T.R.A. Newfoundland distribution centre in St. John's was doubled in size to improve its efficiency, increase variety and to incorporate a new branch of the Clover Produce operation to distribute fruit and vegetables to Sobeys and other independent customers in Newfoundland.



Sobeys Food Village,
Windsor St., Halifax

Consolidated sales of \$485.8 million represented an increase of 11.1% over the prior year, while consolidated earnings from operations were \$1,752,000, or 33¢ per common share after provision for preferred share dividends. In addition, net gains on sales of securities amounted to \$5.3 million, losses from discontinued operations of \$197,000 and tax reductions on application of prior years' income tax losses of \$249,000 resulted in net earnings for the year of \$7,148,000.

Cash flow generated from operations and gains on securities amounted to \$12,381,000 or \$5.31 per common share. During the year net additions to property and equipment amounted to \$6,211,000; reductions in long term debt and capital lease obligations were \$1,345,000; and dividend payments to shareholders totalled \$1,474,000. Working capital at May 1, 1982 increased \$7.2 million to \$21,188,000.

Operating profitability was significantly affected by a labour dispute resulting in an 18 week closure of the Stellarton Distribution Centre. In addition costs associated with aggressive expansion of retail facilities further depressed earnings. With the exception of Newfoundland operations, the results of the wholesale division continued improvement during the year. The unsatisfactory profitability in the food service division has resulted in the closing of several fast food units and the integration of others into Sobeys retail operation.

During the year the Company re-evaluated the outlook of the Hypermarket operation, a joint venture subsidiary operating combination grocery and hardware outlets. As a result of the unsatisfactory outlook and lack of operating profitability, the Company discontinued operations resulting in losses of \$197,000 net of \$250,000 in income tax reductions.



Sobeys distribution centre,
Stellarton, N.S.



In March 1982, the Company negotiated the sale of a portion of its investment in Provigo Inc. for gross proceeds of \$15.8 million. This and other securities transactions during the year resulted in a net gain of \$5,344,000.

The Company continues to hold 13% of the outstanding shares of Provigo Inc. with options to repurchase the shares sold during the year. Provigo is a Quebec based company engaging primarily in wholesale and retail distribution of food, pharmaceuticals and general merchandise throughout Canada and parts of the United

States. In its 1982 fiscal year the net income of Provigo was \$19.6 million on sales of \$3.29 billion. The Company has two representatives on the Board of Directors of Provigo Inc.

Late in the year the Company completed the placement of an 8 year, \$6 million promissory note which together with the proceeds from sales of marketable securities noticeably reduced short term financing commitments and significantly strengthened the Company's financial position.

Financial Highlights

	1982	1981	1980
Sales ('000)	\$485,804	\$437,357	\$380,153
Operating Earnings ('000)	\$ 1,752	\$ 2,579	\$ 1,207
Operating Earnings Per \$100 of Sales	36.1¢	59.0¢	31.8¢
Operating Earnings Per Share	\$.33	\$ 1.03	\$.49
Equity Per Share	\$ 10.18	\$ 7.75	\$ 6.78
Working Capital ('000)	\$ 21,188	\$ 13,949	\$ 6,421
Total Assets ('000)	\$ 98,031	\$ 98,317	\$ 83,667



Left to right seated: J.R. Sobey, V.P. Retail Operations, J.S. Murchie, President; N.F. Byars, V.P. Finance, Treasurer and Assistant Secretary; D.B. Eddy, V.P. Personnel.
Standing: F.J. Hickey, V.P. Merchandising; D.M. Rushton, V.P. Wholesale Operations, J.G. Fitzpatrick, V.P. Distribution.



Retail Operations

In September 1981 negotiations of the collective agreement covering employees at the Stellarton Distribution Centre broke down resulting in a strike at that facility and its closure until late January 1982. Although costs associated with this closure were high, the Company was able to effectively maintain continuity of supply through its T.R.A. wholesale subsidiary and direct suppliers.

The costs associated with the Distribution Centre closure together with high costs of new retail stores significantly eroded operating profits. The company opened 3 units in Newfoundland, 3 in Nova Scotia, 1 in New Brunswick and 1 in Prince Edward Island, closing 4 units during the year. The Lofood Division also continued its expansion program by adding 6 units. At May 1, 1982 the Company operated a total of 77 Sobeys supermarkets and 13 Lofood box stores.

