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GEORGE WESTON LIMITED
ANNUAL REPORT 1979

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Our cover

- Food Processing
- Fisheries
- Forest Products
- Food Distribution

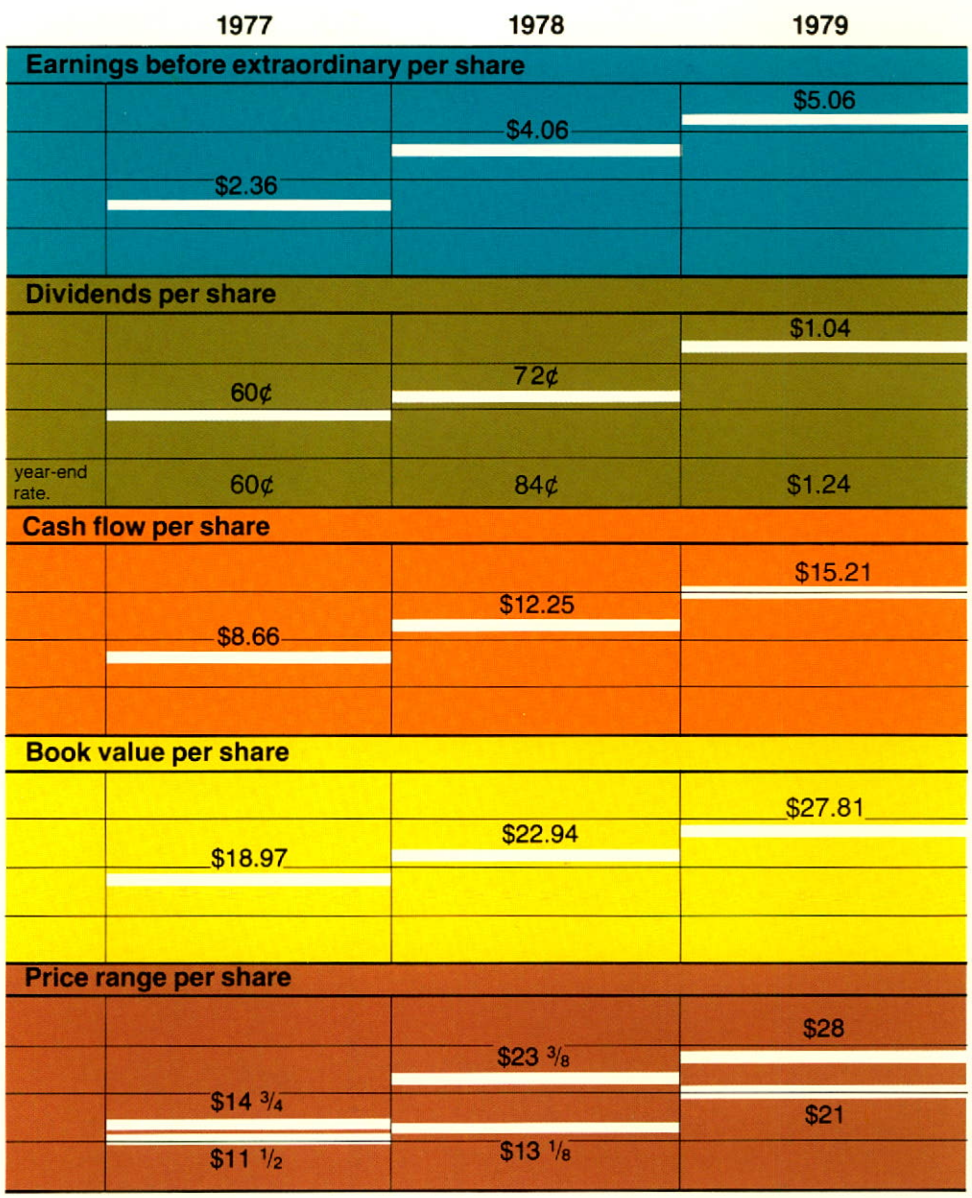
The mosaic on the cover of this Report reflects the Company's operating income in 1979. The colours represent the proportions of contribution by the four divisions.

Contents

George Weston Limited
Annual and Special General Meeting
April 28, 1980 at 10:30 a.m.
Royal York Hotel, Toronto, Ontario

Financial highlights

($ millions)	**1979**	1978	*Increase*
Sales	**$5,867.1**	$5,237.8	*12%*
Earnings before extraordinary items	**65.9**	50.6	*30%*
Net earnings	**76.5**	57.3	*34%*
Cash flow from operations	**168.2**	135.0	*25%*
Working capital	**232.5**	210.3	*11%*
Working capital ratio	**1.39 to 1**	1.40 to 1	—
Dividends	**21.3**	13.6	*57%*
Shareholders' equity	**478.8**	398.8	*20%*
Total assets	**1,507.3**	1,282.1	*18%*



Chairman's letter

It gives me great pleasure to report that your Company had its most successful year ever. Moreover, previous records were broken by a large enough margin for me to be able to say confidently that both this Company and investors in its shares were kept well ahead of inflation.

Some areas were of course stronger than others with the Eddy pulp and paper sector making the greatest increase in contribution to earnings, followed closely by the Loblaw group. Our fishing subsidiary British Columbia Packers Limited slipped back from a peak year in 1978 and our core food processing group just managed in aggregate to hold prior year's sales and earnings in what was for them a difficult year.

During the last several years we have spent many millions of dollars improving the assets of this group of companies. We have managed to increase return on capital employed to more respectable levels but our return on sales is still unacceptably low. To help improve this situation we are constantly on the lookout for good acquisitions that fit well into one or another of our major divisions.

During 1979 two excellent such opportunities materialized. Firstly, Applebaums' Food Markets, Inc. twenty-seven store supermarket group in Minneapolis was acquired, in an urban market where our National Tea Co. subsidiary was under-represented. Secondly, Stroehmann Brothers Company of Williamsport, Pennsylvania, a highly respected family-owned baking company, was purchased just after year-end. Both companies are well run and profitable and should add considerably to the strength of their respective divisions. While it can be desirable in a period of slow growth to acquire operating businesses in new or expanding markets, it is still our intention to continue to invest by far the largest part of our cash flow in existing businesses so that in these inflationary times our hard won competitive position will not be challenged.

On the financial side the position of your Company has continued to strengthen so that we now enjoy prime 'A' ratings for fund raising purposes. Borrowing levels were reduced but interest costs increased dramatically and must start to take their toll on business profitability generally. Nevertheless our attitudes and commitments have been for some time directed toward long-term goals and objectives and will continue to be so directed.

Morale in the group is high. We are embarking on new and very major capital projects for the 1980's in the belief in a united Canada where the private sector is expected to take the risks inherent in progress, and in the belief that government policy will ultimately permit the investor as well as the consumer and employee to see some reward for having done so. We remain steadfastly optimistic.

W. Galen Weston

W. Galen Weston
Chairman and President

Weston 1979

Weston in 1979 reported record sales and earnings for the second successive year. Sales increased by 12.0% over 1979 to $5.9 billion and net earnings improved to $76.5 million in 1979, an increase of 33.5%. In addition to reviewing that performance, an attempt has been made in this report to show clearly and simply how George Weston is made up, where the sales and capital employed are, and what the returns are on these sales and assets.

It has been the intention of Weston management for some time to improve the productivity of sales and capital throughout the group rather than to increase sales and assets simply in the interest of enlarging the size of the Company. To this end, the same basic policies were applied throughout 1979 as in the last several years: in asset management, the continued culling of marginal facilities and their replacement by more efficient ones; in marketing, the increased emphasis on value for money in every area; in personnel, the extended use of training to increase service and productivity.

As can be seen in the charts throughout this report, we have made further progress in this effort to improve the productivity of our sales and capital. Return on sales improved from 1.1% in the previous year to 1.3% in 1979. Return on capital employed reached 17.3% in 1979, an increase from 16.4% in 1978.

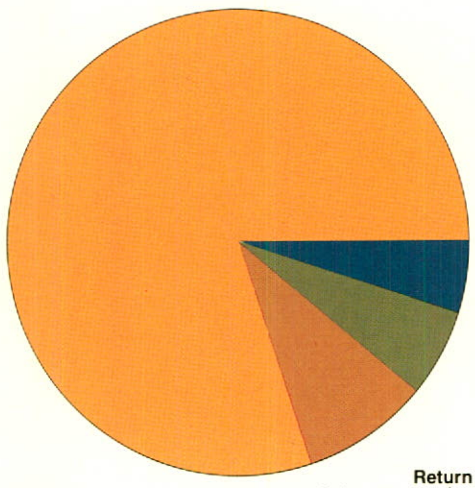
Our overall return on sales (after-tax earnings before extraordinary as a percent of sales) results from a weighted average of returns on sales of our four divisions, businesses of differing operating and financial characteristics in diverse industries. It is dominated by the low sales margins of the highly competitive food distribution industry, which contributed 78% of Weston's sales before inter-division eliminations in 1979.

Similarly, Weston's return on capital employed (operating income, or earnings before interest and taxes, as a percent of total assets less non-interest bearing current liabilities) is the result of the returns on capital in each of the four divisions. Here the returns are more nearly comparable between divisions and the weighted average is the result of a more even distribution of capital. While food distribution still predominates with some 53% of total capital employed, the return in each division, and its impact on the overall return, may vary considerably from year to year.

Returns to Weston shareholders also improved in 1979. The after-tax return on common shareholders' equity increased to 19.9% in 1979 as compared to the 19.3% return achieved in 1978. The rate of growth in earnings per common share was 25% in 1979 after having exceeded that rate in recent years.

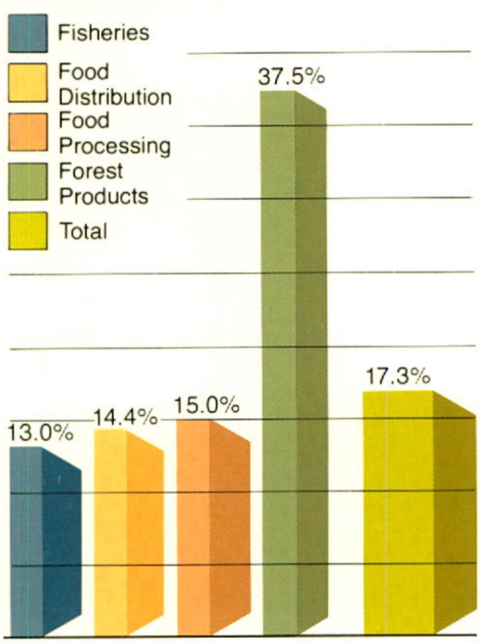
We recognize that in order to be certain of real growth above the now devastating levels of inflation, we must continue to maintain long-term

Sales and return on sales 1979
($ millions)



	Sales	Return on sales
Food Distribution	$4,725	0.43%
Food Processing	$ 681	1.86%
Forest Products	$ 354	7.30%
Fisheries	$ 337	1.98%

Return on capital employed 1979



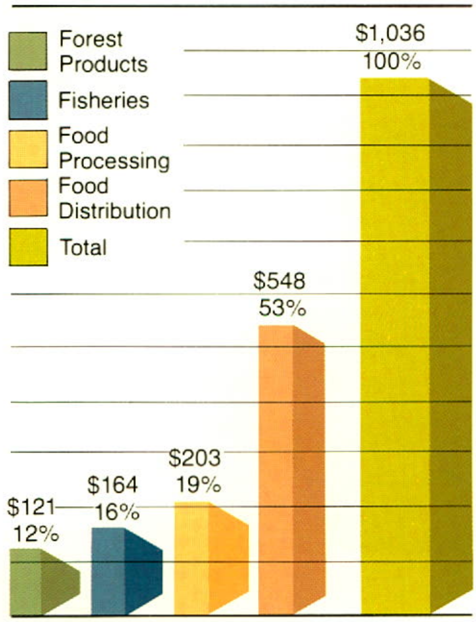
average rates of return on capital and shareholders' equity, and rates of earnings growth, at levels well in excess of 15% in today's economic environment.

In order to do this, over the past few years Weston has reinvested a significant portion of its earnings into the business to update its facilities and technology to a level which, in addition to ensuring the competitive position of each of its four divisions, also puts each division on a self-sustaining basis. While returns to such a program are often not immediate, the relative age and competitive position of our facilities has improved dramatically in recent years. We expect these improvements to contribute materially to the achievement of our long-term performance objectives. This high level of investment has also provided a desirable balance through a diverse spread of businesses.

In 1979 record capital expenditures of $157 million were made to provide for future productivity, particularly in our Food Distribution Division. This spending was up significantly from prior years. A similar level of expenditure is planned for the current year and the reinvestment of earnings will continue to play a major part in Weston's plans for the future.

