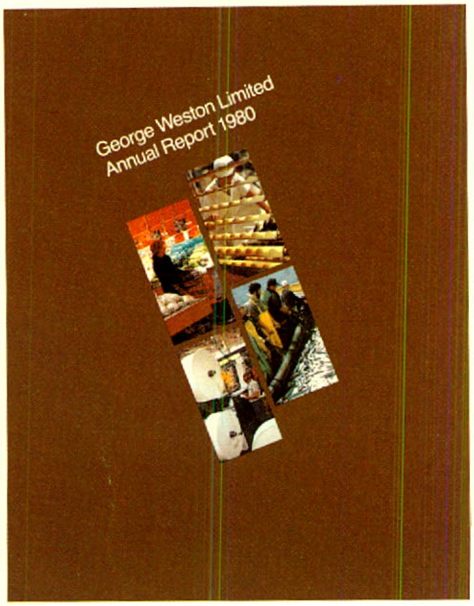
George Weston Limited
Annual Report 1980



George Weston Limited is a broadly based Canadian company conducting food processing, fisheries, forest products and food distribution operations in North America.

Our cover

The cover represents the four divisions of Weston the operations and results of which are outlined in this report. Shown in the pictures throughout the report are some of the people of Weston.

Contents

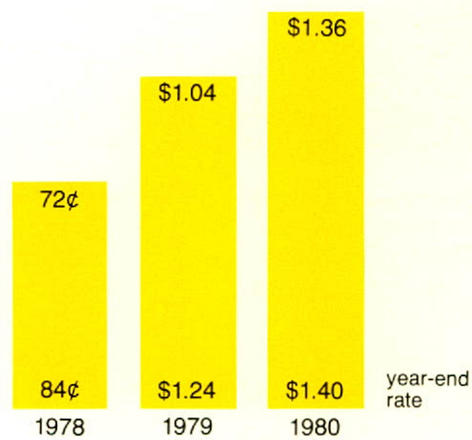
George Weston Limited
Annual Meeting of Shareholders
April 27, 1981 at 11 a.m.
Royal York Hotel, Toronto, Ontario

Financial highlights

($ millions)	**1980**	1979	Increase
Operating results			
Sales	**$6,776.7**	$5,867.1	16%
Cash flow from operations	**174.4**	168.2	4%
Earnings before extraordinary items	**70.5**	65.9	7%
Net earnings	**83.6**	76.5	9%
Dividends	**28.7**	21.3	35%
Financial position			
Working capital	**273.5**	232.5	18%
Long term debt	**248.8**	174.2	43%
Shareholders' equity	**534.0**	478.8	12%
Total assets	**1,757.5**	1,507.3	17%
Ratios			
Return on capital employed	**17.3%**	17.3%	
Return on common equity	**16.9%**	19.9%	
Return on sales	**1.2%**	1.3%	
Working capital ratio	**1.42 to 1**	1.39 to 1	
Total debt to equity	**0.71 to 1**	0.62 to 1	

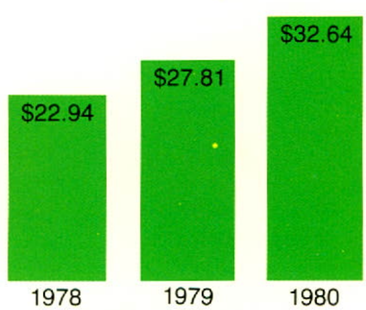
Earnings before extraordinary per share

Dividends per share

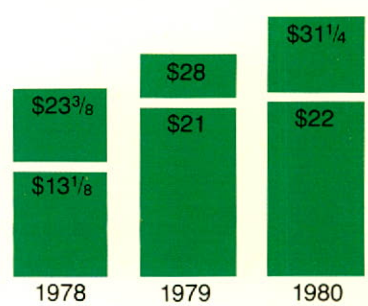


Cash flow per share

Book value per share



Price range per share



1980 was another good year for your Company. Record levels of sales and earnings were achieved for the third successive year.

What would have been an outstanding year for Weston was prevented by two things: a very poor year in our Fisheries Division on both coasts and higher than anticipated interest rate levels. The Loblaw Group made by far the largest relative improvement in performance moving up by 49% in earnings before extraordinary and 14% in sales, and doing so within the confines of its own cash flow. The Food Processing Division also had a significant increase, helped by last year's very successful acquisition in the bakery sector of Stroehmann Brothers of Pennsylvania.

This year and next we have chosen to direct a major portion of our discretionary capital expenditures into Forest Products – through our E.B. Eddy subsidiary. We see great opportunities for growth in our natural resource holdings in Canada. Returns in pulp and paper continue to be excellent and the current restructuring of the fishing industry of British Columbia and our position in it should go some way toward resolving the present problems of what has been historically a good investment for our Company.

By the end of this financial year your Company will have been in operation for one hundred years. A remarkable number of the basic principles that I believe have made us successful and in many ways different from other large corporations have been fundamental to us for much of this time and in the section which follows I felt it relevant for this Annual Report to write some of them down. I have also set out several of our more important fiscal goals to shareholders.

During the year we were saddened by the passing of Frank Riddell, a director of the Company and loyal employee for over 47 years. Mr. Riddell was highly instrumental in building Weston Bakeries and latterly the Food Processing Division of the Company to their current levels of importance and only retired from active operations early in 1980.

We welcome to our Board this year two new directors, Hugo Mann, a food industrialist operating a very large and successful business in Germany and The Honourable Pauline McGibbon who, as our former Lieutenant-Governor of Ontario needs no introduction. Both will add greatly to the consummate wisdom of our Board.

W. Galen Weston

W. Galen Weston
Chairman and President

Weston 1980

George Weston Limited has developed its business on a combination of related yet independent Food Processing and Food Distribution operations. Weston's involvement in these two sectors of the food industry provides both long term stability and the opportunity for growth through the expansion of its businesses in North America. The complementary interests of Weston in renewable Canadian resources through its Fisheries and Forest Products Divisions ensure that Weston has an opportunity for growth within Canada over and above that available in its principal lines of business.

Management philosophy

Weston has for many years adhered to a management philosophy and a set of business principles which ensure its distinctive corporate character.

These principles are:

- *Quality products.* The products and services that Weston offers must be equal or superior in value to those of our competition. Our first guiding principle is to provide to the public the best product at the lowest cost.
- *Market leadership.* Weston will strive to be the market leader or a strong second in the product and geographic areas in which it operates.
- *Management excellence.* Management must meet the highest standards of achievement, integrity and teamwork.
- *Independent operations.* Weston operates on a decentralized basis, supplying specialized corporate services to independent operating divisions where beneficial in achieving overall goals. Weston provides operating management with the opportunity and resources necessary for their development.
- *Performance.* Weston believes that all operating companies should develop and follow a plan and strategy that will ensure continued improvement in their operations, products and services, while maintaining or improving the return on investment.
- *Flexibility.* Resources are allocated in a fashion consistent with these principles and where necessary replaced or redeployed to ensure the continued improvement of performance and achievement of goals.
- *Opportunity.* Weston has historically sought out opportunities for growth and development in related industries through both internal expansion and acquisition. Weston continues to believe that such a principle of opportunity is in the interest of Weston's employees and shareholders and of the communities in which it operates.

These principles have provided the framework within which Weston strives to meet its objectives and measure its performance.

Objectives

To ensure an above average real return to shareholders on a long term basis it is essential to establish quantifiable financial objectives for the business. While internal and divisional goals must be even more demanding certain minimum overall objectives must be consistently achieved. These objectives are:

- A long term average rate of return on capital employed in excess of 15%
- A long term average rate of return on common equity in excess of 15%
- Compound earnings growth rates of at least 15%
- The maintenance of prudent levels of financial leverage and risk appropriate for our business mix within a total debt to equity ratio of one to one.

These corporate objectives call for performance clearly and consistently superior to the long term rate of inflation. At the same time our objectives must be met within a framework of sound financial management.

A continuing review of capital costs, financial structure and internal goals for investment is an integral part of setting current performance objectives. An appropriate allocation of corporate resources must be achieved. Therefore after-tax cash flows of discretionary capital expenditures must exceed hurdle rates which reflect the mix and nature of our business components, the desirable level of financial leverage, and our current cost of capital. Most discretionary projects must provide returns well in excess of the average hurdle rate since they are balanced by non-discretionary investments, usually of lower return.

As inflation rates and financing costs change, it may be necessary to re-establish our internal criteria and our overall objectives in order to maintain a sufficiently clear margin of real return for shareholders.