The competitive situation continues to intensify in many of our major markets with the opening of traditional supermarkets, plus new warehouse and box stores with their emphasis on limited variety and low prices.

While pressures are currently being applied to our gross margins, we are confident that we have sufficient numbers of high calibre stores, strategically located and backed up with sound merchandising and pricing philosophies that will allow us to effectively compete in the marketplace over the short and long term.

In light of the current unfavourable economic environment, the Company is dramatically reducing capital expenditures this year. Expenditures are being directed towards improved productivity and in obtaining greater efficiencies in all areas of our operations.

We currently have six stores with full scanning installations, with four new scanning installations planned for the current year. Several other units are equipped with upgradable electronic equipment which will be converted to scanning in the future.

We continue to place strong emphasis on service, quality, freshness and variety at competitive prices.



Wholesale Operations

Lumsden Brothers in Ontario, Johnson & MacDonald and T.R.A. Foods in Nova Scotia, and T.R.A. Newfoundland, are major food distributors in their respective markets. In addition to supplying independent customers with their food requirements, T.R.A. Foods is a major source of supply for the Lofood stores in the Maritimes. T.R.A. Newfoundland, through its facilities in St. John's, now supplies all our retail stores in that province.

Clover Produce, with branches in New Brunswick, Nova Scotia and Newfoundland, distributes fruits and vegetables and institutional products to our retail stores and the independent retail and institutional trade.

Wholesale operations showed improved sales and earnings over the preceding year. The losses in the Newfoundland Division were more than offset by the increase in the sales and earnings of T.R.A. Foods, which increased substantially during the period Sobeys Distribution Centre was closed by the labour dispute.

During the year major improvements have been made to our computer programs, standardization of systems and operating procedures. The enlarged T.R.A. Distribution Centre in St. John's, Newfoundland, and the addition of Clover Produce to that province should be additional contributors to the improvement in sales and earnings for 1983 in the wholesale companies.

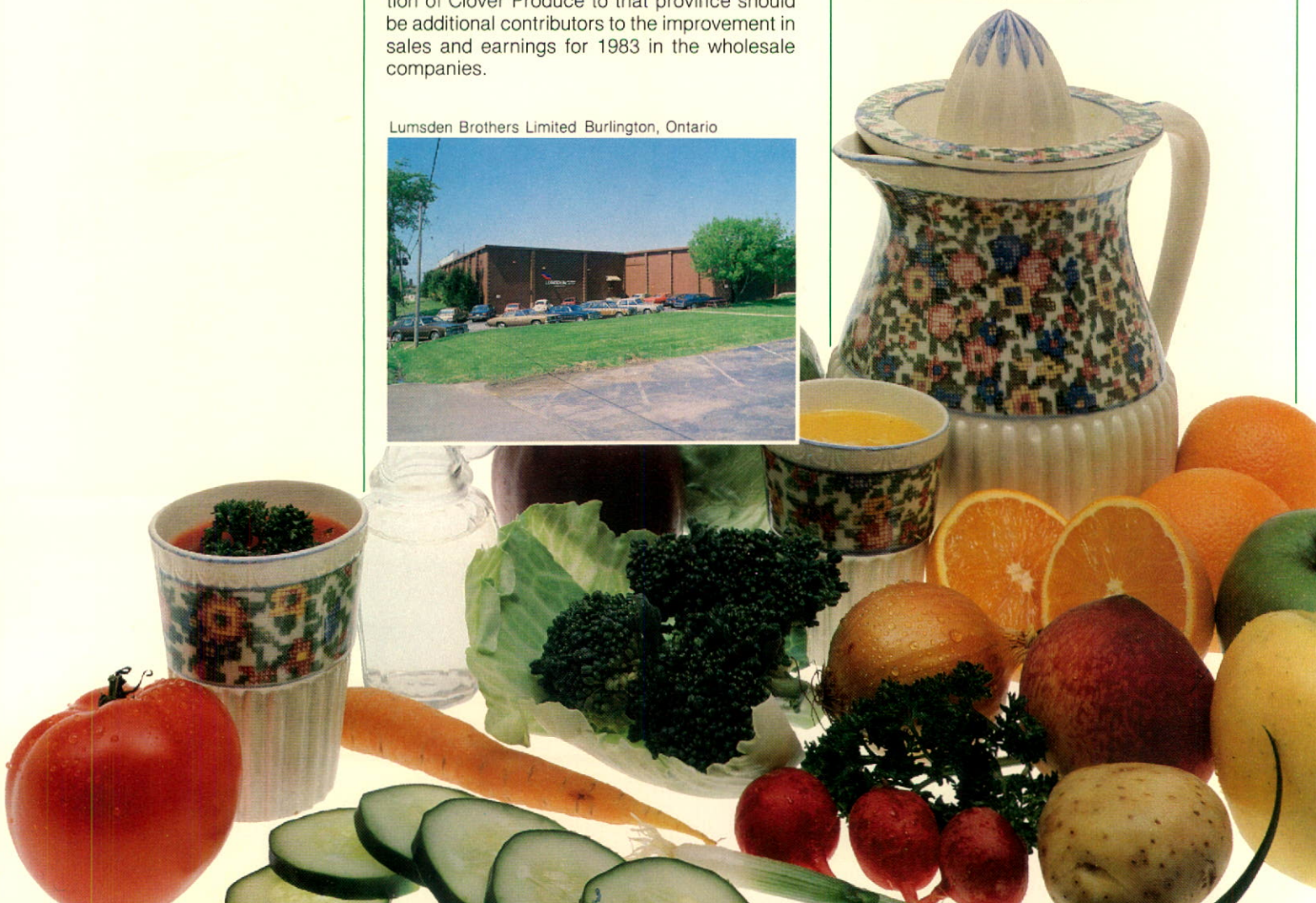
Lumsden Brothers Limited Burlington, Ontario