Many significant events occurred at Weston in 1979. The acquisitions referred to in the Chairman's letter will add significantly to profits and help achieve the levels of return required in their respective divisions. Applebaums' Food Markets Inc. represented an investment of $22 million and sales of some $150 million for the Food Distribution Division, while Stroehmann Brothers Company, with sales of U.S. $119 million in 1979, was acquired at a cost of U.S. $32 million by the Food Processing Division following the year-end. Consideration of other acquisitions in 1979, including substantial businesses was evidence of a healthy interest by the divisions and the Company in strong and balanced earnings growth.

Capital employed and % of total 1979
($ millions)



During the year Mr. Frank A. Riddell, after 47 years of service with the Company in many capacities, and always as one of its leading figures, retired as Senior Vice President, Food Processing Division. He remains on Weston's board of directors. Mr. Donald I. McCarthy, previously in charge of the chocolate and dairy section of the Division as President of Neilson's and Donlands assumed Mr. Riddell's responsibilities upon being appointed President, Food Processing. Other appointments in the divisions during the year provided confirmation of our management's internal growth. Again in 1979, the continuity of management within the group contributed to a strong performance.

During the year the Company increased its preferred equity by the issuance of a further $25 million of term preferred shares. Proceeds of the issue were used to retire consolidated debt and improve the financial base of the Company. With a very strong working capital position, Weston's long-term debt to equity ratio improved further to 0.36:1, comfortably within the levels required for sound financial management in keeping with the risk levels associated with our various businesses.

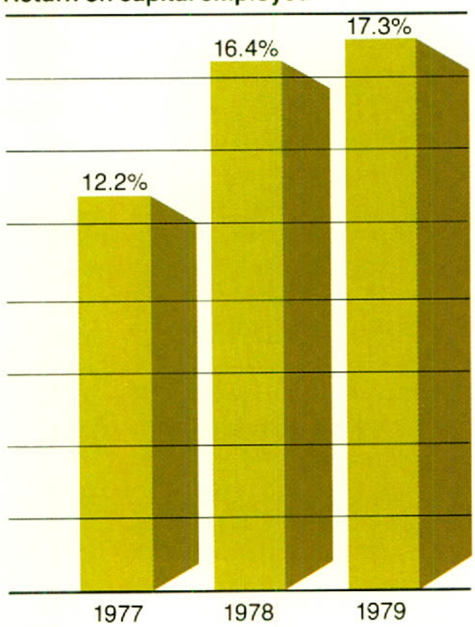
The many achievements and significant events in our four operating divisions during 1979 are described in some detail in the following pages. Emphasis has been given to portraying the very considerable capital expenditures that have been made in 1979 and recent years to obtain the required increases in productivity and in return on sales and assets.

The funding of these substantial investments during a period of persistent inflationary erosion of profits and capital has been a formidable task. The sources and uses of funds for Weston during the three year period 1977-1979 are shown in the solid bar graph on the page following.

It is well to remember that during this same three year period, Weston's activities generated almost $300 million in taxes and more than $2 billion in wages and benefits for employees, while common shareholders received a total of $26 million in dividends.

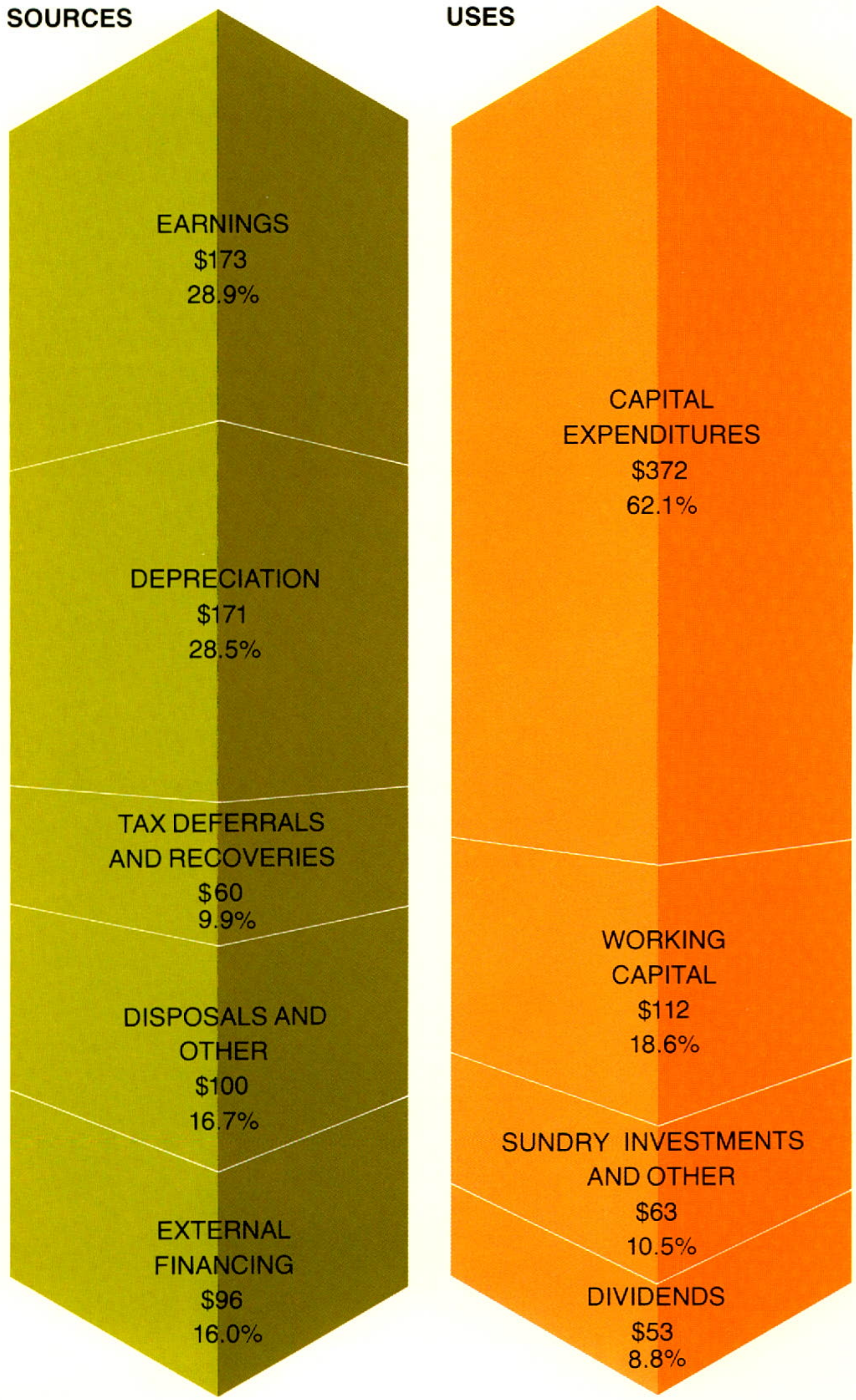
Capital expenditures averaging $124 million in each of the past three years have contributed to the enhanced level of return on capital employed achieved by Weston. These improved returns have nevertheless been insufficient over the period depicted to satisfy completely the needs of our business. In the pages following we have shown some of the measures taken in our operating divisions to provide for the current and future needs of the business and its investors.

Return on capital employed

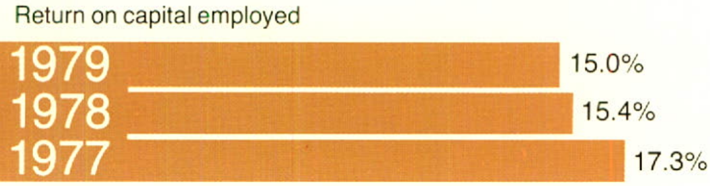


Sources and uses of funds

Combined 1977-79
($ millions)



Food processing



Food Processing Division sales in 1979 increased 12% to $680.9 million (including interdivision sales of $183.6 million). Operating income of the Division increased from $28.9 million in 1978 to $29.5 million in 1979.

Weston ranks amongst the largest food processing companies in Canada. The Division's activities are conducted by 11 operating companies grouped within four diversified business segments: bakery and flour milling (27% of sales); biscuit and confectionery (25% of sales); chocolate and dairy (22% of sales); and food specialties (26% of sales). In addition to more than 40 food processing facilities, the Division operates 2 flour mills and a sugar refinery. Over 8,800 employees in the Division produce and sell a wide range of consumer, institutional and industrial food products. Wages and benefits for the Division's employees in 1979 totalled $146 million. Many of the Division's products are sold under long established and highly regarded company names such as Weston, McCormick's, Neilson, Donlands, McNair and Paulins and under such well-known brand names as Wagon Wheels, Jersey Milk, Stoned Wheat Thins, F. F. V. (Famous Foods of Virginia) and Sunbeam.

Products produced in the bakery and flour milling segment include a wide variety of breads, rolls, cakes and other bakery products under national brand and private label for distribution in food stores, institutions and fast food catering outlets in all provinces of Canada, and in the Northeastern United States as well as flour and mill feeds for internal use and Canadian domestic and export markets. The biscuit and confectionery segment manufactures and distributes a broad range of sweet biscuits, crackers, ice cream cones and wafers, confections and candies in both Canada and the United States. The chocolate and dairy segment produces and distributes throughout Canada a wide range of chocolate bars and chocolate, chocolate coatings, cocoa and specialty items, and also manufactures brick and package ice cream and frozen novelties. Products of the food specialty segment used by processors throughout the North American continent are: ingredients for the baking, confection, dairy and fountain industries, a full line of dried and glacé fruits, nuts, cereals, vegetables and health foods, liquid bulk and granulated white sugar and frozen citrus products.

In the past three years in excess of $50 million has been invested in capital projects completed or nearing completion in an effort to update the asset base of the Division and improve returns. At the beginning of that period for example, a highly automated bakery was brought on stream in Vancouver, replacing the previously existing facility which had inadequate capacity. This investment of approximately $15 million has given Weston one of the most efficient bakeries in Canada in an area of particularly high employee cost. Both old and new facilities are illustrated in this section, demonstrating just one of the substantial improvements that Weston is making to ensure its continued leadership in the baking industry. New bread and roll lines have been installed in the Kingston and Montréal bakeries and an English muffin line in Kitchener for an aggregate capital expenditure of $2 million. The Toronto and Montreal plants have been modernized by the addition of automatic final proofers, loading systems for ovens, and new bread

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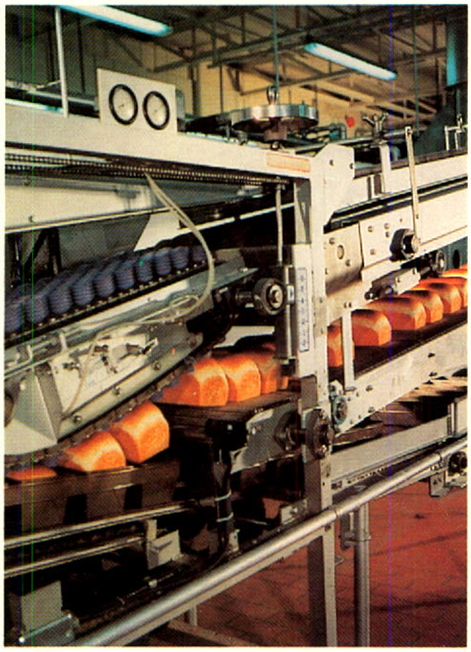

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1. Old Vancouver bakery built in 1920, acquired by Weston in the mid-thirties and operated as a bakery and distribution centre until November, 1976 when it was replaced by the new bakery shown at the right. **2.** Automatic depanner gently lifts freshly baked bread out of pans, placing it on a cooling conveyor, while the pans circle into the baking process. **3.** Highly automated bakery and distribution centre for a variety of bread and rolls baked under the Sunbeam label, the leading baker's brand in Vancouver. This bakery is ideally situated for distribution routes in Vancouver and on the mainland.

3

and roll cooling equipment. These capital expenditures, and the recent acquisition of Stroehmann Brothers Company of Williamsport, Pennsylvania have served to reinforce our commitment to the original and core business of Weston.

Weston's two flour mills located in Winnipeg and Streetsville, Ontario, have undergone a steady program of capital reinvestment since acquisition in 1970 and 1972 respectively. Improved facilities and extraction rates have led to an increase in capacity for flour-related products representing a small but highly profitable position in the Canadian industry.

In the United States biscuit and confectionery segment, a new and highly specialized biscuit bakery was brought into operation in recent years at Sioux City, South Dakota for a cost of $5 million. This facility now generates an excellent return on the initial investment. In Canada $9.3 million has been expended in the last three years for the upgrading of plant and equipment in the biscuit and confectionery segment of the Division. This includes plant improvements and new equipment for candy-making, automatic processing and automatic packaging at the London, Ontario facility. While returns are not yet satisfactory it is anticipated that the benefits of these expenditures and management's efforts will result in improved performance in 1980.

Capital expenditures in the chocolate and dairy segment of the Division during 1979 and over the next two years will exceed $27 million and are designed to provide William Neilson with one of the most efficient confectionery plants in North America. Expenditures to date have included $1 million on chocolate bulk storage and $3 million on new manufacturing and solid-bar moulding equipment for the Jersey Milk and Crispy Crunch lines. A photograph in this section shows one of these new installations which, along with $9 million of additional modern equipment in its completely renovated manufacturing facility will ensure Neilson's technological leadership in the industry.