Corporate responsibilities

In accomplishing its objective of "the best product at the lowest cost" Weston and the many public and private companies which operate under its guidance recognize their related responsibilities as corporate citizens. Some of these are:

- to provide employment at fair rates of pay;
- to provide working conditions consistent with the highest standards of industry;
- to protect and where possible enhance the environment in which we operate;
- to contribute positively to the cultural and social life of the communities we serve;
- to conduct our business in the highest standards of ethics of our society.

In accepting and fulfilling these responsibilities, the Weston Group of companies has accomplished the following in 1980:

- provided full or part-time employment for over 60,000 people across Canada and the United States;

- paid to its employees approximately $1 billion in wages, salaries, pension, insurance and other benefits;
- collected sales and income taxes on behalf of governments of over $400 million from customers and employees;
- incurred direct property, income and business taxes of $95 million;
- reinvested $180 million in land, building and equipment to increase productivity and provide for the future;
- conducted many programs and invested more than $5 million directly on environmental enhancement;
- spent some $3 million on research and development in Canada;
- donated over $1 million to national, regional and local community charity programs of many different kinds.

In recognizing and meeting these obligations to the community Weston relies on the dedication of its many employees, some of whom are depicted throughout this report at work and in the community.

Report on operations

For the third consecutive year Weston reported record levels of sales and earnings. Sales of $6.8 billion reflected an increase of 15.5% over 1979. Earnings before extraordinary increased to $70.5 million compared to $65.9 million in 1979.

Return on capital employed was 17.3% for Weston in 1980. This is identical to that achieved in 1979, and compares favorably with 16.4% in 1978. In 1980, three of our four divisions showed a return on capital greater than our 15% minimum target. The increasing returns in the Food Processing and Food Distribution Divisions at 20% and 17% respectively were particularly encouraging but the return for the Fisheries Division at 3% was unsatisfactory for the year. The Forest Products Division's return on capital employed declined slightly in 1980 to 33% but still remained highly satisfactory.

Return on Weston common shareholders' equity was 16.9% in 1980 compared to 19.9% in 1979 and 19.3% in 1978. Earnings growth in 1980 did not contribute significantly to our long term earnings growth rate objective, but the compound rate of earnings growth over the past three years is still a healthy 29%. Compound earnings growth over the past five and ten year periods was 26% and 15%, respectively.

Capital expenditures and capital employed by division
($ millions)

The pause in earnings growth in 1980 resulted primarily from the downturn in our Fisheries Division, but higher financing costs also contributed to the slowdown. More than $90 million of new or refinanced long term debt arranged in the second quarter at fixed rates averaging 12¾% helped to contain these costs. Earnings were impacted negatively in roughly equal parts by significantly higher floating debt interest costs, the increased debt associated with acquisitions in our Food Processing and Fisheries Divisions and higher dividends on floating rate preferred share capital. At year end the ratio of total debt to shareholders' equity was 0.71 to 1, a degree of financial leverage consistent with our objectives.

Book value per common share increased by 17% to $32.64 at year end 1980. Common dividends declared in 1980 increased by 31% to $1.36 per share.

The rate of earnings paid out at 26% in 1980 reflects the requirement for continuing reinvestment of capital to provide growing income to our shareholders. Record capital expenditures in 1980 totalled $180 million. The divisional breakdown of these expenditures and of capital employed is shown on this page.

Food processing 1980

Food Processing Division sales increased 42% to $969 million in 1980, including the sales of newly acquired Stroehmann Brothers Company, compared to $680 million in 1979. Excluding Stroehmann, 1980 sales were up 19%. Operating income increased 66% to $48.9 million reflecting improved results in most business segments plus the impact of Stroehmann.

During 1980 $34 million was invested in capital projects. Most of this investment involved replacement and upgrading or expansion of manufacturing facilities to ensure the Division's ability to sustain production on an efficient and competitive basis. Average capital employed by the Division in 1980 was $246 million and return on capital employed improved from 15.0% in 1979 to 19.9% in 1980.

The 1980 capital program included virtual completion of the major renovation program at Neilson which will provide this company with one of the most efficient confectionery operations in North America; the first half of the modernization of Weston Bakeries' Toronto plant and the installation of modern and efficient processing equipment at our food specialties subsidiary Chocolate Products.

Fisheries 1980

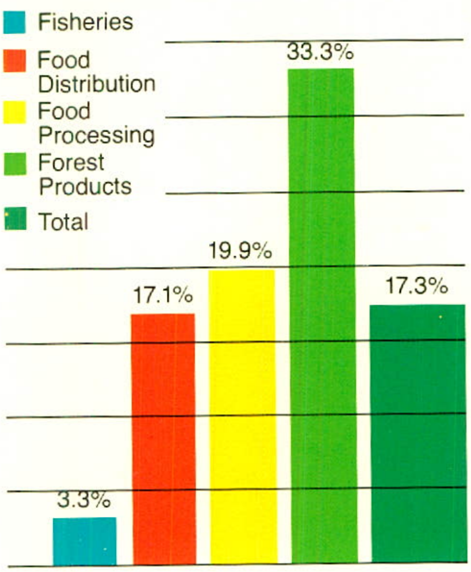
The North American fishing industry suffered a traumatic year in 1980. Costs escalated while size of total catches and market values declined, creating financial problems for both fishermen and processors alike. Weston's operations, while faring better than most, had a poor and unsatisfactory performance. Sales were $327 million compared to $337 million in 1979. Operating income was $6.0 million in 1980 compared to $19.4 million in 1979, and was insufficient to cover interest costs.

On the west coast the decline resulted largely from the loss of the spring roe herring fishery, the poorest salmon catch since 1975 and exceptionally weak export markets for almost all fresh and frozen sea food products. Fishermen chose not to fish for herring rather than accept substantially reduced prices resulting from the collapse of the Japanese market.

Our subsidiary, British Columbia Packers, took advantage of a difficult time in the industry to acquire certain assets of the Canadian Fishing Company. At the same time it disposed of its holdings in the rapeseed refining business and is currently in the process of closing a number of marginal facilities.

On the east coast, Connors Bros., Limited fared somewhat better even though its principal fishery, juvenile herring canned as sardines, provided the poorest harvest for many years. Connors benefitted from improved productivity in its new cold storage facility at Black's Harbour, New Brunswick and the acquisition during the year of a processing plant at Shippegan, New Brunswick. However, increased

Return on capital employed 1980



pressure on margins and weak markets for a less profitable product mix resulted in a substantially lower income level.

With a return to more normal levels of resource availability and the resumption of market demand, our fishing components should be well positioned for a recovery to more satisfactory levels of earnings.

Forest products 1980

The Forest Products Division recorded a strong performance in 1980 in spite of the uncertain economic climate. Sales increased to $385 million compared to $354 million in 1979. Operating income was $41.6 million, a decline of 12.6% from last year's level of $47.6 million as a result of low lumber prices and a small reduction in tonnage of pulp and paper shipments. Return on capital employed was reduced to 33.3% compared with last year's achievement of 37.5%. A capital expenditure program of $250 million for modernization and upgrading the Espanola pulp mill commenced during the year and is planned for completion in late 1983.

The demand for softwood lumber is expected to remain sluggish as a result of depressed construction activity. As economic activity resumes, however, Eddy with its upgraded facilities should make an increasingly important contribution to Weston results.

Food distribution 1980

The Food Distribution Division had a record year in 1980 in spite of severe price competition in several major markets, particularly in the United States. Sales increased by 14% to $5,375 million, while return on capital employed improved to 17.1% in 1980 from 14.4% in 1979. The Division produced a record level of earnings before extraordinary in 1980 of $34 million compared to $23 million in 1979 and we continued to invest substantial capital ($89.8 million in 1980) in order to further improve its performance and its position in the market.

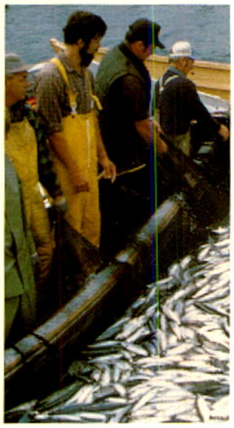
Our unique balance between retail and wholesale business has positioned this Division to maintain its level of returns and good performance in spite of continued high food price inflation and cost escalation. These performance trends should continue in the immediate future.

Summary

While 1980 was another successful year for Weston with substantial improvement in the Food Processing and Food Distribution Divisions, cyclical results in the natural resources sector remain a focus of management attention. A more complete report on the character and strategic outlook for each of our four Divisions follows.