Clover Produce Limited, Halifax, N.S.



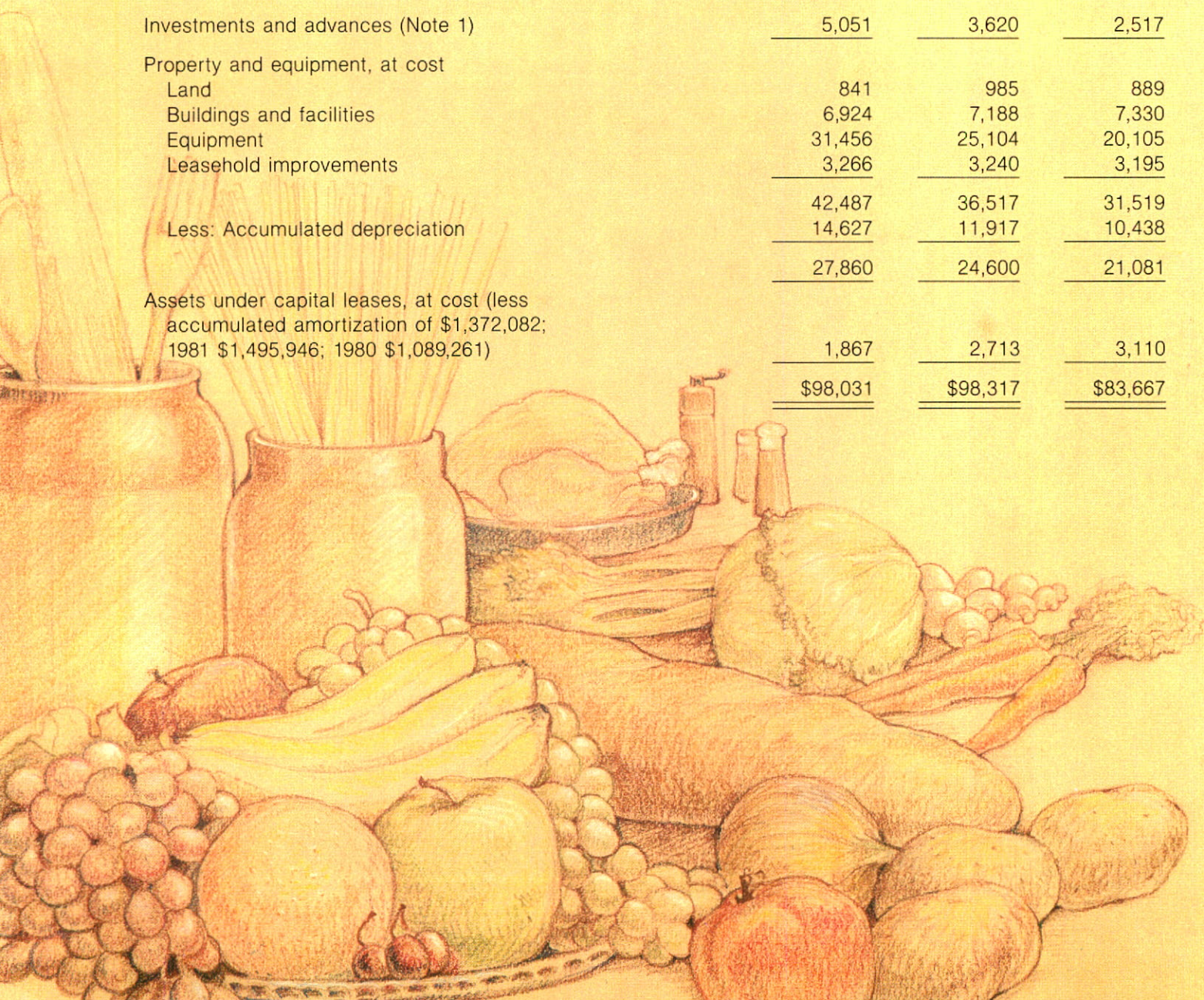
T.R.A. Foods Limited, Middleton, N.S.