The food specialties segment has commenced a capital expenditure program of $14 million to modernize existing equipment and increase capacity and number of product lines. This segment of the Division continues to be the leader in its field and is in an excellent position to meet future growth while continuing to show a satisfactory return on capital employed.

The reinvestment of a substantial portion of the earnings generated from the Division has brought total capital employed in Food Processing to $203 million or 19% of the Weston total. Return on capital was reduced marginally in 1979 to 15.0% as heavy commitments were incurred.

Despite continuing pressure from increasing costs and market resistance to higher food prices, the substantial investments made in recent years in the Food Processing Division should provide the base for steady, if modest, improvements in profitability in 1980 and future years.

1

1. Roller mill floor at McCarthy Milling in Streetsville. This illustrates one of the final stages of grinding wheat into flour. **2.** New English muffin line in our Kitchener bakery showing muffins coming out of griddle on the way to the cooler. **3.** Automated chocolate storage and distribution system being installed in the William Neilson Toronto plant. This system gives the ability to handle a larger range of formulations and distribute them automatically to any point in the plant and measure consumption and storage quantities at any time of day.

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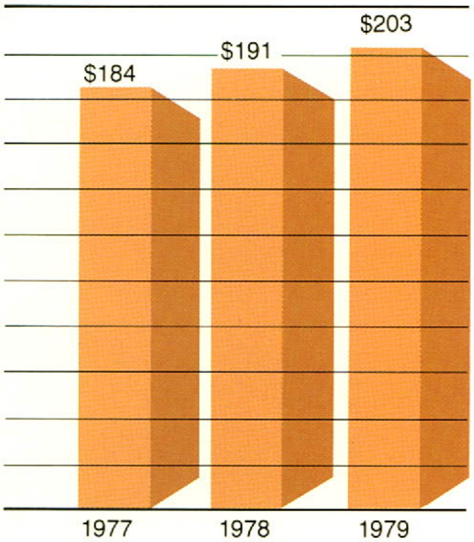
Food processing
capital employed
($ millions)



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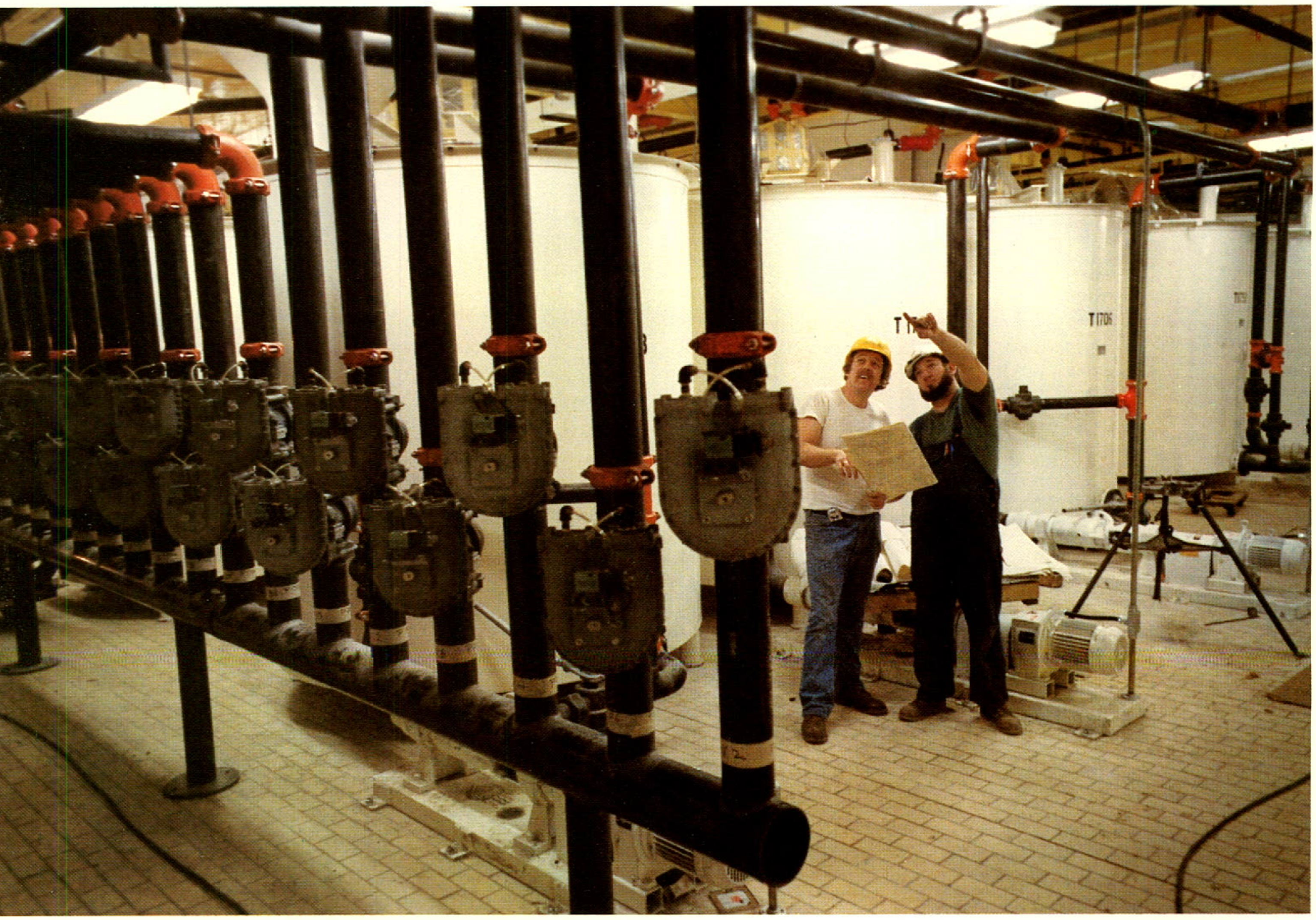
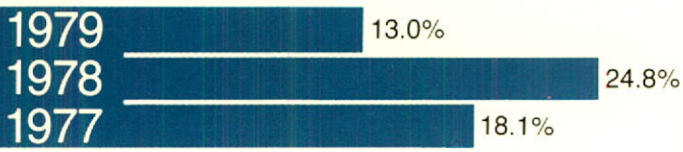


Fisheries

Return on capital employed



In 1979 the Fisheries Division experienced a flattening of sales to a level of $337.3 million. Operating income at $19.4 million was less than expected as significant structural changes in the industry began to affect the processors' position in the market place.

The Fisheries Division operates fish acquiring, canning, freezing and processing facilities on the east and west coast of Canada. British Columbia Packers, headquartered in Richmond, British Columbia, also carries on subsidiary operations in Alaska, Washington and California. Connors Bros. of Black's Harbour, New Brunswick, carries on the east coast operations of the Fisheries Division.

Resource management is today a critical factor in the fishing industry both for preservation and protection of the species and environment and for the long-term development of new and existing resources for continued economic operation. The Division's operating companies are industry leaders in the development and application of the extensive practical and scientific knowledge and techniques required for the successful management of the renewable resource base of this major Canadian industry.

The products and services provided by the Division include many private label products as well as many familiar brand names including "Clover Leaf" and "Brunswick". British Columbia Packers is a major supplier to world markets of Pacific coast salmon and a wide variety of fresh, frozen, canned and prepared seafoods including fish meal and oil. Connor Bros. is Canada's leading packer of sardines and a large processor of Atlantic seafoods and fish products which it ships throughout the world. The Division employs 7,100 people to whom $71 million was paid in wages and benefits in 1979.

The extension of Canada's fisheries jurisdiction to 200 miles in January, 1977 added tremendous growth potential for the Canadian fishing industry but also created significant market dislocations. In anticipation of this growth and in order to maintain its position in Canada's fishing industry, Weston's Fisheries Division is continuing to make major capital expenditures.

Connors Bros. has substantially completed a development program of plant and equipment modernization. Replacement of the main herring cannery in Black's Harbour was completed at a total cost of $5 million and became fully operational in 1977. The new plant has provided

1. Old Connors Bros. plant used from the late 1880's with many additions until 1975.
2. Connors Bros. present plant housing cannery built in 1976 and can & cover manufacturing facility added in 1978.
3. Some of Connors' many products with a portion of the Connors fleet in the background.

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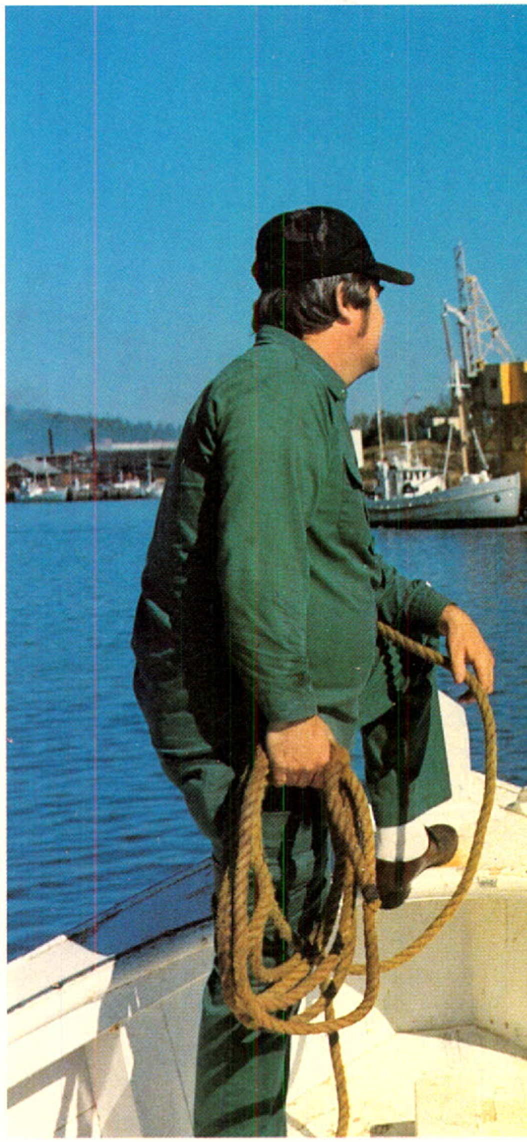

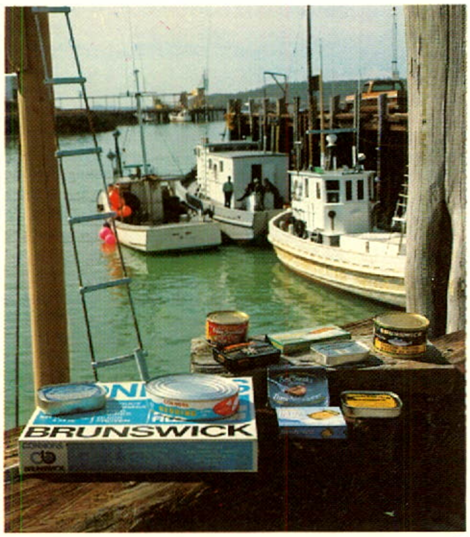

an increase of 60% in canning capability, flexibility in the production of a variety of products, and diversification to seize new market opportunities as they occur. The recent large demand for Canadian herring fillets in Europe is an example.