Divisional summary 1980

($ millions)	Food Processing	Fisheries	Forest Products	Food Distribution	TOTAL
Operating summary					
Total sales	$969.0	$326.8	$385.2	$5,374.8	
Intercompany sales	229.6	25.9	20.4	3.2	
Sales to customers	739.4	300.9	364.8	5,371.6	$6,776.7
Operating income	48.9	6.0	41.6	99.7	196.2
Capital summary					
Capital expenditures	34.2	35.1	20.6	89.8	179.7
Total assets	342.5	235.1	217.1	962.8	1,757.5
Average capital employed	245.6	182.7	124.9	581.8	1,135.0
Return on capital employed	19.9%	3.3%	33.3%	17.1%	17.3%
Number of employees					
Full-time	10,800	3,000	4,600	20,000	38,400
Part-time	1,400	4,500	200	17,500	23,600

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Food processing

The Weston Food Processing Division taken alone is one of Canada's largest food manufacturers. It comprises 15 operating groups with over 10,800 full-time employees in 170 plant, warehouse and office locations in Canada and the United States. The Division's activities are divided into four segments.

Baking and flour milling

With sales of $370 million from Weston Bakeries, the recently acquired Stroehmann Brothers, and McCarthy Milling and Soo Line Mills, this segment accounted for 38% of Division sales in 1980. In Canada, Weston Bakeries has plants from Montreal to Vancouver while Stroehmann is centered in Pennsylvania in the United States. Products include a wide variety of breads, rolls, cakes and other baked goods distributed as national brands and private labels through grocery stores, restaurants and food related outlets.

Baking was the original business of Weston's founder and we continue an enthusiastic commitment to this industry. In its first year as a Weston company, Stroehmann's sales and profit contribution exceeded expectations and this company proved a worthwhile addition to our group.

The baking industry is a large and stable industry and our ability to identify and respond to changes in the market augurs well for the future.

Biscuit and confectionery

In 1980 biscuit and confectionery sales were $186 million, an increase of 12% over 1979. InterBake Foods Limited – with plants in Winnipeg, Manitoba; London, Ontario and Longueuil, Quebec – and Interbake Foods Inc. – with plants in Richmond, Virginia; Battlecreek, Michigan; Sioux City, South Dakota and Tacoma, Washington – are this segment's operating companies and account for 19% of Division sales. In Canada, a broad range of sweet biscuits, crackers, ice cream cones and wafers, confections and candies are produced. In the United States, production is limited to biscuits, crackers and cones.

Weston Bakeries salesman loading bread aboard the Polar Bear Express in Kirkland Lake, Ontario for delivery to Moosonee. Temperature – 50°F. Fresh products delivered daily across Canada.

Growth opportunities for the sweet biscuit and cracker industry are modest but since the market is large and receptive to innovation and our manufacturing facilities are strategically placed, we see continued opportunity in this segment of the business.

Chocolate and dairy

The sales of this segment were $180 million in 1980, an increase of 19% over 1979, representing 19% of the Division total. William Neilson manufactures both chocolate and ice cream at the same location in Toronto; Donlands Dairy has fluid milk operations in Toronto and Guelph, while Clark Dairy has one plant in Ottawa. Although ice cream and chocolate bars, marketed under such well known names as Jersey Milk, Crispy Crunch, Sweet Marie and Malted Milk are Neilson's primary business, during the past several years Neilson has actively pursued opportunities in the grocery field with new products including hot chocolate, iced tea and more recently Neilson Country Crisp, a major contender in the growing granola bar market. Donlands and Clark Dairy have also been active in product development with cottage cheese and yogurt as major market entries. With the objective of optimizing the use of our resources, the dairy marketing and sales aspects of Neilson have been integrated with Donlands and Clark.


Packaging chocolate mints at Neilson.
Packing flour for shipment, Soo Line Mills, Winnipeg.

Notwithstanding numerous price advances, forced by escalating commodity costs, consumer demand for chocolate confectionery products continues strong. Prospects for grocery products, ice cream and frozen confections are good, with consumer perception of dairy products especially favourable.

Food specialties

Food specialties sales, buoyed in part by sharp advances in sugar prices, were $233 million in 1980 31% higher than in 1979, accounting for 24% of the Division total. This group of companies offers a wide range of food and food ingredient products ranging from refined sugar to dates and nuts. Most of the companies in this group experienced good results in 1980, however for Westcane Sugar it was a difficult year because of the extraordinary increase in the world cost of raw sugar.

Outlook

As consumers struggle in their fight with inflation and more meals are eaten away from home as more women join the labour force, real growth in the food industry is increasingly difficult to achieve. In view of this, increased emphasis is being given to strategic planning and investment analysis. Our objective is to increase our share of North American food sales and to improve our return on invested capital. To this end we plan to build on our present base through increased support of existing products, introduction of new or improved products and geographic expansion.

Fisheries

The Fisheries Division of Weston is made up of two segments. British Columbia Packers Limited, a major Canadian public company operating principally on the west coast of Canada with sales of $242 million in 1980, is the leading domestic supplier and exporter of Canadian salmon. Connors Bros., Limited, operating on the east coast with 1980 sales of $85 million is the leading domestic supplier and exporter of sardines in Canada. This Division provides full-time employment for approximately 3,000 persons.

British Columbia Packers

British Columbia Packers is the largest fishing company in the west and is a major supplier to world markets. It operates three of British Columbia's most efficient canning facilities and conducts fishing and acquiring operations from over 40 facilities. Products under such proven labels as Clover Leaf, Paramount and Rupert now include a wide variety of fresh, frozen, canned and prepared seafoods of many species including salmon, tuna, food herring, roe herring, halibut, groundfish, and shellfish.

British Columbia Packers owns and operates over 60 seine boats as well as some 290 gillnet boats crewed by more than 750 fishermen. In addition it purchases fish from approximately 4,000 independent fishermen. Major processing facilities are located in Prince Rupert and Richmond in British Columbia, in addition to facilities in Alaska, California, and Washington State. In 1980 approximately 50% of sales were exported compared with 58% in recent years. The three major foreign consumer markets are Japan (4%), the European Economic Community (26%)and the United States (14%).

British Columbia Packers has recently begun to concentrate its resources in the acquiring, processing and marketing activities while limiting its efforts in primary fishing and related fish servicing functions. This redistribution of the company's resources will strengthen and improve the position of British Columbia Packers within the industry.

Overriding industry factors will continue to result in cyclical performance for this segment of the Weston Fisheries Division. The volume of fish landings, both of Canada and competing nations, will continue to affect market prices while fluctuation of the Canadian dollar relative to major export markets will also play a major role in the year to year results.

Connors Bros.

Connors is a major processor of Atlantic seafoods. Starting as a small sardine cannery, Connors now operates from twelve major facilities. Connors' products, marketed throughout the world under the familiar Brunswick label include fish in fresh, frozen, salted and canned forms, snack foods and industrial fish meals and oils. Export markets comprise over 70% of sales and include areas such as the United States, the European Economic Community, the Caribbean and Africa.

The activities of Connors are conducted by three operating divisions. The canned product division operates from five plants located adjacent to the major sources of sardines on the east coast. Its cannery in Black's Harbour and associated can and cover manufacturing plant is one of the east coast's most modern and complete facilities. Substantial freezing and cold storage capacity allows Connors to reduce the cyclical nature of its canning operations. The herring division processes frozen, salted and other herring products primarily for export to Western and European markets. The groundfish division is an expanding segment of the east coast operations. It now comprises four plants and produces a wide variety of products including lobster and other shellfish. The prime market for groundfish products is the United States.

Inspecting packed salmon before sealing.
Cleaning of turbot at Richmond packing plant.

Outlook

Weston's Fisheries operations on both coasts have benefitted from a close attention to specialization, improved efficiency through selective capital investment, and a concentration in the most productive and competitively successful aspects of the business. It has been necessary to move quickly in a rapidly changing industry to redirect or eliminate redundant or uncompetitive outlets. The people of our fisheries operations, who are among the leaders in the world in their business specialties, have provided a significant competitive advantage for the Division. The leadership and experience of B. C. Packers and Connors Bros. should result in enhanced profit opportunities during the coming period of growth and change.