Consolidated Balance Sheet

May 1, 1982

Assets	1982	1981 (in thousands)	1980
Current			
Cash	\$ 4,897	\$ 4,459	\$ 3,470
Marketable securities, at cost (quoted market value \$21,349,000; 1981 \$65,657,000; 1980 \$29,273,000)	14,683	23,650	19,639
Receivables, less allowance for doubtful accounts	5,639	5,550	5,285
Income taxes recoverable	28	68	411
Inventories (Note 1)	36,197	31,922	26,642
Prepaid expenses	1,809	1,735	1,512
	<u>63,253</u>	<u>67,384</u>	<u>56,959</u>
Investments and advances (Note 1)	<u>5,051</u>	<u>3,620</u>	<u>2,517</u>
Property and equipment, at cost			
Land	841	985	889
Buildings and facilities	6,924	7,188	7,330
Equipment	31,456	25,104	20,105
Leasehold improvements	3,266	3,240	3,195
	<u>42,487</u>	<u>36,517</u>	<u>31,519</u>
Less: Accumulated depreciation	<u>14,627</u>	<u>11,917</u>	<u>10,438</u>
	<u>27,860</u>	<u>24,600</u>	<u>21,081</u>
Assets under capital leases, at cost (less accumulated amortization of \$1,372,082; 1981 \$1,495,946; 1980 \$1,089,261)	<u>1,867</u>	<u>2,713</u>	<u>3,110</u>
	<u>\$98,031</u>	<u>\$98,317</u>	<u>\$83,667</u>



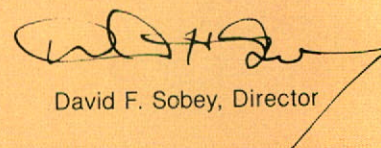
Liabilities	1982	1981 (in thousands)	1980
Current			
Bank loan (Note 3)	\$ 452	\$18,591	\$ 6,155
Bankers' acceptances			12,500
Accounts payable and accrued charges	40,686	33,186	30,182
Income taxes payable	298	756	44
Long term debt due within one year	222	436	651
Capital lease obligations	407	466	421
Current portion of deferred income taxes			585
	<u>42,065</u>	<u>53,435</u>	<u>50,538</u>
Capital lease obligations (Note 4)	<u>1,571</u>	<u>2,447</u>	<u>2,884</u>
Long term debt (Note 5)	<u>16,292</u>	<u>10,572</u>	<u>11,518</u>
Minority interest	<u>649</u>	<u>560</u>	<u>517</u>
Deferred income taxes	<u>2,539</u>	<u>2,054</u>	<u>1,289</u>

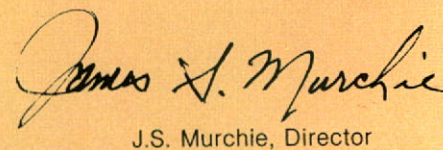
Shareholders' Equity

Capital stock (Note 6)	13,615	13,623	3,593
Capital redemption reserve fund	93	85	79
Retained earnings	<u>21,207</u>	<u>15,541</u>	<u>13,249</u>
	<u>34,915</u>	<u>29,249</u>	<u>16,921</u>
	<u>\$98,031</u>	<u>\$98,317</u>	<u>\$83,667</u>