An integral part of the East Coast fishing operations is the manufacture of its own cans and covers. Construction of a new plant for manufacturing cans and covers adjacent to the main cannery in Black's Harbour was completed in 1979 at a cost of $2 million. A cold storage facility was also added to the new cannery in 1979 at a cost of $1 million. This facility will permit the storage of frozen sardines and herring during periods of heavy landings for later processing during periods of irregular supply. The increase in plant utilization during such periods will be in excess of 20%. This modern complex at Black's Harbour has provided significant cost savings and improved product quality and will allow Connors to implement many packaging innovations. This new integrated facility is shown on these

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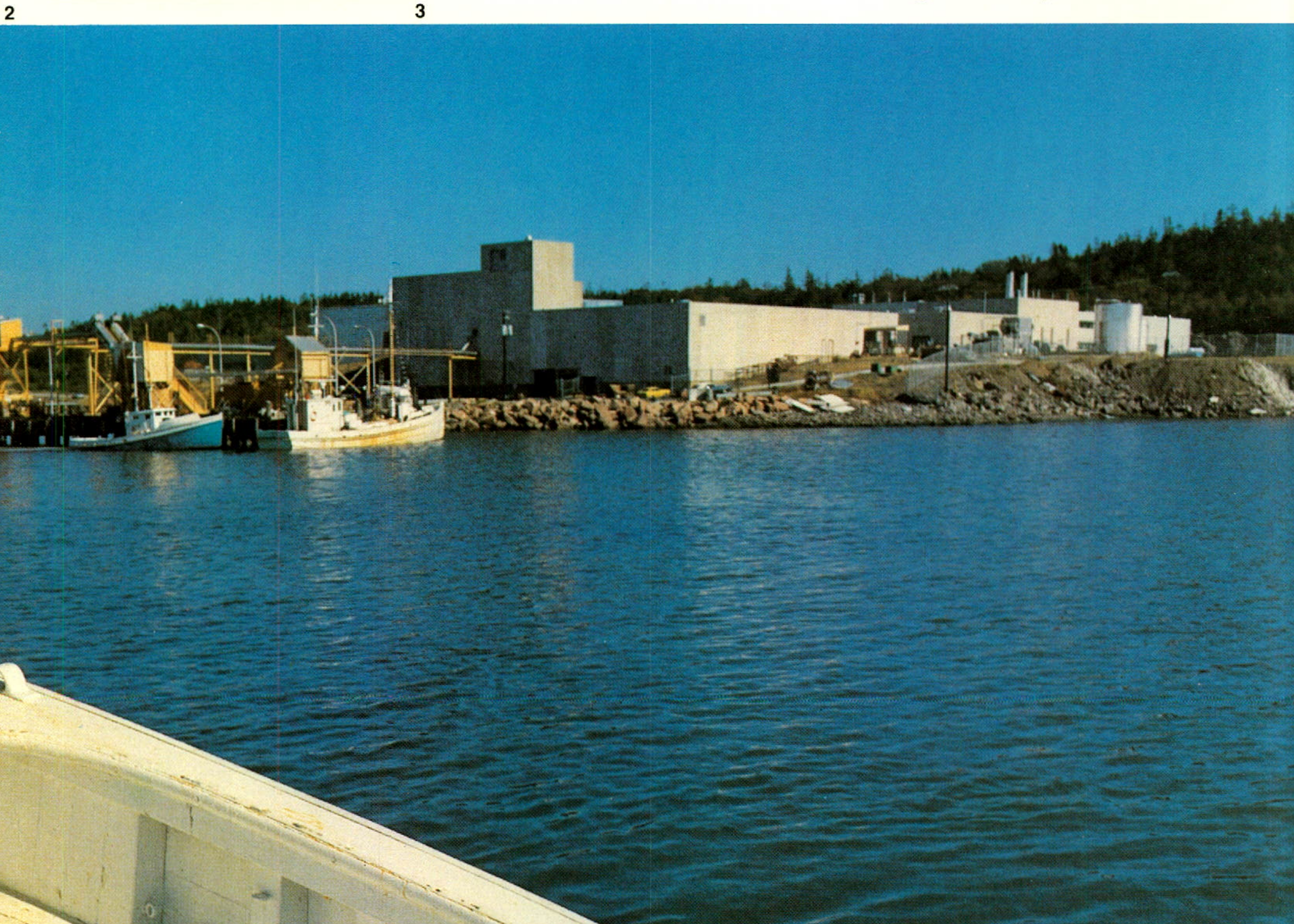

pages and contrasts to the previous plant also shown.

The Pacific Coast operation, a highly volatile seasonal resource business, has grown and strengthened substantially in recent years. At the same time the implementation of the 200-mile fishing zone has radically altered the supply and demand relationships between fish-producing and consuming nations and between the various segments of the industry.

Heavy capital expenditures have been made in association with these changes. The market for frozen fish for export has increased at the expense of products canned largely for the domestic market. To meet this new demand, British Columbia Packers invested more than $6 million during the past three year period in new freezing and cold storage facilities and equipment, an operation in which British Columbia Packers were the innovators. To improve methods of handling and transporting fish, the company invested some $14 million in additions and improvements to its fleet of fishing and packing vessels in the past three years. More than $4 million was spent in consolidation and improvement of fishermen's service facilities and an additional $7 million in other capital projects designed to improve the company's comprehensive system of highly complex fish acquiring and processing operations. British Columbia Packers' investment in Mar Fishing Company of the Philippines is being expanded in conjunction with the completion in 1980 of a major new tuna processing plant in that country.

In addition to these major expenditures in the fishing industry,

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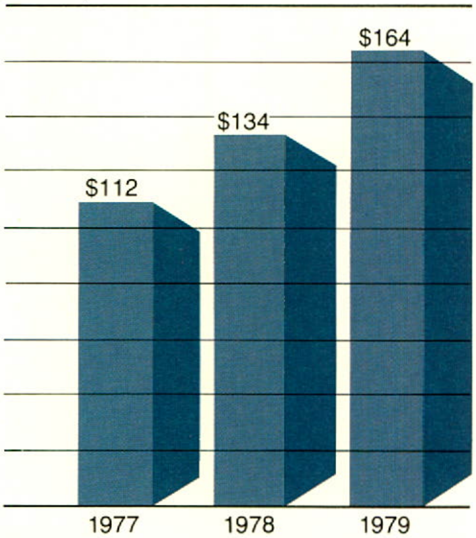
Fisheries capital employed

($ millions)



a further investment of $3 million was made by British Columbia Packers in United Oilseed Products Ltd. as a profitable diversification in the protein business and a means of securing product supplies.

Total capital employed in this Division is $164 million and represents 16% of the total Weston capital employed.

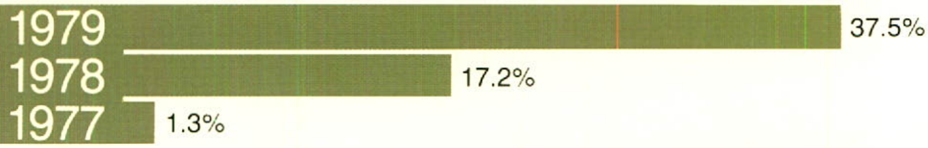
In 1979, British Columbia Packers purchased more than $100 million worth of fish from over 4,000 fishermen. The inflated demand for herring roe and salmon in 1979 resulted in dramatic increases in product values and inventory carrying costs. A serious excess of productive capacity in the industry, supported largely by foreign capital, has aggravated these conditions so that any failure in fishing operations or resource availability could have a severe impact on the industry and its structure. Although the transition to the new era may therefore be difficult, great optimism persists for the long-term growth and profitability of this highly volatile Canadian industry.

2

1. Strait of Juan de Fuca. Tenderman in punt working with crew of seiner stretching net for the catch. August 1979. **2.** Floating fish-buying camp 'K-5' making purchases in the San Juan Islands area.

Forest products

Return on capital employed



In 1979 the Forest Products Division's sales increased 27% to $353.7 million. Operating income rose from $22.2 to $47.6 million or 114%, as a result of the return to a more favourable balance between industry capacity and strong demand throughout most of the year. Volume gains from strong product demand in both domestic and export markets, product price increases, and continued devaluation of the Canadian dollar were significant factors in the increased sales and profitability. Facilities in the group have operated at full capacity during most of 1979 and

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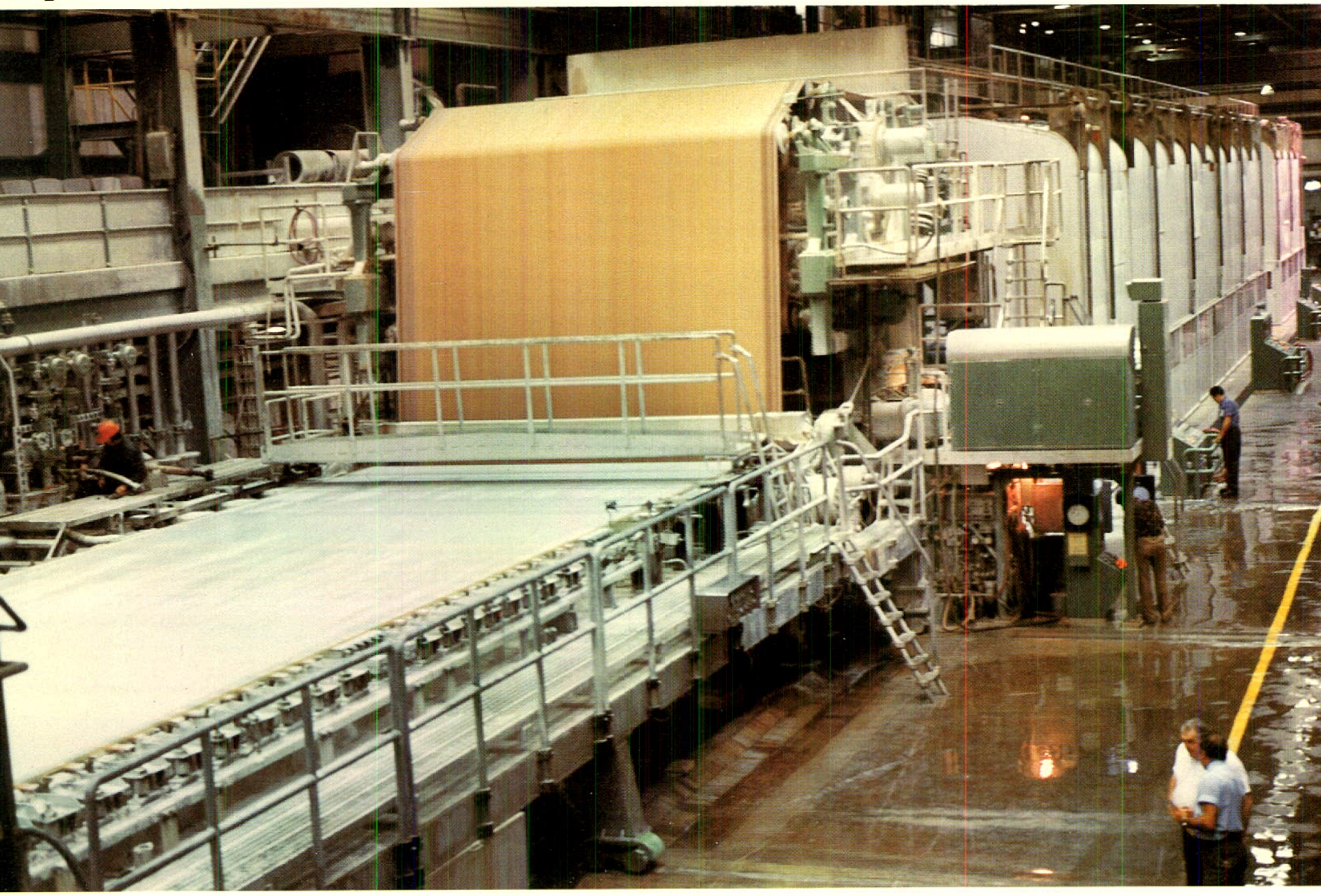


are expected to continue to do so through much of 1980.

Headquartered in Ottawa, Ontario, E.B. Eddy Forest Products Ltd., has extensive timber limits in Northern Ontario and Western Québec; a major kraft pulp mill and paper mills at Espanola, Ontario; paper mills and paper converting equipment at Ottawa/Hull; a specialty paper mill at Brewer, Maine; and sawmills at Davidson, Quebec and Nairn Centre and Timmins in Ontario. Forest management is a very important aspect of Eddy's renewable resource business and the Division has been a leader in reforestation programs and policies in the industry.

1. Towel folder unit in White Swan Company's modern converting plant at Hull, Quebec. **2.** No. 14 machine in operation at the Fine and Specialty Paper Division, Hull, Quebec. This machine, which is the latest installation in the Canadian fine paper industry, and is among the finest in North America, produces high quality business papers. **3.** Eddy's Ottawa plant in its unique setting beside Canada's Parliament Buildings.

3

Products include fine and specialty paper for printing, writing, converting and packaging; bleached kraft pulp; spruce, white pine and jackpine lumber; wood chip by-products; household and industrial bathroom and facial tissues, paper towels, serviettes, waxed paper and aluminum foil. The Division employs some 4,800 persons and paid wages and employee benefits of $102 million in 1979.

In November of 1979, Eddy announced plans for a major program of modernization and expansion involving capital expenditures of $250 million over the next three years. The program, to be financed largely from internal sources but assisted by grants from the Ontario and federal governments, will increase productivity at Eddy's Espanola pulp mill so that this facility can remain fully competitive in world markets. This is part of the continuing emphasis in this Division over the years on the installation and operation of technically advanced and highly productive modern plant and equipment.

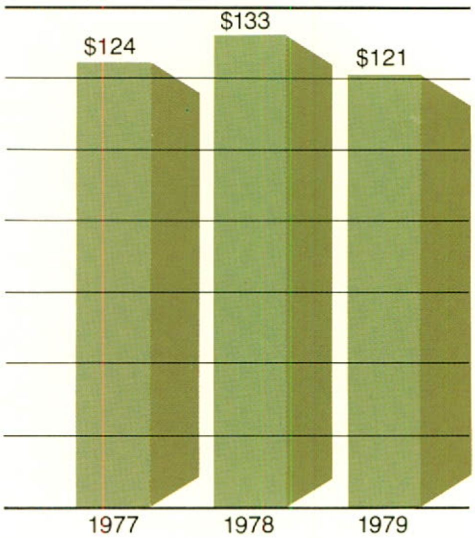
To upgrade the product mix of the Forest Products Division for example, recent investment has been channelled to those segments of the business most cost competitive in their markets. In 1974, E.B. Eddy Forest Products Ltd. began an investment program which brought it into the spruce lumber business and at the same time provided a source of lower cost wood fibre for the pulp mill operations. Modern sawmill facilities were installed at Nairn Centre, Ontario and Davidson, Quebec and the McChesney Lumber Company at Timmins, Ontario was acquired.