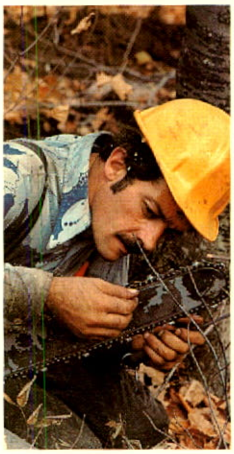
Inspector examining salmon for quality at dockside, B.C. Packers' Richmond plant. Products are inspected upon arrival at dockside.

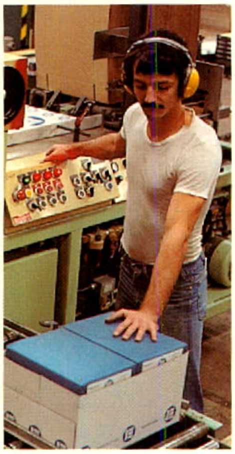

DELTA QUEEN III

Forest products

The Forest Products Division operated by E. B. Eddy Forest Products Ltd. markets pulp, fine paper, consumer and other specialty paper and wood products in Canada, the United States and elsewhere. Its original operations began in 1851 and its facilities now include a major kraft pulp and paper mill at Espanola, Ontario, paper making and converting mills at Ottawa/Hull and Brewer, Maine as well as saw mills at Nairn Centre and Timmins in Ontario and Davidson in Quebec.

Eddy harvests large tracts of timberlands in northern Ontario and western Quebec under long term agreements for forest management and timber cutting rights. Licences are renewable by the provincial governments for existing pulp and other forest industry installations as long as the licencee conforms to the applicable regulations regarding forest management.





Eddy Forest manager decides which strip of timber rights under forest management will be cut.
Controlling machine at Ottawa/Hull raising lumber and directing it to Eddy's mill on a conveyor belt.
Lumberjack on location, Davidson, Quebec.
Packaging of products, Ottawa/Hull plant.

E. B. Eddy/Government research team member examining miniature greenhouse. Growth of seedlings under plastic cones are compared with natural seedlings in the forestry management program.

The Canadian and United States operations provide employment for approximately 4,800 persons. All the forest products operations are wholly-owned.

Paper operations

Eddy's paper mills at Ottawa/Hull and Espanola have a capacity of 270,000 tons per year of assorted fine and specialty and household tissue papers; the facilities in Brewer have a production capacity of 54,000 tons per year of fine and specialty papers. The largest volume of sales is in the fine and specialty papers sector which includes a variety of grades for printing, writing, converting, packaging and wrapping. Eddy is a quality leader in both Canada and the United States in several of these papers, including coated release papers produced by Eastern Fine Paper at Brewer, Maine. White Swan Company, a division of Eddy, distributes a wide range of bathroom and facial tissues, paper towels and serviettes as well as waxed paper and aluminium foil.

Pulp and lumber operations

The pulp operations consist of a sulphate mill in Espanola with an annual capacity of 240,000 tons of bleached softwood and hardwood kraft pulp. It supplies approximately one half of the requirements of the Espanola and Ottawa/Hull paper making operations, and ships the remainder of its production as market pulp to domestic and export consumers. The installation of an oxygen bleaching process to both production lines has improved product quality while reducing pollution.

The wood products operations are geared primarily to the production of white pine, spruce and jackpine lumber and have a capacity of 197 million foot board measure. Approximately two-thirds of the lumber is exported, the remainder being sold largely in Ontario. The by-product wood chips are used in the Espanola pulp mill or sold to other mills.

The major capital expenditure program now underway at Espanola will increase the production capacity of the pulp mill from 700 tons per day to 900 tons per day and will result in higher quality pulp produced at competitive costs.

Outlook

The outlook for Eddy and the pulp and paper industry in general is positive, but is tempered by the high capital cost for pollution abatement and for the modernization and expansion of productive capacity necessary to retain a competitive position vis-a-vis United States producers. Rationalization and specialization will be the trend in the industry and will require good market planning and upgrading of production facilities. These are two areas of particular strength for Eddy. The company's high degree of integration from timber to paper combined with a broad line of specialized products will continue to reduce some of the cyclicality that is typical of most forest product companies. Eddy's future as a part of Weston's commitment in the natural resources sector of Canada is promising.

Food distribution

Weston's Food Distribution operations are conducted by Loblaw Companies Limited, a major Canadian public company owned 87% by Weston. Loblaw oversees the operations of three retail food distribution businesses and four wholesale food distribution companies.

Loblaw's retail activities consist of the marketing of food and related products through retail food stores. Its wholesale activities consist of supplying these products to franchised stores, independently owned stores, restaurants and the food service industry and to a lesser extent operating corporate retail stores.

At the end of 1980, Loblaw operated 415 corporate retail stores through its retail businesses and 147 corporate retail stores through its wholesale businesses. As of the same date, Loblaw operated 72 distribution centres with approximately 7.5 million square feet of space and 84 cash and carry outlets. Loblaw has approximately 37,500 employees of which approximately 20,000 are employed on a full-time basis. Loblaw's merchandising objective is to appeal to all segments of the food market, either directly through its retail operations or indirectly through its wholesale operations.

The wholesale-retail food industry is in a low growth mode related to declining birth rates, strong trends to eating out and pressures from inflation. New operating formats such as combination stores, superstores, warehouse (box) stores and limited line, no frills stores, have all assisted in maintaining the already thin operating margins. Loblaw expects to continue expansion in its existing markets, aiming at being first or second in market share in every major market in which it operates, consistent with Weston's management philosophy.

Four businesses comprise the eastern operations. The largest is Loblaws Ontario, a retail operation. Loblaws Ontario operates 137 stores with average sales of $130,000 per store per week. It is the market leader in the development of generic products and no frills stores. The Royal Commission of Inquiry into Discounting and Allowances in the Food Industry in Ontario concluded that

> "Ontario retail chains operate more efficiently, as a whole, than any other food chains in North America. This is reflected in the fact that Ontario food prices are the lowest in Canada." (pg. 228)

Zehrmart Limited and National Grocers complete the Ontario operations. Zehrmart operates 57 Zehrs and Gordons stores throughout southern Ontario while National Grocers operates from 10 warehouses, 43 cash and carry outlets and 20 corporate retail stores. Atlantic Wholesalers, located in the Maritimes operates 15 distribution centres, 18 cash and carry outlets and 34 corporate retail stores.

Ziggy delicatessen take-out counter. Hot lunches and sandwiches.
Loblaw fruit product selection.
Stocking no-name soft drinks at Erin Mills.

Kelly, Douglas & Company, Limited, a public company owned 84% by Loblaw, conducts the western operations which are wholesale in nature. Operations are conducted in British Columbia (Super Valu) on the Prairies (Westfair-Super Valu), and in Denver and Albuquerque (Western Grocers). At the commencement of the year 45 corporate stores were converted to franchise outlets leaving Kelly Douglas with 37 distribution centres, 23 cash and carry outlets and 58 corporate stores.

National Tea Co., operating in the midwest and south central United States, together with wholly-owned Peter J. Schmitt Co., Inc. of Buffalo, conducts Loblaw's United States operations. National Tea, a major public supermarket retailing company owned 84% by Loblaw, operates 221 corporate stores in four geographic areas: New Orleans, Indianapolis, St. Louis and Minneapolis. During the past four years Peter J. Schmitt has undergone considerable reorganization, consolidation and conversion to primarily wholesale operations. At year end 1980, this company operated 35 corporate stores and serviced 48 franchised accounts from its distribution centre in Buffalo.

Outlook

Loblaw Companies Limited, one of the largest food distribution businesses in North America, has in the past few years dramatically improved its operations to become one of the most progressive and well positioned of the large corporations in this industry in North America.

Ziggy's meat manager preparing meat to customer requests.

Community awareness

The Weston Group, while striving to attain its business objectives, is attempting to meet the responsibilities of good corporate citizenship. The following is a brief review of some of these efforts.

People

The companies which make up Weston are encouraged to be involved in and sponsor community programs such as Loblaw minor hockey tournaments, the Jerry Lewis Campaign for Muscular Dystrophy and the recent assistance in funding the "Vincent Van Gogh and the Birth of Cloisonism" exhibition at the Art Gallery of Ontario.

The training of people for new skills and improvement of existing skills is a program which is vital to the future of the whole community and one in which the Company is very active. The Forest Products Division participates in forest management education and training of employees and community college students in this highly technological industry.

Eddy manager instructing students from Algonquin College under the Timber Education Program.

The Fisheries Division also has training and retraining programs that cover management development, human relations, and safety both technical and occupational. Many fishing operations are located in isolated communities where it becomes the responsibility of the company to provide for social and cultural activities. As a result, local participation, including the involvement of the many native and ethnic members of our work force, plays a large part in the community effort of the Fisheries Division.