On behalf of the Board


David F. Sobey, Director


J.S. Murchie, Director

Consolidated Statement of Earnings

Year Ended May 1, 1982

	1982	1981 (in thousands)	1980
Sales	\$485,804	\$437,357	\$380,153
Cost of sales, selling and administrative expenses	476,719	426,643	372,963
	9,085	10,714	7,190
Investment income (Note 1)	1,224	969	766
	10,309	11,683	7,956
Depreciation	3,986	3,042	2,654
Interest on long term debt	1,487	1,534	1,409
Interest on current debt	3,424	3,425	2,596
	8,897	8,001	6,659
Operating earnings before income taxes	1,412	3,682	1,297
Income taxes (recovered)	(437)	1,051	105
	1,849	2,631	1,192
Minority interest	97	52	(15)
Operating earnings for the year	1,752	2,579	1,207
Losses from discontinued operations (net of income tax reductions of \$250,241)	(197)		
Gain on sales of securities (net of income taxes of \$1,948,687; 1981 \$146,304; 1980 \$40,191)	5,344	430	684
Earnings before extraordinary item	6,899	3,009	1,891
Income tax reductions on application of prior years' tax losses	249		
Net earnings for the year	\$ 7,148	\$ 3,009	\$ 1,891
Earnings per share (Note 1)			
Operations	\$.33	\$ 1.03	\$.49
Discontinued operations	(.08)		
Gain on sales of securities	2.29	.18	.29
Before extraordinary item	2.54	1.21	.78
Income tax reductions	.11		
	\$ 2.65	\$ 1.21	\$.78
Cash flow per share	\$ 5.31	\$ 3.13	\$ 2.22

Consolidated Statement of Retained Earnings

Year Ended May 1, 1982

	1982	1981 (in thousands)	1980
Balance, beginning of year			
As previously reported	\$15,517	\$13,193	\$11,709
Income tax adjustments	24	56	56
As restated	15,541	13,249	11,765
Net earnings for the year	7,148	3,009	1,891
	22,689	16,258	13,656
Dividends paid			
6 1/4% preference shares, 1966 series	73	73	74
9% preference shares, 1981 series	935		
Class A non-voting shares	314	235	208
Class B common shares	152	114	102
Redemption of preference shares	8	6	23
Share issue expenses (net of income taxes of \$298,870)		289	
	1,482	717	407
	\$21,207	\$15,541	\$13,249



Consolidated Statement of Changes in Financial Position

Year Ended May 1, 1982

	1982	1981 (in thousands)	1980
Source of working capital			
Cash flow from operations consisting of			
Net earnings before extraordinary item	\$ 6,899	\$ 3,009	\$ 1,891
Depreciation	3,986	3,042	2,654
Deferred income taxes	579	765	239
Minority interest	89	43	26
Other	828	426	344
	<u>12,381</u>	<u>7,285</u>	<u>5,154</u>
Income tax reductions on application of prior years' tax losses net of deferred income taxes	155		
Issue of long term debt	6,000	272	5,200
Capital lease obligations	189	103	589
Issue of common shares		36	
Issue of preference shares		10,000	
	<u>18,725</u>	<u>17,696</u>	<u>10,943</u>
Use of working capital			
Property, equipment and other assets acquired	6,211	6,163	9,074
Assets under capital leases	189	10	585
Repayment of long term debt (including current maturities)	280	1,218	1,034
Repayment of capital lease obligations	1,065	540	502
Investments and advances	2,259	1,520	2,049
Dividends paid	1,474	422	384
Redemption of preference shares	8	6	23
Share issue expenses		289	
	<u>11,486</u>	<u>10,168</u>	<u>13,651</u>
Net working capital provided (used) during year	7,239	7,528	(2,708)
Working capital, beginning of year	<u>13,949</u>	<u>6,421</u>	<u>9,129</u>
Working capital, end of year	<u>\$21,188</u>	<u>\$13,949</u>	<u>\$ 6,421</u>

Auditors' Report

To the Shareholders of Sobeys Stores Limited

We have examined the consolidated balance sheet of Sobeys Stores Limited as at May 1, 1982, and the consolidated statements of earnings and retained earnings and changes in financial position of the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at May 1, 1982, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New Glasgow, Nova Scotia
June 14, 1982

Doone Leonard
Chartered Accountants

Notes to Consolidated Financial Statements

May 1, 1982

1. Accounting policies

Principles of consolidation

The consolidated financial statements include accounts of the Company and all subsidiary companies. Marketable securities are accounted for on the cost basis, and the equity method of accounting is used for investments in affiliated companies in which less than 51% of the voting shares are held. The Company's share in the losses of affiliated companies net of preferred share dividends paid was \$605,102; 1981 \$400,832; 1980 \$549,392, and has been deducted from investment income.