During this period the two pulp mill bleach plants were rebuilt at a cost of $25 million; the first was completed in 1977 while the second one is due to start up in June, 1980. These investments contributed to improved quality, lower production costs and pollution abatement. Eddy is a net buyer of pulp as its pulp producing capacity, exceeding 240,000 tons per year, is slightly less than its paper mill requirements. Some 70% of sales from the paper mills are in fine and specialty papers, including grades for printing, writing, converting, packaging and wrapping while the balance is comprised of kitchen, bathroom, facial and other towel and tissue products. Eddy's White

Swan label is a market leader of Canadian consumer tissue products.

The White Swan division completed a $13 million rebuild of a tissue paper machine in 1977 and is now a world leader in quality and technology in the field of high bulk tissue products. Substantial investment was made last year and will continue in the 1980's to increase the converting capacity for sanitary products. The White Swan "Symbol of Quality" logo enjoys a high level of customer acceptance, fully justifying the heavy expenditure in research and equipment made to

Forest products capital employed
($ millions)



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develop its quality products. This line of products has a prime position in this market sector.

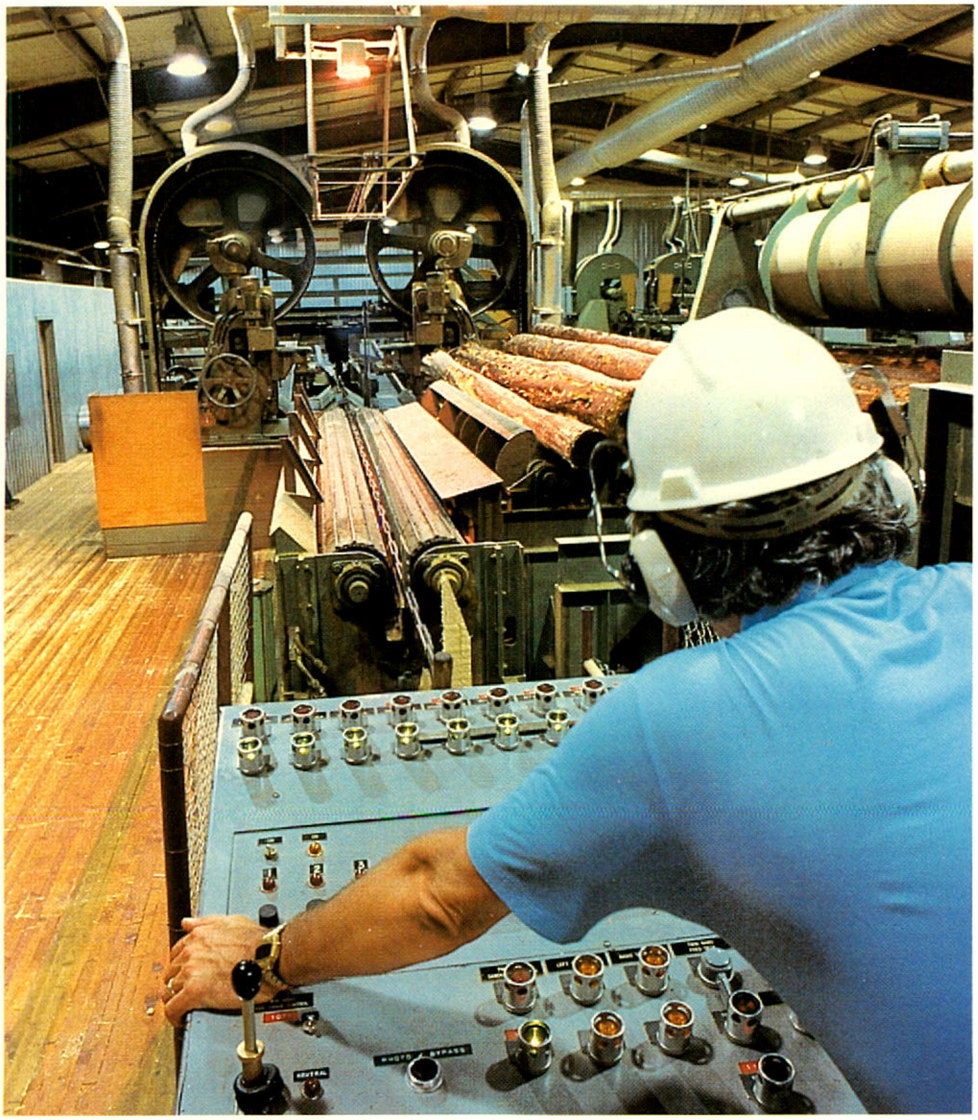
Eddy's wood products operations are geared primarily to produce dimension lumber from white pine, spruce and jackpine. Approximately two-thirds of the lumber is exported, the remainder being sold largely in Ontario and Quebec. The by-product wood chips are processed into pulp in the Espanola pulp mill or sold to other mills for that purpose.

The goal of Eddy's capital program, as in all our divisions, is profit improvement while at the same time ensuring adequate return on capital employed and conformance to the strongest environmental and pollution control standards of today's society. The rapid payback on projects relating to energy and labour savings and product quality improvement has assisted in improving operating results.

Total capital employed in this division now stands at $121 million representing 12% of the Weston total. This temporary reduction in capital employed results from financing arrangements associated with the current capital expenditure program. Return on capital employed has increased dramatically in the past two years. The resource business has been historically cyclical in nature but satisfactory levels of return are expected to be maintained in the absence of excess capacity and inventory levels in the industry. Operations of the Division have remained strong in the early part of 1980 despite the increasing likelihood of a significant downturn in the North American economy.

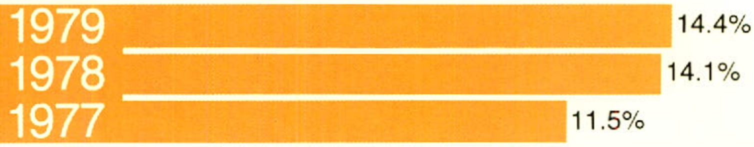
1. An automatic computerized sorter not only determines the size of each piece but relegates it to the proper 'sling' and computes the precise number of pieces in each bundle. **2.** High speed twin band saw at Davidson will cut over sixty million feet of lumber each year. The blades automatically adjust to the width selected by the operator.

2



Food distribution

Return on capital employed



Weston's food distribution business is carried on by 87% owned Loblaw Companies Limited. Loblaw conducts its wholesale and retail business in three major geographic divisions: United States, Western and Eastern Canada. The company maintains a balance between wholesale and retail activities in over fourteen widely separated market places in Canada and the United States.

With revenues in excess of $4.7 billion in 1979, Loblaw is the sixth largest food distributor in North America. Operating income increased 20% in 1979 to $71.8 million. Over 37,700 people are employed full or part-time by Loblaw with wages and benefits of $541 million being paid in 1979.

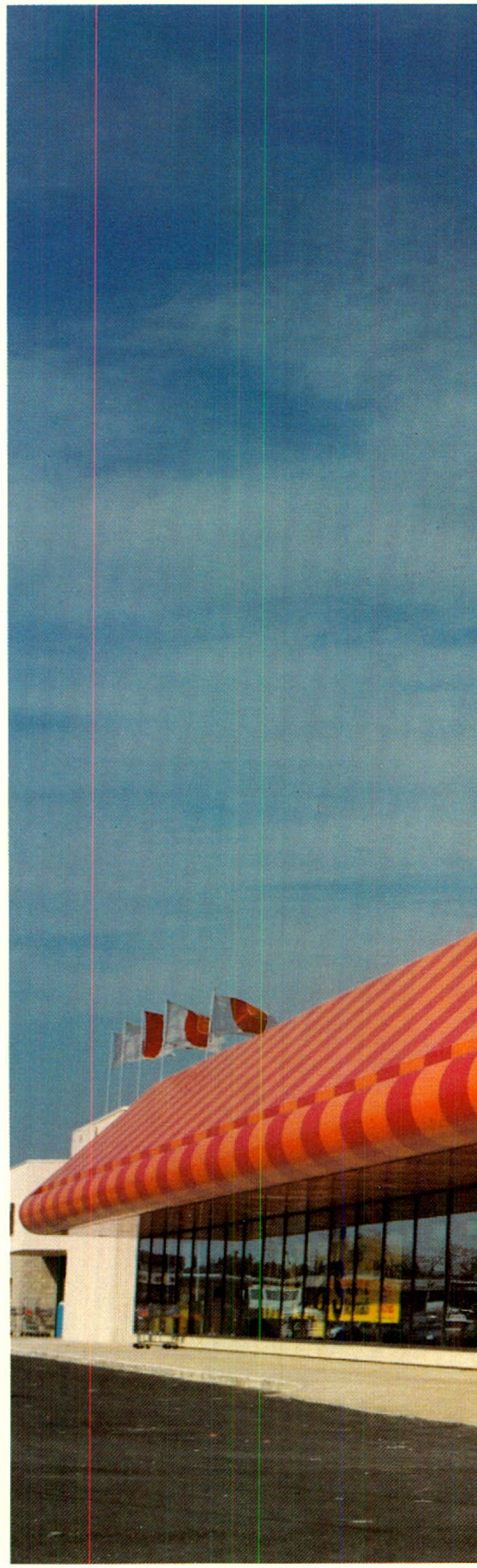
The Eastern Canadian operations comprise wholesaling and retailing of food products in Ontario and the Maritimes. Four separate businesses are involved: Loblaws Ontario Division, Zehrmart Division, National Grocers Division and Atlantic Wholesalers Division. Total sales of these four businesses in 1979 were $1.8 billion, an increase of $152 million or 9.2% over 1978.

During the year 21 new or enlarged corporate supermarkets were completed in Eastern Canada, five of which are over 40,000 square feet in size, and 42 new or enlarged independently franchised units were added. These additions alone represent a capital expenditure of over $66 million in 1979. At present there are plans for the completion in 1980 of 19 new or enlarged supermarkets in the Eastern Canadian operations.

During the year the Loblaws Ontario Division introduced "no-name" products to the Canadian food retailing scene. These products (300 in all) now represent 11% of the grocery category sales and are distributed throughout the Food Distribution Division of Weston.

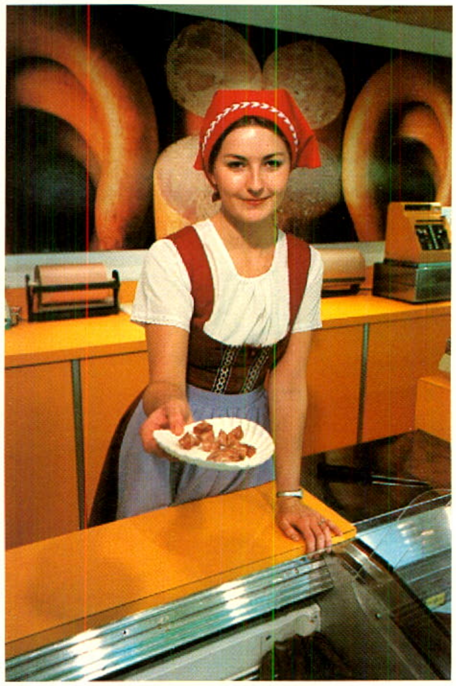
The Western operations of the Division are conducted by Kelly, Douglas & Company, Limited, a major food wholesaler which operates in British Columbia, the Canadian Prairies and the United States. Sales of Kelly, Douglas in 1979 were $1.3 billion, an increase of 13.1% over 1978.

During the year independent and franchised accounts were responsible for approximately 70% of Kelly, Douglas' business.



Loblaw super food store opened at Heart Lake near Brampton, Ontario in August, 1979.

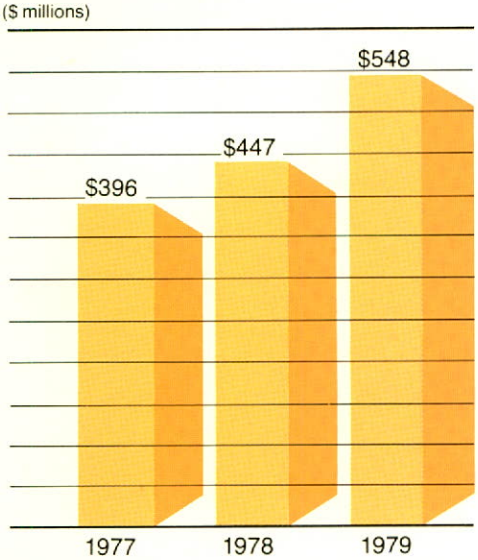
This figure is expected to reach 90% in 1980 with the disposal at year-end of all British Columbia corporate stores to independent franchisers. Seventeen new supermarkets were completed by independent franchised operators during 1979 and two corporate stores were added or enlarged, one of which was over 40,000 square feet. Three more such "superstores" are presently planned or under construction. In addition three new warehouses were brought on stream and five other warehouses were expanded. The completion of these facilities at a total capital cost in excess of $18 million puts this segment of Loblaw Companies



1

2

Food distribution capital employed
($ millions)



Limited in an excellent position to maintain its solid position in the overall market and, as a wholesaler, to supply a wide range of services within the food distribution business.