Research and development

Weston is committed to research and development. In order that Canadians may continue to compete and maintain their current standards of living, the development of new and better products and more advanced technologies is of great importance. The Weston Research Centre on Yonge Street, Toronto, in addition to programs of pure research and product development, is directly involved with universities and governments in joint research projects.

For the scientists and technical people at Weston Research, nutrition is an important consideration as they work with our companies in developing products that will match consumer tastes and preferences while meeting the highest industry standards. Products and packages are regularly tested for quality and considerable effort is devoted to ensuring customer satisfaction with existing and new products.

Weston Research Centre carries on a continuing program of quality control for Weston subsidiaries.

Awards given to Stroehmann for achievement in energy conservation.

Conservation

The efficient use of energy is of great concern to Weston. All Divisions have programs in place to conserve energy and develop new technology for the future.

Stroehmann bakery operation in the United States is a leader in this field and has received awards for its performance as shown on this page. Similar programs are being instituted in our Canadian Food Processing Division which are expected to achieve similar results.

In addition, substantial capital expenditures are devoted to future conservation. At present our Forest Products Division produces over 60% of its required power and the Espanola expansion project will greatly improve the efficiency of energy utilization. When the current project is complete the Espanola complex will be energy self-sufficient.

In another aspect of conservation, the Fisheries Division is active with the Governments of Canada and British Columbia in extensive programs designed to reverse declines in the west coast salmon population. Included are salmonid enhancement programs consisting of the building of artificial spawning channels, improved hatchery techniques and enrichment of the salmon environment with fertilizers. For the long term we are extremely optimistic about this joint Government/Industry program.

A major effort is being made on energy conservation throughout all Divisions with a high degree of success.

Environment

For all corporations the community's concern about protecting the environment is of major importance, whether the potential impact affects noise levels, visual impact, or air or water pollution.

In the design and location of stores Loblaw has sought to have modern, bright and clean facilities which are suited to the surrounding neighbourhoods while at the same time appealing to the needs and demands of shoppers.

Productive recycling of our precious timber lands is a challenging obligation for the forest products industry. Eddy in 1980 became the first company to enter into forest management agreements with the Ontario Ministry of Natural Resources. These twenty year agreements provide for forest regeneration and management by the company of all of its licensed timber areas. It is a leader in techniques for forest fire prevention, detection and control.

Recycling processes in pulp production have become accepted practice in the industry. Cleaning and recycling of water used for production in our pulp and paper mills is also an important part of Eddy's current capital programs.

As part of the pulp mill project at Espanola $25 million will be spent over the next three years directly related to pollution abatement. Air pollution has been significantly reduced at Espanola by the use of scrubbers, which reduce the amount of particles emitted into the air when pulp is cooked.

Eddy is making a significant contribution to environmental enhancement while caring for the future of Canada's major renewable resource.

As our Centennial year approaches, good corporate citizenship will be an increasingly important objective for this group of companies.

Neilson neighbourhood party at completion of plant renovation continues the tradition of working with the community.

Summary of results

This section of our report presents in summary form the highlights of our 1980 operating results and financial position.

Sales

Sales, after eliminating inter-company sales, were $6.8 billion in 1980 compared to $5.9 billion in 1979 and $5.2 billion in 1978. Sales in 1980 were 16% higher than last year.

Operating income
($ millions)

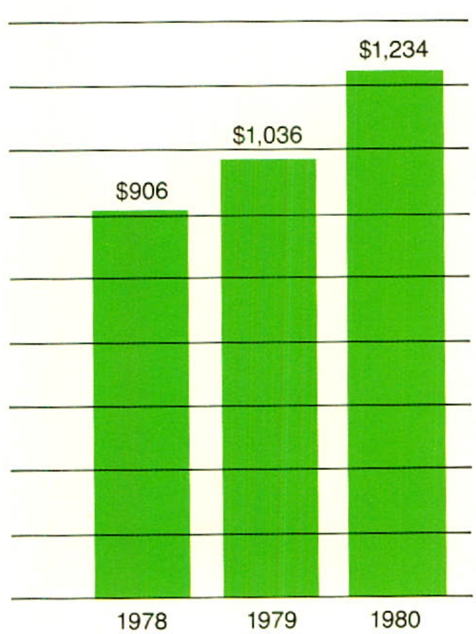
Operating income

In 1980 operating income increased by 17% to $196 million, a substantial improvement over the $168 million achieved in 1979 and $141 million in 1978. The acquisition of Stroehmann Bros. was the major reason for the increase in income for the Food Processing Division combined with aggressive sales programs and a tight hold on expenses in the rest of the Division. The Fisheries Division on the west coast suffered from the complete collapse of the roe herring fishery and the lowest salmon catch since 1975. Poor sardine landings on the east coast and falling seafood prices on both coasts also contributed to this year's poor results. The Forest Products Division encountered reasonably good markets for pulp and paper but experienced increasing costs and low lumber prices resulting in reduced income. Food Distribution registered substantial increases over the previous year from effective control of expenses and increasingly productive use of facilities, despite stringent price competition in various markets.

Capital employed

Capital employed (total assets less non-interest bearing current liabilities) increased by 19% to $1,234 million for the Company, compared to $1,036 million last year and $906 million in 1978. At the end of 1980, capital employed had increased in the Food Processing Division by 42% to $288 million or 23% of the total capital employed, in the Fisheries Division by 23% to $202 million or 16% of the total, in the Forest Products Division by 7% to $129 million or 11% of the total, and in the Food Distribution Division by 12% to $615 million or 50% of the total.

Capital employed
($ millions)



Return on capital employed

The ratio of operating income to average capital employed provides an important measure of performance and efficiency in the utilization of capital. The consolidated return of 17.3% remained the same as 1979 and up from 16.4% in 1978. The Food Processing Division's return advanced to 19.9% from 15.0%, while the Food Distribution Division improved to 17.1% from 14.4%. Our Forest Products Division declined marginally to 33.3% from 37.5% and the Fisheries Division deteriorated to 3.3% from 13.0%.

Earnings

Earnings before extraordinary items increased 7.0% to $70.5 million in 1980 from $65.9 million in 1979 and $50.6 million in 1978. This represented $5.11 per common share compared to $5.06 in 1979 and $4.06 in 1978. Extraordinary items in 1980 of $13.1 million consisted of a gain on the sale of an investment of $2.5 million and tax reductions realized on the application of prior years' losses of $10.6 million. The Company's effective interest in before-tax losses that may be applied to future earnings is approximately $44 million. Net earnings for 1980 of $83.6 million ($6.28 per common share) were a record for your Company.

Dividends

In 1980 dividends of $15.2 million were declared on the common shares, up from $11.5 million in 1979 and $7.9 million in 1978. The quarterly dividend rates for the first through fourth quarters were 31¢, 35¢, 35¢ and 35¢ respectively for a total of $1.36 per share. Preferred

Capital expenditures
($ millions)

dividends increased from $9.8 million to $13.5 million as a result of the substantial increase in prime-related rates during the year and to a lesser degree the issuance of additional shares near the end of 1979.

Cash flow from operations

The positive trend established over the past few years in cash flow from operations continued in 1980, increasing to $174 million from $168 million in 1979 and $135 million in 1978. On a per share basis cash flow from operations was $15.60 compared to $15.21 in 1979 and $12.25 in 1978.

Capital expenditures

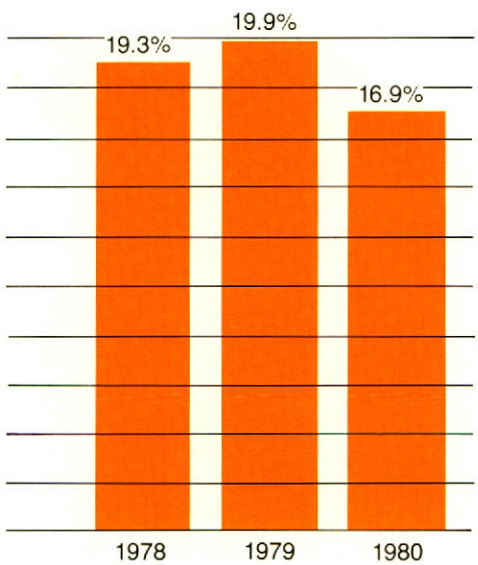
Additions to fixed assets that are owned by the Company totalled $180 million in 1980 compared to $157 million last year and $119 million in 1978. Divisional expenditures in 1980 were as follows: Food Processing $34 million, Fisheries $35 million, Forest Products $21 million and Food Distribution $90 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.