Depreciation and amortization

Depreciation is charged on a straight line basis over the estimated useful lives of the assets as follows:

Equipment and vehicles	3-10 years
Buildings	10-40 years

Leasehold improvements are amortized over the term of the related lease for improvements prior to May 3, 1975, and for a term not greater than fifteen years for improvements subsequent to that date.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Leases

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is depreciated on a straight line basis over its useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

Earnings per share

Earnings per share amounts are calculated based on the weighted average number of residual equity shares outstanding after providing for preference share dividends accrued to the balance sheet date. After giving effect to the potential conversion at the beginning of the 1982 fiscal year of all 1981 series convertible preference shares to class "A" non-voting shares, fully diluted earnings per share before extraordinary item is \$2.29 and fully diluted net earnings for the year is \$2.38 per share. No dilution of prior years' earnings per share results if conversion is given effect at date of issue of the shares.

2. Industry segment

The principal business of the Company is the distribution of food products throughout the four Atlantic Provinces, the Gaspé Region of Quebec and Southern Ontario.

3. Bank loans

Bank loans of certain subsidiary companies are secured by assignment of their receivables. In addition to an assignment of receivables a specific mortgage and first floating charge debenture against assets of a subsidiary company secure its bank loans.

4. Long term leases

The future minimum payments under lease agreements extending beyond one year from the balance sheet date approximate:

	Capital Leases	Operating Leases
1983	\$ 623,402	\$ 5,969,183
1984	595,546	5,801,096
1985	457,785	5,445,592
1986	330,326	5,167,925
1987	286,563	4,745,458
Subsequent years	350,292	43,869,574
Total minimum payments	2,643,914	\$70,998,828
Less: Imputed interest at an average rate of approximately 12%	666,122	
	1,977,792	
Amount due within one year	406,484	
Capital lease obligations	\$1,571,308	

5. Long term debt

Sinking fund debentures

Series	Rate	Maturity	1982	1981	1980
E	6%	March 1, 1981	\$	\$	\$ 430,000
F	6%	April 1, 1984	460,000	490,000	520,000
G	5 ³ / ₄ %	April 15, 1985	245,000	260,000	275,000
H	6%	November 1, 1985	520,000	550,000	580,000
I	7 ¹ / ₄ %	June 15, 1987	580,000	610,000	640,000
J	8 ¹ / ₂ %	March 1, 1989	610,000	640,000	670,000
K	10 ¹ / ₂ %	September 30, 1997	2,640,000	2,730,000	2,820,000
L	11 ¹ / ₂ %	October 15, 1999	4,700,000	4,850,000	5,000,000
			9,755,000	10,130,000	10,935,000
Less: debentures held for sinking fund purposes			304,888	440,725	458,596
			9,450,112	9,689,275	10,476,404
Mortgages					
10 ³ / ₄ % maturing in 1984 and 2000			427,896	436,981	415,918
15 ³ / ₄ % maturing in 1985			603,029	616,975	628,696
15% maturing in 1982				228,375	
10.3% maturing in 1990			32,860	36,952	
Term bank loan maturing in 1982 with interest at a rate fluctuating with the prime rate					647,495
Promissory note maturing in 1990 with interest at a rate which varies with Commercial Paper rates for periods selected by the Company			6,000,000		
			16,513,897	11,008,558	12,168,513
Current maturities (less debentures held for sinking fund purposes)			221,817	436,711	650,344
			\$16,292,080	\$10,571,847	\$11,518,169

Sinking fund debentures are secured by a floating charge on assets of Sobeys Stores Limited and mortgages are secured by certain lands and buildings of subsidiaries. The promissory note is secured by a fixed charge on certain equipment of a subsidiary. Annual debt repayment in the next five years is 1983 \$404,823; 1984 \$1,280,185; 1985 \$1,373,242; 1986 \$989,001; 1987 \$559,583.