The United States operations of Loblaw are conducted through 84% owned National Tea Co. and 100% owned Peter J. Schmitt Co., Inc.

National Tea Co., a major food retailing chain operating in the Midwest and South Central United States had total sales of U.S. $1.0 billion in 1979 an increase of 13.8% over 1978.

National Tea's stores are serviced by divisional offices and distribution centres in four locations. The Minneapolis Division of National Tea operates 76 supermarkets averaging 19,000 square feet in size; the St. Louis Division operates 49 supermarkets averaging 24,000 square feet; the Indianapolis Division, 56 supermarkets averaging 20,000 square feet; and the New Orleans Division, 57 supermarkets of 21,000 square feet in average.

During the year, exclusive of the 27 retail stores of Applebaums' Food Markets, Inc., of Minneapolis, 10 new or enlarged stores were added by National Tea of which three were over 40,000 square feet. In 1980, National Tea plans to open 11 new stores.

Peter J. Schmitt, a food wholesaler headquartered in Buffalo, N.Y., had sales in 1979 of U.S. $317 million, a 6.8% increase over 1978. This business operates 40 corporate stores and 49 franchise stores including six purchased in late 1979. A continued concentration on wholesaling operations is planned for 1980.

Total capital employed in the Food Distribution Division stands at $548 million or 53% of the Weston total. Return on capital employed has improved steadily over the past few years. Capital investments undertaken in 1979 and recent years will provide a sound basis for improved productivity of sales and assets for Loblaw Companies in the 1980's.

3

1. Hand-outs in the Heart Lake store. **2.** Interior of the store. **3.** Cashier with optical scanning equipment. This equipment is widely used throughout Loblaw Companies.

Summary of results

This section of our report presents in summary form the highlights of our 1979 operating results and financial position.

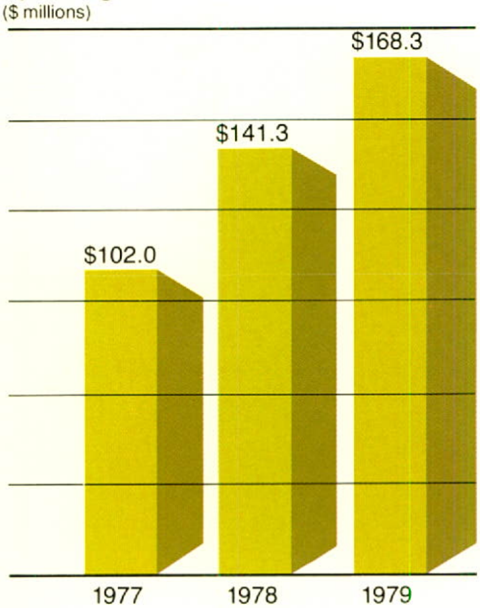
Sales

Sales, after eliminating interdivision sales, were $5.9 billion in 1979 compared to $5.2 billion in 1978 and $4.6 billion in 1977. Sales in 1979, before eliminating interdivision sales, were 12% higher than last year, with our four operating divisions reflecting a growth in sales ranging from 9% to 27%.

Operating income

In 1979 operating income increased by 19% to $168.3 million, a substantial improvement over the $141.3 million achieved in 1978 and $102.0 million in 1977. Inflation placed heavy pressure on the margins in the Food Processing Division which resulted in only a slight improvement in operating income over last year. Dramatic increases in prices paid to fishermen along with smaller catches produced results in our Fisheries Division substantially below the record levels achieved in 1978. Improved price levels and strong markets contributed to the significant improvement in profitability of the Forest Products Division. A broad strengthening of operations in the Food Distribution Division produced record results in 1979.

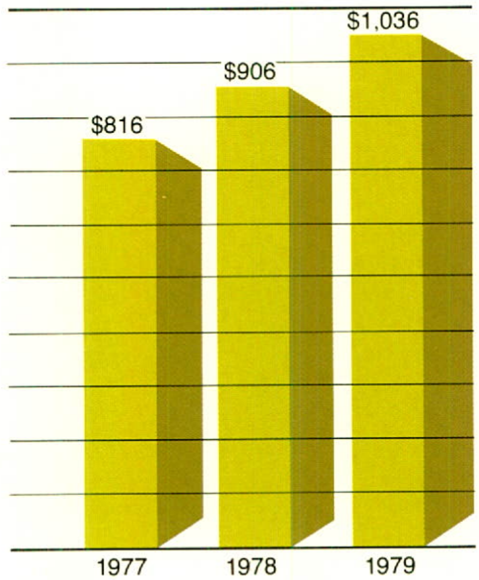
Operating income
($ millions)



Capital employed

Capital employed (total assets less non-interest bearing current liabilities) increased by 14% to $1,036 million for the Company, compared to $906 million last year and $816 million in 1977. At the end of 1979, capital employed had increased in the Food Processing Division by 6% to $203 million or 19% of the total capital employed, in the Fisheries Division by 22% to $164 million or 16% of the total and in the Food Distribution Division by 23% to $548 million or 53% of the total. Capital employed in the Forest Products Division decreased by 10% to $121 million or 12% of the total capital employed.

Capital employed
($ millions)



Return on capital employed

The ratio of operating income to average capital employed provides a significant measure of performance and efficiency in the utilization of capital. The consolidated return improved during 1979 to 17.3% from 16.4% in 1978 and 12.2% in 1977 as shown on the chart in this report. The Forest Products Division increased to 37.5% from 17.2%, while the Food Distribution Division went up to 14.4% from 14.1%. Our Food Processing Division declined marginally to 15.0% from 15.4% and the Fisheries Division decreased to 13.0% from 24.8%.

Earnings

Earnings before extraordinary items increased 30% to $65.9 million in 1979 from $50.6 million in 1978 and $27.5 million in 1977. This represented $5.06 per common share compared to $4.06 in 1978 and $2.36 in 1977. Extraordinary items in 1979 of $10.5 million consist of a gain on the sale of a subsidiary's shares of $3.6 million and tax reductions realized on the application of prior years' losses of $6.9 million. The Company's effective interest in tax losses that may be applied to future earnings is approximately $74 million. Net earnings for 1979 of $76.5 million ($6.01 per common share) were a record for your Company.

Dividends

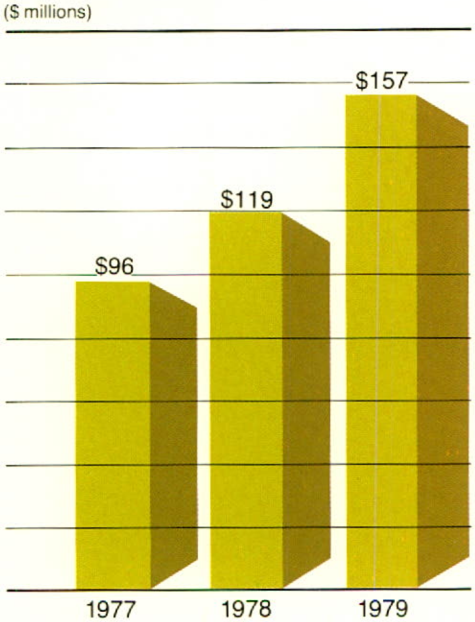
In 1979 dividends of $11.5 million were declared on the common shares, up from $7.9 million in 1978 and $6.6 million in 1977. The quarterly dividend rates for the first through fourth quarters were 21¢, 26¢, 26¢ and 31¢ respectively for a total of $1.04 per share. Preferred dividends increased from $5.7 million to $9.8 million as a result of the issuance of additional preferred shares to replace consolidated debt.

Cash flow from operations

The positive trend established over the past few years in cash flow from operations continued in 1979, increasing to $168 million from $135 million in 1978 and $95 million in 1977. The increase of $33 million over 1978 comes mainly from earnings before minority interest and income taxes which did not require a cash outlay. On a per share basis cash flow from operations was $15.21 compared to $12.25 in 1978 and $8.66 in 1977.

Capital expenditures
Additions to fixed assets that are owned by the Company totalled $157 million in 1979 compared to $119 million last year and $96 million in 1977. Divisional expenditures in 1979 were as follows: Food Processing $22 million, Fisheries $15 million, Forest Products $22 million and Food Distribution $98 million. Included in these amounts were a number of expenditures related to major expansion and improvement projects in addition to the normal general replacement and refurbishment programs.

Capital expenditures
($ millions)



Working capital
Working capital at the end of 1979 of $232 million was $22 million higher than last year and $56 million better than 1977. Within working capital, bank advances and notes payable once again decreased in 1979 to $109 million from $132 million in 1978.

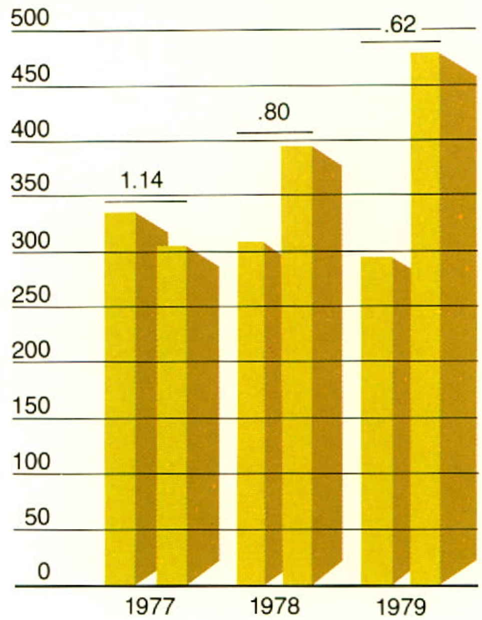
Major sources of working capital during the year were cash flow from operations of $168 million, proceeds from the sale of fixed assets of $33 million and from the issue of preferred shares to a Canadian chartered bank of $25 million, while new long-term debt of $29 million provided an additional source.

Working capital was used to purchase fixed assets of $157 million, reduce long-term debt by $28 million, acquire a subsidiary company for $17 million (net of its working capital) and pay dividends to our shareholders of $21 million.

Capital leases
Any leases entered into in 1979 by the Company as a lessee which transferred substantially all of the benefits and risks of ownership to the Company, have been recorded as if the assets were owned and had been financed by long-term obligations. This is in accordance with new recommendations of the Canadian Institute of Chartered Accountants. The assets so recorded are being depreciated over their useful lives and the obligations incurred are being reduced by principal repayments over the terms of the leases. Property under capital leases and the related obligations of $46 million were initially recorded in 1979.

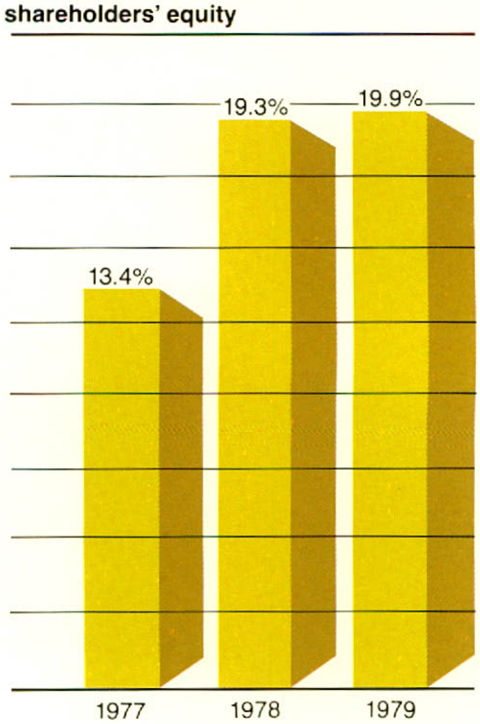
Debt and shareholders' equity
The ratio of total debt to shareholders' equity improved to 0.62:1 in 1979 from 0.80:1 in 1978 and 1.14:1 in 1977. The ratio of long-term debt to shareholders' equity improved to 0.36:1 in 1979 compared to 0.44:1 in 1978 and 0.64:1 in 1977. On November 9, 1979 the Company issued $25 million of term preferred shares, the proceeds of which were invested in similar shares of Loblaw Companies Limited who used the funds to retire consolidated debt.

Debt/equity ratio
($ millions)



Return on common shareholders' equity
The return on common shareholders' equity reached 19.9% in 1979. This compares with a return of 19.3% in 1978 and 13.4% in 1977.