Working capital

Working capital at the end of 1980 of $274 million was $41 million higher than last year and $63 million in excess of 1978.

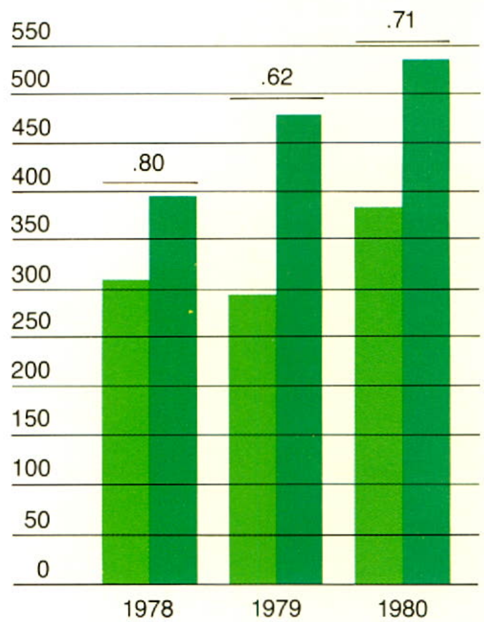
Major sources of working capital during the year were cash flow from operations of $174 million, new long-term debt of $142 million, new capital lease obligations of $50 million as well as proceeds from the sale of fixed assets of $37 million.

Return on common shareholders' equity



Working capital was used to purchase fixed assets of $180 million, acquire capital lease property of $49 million, reduce long-term debt by $74 million, acquire a subsidiary company for $29 million (net of its working capital) and pay dividends to our shareholders of $29 million.

Debt/equity ratio
($ millions)



Debt and shareholders' equity

The ratio of total debt to total shareholder' equity was 0.71:1 in 1980 as compared with 0.62:1 in 1979 and 0:80:1 in 1978. The ratio of long-term debt to total shareholders' equity increased to 0.47:1 in 1980 compared to 0.36:1 in 1979 and 0.44:1 in 1978.

Return on common shareholders' equity

The return on common shareholders' equity was 16.9% in 1980. This compares with a return of 19.9% in 1979 and 19.3% in 1978.

Five year summary

($ millions)	1980	1979	1978	1977	1976
Sales and earnings					
Sales	6,777	5,867	5,238	4,590	4,345
Operating income	196	168	141	102	91
Interest expense	57	39	32	37	45
Earnings (loss) before extraordinary items	71	66	51	27	(8)
Net earnings (loss)	84	76	57	32	(15)
Financial position					
Current assets	932	827	732	657	713
Current liabilities	658	594	522	481	592
Working capital	274	233	210	176	121
Fixed assets	659	560	480	438	424
Property under capital leases	88	45	–	–	–
Long-term debt	249	174	174	196	233
Shareholders' equity	534	479	399	305	206
Total equity including minority interest	656	591	503	401	298
Total assets	1,758	1,507	1,282	1,146	1,189
Cash flow					
Cash flow from operations	174	168	135	95	76
Purchase of owned fixed assets	180	157	119	96	100
Acquisition of property under capital leases	49	42	–	–	–
Dividends – common and preferred	29	21	14	8	13
Per common share (in dollars)					
Earnings (loss) before extraordinary items	5.11	5.06	4.06	2.36	(.86)
Net earnings (loss)	6.28	6.01	4.66	2.77	(1.44)
Dividends	1.36	1.04	.72	.60	1.07
Cash flow from operations	15.60	15.21	12.25	8.66	6.87
Book value	32.64	27.81	22.94	18.97	16.77
Market value – high	31.25	28.00	23.38	14.75	18.50
– low	22.00	21.00	13.13	11.50	10.50

Forestry students, members of forestry training program, measuring timber for precise cutting lengths.
Neilson's new Sweet Marie line, Toronto.
Filling an order from central tiered warehouse at Erin Mills, Ontario.
Reviewing Weston Bakeries' plans for modernization of Toronto plant.

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, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for 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 December 31, 1980 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.

Thorne Riddell

Chartered Accountants
Toronto, Canada
March 16, 1981

Consolidated statement of earnings

Year ended December 31, 1980
(in thousands of dollars)

	1980	1979
Sales and other income		
Sales	$6,776,728	$5,867,102
Investment income	7,969	5,581
	6,784,697	5,872,683
Operating expenses		
Cost of sales, selling and administrative expenses before the following items	6,438,964	5,580,015
Net long-term lease expense	64,467	60,351
Depreciation of owned fixed assets	79,013	62,372
Depreciation of property under capital leases	6,080	1,680
	6,588,524	5,704,418
Operating income	196,173	168,265
Interest on long-term debt	26,373	18,411
Interest on obligations under capital leases	7,941	2,454
Other interest expense	22,712	18,025
	57,026	38,890
Earnings before income taxes	139,147	129,375
Income taxes (note 2)	59,461	53,527
Earnings before minority interest	79,686	75,848
Minority interest	9,213	9,899
Earnings before extraordinary items	70,473	65,949
Extraordinary items (note 3)	13,089	10,528
Net earnings for the year	$ 83,562	$ 76,477
Per common share		
Earnings before extraordinary items	$ 5.11	$ 5.06
Extraordinary items	$ 1.17	$ .95
Net earnings for the year	$ 6.28	$ 6.01

Consolidated statement of retained earnings

Year ended December 31, 1980
(in thousands of dollars)

	1980	1979
Retained earnings at beginning of year	$ 286,663	$ 231,516
Net earnings for the year	83,562	76,477
	370,225	307,993
Dividends declared		
Preferred shares	13,495	9,809
Common shares	15,205	11,521
	28,700	21,330
Retained earnings at end of year (note 11)	$ 341,525	$ 286,663

Consolidated statement of changes in financial position

Year ended December 31, 1980
(in thousands of dollars)

	1980	1979
Sources of working capital		
Operations		
Earnings before minority interest	**$ 79,686**	$ 75,848
Depreciation	**85,093**	64,052
Income taxes not requiring cash	**17,532**	29,633
Gain on sale of fixed assets	**(6,077)**	(930)
Other	**(1,858)**	(376)
Cash flow from operations	**174,376**	168,227
Financing		
Increase in long-term debt	**141,742**	28,779
Incurrence of obligations under capital leases	**50,490**	40,360
Proceeds from issue of share capital	**1,627**	25,000
Proceeds from issue of preferred shares to minority shareholders	**1,900**	
	195,759	94,139
Other items		
Proceeds from sale of subsidiary companies and investments (net of subsidiaries' working capital)	**8,000**	6,309
Proceeds from sale of fixed assets	**37,356**	32,555
	45,356	38,864
Total sources of working capital	**415,491**	301,230
Uses of working capital		
Reinvestment		
Purchase of owned fixed assets	**179,696**	157,043
Acquisition of property under capital leases	**49,219**	41,634
Acquisition of subsidiary company (net of its working capital)	**28,926**	16,825
Net increase in investments and sundry items	**9,099**	8,342
	266,940	223,844
Financing		
Reduction in long-term debt	**73,987**	28,436
Purchase of minority interest	**1,323**	1,896
	75,310	30,332
Dividends		
To shareholders	**28,700**	21,330
To minority shareholders in subsidiary companies	**3,494**	3,503
	32,194	24,833
Total uses of working capital	**374,444**	279,009
Increase in working capital	**41,047**	22,221
Working capital at beginning of year	**232,488**	210,267
Working capital at end of year	**$ 273,535**	$ 232,488

Consolidated balance sheet

As at December 31, 1980
(in thousands of dollars)

	1980	1979
ASSETS		
Current assets		
Cash and short-term investments	**$ 11,726**	$ 9,787
Accounts receivable (note 4)	**234,411**	189,166
Properties held for sale, at the lower of cost and net realizable value	**18,702**	20,444
Inventories (note 5)	**641,710**	591,040
Prepaid expenses	**24,947**	16,197
	931,496	826,634
Investments (note 6)	**64,019**	60,842
Fixed assets		
Land	**54,337**	36,011
Buildings	**202,113**	170,635
Equipment and fixtures	**789,113**	709,923
Leasehold improvements	**141,333**	122,633
	1,186,896	1,039,202
Accumulated depreciation	**528,371**	479,080
	658,525	560,122
Property under capital leases, less accumulated depreciation (note 8)	**87,725**	44,586
	746,250	604,708
Goodwill	**13,484**	14,362
Deferred charges	**2,240**	792
	$1,757,489	$1,507,338

Approved by the Board

W. Galen Weston
Director

Director

	1980	1979
LIABILITIES		
Current liabilities		
Bank advances and notes payable	**$ 120,139**	$ 109,056
Accounts payable and accrued liabilities	**468,424**	435,675
Taxes payable	**50,780**	32,470
Dividends payable	**3,920**	3,452
Long-term debt payable within one year	**9,941**	11,398
Current portion of obligations under capital leases	**4,757**	2,095
	657,961	594,146
Long-term debt (note 7)	**248,793**	174,222
Obligations under capital leases (note 8)	**88,877**	45,203
Other liabilities (note 9)	**18,703**	18,750
Deferred income taxes	**70,636**	65,893
Deferred real estate income	**16,782**	17,851
Minority interest in subsidiaries	**121,717**	112,459
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**192,495**	192,151
Retained earnings	**341,525**	286,663
	534,020	478,814
	$1,757,489	$1,507,338

Notes to consolidated financial statements

December 31, 1980

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, 1980:

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 1980 is $750,000 (1979 – $1,003,000) 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) Leases

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. 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 January 1, 1979 are expensed as incurred.