6. Capital Stock	1982	1981	1980
Authorized:			
58,263 cumulative redeemable preference shares of \$20 par value each, issuable in series			
2,000,000 cumulative redeemable preference shares of \$20 par value each, issuable in series			
3,000,000 Class A non-voting common shares without nominal or par value			
1,500,000 Class B voting common shares without nominal or par value			
Issued and outstanding:			
57,603 6 ¹ / ₄ % preference shares, 1966 series	\$ 1,152,060	\$ 1,159,460	\$ 1,165,260
500,000 9% convertible preference shares, 1981 series	10,000,000	10,000,000	
1,571,586 Class A non-voting shares	1,775,862	1,775,862	1,739,862
762,000 Class B common shares	687,200	687,200	687,200
	<u>\$13,615,122</u>	<u>\$13,622,522</u>	<u>\$ 3,592,322</u>

The 1966 series preference shares are redeemable at par at any time and the Company is required to provide a \$30,000 fund each year from which shares may be purchased for redemption.

The 1981 series preference shares are convertible into Class A non-voting shares up to April 1, 1985 at a conversion price of \$15.50 per Class A non-voting share and thereafter and up to April 1, 1989 at a conversion price of \$16.75 per Class A non-voting share.

The 1981 series preference shares are redeemable prior to April 1, 1985 at a price of \$21 per share only if the weighted average market price of Class A non-voting shares is at least 125% of the then equivalent conversion price; and after April 1, 1985 at a price of \$20.80 per share reducing annually to April 1, 1989 and thereafter redeemable at par. The Company is required to make all reasonable attempts to purchase 5,000 shares in each quarter for cancellation commencing April 1, 1989.

The Company is required to reserve a sufficient number of unissued Class A non-voting shares to enable conversion of all the 1981 series preference shares outstanding.

7. **Contingent liabilities**

The Company has undertaken to provide cash to meet any obligations which Sobey Leased Properties Limited is unable or fails to meet until all of its debentures have been paid in full in accordance with their terms. Any deficiency payment made by the Company will be by purchase of fully paid non-assessable 6% redeemable, non-voting preference shares of that company. The aggregate outstanding principal amounts of these debentures is \$3,540,000.

The Company is contingently liable as guarantor of loans to a maximum amount of \$1,900,000.

The Company has agreed to acquire up to 45,000 of the outstanding cumulative, redeemable, non-voting, \$100 par value preference shares of a related company in the event that the issuer fails to redeem 15,000 shares on January 26, 1983, and 30,000 shares on November 15, 1988, or under certain circumstances at an earlier date provided for in the subscription agreement.

8. **Related party transactions**

The Company leased certain real property and equipment from related parties during the year. The aggregate net payments under these leases amounted to approximately \$6,736,000. The Company charged expenses to related parties of \$161,000 and was charged expenses of \$80,000 by related parties.

The Company is owed a net amount of \$5,411,888 for accumulated advances to companies accounted for on the equity basis.

During the year the Company sold listed securities to a related party at the quoted market value of \$218,680 and purchased fixed assets previously under capital lease from related parties at their fair value of \$644,115.

Consolidated Five Year Summary

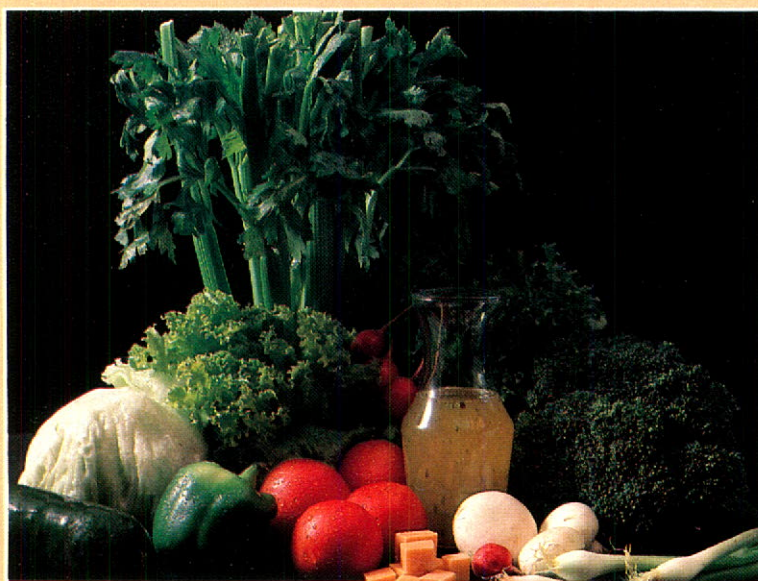
Operations ('000)	1982	1981	1980	1979	1978
Sales	\$485,804	\$437,357	\$380,153	\$307,825	\$256,389
Depreciation	3,986	3,042	2,654	2,137	1,969
Operating Earnings	1,752	2,579	1,207	1,857	1,093
Cash Flow From Operations	12,381	7,285	5,154	4,666	3,164
Capital Expenditures	6,400	6,173	9,659	4,805	4,947