Return on common shareholders' equity



Five year summary

($ millions)	1979	1978	1977	1976	1975
Sales and earnings					
Sales	5,867	5,238	4,590	4,345	4,137
Operating Income	168	141	102	91	112
Interest Expense	39	32	37	45	40
Earnings (Loss) Before Extraordinary Items	66	51	27	(8)	19
Net Earnings (Loss)	76	57	32	(15)	16
Financial position					
Current Assets	827	732	657	713	712
Current Liabilities	594	522	481	592	567
Working Capital	233	210	176	121	145
Fixed Assets	560	480	438	424	488
Property under Capital Leases	45	—	—	—	—
Long-Term Debt	174	174	196	233	270
Shareholders' Equity	479	399	305	206	234
Total Equity including Minority Interest	591	503	401	298	343
Total Assets	1,507	1,282	1,146	1,189	1,248
Cash flow					
Cash Flow from Operations	168	135	95	76	89
Purchase of Fixed Assets	157	119	96	100	97
Acquisition of Property under Capital Leases	42	—	—	—	—
Dividends – Common and Preferred	21	14	8	13	15
Per common share (in dollars)					
Earnings (Loss) Before Extraordinary Items	5.06	4.06	2.36	(.86)	1.60
Net Earnings (Loss)	6.01	4.66	2.77	(1.44)	1.37
Dividends	1.04	.72	.60	1.07	1.22
Cash Flow from Operations	15.21	12.25	8.66	6.87	8.10
Book Value	27.81	22.94	18.97	16.77	19.28
Market Value – High	28.00	23.38	14.75	18.50	23.50
– Low	21.00	13.13	11.50	10.50	16.25

Financial statements

Auditors' report

To the Shareholders of George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of George Weston Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for purposes of consolidation.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 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 which, except for the required change in the method of accounting for capital leases as described in note 2, have been applied on a basis consistent with that of the preceding year.

Thorne Riddell

Chartered Accountants
Toronto, Canada
March 10, 1980

Consolidated statement of earnings

Year ended December 31, 1979
(in thousands of dollars)

	1979	1978
Sales and other income		
Sales	**$5,867,102**	$5,237,808
Investment income	**5,581**	4,662
	5,872,683	5,242,470
Operating expenses		
Cost of sales, selling and administrative expenses before the following items	**5,580,015**	4,982,933
Net long-term lease expense	**60,351**	61,306
Depreciation of fixed assets	**62,372**	56,907
Depreciation of property under capital leases	**1,680**	
	5,704,418	5,101,146
Operating income	**168,265**	141,324
Interest on long-term debt	**18,411**	18,301
Interest on obligations under capital leases	**2,454**	
Other interest expense	**18,025**	13,589
	38,890	31,890
Earnings before income taxes	**129,375**	109,434
Income taxes (note 3)	**53,527**	48,370
Earnings before minority interest	**75,848**	61,064
Minority interest	**9,899**	10,449
Earnings before extraordinary items	**65,949**	50,615
Extraordinary items (note 4)	**10,528**	6,669
Net earnings for the year	**$ 76,477**	$ 57,284
Per common share		
Earnings before extraordinary items	**$ 5.06**	$ 4.06
Extraordinary items	**$ .95**	$ .60
Net earnings for the year	**$ 6.01**	$ 4.66

Consolidated statement of retained earnings

Year ended December 31, 1979
(in thousands of dollars)

	1979	1978
Retained earnings at beginning of year	**$ 231,516**	$ 187,830
Net earnings for the year	**76,477**	57,284
	307,993	245,114
Dividends declared		
Preferred shares	**9,809**	5,664
Common shares	**11,521**	7,934
	21,330	13,598
Retained earnings at end of year (note 13)	**$ 286,663**	$ 231,516

GEORGE WESTON LIMITED

Consolidated statement of changes in financial position

Year ended December 31, 1979
(in thousands of dollars)

	1979	1978
Sources of working capital		
Operations		
Earnings before minority interest	**$ 75,848**	$ 61,064
Depreciation	**64,052**	56,907
Income taxes not requiring cash	**29,633**	18,241
Other	**(1,306)**	(1,259)
Cash flow from operations	**168,227**	134,953
Financing		
Incurrence of obligations under capital leases	**40,360**	
Proceeds from issue of preferred shares	**25,000**	54,337
Increase in long-term debt	**28,779**	18,862
	94,139	73,199
Other items		
Proceeds from sale of subsidiary companies and investments (net of subsidiaries' working capital)	**6,309**	3,869
Proceeds from sale of fixed assets	**32,555**	19,337
	38,864	23,206
Total sources of working capital	**301,230**	231,358
Uses of working capital		
Reinvestment		
Acquisition of subsidiary company (net of its working capital)	**16,825**	
Purchase of fixed assets	**157,043**	119,128
Acquisition of property under capital leases	**41,634**	
Net increase in investments and sundry items	**8,342**	19,468
	223,844	138,596
Financing		
Reduction in long-term debt	**28,436**	40,576
Purchase of minority interest	**1,896**	926
	30,332	41,502
Dividends		
To shareholders	**21,330**	13,598
To minority shareholders in subsidiary companies	**3,503**	3,248
	24,833	16,846
Total uses of working capital	**279,009**	196,944
Increase in working capital	**22,221**	34,414
Working capital at beginning of year	**210,267**	175,853
Working capital at end of year	**$232,488**	$210,267

GEORGE WESTON LIMITED
(Incorporated under the laws of Canada)

Consolidated balance sheet

As at December 31, 1979
(in thousands of dollars)

ASSETS	1979	1978
Current assets		
Cash and short-term investments	$ 9,787	$ 10,556
Accounts receivable (note 5)	189,166	182,186
Properties held for sale, at the lower of cost and net realizable value	20,444	17,543
Inventories (note 6)	591,040	507,261
Prepaid expenses	16,197	14,667
	826,634	732,213
Investments (note 7)	60,842	55,596
Fixed assets, at cost		
Land	36,011	30,511
Buildings	170,635	150,514
Equipment and fixtures	709,923	648,943
Leasehold improvements	122,633	100,403
	1,039,202	930,371
Accumulated depreciation	479,080	450,096
	560,122	480,275
Property under capital leases, less accumulated depreciation (note 10)	44,586	
	604,708	480,275
Goodwill	14,362	13,262
Deferred charges	792	740
	$1,507,338	$1,282,086

Approved by the Board

W. Galen Weston, Director

Mark Hoffman, Director

	1979	1978
LIABILITIES		
Current liabilities		
Bank advances and notes payable	**$ 109,056**	$ 132,246
Accounts payable and accrued liabilities (note 8)	**435,675**	341,568
Taxes payable	**32,470**	32,257
Dividends payable	**3,452**	2,314
Long-term debt payable within one year	**11,398**	13,561
Current portion of obligations under capital leases	**2,095**	
	594,146	521,946
Long-term debt (note 9)	**174,222**	173,897
Obligations under capital leases (note 10)	**45,203**	
Other liabilities (note 11)	**18,750**	17,464
Deferred income taxes	**65,893**	46,672
Deferred real estate income	**17,851**	19,151
Minority interest in subsidiaries	**112,459**	104,197
SHAREHOLDERS' EQUITY		
Capital stock (note 12)	**192,151**	167,243
Retained earnings	**286,663**	231,516
	478,814	398,759
	$1,507,338	$1,282,086

Notes to consolidated financial statements

December 31, 1979

1. Summary of significant accounting policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of George Weston Limited in the equity share capital of principal subsidiaries which are not substantially 100% owned by the George Weston Group is as follows at December 31, 1979:

British Columbia Packers Limited	85%
Loblaw Companies Limited	87%
Kelly, Douglas & Company, Limited	73%
Loblaws Limited	87%
National Tea Co.	73%

b) Amortization of goodwill arising on consolidation of subsidiaries

The Company follows the policy of amortizing, over periods not exceeding twenty years, the net difference between cost of the investments in subsidiaries and the estimated fair value of their net assets at the dates of acquisition. Total amortization for 1979 is $1,003,000 (1978 – $914,000) and is included in "Cost of sales, selling and administrative expenses".

c) Inventories

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. Other inventories are stated principally at the lower of cost and net realizable value.

d) Translation of foreign currencies

All U.S. balances have been translated at a rate approximating the current rate at each year-end. The net difference on the translation of the Company's equity in U.S. subsidiaries and the long-term debt payable in U.S. funds by its Canadian subsidiaries is included in "Fixed assets" in the balance sheet as a decrease of $7,339,000 in 1979 and a decrease of $6,677,000 in 1978.

e) Fixed assets

Depreciation is recorded principally on a straight-line basis to amortize the cost of fixed assets over their estimated useful lives. The depreciation rates are substantially as follows:

Buildings	2½ to 5%
Automotive equipment	15 to 25%
Fishing vessels	6⅔ to 7½%
Equipment and fixtures	5 to 20%
Leasehold improvements	Lesser of useful life and term of lease

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income, except that National Tea Co. applies the gain or loss on normal dispositions of equipment and fixtures to accumulated depreciation.

f) Deferred real estate income

The profits realized on the sale and leaseback of property have been deferred and are being amortized over various periods, mainly twenty-five years, according to the terms of the related leases.

2. Change in accounting policy

In 1979 the Company responded to new recommendations of the Canadian Institute of Chartered Accountants whereby leases entered into after December 31, 1978 which transfer substantially all of the benefits and risks incident to ownership of property are recorded as the acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is amortized on a straight-line basis and the obligation, including interest thereon, is liquidated over the life of the lease. Rents on non-capital leases and on all leases entered into before December 31, 1978 are expensed as incurred.

The effect of the policy change is a reduction in net earnings for 1979 of $600,000 ($.05 per share). A retroactive application of the new policy would reduce net earnings for 1979 by $3,333,000 ($.30 per share), and assets and obligations would increase in the balance sheet by $167,682,000 and $213,118,000 respectively.

3. Income taxes

a) The Company provides for income taxes based on financial statement earnings. This provision differs from income taxes currently payable because certain items of income and expense are reported in the statement of earnings in years different from those in which they are reported on income tax returns. The tax effect of these differences in timing is referred to in the balance sheet as "Deferred income taxes". Income tax expense includes deferred taxes of $19,212,000 (1978-$8,897,000).

b) The potential income tax benefits associated with losses of certain subsidiaries in prior years have not been recorded in the accounts. These accounting losses, which are set out below and relate principally to U.S. subsidiaries, are available to reduce taxable income in future years. The tax benefits will be realized in these future years provided that the respective subsidiaries have sufficient accounting income.

	Latest year available for deduction	Amount (in thousands of dollars)
Losses which may be carried forward on a tax filing basis:	1980	$ 8,109
	1981	848
	1982	2,309
	1983	37,980
	1984	843
	1985	13,037
	1986	549
		63,675
Expenses recorded for book purposes not yet claimed for tax purposes		29,393
Accounting losses, the tax effects of which have not been recognized in the financial statements		$93,068
The Company's effective interest therein		$73,740

4. Extraordinary items

	1979	1978
	(in thousands of dollars)	
Income tax reductions realized on application of prior years' losses	$ 6,953	$ 6,669
Gain on sale of investment and subsidiary's shares	3,575	
	$10,528	$ 6,669

5. Accounts receivable

	1979	1978
	(in thousands of dollars)	
Trade	$156,739	$148,868
Loans, advances and non-current receivables due within one year	3,311	2,004
Other	29,116	31,314
	$189,166	$182,186

6. Inventories, by division

	1979			1978
	Raw materials and supplies	Finished goods	Total	Total
	(in thousands of dollars)			
Food Distribution	$ 3,287	$341,932	$345,219	$293,675
Food Processing	46,741	44,350	91,091	78,993
Fisheries	14,422	94,503	108,925	89,565
Forest Products	27,156	18,649	45,805	45,028
	$ 91,606	$499,434	$591,040	$507,261

7. Investments

	1979	1978
	(in thousands of dollars)	
Properties held for development or sale, at cost	$ 23,645	$ 21,004
Secured loans and advances	15,138	16,917
Non-current receivables	14,557	11,739
Sundry investments	7,502	5,936
	$ 60,842	$ 55,596

Secured loans and advances include $2,462,000 (1978 – $3,520,000) owing by directors and officers of the Company and its subsidiaries arising out of the purchase of preferred shares of the Company through a trustee as part of the Company's incentive plan. These advances are secured by the shares purchased.