A retroactive application of this policy would reduce net earnings for 1980 by $589,000 ($.05 per share), and assets and obligations would increase in the balance sheet by $147,959,000 and $192,719,000 respectively.

e) Translation of foreign currencies

All U.S. balances have been translated at a rate approximating the current rate at each year-end. The net deferral on the translation of the Company's equity in U.S. subsidiaries and long-term debt payable in U.S. funds is included in "Fixed assets" on the balance sheet as a decrease of $8,375,000 in 1980 and a decrease of $7,339,000 in 1979. The net deferral at the end of 1979 and any subsequent deferrals, less amounts realized, are amortized to earnings on a straight-line basis over ten years.

f) Fixed assets

Fixed assets are stated at cost including interest cost associated with construction. Depreciation is recorded principally on a straight-line basis to amortize the cost of these 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.

g) 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. 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 $5,274,000 (1979 – $19,212,000).

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:	1982	$ 1,632
	1983	15,238
	1984	844
	1985	13,192
	1986	551
	1987	4,639
		36,096
Expenses recorded for book purposes not yet claimed for tax purposes		20,341
Accounting losses, the tax effects of which have not been recognized in the financial statements		$56,437
The Company's effective interest therein		$43,756

3. Extraordinary items

	1980	1979
	(in thousands of dollars)	
Income tax reductions realized on application of prior years' losses	$ 10,548	$ 6,953
Gain on sale of investment and subsidiary's shares (less income taxes of $1,269,000 in 1980)	2,541	3,575
	$ 13,089	$ 10,528

4. Accounts receivable

	1980	1979
	(in thousands of dollars)	
Trade	$186,101	$156,739
Loans, advances and non-current receivables due within one year	3,191	3,311
Other	45,119	29,116
	$234,411	$189,166

5. Inventories, by division

	1980			1979
	Raw materials and supplies	Finished goods	Total	Total
	(in thousands of dollars)			
Food Distribution	$ 3,155	$352,349	$355,504	$345,219
Food Processing	74,364	48,154	122,518	91,091
Fisheries	16,569	88,745	105,314	108,925
Forest Products	30,875	27,499	58,374	45,805
	$124,963	$516,747	$641,710	$591,040

6. Investments

	1980	1979
	(in thousands of dollars)	
Properties held for development or sale, at cost	$ 26,384	$ 23,645
Secured loans and advances	15,459	15,138
Non-current receivables	8,386	14,557
Sundry investments	13,790	7,502
	$ 64,019	$ 60,842

Secured loans and advances include $2,312,000 (1979 – $2,462,000) 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.

7. Long-term debt

	1980	1979
	(in thousands of dollars)	
George Weston Limited		
Sinking Fund Debentures		
$5\frac{1}{4}$% Series C maturing 1982	$ 4,386	$ 5,027
$5\frac{1}{2}$% Series D maturing 1983	5,047	5,407
$6\frac{3}{4}$% Series E maturing 1986	3,330	3,684
$6\frac{3}{4}$% Series F maturing 1987	15,252	15,733
12.75% Series 1 maturing 2000	25,000	
$13\frac{1}{2}$% Notes maturing 1987 (U.S. $30,000,000)	35,294	
Bank loans maturing 1988 bearing interest at the London Interbank offered rate plus $\frac{5}{8}$% until 1985 and plus $\frac{3}{4}$% to 1988 (U.S. $10,000,000)	11,765	
Bank loan bearing interest at the London Interbank offered rate plus $\frac{7}{8}$%		13,490
	100,074	43,341
British Columbia Packers Limited and subsidiaries		
Bank loan maturing 1988 bearing interest at $11\frac{3}{8}$% to June, 1982 and at bank's prime rate thereafter	15,000	
Bank loan maturing 1989 bearing interest at bank's prime rate	15,000	
Bank loan bearing interest at $\frac{1}{2}$% above the bank's prime rate		6,000
Bank loan maturing 1982 bearing interest at $\frac{3}{4}$% above bank's prime rate	3,250	
First Mortgage Sinking Fund Bonds		
$6\frac{1}{2}$% Series B maturing 1982 (U.S. $750,000)	882	1,324
$6\frac{1}{2}$% Series C maturing 1982 (U.S. $250,000)	294	441
Other long-term debt	400	
	34,826	7,765

	1980	1979
	(in thousands of dollars)	
Loblaw Companies Limited		
Bank loan maturing 1984 bearing interest at lower of London Interbank offered rate plus 3/4% or 107 1/2% of U.S. bank's prime rate (U.S. $12,375,000)	$14,559	$15,441
Bank loan maturing 1985 bearing interest at 12 1/2% (U.S. $12,000,000)	14,117	
Bank loan bearing interest at lower of London Interbank offered rate plus 3/4% or 107 1/2% of U.S. bank's prime rate		15,000
	28,676	30,441
Loblaws Limited		
Sinking Fund Debentures		
5 3/4% Series F maturing 1981	2,400	2,510
6 3/8% Series G maturing 1991	3,938	4,438
6 3/4% Series H maturing 1991	4,278	4,453
Mortgages payable maturing 1985-2004 at a weighted average interest rate of 9.6%	3,281	2,840
	13,897	14,241
Kelly, Douglas & Company, Limited and subsidiaries		
Sinking Fund Debentures		
8 3/8% 1973 Series maturing 1993	10,335	10,393
Mortgages and other long-term debt maturing 1982-1997 at a weighted average interest rate of 8.8% (including U.S. $2,332,000)	3,034	3,768
	13,369	14,161
National Tea Co. and subsidiaries		
Bank loan maturing 1991 at 117% of the average 7 year U.S. Treasury note rate (U.S. $15,000,000)	17,647	
Bank loan maturing 1988 at the London Interbank offered rate plus 3/4% or at U.S. bank's prime rate plus 1/2%, declining to prime rate in 1985 (U.S. $15,000,000)	17,647	
Bank loans at 107 1/2% of the U.S. bank's prime rate and at U.S. bank's prime rate		35,294
3 1/2% Subordinated Debentures		2,721
Other long-term debt		565
	35,294	38,580
Peter J. Schmitt Co., Inc.		
Bank loan maturing 1984 bearing interest at 12% (U.S. $2,400,000)	2,824	3,530
Other long-term debt maturing 1981-2001 (U.S. $1,044,000)	1,228	2,470
Mortgages payable		3,015
	4,052	9,015
Westcane Sugar Limited		
9 3/8% First Mortgage Sinking Fund Bonds maturing 1993	7,617	7,617

	1980	1979
	(in thousands of dollars)	
Other		
Notes, mortgages and other long-term debt maturing 1981-1999 with a weighted average interest rate of 11.2% (including U.S. $3,555,000)	$ 20,929	$ 20,459
	258,734	185,620
Less payable within one year	9,941	11,398
Long-term debt	$248,793	$174,222

Principal payable in the next five years is:

1981	$ 9,941,000	1984	$16,429,000
1982	19,839,000	1985	29,684,000
1983	23,676,000		

8. 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:

	1980	1979
	(in thousands of dollars)	
Buildings	$ 39,747	$ 32,705
Equipment and fixtures	57,318	13,670
	97,065	46,375
Accumulated depreciation	9,340	1,789
	$ 87,725	$ 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				
1981	$ 15,933	$ 83,045	$ 18,149	$ 64,896
1982	15,805	78,203	17,005	61,198
1983	15,738	70,745	15,315	55,430
1984	15,676	63,686	13,816	49,870
1985	15,535	56,680	11,463	45,217
Thereafter to 2023	125,194	640,624	96,633	543,991
Total minimum lease payments	203,881	$992,983	$172,381	$820,602
Less amounts representing executory costs	264			
Less amounts representing interest at a weighted average rate of 11.3%	109,983			
Balance of obligations	93,634			
Less current portion	4,757			
Long-term obligations	$ 88,877			

9. Other liabilities

	1980	1979
	(in thousands of dollars)	
Provision for future net obligations on closed operations	$ 7,038	$ 7,704
Deferred employee compensation	8,776	8,190
Provision for self-insured claims	2,889	2,856
	$ 18,703	$ 18,750

10. Share capital

The Company received a Certificate of Continuance under the Canada Business Corporations Act in 1980. As a result the authorized capital of the Company consists of:

a) 213,449 preferred shares (Senior preferred shares) issuable in series

b) an unlimited number of preferred shares (Preferred shares) issuable in series

c) an unlimited number of preferred shares (Junior preferred shares) issuable in series, and

d) an unlimited number of common shares (Common shares).