Per Share

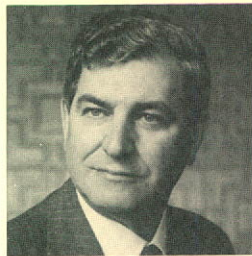
Operating Earnings	\$.33	\$ 1.03	\$.49	\$.77	\$.43
Cash Flow From Operations	5.31	3.13	2.22	2.01	1.32
Dividend paid Class A	.20	.15	.13	.13	.13
Class B	.20	.15	.13	.06	Nil
Net Equity	10.18	7.75	6.78	6.13	5.42

Financial Position ('000)

Working Capital	\$ 21,188	\$ 13,949	\$ 6,421	\$ 9,129	\$ 7,816
Long Term Debt	16,292	10,572	11,518	7,352	7,272
Shareholders' Equity	34,915	29,249	16,921	15,437	13,824
Total Assets	98,031	98,317	83,667	58,688	50,463



Directors



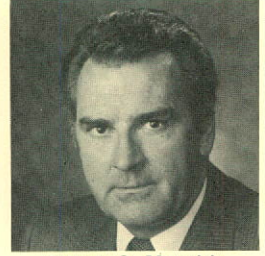
Arthur R. Lundrigan
Corner Brook, Newfoundland



Merritt G. Crawford
New Glasgow, Nova Scotia



James W. Gogan
New Glasgow, Nova Scotia



James S. Murchie
New Glasgow, Nova Scotia



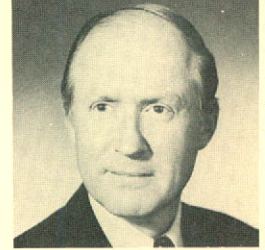
James L. Moody Jr.
Portland, Maine



William G. Lumsden
Burlington, Ontario



Henry B. Rhude
Halifax, Nova Scotia



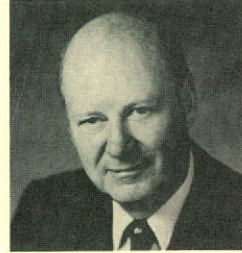
J. William Ritchie
Halifax, Nova Scotia



David F. Sobey
New Glasgow, Nova Scotia



Donald R. Sobey
Stellarton, Nova Scotia



Frank H. Sobey
Abercrombie, Nova Scotia



William M. Sobey
King's Head, Nova Scotia

Officers

Frank H. Sobey
Honorary Chairman

William M. Sobey
Chairman

David F. Sobey
Deputy Chairman and
Chief Executive Officer

James S. Murchie
President

D.B. Eddy
Vice President Personnel

Frank J. Hickey
Vice President Merchandising

John R. Sobey
Vice President Retail Operations

Darrell M. Rushton
Vice President
Wholesale Operations

James G. Fitzpatrick
Vice President Distribution

Nigel F. Byars
Vice President Finance, Treasurer
and Assistant Secretary

Robert P. Dexter
Secretary

Subsidiary Companies

Clover Produce Limited
P.G. McLaughlin, General Manager

Eastern Sign-Print Limited
M.E. Tibbetts, President

**Johnson & MacDonald
Limited**
J.T. MacLeod, Sr., President

Lumsden Brothers Limited
W.G. Lumsden, President

**T.R.A. Foods Limited,
Middleton, N.S.**
E.A. Rayfuse, President

**T.R.A. Foods Limited,
St. John's, Nfld.**
J. Green, General Manager

Auditors

Doane Raymond

Transfer Agent

Montreal Trust
Halifax - Saint John - Montreal
Toronto - Winnipeg - Regina
Calgary - Vancouver

Bankers

The Bank of Nova Scotia

Sobeys Stores Limited

Head Office
115 King Street
Stellarton, Nova Scotia
B0K 1S0

Telex 019-36536
Telephone 902-752-8371