8. Accounts payable and accrued liabilities

	1979	1978
	(in thousands of dollars)	
Trade	$263,596	$208,930
Other	172,079	132,638
	$435,675	$341,568

9. Long-term debt

	1979	1978
	(in thousands of dollars)	
George Weston Limited		
Sinking Fund Debentures		
5¼% Series C maturing 1982	$ 5,027	$ 5,596
5½% Series D maturing 1983	5,407	6,126
6¾% Series E maturing 1986	3,684	4,359
6¾% Series F maturing 1987	15,733	17,412
Bank loan maturing 1988 bearing interest at the London Interbank offered rate plus ⅞%	13,490	13,490
	43,341	46,983

British Columbia Packers Limited and subsidiaries	1979	1978
Bank term loan maturing 1982 bearing interest at ½% above the bank's prime rate	$ 6,000	$ 8,000
First Mortgage Sinking Fund Bonds		
6½% Series B (U.S. $1,125,000) maturing 1982	1,324	2,206
6½% Series C (U.S. $375,000) maturing 1982	441	735
Other long-term debt maturing 1986		257
	7,765	11,198
Loblaw Companies Limited		
Bank loan maturing 1983 bearing interest at lower of 107½% of U.S. bank's prime rate or London Interbank offered rate plus ¾% (U.S. $12,750,000)	15,000	15,882
Bank loan maturing 1984 bearing interest at lower of 107½% of U.S. bank's prime rate or London Interbank offered rate plus ¾% (U.S. $13,125,000)	15,441	16,324
Bank loan bearing interest at ½% above the bank's prime rate		11,000
	30,441	43,206
Loblaws Limited		
Sinking Fund Debentures		
5¾% Series F maturing 1981	2,510	3,127
6⅜% Series G maturing 1991	4,438	4,769
6¾% Series H maturing 1991	4,453	5,274
Mortgages payable maturing 1994-1999	2,840	668
	14,241	13,838
Kelly, Douglas & Company, Limited and subsidiaries		
Sinking Fund Debentures		
8⅜% 1973 Series maturing 1993	10,393	11,100
Notes, mortgages and other long-term debt maturing 1980-1997 at a weighted average rate of 8.2% (including U.S. $2,673,000)	3,768	4,262
	14,161	15,362
National Tea Co. and subsidiaries		
Bank loans maturing 1987 at 107½% of the U.S. bank's prime rate (U.S. $25,000,000) and at U.S. bank's prime rate (U.S. $5,000,000)	35,294	17,647
3½% Subordinated Debentures maturing 1980 (U.S. $2,313,000)	2,721	2,721
Other long-term debt maturing 1996 (U.S. $480,000)	565	4,910
	38,580	25,278
Peter J. Schmitt Co., Inc.		
Bank loan maturing 1985 bearing interest at 12% (U.S. $3,000,000)	3,530	
Mortgages payable at a weighted average interest rate of 9.7% maturing 2004-2008 (U.S. $2,563,000)	3,015	
Other long-term debt maturing 1981-2001 (U.S. $2,100,000)	2,470	626
	9,015	626
Westcane Sugar Limited		
9⅜% First Mortgage Sinking Fund Bonds maturing 1993	7,617	8,767

Other	1979	1978
Notes, mortgages and other long-term debt maturing 1980-1999 with a weighted average interest rate of 11% (including U.S. $3,765,000)	$ 20,459	$ 22,200
	185,620	187,458
Less payable within one year	11,398	13,561
Long-term debt	$174,222	$173,897

Principal payable in the next five years is:

1980	$11,398,000	1983	$31,599,000
1981	18,313,000	1984	16,052,000
1982	25,303,000		

10. Leases

The Company and its subsidiaries have obligations under long-term leases for retail outlets, warehousing facilities, equipment and store fixtures. Property under capital leases entered into after December 31, 1978 is:

	(in thousands of dollars)
Buildings	$32,705
Equipment and fixtures	13,670
	46,375
Accumulated depreciation	1,789
	$44,586

The following table discloses minimum lease commitments together with the present value of the obligations under capital leases entered into after December 31, 1978.

	Capital leases entered into after December 31, 1978	Other leases		
		Gross liability	Expected sublease income	Expected net liability
	(in thousands of dollars)			
For the year				
1980	$ 7,204	$ 80,550	$ 18,990	$ 61,560
1981	7,095	77,010	16,678	60,332
1982	6,990	72,475	14,978	57,497
1983	6,922	64,705	13,302	51,403
1984	6,837	57,533	11,199	46,334
Thereafter to 2024	68,510	514,459	99,713	414,746
Total minimum lease payments	103,558	$866,732	$174,860	$691,872
Less amounts representing executory costs	371			
Less amounts representing interest at a weighted average rate of 11%	55,889			
Balance of obligations	47,298			
Less current portion	2,095			
Long-term obligations	$ 45,203			

11. Other liabilities

	1979	1978
	(in thousands of dollars)	
Provision for future net obligations on closed operations	$ 7,704	$ 8,058
Deferred employee compensation	8,190	7,288
Provision for self-insurance	2,856	2,118
	$ 18,750	$ 17,464

12. Capital stock

	Number of shares		Amount	
	1979	1978	1979	1978
			(in thousands of dollars)	
Preferred cumulative redeemable shares, par value $100 each, issuable in series				
Authorized	268,665	268,665		
Issued				
4½% First series, redeemable at a premium of 4%	84,615	88,044	$ 8,461	$ 8,804
6% Second series, redeemable at a premium of 5%	74,309	74,938	7,431	7,494
6% Third series, redeemable at par after October 1, 1980, convertible into 5 common shares for each preferred share and $3.75	1,000	1,000	100	100
6% Fourth series, redeemable at par after October 1, 1980, convertible into 8 common shares for each preferred share and $12.00		625		63
6% Ninth series, redeemable at par after December 3, 1986, convertible into 100 common shares for every 11 preferred shares		2,200		220
8% Tenth series, redeemable at par after March 16, 1988, convertible after certain vesting periods into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $16.125	31,668	43,375	3,167	4,337
	191,592	210,182	$ 19,159	$ 21,018

Second preferred cumulative redeemable and retractable shares, par value of $1 to $100 each, issuable in series				
Authorized	70,000,000	10,000,000		
Issued				
Series A, par value of $100, redeemable and retractable on December 1, 1987, at par; annual dividend rate is one half average bank prime rate plus 1¼%	750,000	750,000	$75,000	$75,000
Series B, par value of $100, redeemable and retractable on December 1, 1990, at par; annual dividend rate is one half average bank prime rate plus ½% to November 30, 1981, ¾% thereafter to November 30, 1985 or ⅞% thereafter	500,000	500,000	50,000	50,000
Series C, par value of $100, redeemable and retractable on December 1, 1991, at par; annual dividend rate is one half average bank prime rate plus 1¼%	250,000		25,000	
	1,500,000	1,250,000	169,159	146,018
Common shares, without par value				
Authorized	16,950,000	16,950,000		
Issued	11,135,914	11,019,357	22,992	21,225
			$192,151	$167,243

During the year, 4,058 preferred shares (1978 – 3,280) were purchased for cancellation at a cost of $249,000 (1978 – $201,000).

In 1979, the Company increased the number of authorized second preferred shares to 70,000,000 and on November 9, issued 250,000 second preferred shares, designated as Series C, at a par value of $100 each for $25,000,000.

The second preferred shares Series A, B and C are retractable at par earlier than 1987, 1990 and 1991 respectively, only in the event of adverse change in the tax status of the dividends received. In the event of early retraction of Series A and B shares the holder will loan the Company funds sufficient to complete the retraction.

During the year the Company issued 97,600 common shares for $1,461,000 on conversion of 625 Fourth, 2,200 Ninth and 11,707 Tenth series preferred shares having an aggregate par value of $1,453,000 and cash of $8,000 and issued 18,957 common shares for cash of $306,000 on exercise of employee stock options. After giving effect to the foregoing the Company has reserved 201,390 common shares for potential conversion of the preferred shares.

As at December 31, 1979, 131,043 common shares have been set aside for issue under terms of an employee stock option plan. The following options which have been granted at the market price on the date of the grant are outstanding at December 31, 1979.

Number of employees	Number of shares	Exercise price per share	Option expiry date
27	100,393	$16.125	March 16, 1983
2	10,000	19.875	September 15, 1983

The exercise of the conversion privileges and the stock options would not have a material effect on earnings per share.

13. Retained earnings

The Trust Indentures securing the Company's sinking fund debentures contain provisions whereby certain tests must be met before the declaration of dividends. At December 31, 1979 a substantial portion of consolidated retained earnings is available for dividends under these tests.

14. Commitments and contingent liabilities

a) Endorsements and guarantees amount to $93,931,000.

b) The present value of the unfunded past service pension liability is estimated to be $46,000,000 at December 31, 1979 and is being amortized over varying periods not exceeding seventeen years.

c) Certain actions are pending against a subsidiary, National Tea Co., in which several plaintiffs allege that National Tea Co. and others were in violation of U.S. anti-trust laws. The original and seven subsequent suits which claimed substantial damages were dismissed with prejudice in a U.S. District Court in 1977. In 1979 a Circuit Court of Appeal reversed the dismissal and remanded the cases to the District Court. Although the outcome cannot be predicted, management is not aware of any facts which would substantiate the allegations.

15. Segmented information

	Food Distribution	Food Processing	Fisheries	Forest Products	Eliminations	Consolidated
			(in thousands of dollars)			
Sales to customers outside the enterprise	$4,719,848	$497,284	$313,167	$336,803		$5,867,102
Inter-segment sales	5,415	183,577	24,165	16,884	$(230,041)	
Total sales	$4,725,263	$680,861	$337,332	$353,687	$(230,041)	$5,867,102
Segment operating profit	$ 69,526	$ 30,835	$ 16,891	$ 48,430		$ 165,682
Investment and other income, net of corporate service expense						2,583
Operating income per earnings statement						168,265
Interest expense						(38,890)
Income taxes						(53,527)
Minority interest						(9,899)
Extraordinary items						10,528
Net earnings						$ 76,477
Identifiable assets	$ 865,184	$245,248	$196,104	$185,754		$1,492,290
Corporate assets						15,048
Total assets						$1,507,338

	Food Distribution	Food Processing	Fisheries	Forest Products	Eliminations	Consolidated
			(in thousands of dollars)			
Purchase of fixed assets	$ 98,189	$ 21,700	$ 15,477	$ 21,677		$ 157,043
Depreciation of fixed assets	$ 36,175	$ 11,097	$ 5,458	$ 9,642		$ 62,372

16. Acquisition
During the year a subsidiary, National Tea Co., acquired 100% of Applebaums' Food Markets,Inc., a retail supermarket chain in the Mid-Western United States. The purchase method has been used to account for this acquisition and has resulted in the following allocation of the purchase price:

	(in thousands of dollars)
Working capital	$ 5,353
Goodwill	3,147
Other assets	23,470
Other liabilities	(9,792)
Cash consideration	$22,178

17. Subsequent event
Stroehmann Brothers Company, a baking company in the Northeastern United States, has been acquired in 1980 for approximately U.S. $32,200,000. Long-term financing for this acquisition has been completed in the amount of U.S. $25,000,000.

18. Other information
a) The aggregate direct remuneration paid to directors and officers is as follows:

Number of directors	11
Number of officers	16 (including 1 former officer)
Number of officers who are also directors	6

	Directors' fees	Other remuneration
Paid by the Company	Nil	$1,008,344
Paid by subsidiaries	Nil	858,140

b) The Companies Act of British Columbia
These financial statements comply with the disclosure requirements of the act of incorporation (the Canada Corporations Act) and the securities legislation of certain provinces in Canada, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

Directors

W. Galen Weston†
Chairman and President
George Weston Limited
Chairman of the Board
and Chief Executive Officer
Loblaw Companies Limited

Richard J. Currie
Senior Vice President,
Food Distribution
George Weston Limited
President and Chief
Operating Officer
Loblaw Companies Limited

Mark Hoffman††
Senior Vice President
and Chief Financial Officer
George Weston Limited

George C. Metcalf†
Vice President
George Weston Limited
Vice Chairman of the Board
Loblaw Companies Limited

Richard I. Nelson
Chairman and Chief Executive Officer
British Columbia Packers Limited

David A. Nichol
Senior Vice President
George Weston Limited
President, Loblaws Ontario Division
Loblaws Limited

S. Simon Reisman††
Chairman
Reisman & Grandy Ltd.

Frank. A. Riddell
Company Director

John C. Scarth
President and Chief Executive Officer
E.B. Eddy Forest Products Ltd.

John D. Stevenson, Q.C.† ††
Partner
Smith, Lyons, Torrance,
Stevenson & Mayer
Barristers and Solicitors

Garry H. Weston
Chairman
Associated British Foods Limited

Officers

W. Galen Weston
Chairman and President

Richard J. Currie
Senior Vice President,
Food Distribution

Mark Hoffman
Senior Vice President and
Chief Financial Officer

David A. Nichol
Senior Vice President

Donald I. McCarthy
President,
Food Processing

George C. Metcalf
Vice President

William A. Sloan
Vice President, Finance

Ralph S. Barnes
Corporate Planning and
Development Officer

Ivan R. Franklin
Corporate Tax Officer

Kenneth L. Harlock
Controller

Ian M. Young
Treasurer

Stewart E. Green
Secretary

Terrence H. Wardrop
Strategic Planning Manager

James N. Bunsch
Assistant Treasurer

Charlotte Welch
Assistant Secretary

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Smith, Lyons, Torrance,
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Auditors

Thorne Riddell
Toronto, Ontario

†Member Executive Committee
††Member Audit Committee

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