	Number of shares		Amount	
	1980	1979	1980	1979
			(in thousands of dollars)	
Senior preferred shares (1979 – Preferred) cumulative, redeemable				
Issued				
First series (1979 – 4½% First series preferred) $4.50 cumulative dividend, redeemable at $104	80,290	84,615	$ 8,029	$ 8,461
Second series (1979 – 6% Second series preferred) $6.00 cumulative dividend, redeemable at $105	72,809	74,309	7,281	7,431
	153,099	158,924		
Preferred shares (1979 – Second preferred) cumulative redeemable and retractable				
Issued				
Series X (1979 – Series A second preferred) redeemable and retractable on December 1, 1987 at $100; annual dividend rate is one half average bank prime rate plus 1¼%	750,000	750,000	75,000	75,000

	Number of shares		Amount	
	1980	1979	1980	1979
			(in thousands of dollars)	
Series Y (1979 – Series B second preferred) redeemable and retractable on December 1, 1990 at $100; annual dividend rate is one half average bank prime rate plus 1/2% to November 30, 1981, 3/4% thereafter to November 30, 1985 and 7/8% thereafter	500,000	500,000	$50,000	$50,000
Series Z (1979 – Series C second preferred) redeemable and retractable on December 1, 1991 at $100; annual dividend rate is one half average bank prime rate plus 1 1/2%	250,000	250,000	25,000	25,000
	1,500,000	1,500,000		
Junior preferred shares (1979 – Preferred) cumulative, redeemable				
Issued				
Series A (1979 – 8% Tenth series preferred) $8.00 cumulative dividend, redeemable after March 16, 1988 at $100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .16125	24,668	31,668	2,467	3,167
Series B (1979 – 6% Third series preferred) $6.00 cumulative dividend, redeemable after October 1, 1980 at $100, convertible into 5 common shares for each preferred share and $3.75	1,000	1,000	100	100

	Number of shares		Amount	
	1980	1979	1980	1979
			(in thousands of dollars)	
Series C, $9.00 cumulative dividend, redeemable after June 6, 1990 at $100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .24	5,500		$ 550	
	31,168	32,668		
			168,427	$169,159
Common shares – issued	11,202,221	11,135,914	24,068	22,992
			$192,495	$192,151

During the year, 5,825 preferred shares (1979 – 4,058) were purchased for cancellation at a cost of $332,000 (1979 – $249,000).

The Company issued 5,500 junior preferred shares, Series C at $100 each for $550,000 in 1980.

The preferred shares Series X, Y and Z are retractable at $100 each 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 X and Y shares, the holder will loan the Company funds sufficient to complete the retraction.

In 1980 the Company issued 43,409 common shares for $700,000 on conversion of preferred shares and issued 22,898 common shares for cash of $376,000 on exercise of employee stock options. After giving effect to the foregoing the Company has reserved 180,898 common shares for potential conversion of the preferred shares.

As at December 31, 1980, 132,120 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, 1980.

Number of employees	Number of shares	Exercise price per share	Option expiry date
26	76,170	$16.125	March 16, 1983
2	8,000	19.875	September 15, 1983
12	23,975	24.00	June 6, 1990

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

11. 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, 1980 a substantial portion of consolidated retained earnings is available for dividends under these tests.

12. Commitments and contingent liabilities

a) Endorsements and guarantees amount to $96,500,000.

b) The present value of the unfunded past service pension liability is estimated to be $67,700,000 at December 31, 1980 and is being amortized over varying periods not exceeding fifteen 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. The cases are remanded to the District Court. Although the outcome cannot be predicted, management is not aware of any facts which would substantiate the allegations.

13. Segmented Information

The directors have determined the Company's classes of business at a meeting of directors to be as follows and have recorded them in the minutes of the meeting: Food Distribution, Food Processing, Fisheries, and Forest Products. This information is also broken down geographically between Canada and the United States.

(in thousands of dollars)

	Food Distribution	Food Processing	Fisheries	Forest Products	Eliminations	Consolidated	Canada	United States
Sales to customers outside the enterprise	$5,371,576	$739,410	$300,891	$364,851		$6,776,728		
Inter-segment sales	3,220	229,624	25,861	20,367	$(279,072)			
Total sales	$5,374,796	$969,034	$326,752	$385,218	$(279,072)	$6,776,728	$4,252,131	$2,524,597
Segment operating profit	$ 96,920	$ 48,928	$ 1,876	$ 43,774		$ 191,498	$ 144,524	$ 46,974
Investment and other income, net of corporate service expense						4,675		
Operating income per earnings statement						196,173		
Interest expense						(57,026)		
Income taxes						(59,461)		
Minority interest						(9,213)		
Extraordinary items						13,089		
Net earnings						$ 83,562		
Identifiable assets	$ 948,016	$330,908	$233,390	$215,475		$1,727,789	$1,212,787	$ 515,002
Corporate assets						29,700		
Total assets						$1,757,489		
Purchase of fixed assets	$ 138,616	$ 34,609	$ 35,206	$ 20,484		$ 228,915	$ 166,235	$ 62,680
Depreciation of fixed assets	$ 49,073	$ 16,897	$ 7,177	$ 11,946		$ 85,093	$ 55,901	$ 29,192

Canadian sales include export sales of $247,770,000.

14. Acquisition

On January 3, 1980, 100% of Stroehmann Brothers Company, a baking company in the Northeastern United States , was acquired for cash. The purchase method has been used to account for this acquisition and accordingly results of operations are included since the date of acquisition. Allocation of the purchase price is:

	(in thousands of dollars)
Working capital	$ 8,834
Fixed assets	29,000
Investments	1,162
	38,996
Long-term liabilities	1,236
Net assets acquired	$ 37,760

15. Other information

a) Related party transactions
The Company and its subsidiaries lease capital assets from a subsidiary of its controlling shareholder, Wittington Investments, Limited. Net lease expense on these assets for 1980 amounts to $5,700,000. The Company has also guaranteed a U.S. $4,280,000 mortgage payable by a subsidiary of Wittington Investments, Limited on property leased to the Company.

b) Accrual for vacation pay
The Company intends to retroactively adopt the policy of accruing for vacation pay based on employee past service on a consistent basis in all operations in 1981. The approximate impact on retained earnings at December 31, 1980 will be a reduction of $8,500,000.

c) The Companies Act of British Columbia
These financial statements comply with the disclosure requirements of the Canada Business 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
Loblaw Companies Limited

Richard J. Currie
Senior Vice President,
Food Distribution
George Weston Limited
President
Loblaw Companies Limited

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

Hugo Mann
General Director
Deutscher Supermarket

Honourable Dr. Pauline McGibbon
Company Director

George C. Metcalf□
Vice President
George Weston Limited
Honourary Chairman
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.

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

□ Executive Committee
□□ Audit Committee

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
Treasurer

Ivan R. Franklin
Corporate Tax Officer

Terrence H. Wardrop
Controller

Stewart E. Green
Secretary

Kenneth L. Harlock
Systems and Planning Officer

Douglas E. Perrin
Vice President Finance,
Food Processing

James N. Bunsch
Assistant Treasurer

Charlotte Welch
Assistant Secretary

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Toronto, Montreal and Vancouver

General counsel

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Auditors

Thorne Riddell
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